

	AGM Insured	Underlying
<b>RATINGS: Moody's:</b>	<b>Aa3 (negative outlook)</b>	<b>A1</b>
<b>S&amp;P:</b>	<b>AA+ (stable outlook)</b>	<b>A+</b>
	See "RATINGS" herein	

*In the opinion of Jones Hall, A Professional Law Corporation, and Lofton & Jennings, Co-Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Series 2011 Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Co-Bond Counsel, such interest is exempt from California personal income taxes. See "TAX EXEMPTION" herein.*

**\$43,780,000**

**REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO  
HOTEL OCCUPANCY TAX REVENUE REFUNDING BONDS  
SERIES 2011**

**Dated: Date of Delivery**

**Due: June 1, as shown on the inside front cover**

The Redevelopment Agency of the City and County of San Francisco (the "Agency") is issuing its Redevelopment Agency of the City and County of San Francisco Hotel Occupancy Tax Revenue Refunding Bonds, Series 2011 (the "Series 2011 Bonds") to provide funds, which together with other moneys, will be used to (i) refund all \$4,840,000 outstanding principal amount of the Agency's Hotel Tax Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), (ii) refund all \$46,740,000 outstanding principal amount of the Agency's Hotel Tax Revenue Bonds, Series 1998 (the "Series 1998 Bonds"), (iii) fund a deposit to the Bond Reserve Fund, and (iv) pay the costs of issuance of the Series 2011 Bonds.

The Series 2011 Bonds are being issued pursuant to, and are secured under, the Indenture dated as of December 1, 1994 (the "Master Indenture"), by and between the Agency and The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as successor trustee (the "Trustee"), as amended and supplemented, including as amended and supplemented by a Third Supplemental Indenture dated as of March 1, 2011, by and between the Agency and the Trustee. The Master Indenture, as so amended and supplemented is referred to as the "Indenture."

Interest on the Series 2011 Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2011.

The Series 2011 Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Series 2011 Bonds will not receive physical certificates representing their interest in the Series 2011 Bonds. So long as the Series 2011 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the owners of the Series 2011 Bonds shall mean Cede & Co., and shall not mean the ultimate purchasers of the Series 2011 Bonds. So long as DTC or Cede & Co., as nominee of DTC, is the registered owner of the Series 2011 Bonds, disbursement of such payment to DTC's participants is the responsibility of DTC, and disbursements of such payments to the beneficial owners is the responsibility of DTC's participants and indirect participants, as more fully described herein. See APPENDIX B—"THE BOOK-ENTRY SYSTEM."

The Series 2011 Bonds are the third series of Hotel Tax Revenue Bonds to be issued by the Agency under the Indenture; the Series 1994 Bonds and the Series 1998 Bonds that are outstanding are being refunded and defeased in whole as described above and herein. The Series 2011 Bonds are special limited obligations of the Agency payable from and secured by a pledge of certain Revenues (as defined herein), consisting primarily of amounts available for distribution to the Agency from the imposition of an Agency Hotel Tax (as defined herein) by the Agency upon the occupancy of guest rooms in the hotels within six identified redevelopment project areas of the Agency within the City and County of San Francisco (the "City"). Under the Indenture, the Revenues are pledged to secure the payment of the principal of, redemption premium, if any, and interest on the Series 2011 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS—Revenues; Pledge and Assignment of Revenues." The pledge of the Revenues with respect to the Series 2011 Bonds will be on a parity with the pledge of the Revenues with respect to any other Series of Bonds or Parity Debt (as defined herein) issued under and in accordance with the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS—Parity Debt and Subordinated Debt."

The scheduled payment of principal of and interest on the Series 2011 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2011 Bonds by ASSURED GUARANTY MUNICIPAL CORP. See APPENDIX E—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."



**The Series 2011 Bonds are subject to redemption prior to maturity as set forth herein.**

**For a discussion of some of the risks associated with the purchase of the Series 2011 Bonds, see "RISK FACTORS" herein.**

**THE SERIES 2011 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AGENCY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES PLEDGED IN THE INDENTURE. THE SERIES 2011 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF THEIR POLITICAL SUBDIVISIONS, EXCEPT THE AGENCY TO THE EXTENT DESCRIBED HEREIN, AND NEITHER THE CITY, THE STATE OF CALIFORNIA NOR ANY OF THEIR POLITICAL SUBDIVISIONS, EXCEPT THE AGENCY TO THE EXTENT DESCRIBED HEREIN, IS LIABLE THEREON. IN NO EVENT SHALL PRINCIPAL OF THE SERIES 2011 BONDS OR REDEMPTION PREMIUM, IF ANY, OR ANY INTEREST THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY AS SET FORTH IN THE INDENTURE. THE SERIES 2011 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AGENCY NOR ANY PERSONS EXECUTING THE SERIES 2011 BONDS ARE LIABLE PERSONALLY ON THE SERIES 2011 BONDS BY REASON OF THEIR ISSUANCE.**

This cover page is intended for quick reference only. It is not intended to be a summary of the security for or the terms of the Series 2011 Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

*The Series 2011 Bonds are offered when, as and if delivered and received by the Underwriters, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California and Lofton & Jennings, San Francisco, California, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP and for the Agency by Jones Hall, A Professional Law Corporation, San Francisco, California and Lofton & Jennings, San Francisco, California, as Co-Disclosure Counsel and by its General Counsel. It is anticipated that the Series 2011 Bonds will be available for delivery to DTC on or about March 17, 2011.*

**Citi**

**Backstrom McCarley Berry & Co., LLC**

**Jefferies & Company**

Dated: March 16, 2011

## MATURITY SCHEDULE

**\$43,780,000**

**REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO  
HOTEL OCCUPANCY TAX REVENUE REFUNDING BONDS  
SERIES 2011**

Maturity Date

<u>(June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.<sup>†</sup></u>
2012	\$850,000	2.00%	1.00%	79771YAA4
2013	1,180,000	2.00	1.60	79771YAB2
2014	1,115,000	3.00	2.25	79771YAC0
2015	3,165,000	4.00	3.00	79771YAD8
2016	3,210,000	4.00	3.25	79771YAE6
2017	3,265,000	4.00	3.50	79771YAF3
2018	3,280,000	5.00	3.75	79771YAG1
2019	4,610,000	5.00	4.00	79771YAH9
2020	3,365,000	5.00	4.18	79771YAJ5
2021	3,510,000	5.00	4.40	79771YAK2
2025	4,455,000	5.00	5.20	79771YAM8

\$11,775,000 5.00% Term Series 2011 Bonds due June 1, 2024 - Yield: 5.04% - Price: 99.610% - CUSIP No.<sup>†</sup>: 79771YAL0

<sup>†</sup> Copyright 2011, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the Agency nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

No dealer, broker, salesperson or other person has been authorized by the Redevelopment Agency of the City and County of San Francisco (the “Agency”) or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the Agency or the Underwriters. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2011 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Preliminary Official Statement is not to be construed as a contract with the purchasers of the Series 2011 Bonds. Statements contained in this Preliminary Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact.

The information set forth in this Preliminary Official Statement has been obtained from sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall create under any circumstances any implication that there has been no change in the affairs of the Agency or the City and County of San Francisco (the “City”) since the date hereof. This Preliminary Official Statement is submitted with respect to the sale of the Series 2011 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by Agency. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

This Preliminary Official Statement and the information contained herein is in a form deemed final by the City for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for omission of certain information permitted to be omitted under Rule 15c2-12(b)(1)). However, the information herein is subject to revision, completion or amendment in a final Official Statement.

The Underwriters have submitted the following statement for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters does not guarantee the accuracy or completeness of such information.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AGENCY AND THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE SERIES 2011 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Series 2011 Bonds or the advisability of investing in the Series 2011 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and APPENDIX E—“SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

## REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

Rick Swig, President  
Darshan H. Singh, Vice President  
Rosario Anaya  
Miguel Bustos  
Francee Covington  
Leroy King  
Agnes Ubalde

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Olson Lee, Deputy Executive Director, Housing  
Stephen Maduli-Williams, Deputy Executive Director, Community and Economy Development  
Amy Lee, Deputy Executive Director, Finance and Administration  
James Morales, General Counsel  
Gina E. Solis, Secretary

---

### CITY AND COUNTY OF SAN FRANCISCO OFFICIALS

Edwin M. Lee, Mayor  
José Cisneros, Treasurer  
Dennis J. Herrera, City Attorney

### BOARD OF SUPERVISORS

David Chiu, President, *District 3*  
John Avalos, *District 11*  
David Campos, *District 9*  
Carmen Chu, *District 4*  
Malia Cohen, *District 10*  
Sean Elsbernd, *District 7*  
Mark Farrell, *District 2*  
Jane Kim, *District 6*  
Eric Mar, *District 1*  
Ross Mirkarimi, *District 5*  
Scott Wiener, *District 8*

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Amy Brown, Acting City Administrator  
Benjamin Rosenfield, Controller  
George Putris, Tax Administrator

---

### SPECIAL SERVICES

#### **CO-BOND COUNSEL AND CO-DISCLOSURE COUNSEL**

Jones Hall, A Professional Law Corporation  
San Francisco, California

Lofton & Jennings  
San Francisco, California

#### **TRUSTEE/ESCROW AGENT**

The Bank of New York Mellon Trust Company, N.A.  
San Francisco, California

#### **CO-FINANCIAL ADVISORS**

Public Financial Management, Inc.  
San Francisco, California

TKG & Associates  
San Francisco, California

#### **VERIFICATION AGENT**

Causey Demgen & Moore Inc.  
Denver, Colorado

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION .....	1	Collection of the Transient Occupancy	
Authorization .....	1	Tax .....	24
Purpose.....	1	Historical Agency Hotel Tax Revenues...	25
Security for the Series 2011 Bonds .....	2	Pro-Forma Debt Service Coverage .....	27
Bond Insurance .....	3	Recent Developments Affecting Levy	
Risk Factors.....	3	Area Hotels .....	27
Additional Information.....	3	SAN FRANCISCO TOURISM AND	
Continuing Disclosure.....	4	CONVENTION INDUSTRY .....	28
ESTIMATED SOURCES AND USES OF		Overview.....	28
FUNDS .....	4	Recent Developments .....	28
PLAN OF REFUNDING .....	4	THE AGENCY .....	28
THE SERIES 2011 BONDS .....	5	History and Purpose.....	28
General.....	5	Authority and Personnel .....	29
Redemption .....	6	RISK FACTORS .....	29
Transfer and Exchange of Series 2011		General.....	29
Bonds.....	8	Legislation to Eliminate Redevelopment	
Additional Series of Bonds and Parity		Agencies and Restrict Activities .....	29
Debt .....	8	Reduction in Hotel Tax Revenues .....	32
SECURITY AND SOURCES OF PAYMENT		Risks Associated with Hotel Industry .....	32
FOR THE SERIES 2011 BONDS .....	9	Concentration of Revenues .....	33
General.....	9	Change in Use.....	33
The Agency Hotel Tax.....	9	Bankruptcy or Insolvency of Hotel	
The Tax Administration Agreement .....	10	Owner.....	33
Revenues; Pledge and Assignment of		Limited Obligation of Agency .....	33
Revenues .....	11	Proposition 62 .....	34
Flow of Funds .....	12	Proposition 218.....	35
Covenants of the Agency .....	14	Seismic Risks.....	36
Series 2011 Reserve Account.....	14	Natural Gas Transmission Pipelines .....	36
Additional Series of Bonds .....	15	Bond Insurance Risk Factors .....	37
Proceedings for Issuance of Additional		VALIDATION .....	38
Series of Bonds.....	16	VERIFICATION OF MATHEMATICAL	
Issuance of Refunding Bonds.....	17	COMPUTATIONS .....	39
Parity Debt and Subordinated Debt.....	18	TAX EXEMPTION .....	39
DEBT SERVICE SCHEDULE.....	20	LITIGATION .....	40
BOND INSURANCE .....	20	RATINGS .....	40
Bond Insurance Policy .....	20	APPROVAL OF LEGALITY .....	41
Assured Guaranty Municipal Corp. ....	20	CO-FINANCIAL ADVISORS.....	41
HOTEL TAX REVENUES .....	22	UNDERWRITING .....	41
Hotels in the Levy Area .....	22	CONTINUING DISCLOSURE.....	42
		MISCELLANEOUS .....	43
APPENDIX A	- SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.....	A-1	
APPENDIX B	- THE BOOK-ENTRY SYSTEM .....	B-1	
APPENDIX C	- FORM OF CONTINUING DISCLOSURE CERTIFICATE .....	C-1	
APPENDIX D	- PROPOSED FORM OF OPINION OF CO-BOND COUNSEL .....	D-1	
APPENDIX E	- SPECIMEN MUNICIPAL BOND INSURANCE POLICY .....	E-1	

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## **OFFICIAL STATEMENT**

**\$43,780,000**

### **REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO HOTEL OCCUPANCY TAX REVENUE REFUNDING BONDS SERIES 2011**

## **INTRODUCTION**

### **Authorization**

This Preliminary Official Statement, which includes the cover page and the appendices hereto, sets forth certain information in connection with the issuance, sale and delivery of \$43,780,000 aggregate principal amount of Hotel Occupancy Tax Revenue Refunding Bonds, Series 2011 (the “Series 2011 Bonds”) by the Redevelopment Agency of the City and County of San Francisco (the “Agency”). The Series 2011 Bonds are being issued pursuant to the provisions of Resolution 128-2010 adopted by the Agency on November 2, 2010 and an Indenture, dated as of December 1, 1994 (the “Master Indenture”), between the Agency and First Interstate Bank of California (“FIB”), as trustee, as succeeded by The Bank of New York Mellon Trust Company, N.A., San Francisco, California (the “Trustee”), as supplemented by the First Supplemental Indenture, dated as of December 1, 1994 (the “First Supplemental Indenture”), between the Agency and FIB, the predecessor of the Trustee, as further supplemented by the Second Supplemental Indenture, dated as of March 1, 1998 (the “Second Supplemental Indenture”), between the Agency and the Trustee, and as further supplemented by the Third Supplemental Indenture, dated as of March 1, 2011 (the “Third Supplemental Indenture”), between Agency and the Trustee. The Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture are collectively referred to herein as the “Indenture.” The Series 2011 Bonds will be issued in full conformity with the Constitution and laws of the State of California (the “State”), including Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Refunding Law”).

### **Agency**

The Agency was organized in 1948 by the Board of Supervisors of the City and County of San Francisco (the “Board”) pursuant to the Law. Since its organization, the Agency has completed or nearly completed redevelopment plans for four redevelopment project areas, and has nine redevelopment plans now in effect.

### **Purpose**

The proceeds of the Series 2011 Bonds will be used by the Agency, together with other funds, to (i) refund all \$4,840,000 outstanding principal amount of the Agency’s Hotel Tax Revenue Bonds, Series 1994 (the “Series 1994 Bonds”), (ii) refund all \$46,740,000 outstanding principal amount of the Agency’s Hotel Tax Revenue Bonds, Series 1998 (the “Series 1998 Bonds”), (iii) fund a deposit to the Bond Reserve Fund, and (iv) pay the costs of issuance of the Series 2011 Bonds. See “PLAN OF REFUNDING.”



## Security for the Series 2011 Bonds

*General.* The Series 2011 Bonds are special limited obligations of the Agency payable from and secured by a pledge of certain Revenues (as defined herein), consisting primarily of the amounts legally available to and received by or on behalf of the Agency from the levy of a 12% Agency Hotel Tax (see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS–The Agency Hotel Tax”) on all hotels located within the Levy Area (as defined herein), which consists of six identified Agency redevelopment project areas as more particularly defined under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS–The Agency Hotel Tax.” The Agency levied its Agency Hotel Tax pursuant to Section 7280.5 of the Revenue and Taxation Code of the State (“Section 7280.5”), which allows a redevelopment agency to levy a transient occupancy tax to the extent (i) a transient occupancy tax has been levied by the city of the redevelopment agency and (ii) the city allows a credit against the city’s transient occupancy tax for amounts paid to the redevelopment agency for its transient occupancy tax. Under the Agency’s Ordinance (as defined herein), the Agency levies the 12% Agency Hotel Tax only in the Levy Area. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS.”

As additional security for the Bonds, the Indenture creates the Bond Reserve Fund (the “Bond Reserve Fund”) and within such Bond Reserve Fund a separate bond reserve account for each Series of Bonds Outstanding (as defined in the Indenture). All amounts in any bond reserve account in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making up a deficiency in the Interest Fund or the Principal Fund, or (together with any other moneys available therefor) for the redemption of all Bonds of such Series of Bonds (as defined herein) then outstanding or for the payment of the final principal and interest payment of such Series of Bonds, if following such payment the amounts in the Bonds Reserve Fund (including the amounts which may be obtained from letters of credit, surety bonds and insurance policies on deposit therein) will equal the Bonds Reserve Requirement. The Indenture creates a bond reserve account for the Series 2011 Bonds (the “Series 2011 Reserve Account”) which is to be held by the Trustee. The Series 2011 Reserve Account is required to be funded in an amount equal to the Bond Reserve Requirement (defined herein) with respect to the Series 2011 Bonds which are deemed to be outstanding for this purpose and will thereafter be maintained in an amount equal to the Bond Reserve Requirement. Amounts in the Series 2011 Reserve Account will be used to make payments of principal of and interest on the Series 2011 Bonds to the extent amounts in the Interest Fund or the Principal Fund (each as described in APPENDIX A hereto) are not sufficient to pay in full the principal or interest when due. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS–Series 2011 Reserve Account.”

Subject to the restrictions in the Indenture, the Agency may by supplemental indenture establish one or more additional series of Bonds (each, including the Series 2011 Bonds, a “Series of Bonds) or Parity Debt payable from and secured by Revenues, on a parity with the Series 2011 Bonds, provided that, among other things, the sum of the Hotel Tax Revenues received during the 12 months immediately preceding the date on which such additional Series of Bonds or Parity Debt will become Outstanding, plus the aggregate amount of City Hotel Tax (see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS–The Agency Hotel Tax”) (but calculated at the 12% Agency Hotel Tax rate) revenues received by the City and County of San Francisco (the “City”) during the 12 months immediately preceding the date on which an additional Series of Bonds or Parity Debt will become Outstanding from any areas to be added to the Levy Area in connection with the issuance of such additional Series of Bonds or Parity Debt, plus on and after the date on which all Project Funds have been closed, all interest, profits and other income received from the investment of moneys in the bond reserve accounts in the Bond Reserve Fund, shall be at least equal to 3.0 times the amount of Maximum Annual Debt Service on all Series of Bonds and Parity Debt then Outstanding and the additional Series of Bonds or Parity Debt then proposed to be issued, provided, however, that the calculation may be adjusted as set forth in the Indenture if adjustments to the Agency Hotel Tax rate have occurred. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS–Additional Series of Bonds.”



Pursuant to the Indenture, all Revenues are pledged to secure the payment of principal of and redemption premium, if any, and interest on the Series 2011 Bonds, any additional Series of Bonds and any indebtedness, installment sale obligation, lease obligation or other obligation of the Agency for borrowed money having an equal lien and charge upon the Revenues of the Agency and therefore payable on a parity with the Bonds ("Parity Debt"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS—Additional Series of Bonds" as to the issuance of additional Series of Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS—Parity Debt and Subordinated Debt" as to the issuance of Parity Debt.

THE SERIES 2011 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AGENCY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES PLEDGED IN THE INDENTURE. THE SERIES 2011 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, EXCEPT THE AGENCY TO THE EXTENT DESCRIBED HEREIN, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS, EXCEPT THE AGENCY TO THE EXTENT DESCRIBED HEREIN, IS LIABLE THEREON. IN NO EVENT SHALL THE SERIES 2011 BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY AS SET FORTH IN THE INDENTURE. THE SERIES 2011 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AGENCY NOR ANY PERSONS EXECUTING THE SERIES 2011 BONDS ARE LIABLE PERSONALLY ON THE SERIES 2011 BONDS BY REASON OF THEIR ISSUANCE.

### **Bond Insurance**

As additional security for the Series 2011 Bonds, payment of principal of and interest on the Series 2011 Bonds when due will be guaranteed under an insurance policy (the "Bond Insurance Policy") to be issued concurrently with the delivery of the Series 2011 Bonds by the Bond Insurer. See "BOND INSURANCE" and APPENDIX E—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

### **Risk Factors**

Ownership of the Series 2011 Bonds is subject to certain risks which are described herein under the caption "RISK FACTORS." Potential purchasers of the Series 2011 Bonds should review this Official Statement and the Appendices hereto in their entirety, including the material set forth under the caption "RISK FACTORS."

### **Additional Information**

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. See APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" for the definition of certain words and terms used herein. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Indenture. Copies of the Indenture may be obtained during the offering period for the Series 2011 Bonds from Citigroup Global Markets Inc., Backstrom McCarley Berry & Co., LLC and Jefferies & Company and thereafter from the Agency at One South Van Ness Avenue, 5th Floor, San Francisco, California 94103.

## Continuing Disclosure

Pursuant to the continuing disclosure certificate (the “Disclosure Certificate”) of the Agency, the Agency has agreed to give, or cause to be given, to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”), an annual report and notices of the occurrence of certain enumerated events, if material, in accordance with the continuing disclosure certificate to be executed by the Agency upon delivery of the Series 2011 Bonds to enable the Underwriters (as defined herein) to comply with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”). The specific nature of the notices of material events and certain other terms of the continuing disclosure obligation are described in APPENDIX C–“FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

## ESTIMATED SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of funds in connection with the issuance of the Series 2011 Bonds.

### Estimated Sources of Funds

Principal Amount of Series 2011 Bonds	\$43,780,000.00
Plus: Net Original Issue Premium	1,195,871.80
Amounts derived from Series 1994 Bonds	852,753.58
Amounts derived from Series 1998 Bonds	5,581,729.80
Amounts in Agency Revenue Fund	<u>4,153,243.75</u>
Total Sources	\$55,563,598.93

### Estimated Uses of Funds

Transfer to Escrow Agent	\$52,347,429.72
Series 2011 Bond Reserve Fund	2,189,000.00
Costs of Issuance <sup>†</sup>	822,069.33
Underwriters’ Discount	<u>205,099.88</u>
Total Uses	\$55,563,598.93

<sup>†</sup> Includes Co-Bond Counsel and Co-Disclosure Counsel fees, Co-Financial Advisor fees, rating agency fees, premium for Bond Insurance, Verification Agent fees, Official Statement printing, initial fees of the Trustee, Escrow Agent fees, City administrative fees and bond and miscellaneous other costs.

## PLAN OF REFUNDING

The Series 2011 Bonds are being issued to provide moneys, which, together with other funds, will be used to (i) refund all \$4,840,000 outstanding principal amount of the Series 1994 Bonds, (ii) refund all \$46,740,000 outstanding principal amount of the Series 1998 Bonds, (iii) fund a deposit to the Bond Reserve Fund, and (iv) pay the costs of issuance of the Series 2011 Bonds.

The portion of the proceeds of the sale of the Series 2011 Bonds, together with other moneys, including a portion of the amounts in the debt service and reserve funds for Series 1994 Bonds and the Series 1998 Bonds, to be used to refund the Series 1994 Bonds and the Series 1998 Bonds, respectively, will be deposited with The Bank of New York Mellon Trust Company, San Francisco, California (the “Escrow Agent”) pursuant to an Escrow Agreement dated as of March 1, 2011 (the “Escrow Agreement”), by and between the Agency and the Escrow Agent. Such amount and certain funds currently held pursuant to and under the with respect to the Series 1994 Bonds and the Series 1998 Bonds

will be held in escrow and invested in obligations for which the faith and credit of the United States of America are pledged and which are not subject to call or redemption prior to the maturity date thereof (the “Escrow Securities”). The principal of and interest on the Escrow Securities will be used to pay the principal of and interest on the Series 1994 Bonds and the Series 1998 Bonds on the date approximately 30 days following sale of the Series 2011 Bonds pursuant to optional redemption. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

The Escrow Securities and other monies held under the Escrow Agreement are pledged to payment of the Series 1994 Bonds and the Series 1998 Bonds. Neither the principal of the Escrow Securities nor the interest thereon will be available for the payment of the Series 2011 Bonds.

The Series 1994 Bonds and the Series 1998 Bonds to be refunded and defeased are comprised of the following:

**Redevelopment Agency of the City and County of San Francisco**  
**Hotel Tax Revenue Bonds**  
**Series 1994**  
**(Redemption Date: April 15, 2011)**

<u>Maturity</u>	<u>CUSIP<sup>†</sup></u>	<u>Par Amount</u>
7/1/2025	79771WBM1	\$4,840,000

**Redevelopment Agency of the City and County of San Francisco**  
**Hotel Tax Revenue Bonds**  
**Series 1998**  
**(Redemption Date: April 15, 2011)**

<u>Maturity</u>	<u>CUSIP<sup>†</sup></u>	<u>Par Amount</u>
7/1/2011	79771WBG4	\$2,825,000
7/1/2012	79771WBH2	2,885,000
7/1/2018	79771WBJ8	18,515,000
7/1/2025	79771WBK5	<u>22,515,000</u>
TOTAL		\$46,740,000

<sup>†</sup> Copyright, American Bankers Association. CUSIP data herein is provided by Standard and Poor’s, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. None of the Commission or the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

## THE SERIES 2011 BONDS

### General

The Series 2011 Bonds will be registered initially in the name of “Cede & Co.,” as nominee of The Depository Trust Company, New York, New York (“DTC”), which has been appointed as securities depository for the Series 2011 Bonds, and registered ownership may not be transferred thereafter except as provided in the Indenture. Purchasers will not receive certificates representing their interests in the Series 2011 Bonds. Principal of and interest on the Series 2011 Bonds will be paid by the Trustee to DTC, which in turn is obligated to remit such principal and interest to its Participants for subsequent disbursement to beneficial owners of the Series 2011 Bonds as described herein. See APPENDIX B—“THE BOOK-ENTRY SYSTEM.”

The Series 2011 Bonds will be executed and delivered only as one fully registered Series 2011 Bond for each maturity. The Series 2011 Bonds will be delivered only in denominations of \$5,000 or an integral multiple thereof. Each Series 2011 Bond shall be dated the date of delivery thereof, and interest thereon shall be payable on each June 1 and December 1, commencing December 1, 2011 (each an “Interest Payment Date”). Interest shall be computed on the basis of a year of 360 days comprised of twelve 30-day months. Interest on the Series 2011 Bonds will accrue from the date of delivery of the Series 2011 Bonds, at the rates per annum set forth on the inside cover page hereof. The principal of the Series 2011 Bonds will be payable, subject to redemption, as described below, in each year of the designated years and in the principal amounts set forth on the inside cover page hereof. So long as Cede & Co. is registered owner of the Series 2011 Bonds, payments of principal and interest on the Series 2011 Bonds will be made to DTC. See APPENDIX B–“THE BOOK-ENTRY SYSTEM.”

## Redemption

*Optional Redemption.* The Series 2011 Bonds maturing on or before June 1, 2021, are not subject to redemption at the option of the Agency. The Series 2011 Bonds maturing on or after June 1, 2022 are subject to redemption prior to their respective stated maturities, at the option of the Agency, from any source of available funds on or after June 1, 2021 as a whole on any date, or in part (from such maturity or maturities as the Agency may designate in writing to the Trustee, which designation shall be delivered to the Trustee at the time of delivery of the Agency’s notice of redemption to the Trustee, and by lot within a maturity) on any interest payment date, at a redemption price equal to the principal amount of Series 2011 Bonds called for redemption), together with accrued interest to the date fixed for redemption.

*Mandatory Sinking Account Redemption.* The Series 2011 Bonds maturing on June 1, 2024 are subject to redemption prior to their stated maturity, in part, by lot, from Mandatory Sinking Account Payments deposited in the Series 2011 Sinking Account, on any June 1 on or after June 1, 2022 at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as follows:

<u>Mandatory Sinking Account Payment Dates (June 1)</u>	<u>Mandatory Sinking Account Payments</u>
2022	\$3,690,000
2023	3,865,000
2024	4,220,000

If some but not all of the Series 2011 Bonds maturing on June 1, 2024 have been optionally redeemed, the total amount of all future applicable Mandatory Sinking Account Payments for such maturity shall be reduced by the aggregate principal amount of such Series 2011 Bonds so redeemed, to be allocated among the Mandatory Sinking Account Payments as are thereafter payable on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (notice of which determination shall be given by the Agency to the Trustee).

*Notice of Redemption.* Each notice of redemption shall be mailed by the Trustee, not less than 30, nor more than 60 days prior to the redemption date, to each Owner of the Series 2011 Bonds, the Securities Depositories and two or more Information Services. Notice of redemption to the Securities Depositories shall be given by certified, registered or overnight mail or by such other method as may be requested by the Securities Depositories. Each notice of redemption shall state the date of such notice, the date of issue of the Series 2011 Bonds to which such notice relates, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of

any such maturity, the distinctive certificate numbers of the Series 2011 Bonds of such maturity to be redeemed and, in the case of Series 2011 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series 2011 Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Series 2011 Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2011 Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Neither the Agency nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Series 2011 Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Agency nor the Trustee shall be liable for any inaccuracy in such numbers. Failure by the Trustee to give notice to any one or more of the Information Services or Securities Depositories or failure of any Owner to receive notice or any defect in any such notice shall not affect the sufficiency of the proceedings for redemption. So long as Cede & Co. is the registered owner of the Series 2011 Bonds, any notice of redemption shall be given only to DTC. See APPENDIX B—"THE BOOK-ENTRY SYSTEM."

*Selection of Bonds for Redemption.* Whenever less than all of the Series 2011 Bonds or a portion thereof are to be redeemed, the Trustee shall select the Series 2011 Bonds to be redeemed from all Series 2011 Bonds subject to redemption or such given portion thereof not previously called for redemption by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair; provided, however, that if less than all the Series 2011 Bonds Outstanding are called for redemption at any one time, the Trustee shall select Series 2011 Bonds from each maturity to be redeemed as directed by the Agency.

*Partial Redemptions.* Upon surrender of any Series 2011 Bond redeemed in part only, the Agency shall execute and the Trustee shall authenticate and deliver to the registered owner thereof, at the expense of the Agency, a new Series 2011 Bond or Series 2011 Bonds of authorized denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Series 2011 Bond surrendered. So long as Cede & Co. is the registered owner of the Series 2011 Bonds, procedures for selection of Series 2011 Bonds for redemption will be according to procedures established by DTC, whose practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. See APPENDIX B—"THE BOOK-ENTRY SYSTEM."

*Effect of Redemption.* Notice of redemption having been duly given and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Series 2011 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Series 2011 Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date, interest on the Series 2011 Bonds so called for redemption shall cease to accrue, such Series 2011 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture and the Owners of such Series 2011 Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest.

*Rescission of Notice of Redemption.* The Agency may, at its option, prior to the date fixed for redemption in any notice of redemption, rescind and cancel such notice of redemption by instrument in writing delivered to the Trustee. In the event such notice of redemption is rescinded, the Trustee shall provide notice of such rescission to the parties in the manner (but without regard to the time limitations) set forth in the Indenture.



## **Transfer and Exchange of Series 2011 Bonds**

Any Series 2011 Bond may, in accordance with its terms, be transferred, upon the register required to be kept by the Trustee, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Series 2011 Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Whenever any Series 2011 Bond or Series 2011 Bonds shall be surrendered for transfer, the Agency shall execute and the Trustee shall authenticate and deliver a new Series 2011 Bond or Series 2011 Bonds, of the same tenor, maturity and interest rate and for a like aggregate principal amount; provided that no registration or transfer may occur during the period established by the Trustee for selection of Series 2011 Bonds for redemption, or of any Series 2011 Bond or portion of a Series 2011 Bond so selected for redemption. The Trustee shall require the Bondowner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Series 2011 Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Series 2011 Bonds of other authorized denominations of the same tenor, maturity and interest rate; provided that no exchange may occur during the period established by the Trustee for selection of Series 2011 Bonds for redemption, or of any Series 2011 Bond or portion of a Series 2011 Bond so selected for redemption. The Trustee shall require the Bondowner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

## **Additional Series of Bonds and Parity Debt**

The Agency may by supplemental indenture establish one or more additional Series of Bonds or Parity Debt payable from Revenues and secured by a pledge made under the Indenture equally and ratably with the Series 2011 Bonds, provided that, among other things, the sum of (i) the Hotel Tax Revenues received during the 12 months immediately preceding the date on which such additional Series of Bonds or Parity Debt will become Outstanding (the "Historic 12-Month Revenues") plus (ii) the amount of City Hotel Tax revenues received by the City during the 12 months immediately preceding the date on which such additional Series of Bonds or Parity Debt will become Outstanding from any areas which have been added to the Levy Area in connection with the issuance of such additional Series of Bonds or Parity Debt ("Historic Added Area Revenues"), plus (iii) on and after the date on which all Project Funds have been closed, all interest, profits and other income received from the investment of moneys in the bond reserve accounts in the Bond Reserve Fund, shall be at least equal to 3.0 times the amount of Maximum Annual Debt Service on all Series of Bonds and Parity Debt then Outstanding and the additional Series of Bonds or Parity Debt then proposed to be issued, *provided, however*, that if by the date on which such additional Series of Bonds or Parity Debt will become Outstanding, the rate of the Agency Hotel Tax levy on such date shall be any rate of levy of the Agency Hotel Tax that is different from the rate of levy during any of the 12 months immediately preceding such date (an "Adjusted Rate") (provided such different rate does not exceed the City Hotel Tax and also, provided, no difference shall be applied if only the City Hotel Tax is different), then the calculation described in this paragraph shall be made substituting that amount derived by adjusting the amount of Historic 12-Month Revenues to reflect the amount of Agency Hotel Tax Revenues that would have been received over the same period of time had the Agency Hotel Tax been levied at the Adjusted Rate throughout such period, all other things being equal (the "Adjusted 12-month Revenues") for Historic 12-Month Revenues in (i) above, and substituting that amount derived by adjusting the amount of Historic Added Area Revenues to reflect the amount of City Hotel Tax revenues that would have been received over the same period of time from the same area had the City Hotel Tax been levied at the Adjusted Rate throughout such period, all other things being equal (the "Adjusted Added Area Revenues") for Historic Added Area Revenues in (ii) above. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS—Additional Series of Bonds," "—Proceedings for Issuance of Additional Series of Bonds" and "—Parity Debt and Subordinated Debt" below.



## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS

### General

The Series 2011 Bonds are special limited obligations of the Agency payable solely from and secured by a pledge of the Hotel Tax Revenues (defined below) and all interest, profits and other income received from the investment of Hotel Tax Revenues (other than amounts in the Rebate Fund and the Operation and Maintenance Fund) (collectively, the “Revenues”) and any other revenues pledged under the Indenture, as more particularly described in the subsection “Revenues; Pledge and Assignment of Revenues” below. The Indenture provides that such pledge of Revenues shall constitute a lien on the Revenues, on a parity with the pledge securing all Bonds, including the Series 2011 Bonds and any Additional Bonds, and Parity Debt. See “–Additional Series of Bonds,” “–Issuance of Refunding Bonds,” and “–Parity Debt and Subordinated Debt” below.

**THE SERIES 2011 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AGENCY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES PLEDGED IN THE INDENTURE. THE SERIES 2011 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, EXCEPT THE AGENCY TO THE EXTENT DESCRIBED HEREIN, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS, EXCEPT THE AGENCY TO THE EXTENT DESCRIBED HEREIN, IS LIABLE THEREON. IN NO EVENT SHALL THE SERIES 2011 BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY AS SET FORTH IN THE INDENTURE. THE SERIES 2011 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AGENCY NOR ANY PERSONS EXECUTING THE SERIES 2011 BONDS ARE LIABLE PERSONALLY ON THE SERIES 2011 BONDS BY REASON OF THEIR ISSUANCE.**

### The Agency Hotel Tax

The Series 2011 Bonds are special limited obligations of the Agency payable from and secured by a pledge of certain Revenues, consisting primarily of the amounts legally available to and received by or on behalf of the Agency from the levy of a 12% tax on the transient occupancy for guest rooms in any hotel located within certain of the redevelopment project areas of the Agency (the “Agency Hotel Tax”). These redevelopment project areas include the Yerba Buena Center Redevelopment Project Area, the Golden Gateway Redevelopment Project Area, the Western Addition A-1 Redevelopment Project Area, the Western Addition A-2 Redevelopment Project Area, the South of Market Redevelopment Project Area (formerly the South of Market Earthquake Recovery Redevelopment Project Area) and the Chinese Cultural and Trade Center Redevelopment Project Area (collectively, the “Levy Area”). The Agency levied its Agency Hotel Tax pursuant to Section 7280.5, which allows a redevelopment agency to levy a transient occupancy tax to the extent (i) a transient occupancy tax has been levied by the city of the redevelopment agency and (ii) the city allows a credit against the city’s transient occupancy tax for amounts paid to the redevelopment agency for its transient occupancy tax. The Series 1994 Bonds and the Series 1998 Bonds being refunded from proceeds of the Series 2011 Bonds were issued, in part, to finance improvements to the Moscone Convention Center (the “Moscone Convention Center”), part of Yerba Buena Gardens, which sits atop the Moscone Convention Center, and the Mexican Museum.

The Agency Hotel Tax is distinct and separate from the “City Hotel Tax,” which is defined in the City’s transient occupancy tax and surcharges imposed by its City Hotel Tax Ordinance (defined below) (the “City Hotel Tax”). Under Ordinance No. 1-94, adopted by the Agency on March 15, 1994 (the “Ordinance”), the Agency levied the 12% Agency Hotel Tax in the Levy Area. Pursuant to Part III,

Article 7 of the City's Business and Tax Regulations Code, as amended to date (the "City Hotel Tax Ordinance"), the City Hotel Tax Ordinance, the City provided for an annual credit against the City Hotel Tax in an amount equal to the debt service with respect to all bonded indebtedness due in such fiscal year. The City Hotel Tax Ordinance defines debt service as the sum of the following (i) principal and interest due on bonded indebtedness issued by the Agency, (ii) any required payment made by the Agency to a bond reserve account established under the agency bond indenture for the exclusive benefit of the Agency bonds, and (iii) certain administrative and tax collection fees ("Debt Service"). Under the credit allowed by the City, any amounts in excess of the Debt Service that are generated by the 12% tax in the Levy Area shall be retained by the City. On August 15, 1993, the City raised the City Hotel Tax to 12%, and on August 1, 1996, the City amended the City Hotel Tax Ordinance to increase the levy to 14%. The two percentage point increase in the City Hotel Tax does not increase the Agency Hotel Tax levied by the Agency, which remains at 12%. For certain historical information regarding the City Hotel Tax with respect to the hotels in the Levy Area, see "HOTEL TAX REVENUES—Historical Agency Hotel Tax Revenues."

The Agency Hotel Tax is imposed by the Ordinance upon every occupancy of a guest room in a Levy Area Hotel. The Agency commenced collecting the Agency Hotel Tax as of December 1, 1994. The occupant is required to pay the Agency Hotel Tax to the operator of the hotel along with the rent for the occupancy. The Agency has entered into the Tax Administration Agreement (defined below) with the City which provides, among other things, for the Treasurer and Tax Collector of the City (the "Tax Collector") to collect the Agency Hotel Tax and penalties and interest thereon. See "—The Tax Administration Agreement" below. See also "HOTEL TAX REVENUES."

The Series 2011 Bonds are a special limited obligation of the Agency payable solely from the Hotel Tax Revenues and certain interest, profits and other income received from the investment of Hotel Tax Revenues. The Agency's ability to pay debt service on the Series 2011 Bonds is dependent upon its collecting sufficient Hotel Tax Revenues from the Levy Area Hotels. See "RISK FACTORS" below. Also see "HOTEL TAX REVENUES."

### **The Tax Administration Agreement**

The Ordinance authorized the Agency to enter into a tax administration agreement with the Tax Collector, on behalf of the City, to collect, enforce and otherwise administer the Agency Hotel Tax in every respect. The Agency and the City entered into a Tax Administration Agreement dated as of December 1, 1994 (the "Tax Administration Agreement") which provides, among other things, for the Tax Collector to enforce the provisions of the Ordinance, including the collection of taxes and assessment of penalties and interest and any other tax collecting functions associated with the imposition of the Agency Hotel Tax, to prescribe, adopt and enforce rules and regulations relating to the administration and enforcement of the Agency Hotel Tax pursuant to the Ordinance. As compensation for such services, the Tax Collector will receive an annual fee of \$15,884 for so long as the Agency Hotel Tax is effective. Additionally, a fee in the amount of \$4,000 per annum is payable to the City Controller in connection with its administration services. The Agency Hotel Tax so collected by the Tax Collector on behalf of the Agency will be transferred to the Trustee on a monthly basis until the Trustee has an amount sufficient to make, on a Bond Year aggregate basis, all payments of principal of and interest on Outstanding Bonds plus amounts required to satisfy any deficiency in the Bond Reserve Fund established under and pursuant to the Indenture. In the event the Trustee receives Agency Hotel Tax Revenues in excess of the amount necessary to make all such deposits, the Trustee is obligated to remit, on an annual basis, such excess to the City.

## **Revenues; Pledge and Assignment of Revenues**

The Series 2011 Bonds are special limited obligations of the Agency and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the Revenues and other funds pledged under the Indenture.

“Revenues” are defined in the Indenture to mean all Hotel Tax Revenues and all interest, profits and other income received from and after the dated date of the Indenture from the investment of Hotel Tax Revenues (other than amounts in the Rebate Fund and the Operation and Maintenance Fund).

“Hotel Tax Revenues” are defined in the Indenture to mean the revenues received from the Levy Area as a result of the imposition of the City Hotel Tax and the Agency Hotel Tax, less all amounts payable by the Agency to the Tax Collector and the City Controller pursuant to the City Hotel Tax Ordinance and the Tax Administration Agreement for costs and expenses of the City’s tax collection and administration services in connection with the Agency Hotel Tax collected on behalf of the Agency. Pursuant to the Tax Administration Agreement, the Tax Collector will, on a monthly basis, but not earlier than the 20th day and not later than the 25th day of each calendar month, transfer, from the Project Area Tax Fund established and held by the City pursuant to the Tax Administration Agreement (the “Project Area Tax Fund”), to the Trustee for the account of the Agency all Hotel Tax Revenues in the possession of the City as of each transfer date; provided, however, that should the City receive, at any time, notification from the Trustee pursuant to the Indenture that aggregate Hotel Tax Revenues transferred by the City to the Trustee for the account of the Agency during the then-current Bond Year exceed the amount necessary to pay debt service on the Bonds and to replenish the Bond Reserve Fund so that the amount on deposit therein is equal to the Bond Reserve Requirement, then (1) the City shall not be obligated to transfer, and the Agency shall not be entitled to receive, any further Hotel Tax Revenues during the then-current Bond Year, (ii) the City shall deduct from any further Agency Hotel Tax monies collected by the City during such Bond Year all amounts necessary to pay the Collection Fees, (iii) all amounts remaining in the Project Area Tax Fund shall be retained by the City free and clear of any liens of the Indenture, and (iv) any amounts in excess of the Hotel Tax Revenues for such Bond Year transferred by the City to the Trustee for the account of the Agency shall be refunded to the City in accordance with the terms of the Indenture.

All Revenues are pledged under the Indenture to secure the payment of the principal of, redemption premium, if any, and interest on the Series 2011 Bonds, all other Series of Bonds and any Parity Debt in accordance with their terms without priority or distinction of one over the other, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Under the Indenture, the Agency further pledges to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds, in accordance with their terms, all amounts (including proceeds of the Bonds) held by the Agency and the Trustee under the Indenture (except for amounts held in the Rebate Fund and the Operation and Maintenance Fund), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Said pledge constitutes a first lien on the Revenues and amounts in such funds and shall be valid and binding from and after delivery by the Trustee of the Bonds or Parity Debt, without any physical delivery therefor further act.

In the Indenture, the Agency transfers in trust, grants a security interest in and assigns to the Trustee, for the Bondowners and owners of Parity Debt, all of the Revenues and other assets pledged under the Indenture and all of the right, title and interest of the Agency in the Tax Administration Agreement (except for any deposits to the Rebate Fund and the Operation and Maintenance Fund). The Trustee will hold the Revenues in trust for the benefit of the Bondowners, and any Revenues collected or received by the Agency or the City will be deemed under the Indenture to be held, and to have been collected or received by the Agency or the City as the agent of the Trustee and shall be paid by the

Agency or the City to the Trustee. The Trustee is also entitled under the Indenture to take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Agency or separately, all of the rights of the Agency under the Tax Administration Agreement.

Subject to certain requirements of the Indenture, the Agency may issue Parity Debt (in one or more additional Series of Bonds) from time to time having a lien and charge on the Revenues equal to that of the Series 2011 Bonds. See “–Additional Series of Bonds” and “–Parity Debt and Subordinated Debt” below. The Agency may, as provided in the Indenture, create or permit to be created a charge or lien on the Revenues ranking junior and subordinate to the charge or lien of the Bonds and all Parity Debt issued pursuant to the Indenture. See “–Parity Debt and Subordinated Debt” below.

## **Flow of Funds**

The following discussion briefly summarizes the flow of funds set forth in the Indenture. This discussion is qualified in its entirety by reference to the Indenture and the more detailed summary of the flow of funds thereunder set forth in APPENDIX A–“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Flow of Funds.”

*Revenue Fund.* Immediately upon receipt thereof, the Trustee will deposit all Revenues into the Revenue Fund, designated as the “Revenue Fund,” which fund the Trustee will designate and maintain, all Revenues, when and as received by the Trustee.

*Earnings Account.* All interest, profits and other income received from the investment of moneys in the Revenue Fund will be deposited to the Earnings Account within the Revenue Fund. Moneys in the Earnings Account (including all interest, profits and other income received from the investment of such moneys) will be used and withdrawn by the Trustee during any Bond Year solely to make up any deficiency in the Interest Fund or the Principal Fund during such Bond Year. On or before the third Business Day next succeeding the principal payment date for such Bond Year, but only after all amounts required to be transferred provided for in the Indenture have been so transferred, all amounts remaining on deposit in the Revenue Fund, including all moneys held in the Earnings Account of the Revenue Fund, will be transferred to the Operation and Maintenance Fund for use as set forth in the Indenture.

The Trustee is required to transfer the moneys in the Revenue Fund to the following respective funds (each of which, except for the Rebate Fund and the Operation and Maintenance Fund, the Trustee agrees to establish, maintain and hold in trust for the benefit of the Owners of the Bonds) at the following times, in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit, or, with respect to the Bond Reserve Fund, any deficiency resulting from a draw on such fund pursuant to the Indenture to make up a deficiency in the Interest Fund or the Principal Fund) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority.

(1) *Interest Fund.* The Trustee, on or before the Business Day next preceding each interest payment date, subject to the provisions of the Indenture, must deposit in the Interest Fund an amount which, together with any balance then on deposit in said Fund, will be sufficient to pay the aggregate amount of interest becoming due and payable on the Outstanding Bonds on such next succeeding interest payment date. Any moneys in the Interest Fund not then required for the payment of interest on the next succeeding interest payment date will be carried forward and applied to the payment of interest on any subsequent interest payment date.

(2) *Principal Fund; Sinking Accounts.* The Trustee, on or before the Business Day next preceding each principal payment date, after making the deposit required on such date to the Interest

Fund, and subject to the provisions of the Indenture, will deposit in the Principal Fund an amount which, together with any balance then on deposit in said Fund, will be sufficient to pay (a) the aggregate amount of Bond principal coming due, whether by virtue of Bond maturity or by the application of Mandatory Sinking Account Payments for Term Bonds. Moneys in the Principal Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal of Bonds when due and payable.

(3) *Bond Reserve Fund.* On or before the Business Day next preceding each principal payment date, after making all deposits required to be made to the Interest Fund and the Principal Fund, should the amount on deposit in the Bond Reserve Fund be less than the Bond Reserve Requirement, the Trustee will transfer from the Revenue Fund for deposit in the Bond Reserve Fund the difference between the Bond Reserve Requirement and the amount then on deposit in the Bond Reserve Fund.

(4) *Rebate Fund.* The Trustee will transfer to the Rebate Fund (which fund the Trustee agrees to establish and maintain on behalf of the Agency) when and to the extent necessary and as provided in the Indenture, an amount such that the balance of the Rebate Fund will be equal to the Rebate Requirement, as computed in accordance with the Tax Certificate.

(5) *Subordinated Obligation Fund.* The Trustee will deposit in the Subordinated Obligation Fund the amounts specified in the applicable Supplemental Indentures relating to the subordinated obligations permitted by the Indenture. There are currently no Subordinated Obligations.

(6) *Subordinated Obligation Reserve Fund.* The Trustee will deposit in the Subordinated Obligation Reserve Fund the amounts specified in the applicable Supplemental Indentures relating to the subordinated obligations permitted by the Indenture. There are currently no Subordinated Obligations.

(7) *Operation and Maintenance Fund.* After making the deposits required by the Indenture as described in the preceding paragraphs, the Trustee, in accordance with the Indenture, will deposit in the Operation and Maintenance Fund all amounts remaining on deposit in the Revenue Fund (including all amounts on deposit in the Earnings Account of the Revenue Fund) as of such date.

In the event the Trustee receive amounts in any Bond Year that exceeds the aggregate amount of moneys necessary to make the deposit required to be made pursuant to the Indenture, the Trustee will immediately give written notification to the Agency. At the direction of the Agency, the Trustee will remit to or at the direction of the Agency, any Hotel Tax Revenues received in excess of the amounts required under the Indenture.

#### *Application of Certain Funds.*

Operation and Maintenance Fund. Moneys in the Operation and Maintenance Fund (including all interest, profits and other income received from the investment of such moneys), upon the Request of the Agency with respect to application for purposes described in clauses (ii), (iii), (iv), (v) and (vi) below (with the written consent of the City when application is made with respect to purposes set forth in clause (vi) below), must be withdrawn by the Trustee and used (i) for transfer to the Interest Fund, the Principal Fund or the Bond Reserve Fund, in that order, in the event of a deficiency in any of such funds; (ii) to pay the fees of the Trustee with respect to the Bonds, as agreed to by the Agency; (iii) to pay the fees of any person calculating the “rebate amount” on behalf of the Agency as permitted under the Indenture; (iv) to pay Operation and Maintenance Expenses upon the Request of the Agency; (v) for the redemption of Bonds upon the notice and in the manner provided in the Indenture; or (vi) for any other lawful purpose of the Agency, with the written consent of the City.

Redemption Fund. The Trustee will establish, maintain and hold in trust a special fund designated as the “Redemption Fund.” All moneys deposited by the Agency with the Trustee for the



purpose of optionally redeeming Bonds of any Series must, unless otherwise directed by the Agency, be deposited in the Redemption Fund.

### **Covenants of the Agency**

Pursuant to the Indenture, the Agency represents and warrants that it will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture and according to the true intent and meaning thereof. The Agency further covenants that (i) the Ordinance has not and will not be amended, modified or altered by the Agency so long as the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of Hotel Tax Revenues, (ii) the Agency will continue to levy and collect the Agency Hotel Tax to the full amount permitted by law, and (iii) the Agency has entered into the Tax Administration Agreement with the Tax Collector under and pursuant to which the Tax Collector will process and supervise the collection of the Agency Hotel Tax on behalf of the Agency and that said Tax Administration Agreement will continue in effect so long as any of the Bonds are Outstanding and shall not be amended, modified or altered, in any manner that will adversely affect the rights of Bondowners, without the written consent of the Trustee so long as any of the Bonds are Outstanding.

### **Series 2011 Reserve Account**

The Indenture creates the Bond Reserve Fund and within such Bond Reserve Fund is created a bond reserve account for the Series 2011 Bonds (the "Series 2011 Reserve Account") which is to be held by the Trustee. The Series 2011 Reserve Account will be funded with moneys transferred from the respective reserve accounts established for the Series 1994 Bonds and the Series 1998 Bonds and other moneys and will initially be funded in the amount of \$2,189,000 and will thereafter be maintained at the "Bond Reserve Requirement", which, as of any date of calculation, is an amount equal to the least of (i) five percent (5%) of the par amount of the Series 2011 Bonds; (ii) fifty percent (50%) of Maximum Annual Debt Service for the Series 2011 Bonds; (iii) sixty two and one-half percent (62.5%) of the Average Annual Debt Service for the Series 2011 Bonds; or (iv) the total remaining Bond Obligation plus interest due and payable for the Series 2011 Bonds; provided, however, that the Bond Reserve Requirement is subject to the limitation that the Bond Reserve Requirement shall not be funded in a manner, nor exceed an amount which would, in an opinion of Bond Counsel, adversely affect the tax-exempt status of such Series 2011 Bonds, and, provided further, that in connection with the issuance of a Series of Bonds, only that amount which, when added to the amount already on deposit in the Bond Reserve fund, equals Maximum Annual Debt Service on all Bonds Outstanding need be deposited in the Bond Reserve Fund, and such deposit shall thereafter satisfy the Bond Reserve Requirement for the Bonds.

In lieu of making the Bond Reserve Fund deposit in a bond reserve account, or in replacement of moneys then on deposit in any bond reserve account in the Bond Reserve Fund, the Agency may deliver to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated in one of the two highest Rating Categories of each Rating Agency then rating any of the Series 2011 Bonds (at the time of delivery to the Trustee), in an amount, together with moneys, Investment Securities or surety bonds or insurance policies on deposit in such bond reserve account, equal to the Bond Reserve Requirement for such account, or may deliver a surety bond or an insurance policy securing an amount, together with moneys, Investment Securities or letters of credit on deposit in such bond reserve account, equal to the Bond Reserve Requirement for such account. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated in the highest Rating Category of each Rating Agency then rating any of the Series 2011 Bonds (at the time of delivery to the Trustee). The letter of credit, insurance policy or surety bond must also meet other requirements set forth in the Indenture.



All amounts in any bond reserve account in the Bond Reserve Fund shall be used and withdrawn by the Trustee in accordance with the provisions of the Indenture solely for the purpose of (i) making up a deficiency in the Interest Fund or the Principal Fund, or (ii) (together with any other moneys available therefor) for the redemption of all Bonds of such Series then outstanding or for the payment of the final principal and interest payment of such Series of Bonds, if following such payment the amounts remaining in the Bond Reserve Fund (including the amounts which may be obtained from letters of credit, surety bonds and insurance policies on deposit therein) will equal the Bond Reserve Requirement. The Trustee will, on a pro rata basis with respect to the portion of a bond reserve account in the Bond Reserve Fund held in cash or Investment Securities and amounts held in the form of letters of credit, surety bonds and insurance policies (calculated by reference to the maximum amounts of such letters of credit, surety bonds and insurance policies and the amount of the initial deposit of such cash and Investment Securities), draw under each letter of credit, surety bond or insurance policy issued with respect to such bond reserve account, in a timely manner and pursuant to the terms of such letter of credit, surety bond or insurance policy, to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Series of Bonds related to such bond reserve account when due. In the event that the Trustee has notice that any payment of principal of or interest on a Series 2011 Bond has been recovered from a Bondowner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to and provided that the terms of the letter of credit, surety bond or insurance policy, if any, securing such Series 2011 Bonds so provide, shall so notify the issuer thereof and draw on such letter of credit, surety bond or insurance policy to the lesser of the extent required or the maximum amount of such letter of credit, surety bond or insurance policy in order to pay to such Bondowners the principal of and interest so recovered. Immediately succeeding each June 1, any amounts in any bond reserve account in the Bond Reserve Fund in excess of the Bond Reserve Requirement for such account shall, at the option of the Agency, be transferred by the Trustee to the Agency; provided that such amounts shall be transferred only from the portion of the Bond Reserve Fund held in the form of cash or Investment Securities.

### **Additional Series of Bonds**

The Agency may by Supplemental Indenture establish one or more additional Series of Bonds payable from Revenues and secured on a parity with the Series 2011 Bonds, in such principal amount as shall be determined by the Agency but only upon compliance by the Agency with the provisions of the Indenture (which include the conditions described below) and any additional requirements set forth in said Supplemental Indenture and subject to the following specific conditions:

- (a) No Event of Default shall have occurred and then be continuing.
- (b) Subject to the provisions of the Indenture with respect to the establishment and maintenance of the Bond Reserve Fund, the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require that the Bond Reserve Fund, forthwith upon the receipt of the proceeds of the sale of such Series of Bonds, be increased by the addition of a bond reserve account within the Bond Reserve Fund which is funded in an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds. Said deposit may be made from the proceeds of the sale of such Series of Bonds or from other funds of the Agency or from both such sources or in the form of a letter of credit or surety bond or insurance policy as described in the Indenture, as provided in such Supplemental Indenture.
- (c) The aggregate principal amount of Bonds outstanding under the Indenture shall not exceed any limitation imposed by law or by any Supplemental Indenture as evidenced by a Certificate of the Agency filed with the Trustee.

(d) The Agency shall have obtained and placed on file with the Trustee a certificate of the Tax Collector or City Controller, certifying that the sum of the sum of (i) the Historic 12-Month Revenues plus (ii) the Historic Added Area Revenues, plus (iii) on and after the date on which all Project Funds have been closed, all interest, profits and other income received from the investment of moneys in the bond reserve accounts in the Bond Reserve Fund, shall be at least equal to 3.0 times the amount of Maximum Annual Debt Service on all Series of Bonds and Parity Debt then Outstanding and the additional Series of Bonds then proposed to be issued, *provided, however*, that if, by the date on which such additional Series of Bonds will become Outstanding, the rate of the Agency Hotel Tax levy on such date shall be an Adjusted Rate, then the calculation described in this paragraph shall be made substituting Adjusted 12-month Revenues for Historic 12-Month Revenues in (i) above, and substituting Adjusted Added Area Revenues for Historic Added Area Revenues in (ii) above. See “–Parity Debt and Subordinated Debt” below.

### **Proceedings for Issuance of Additional Series of Bonds**

Whenever the Agency shall determine to issue an additional Series of Bonds, the Agency shall authorize the execution of a Supplemental Indenture specifying the principal amount, and prescribing the forms of Bonds of such additional Series and providing the terms, conditions, priority, distinctive designation, denominations, date, maturity date or dates, interest rate or rates (or the manner of determining the same), redemption provisions and place or places of payment of principal or Redemption Price, if any, of and interest on such Series of Bonds, and any other provisions respecting such Series of Bonds not inconsistent with the terms of the Indenture.

Before such additional Series of Bonds shall be issued and delivered, the Agency shall file the following documents with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied):

- (a) An executed copy of the Supplemental Indenture authorizing such Series.
- (b) A Certificate of the Agency stating that no Event of Default has occurred and is then continuing.
- (c) An Opinion of Co-Bond Counsel to the effect that the execution of the Supplemental Indenture has been duly authorized by the Agency in accordance with the Indenture; that such Series of Bonds, when duly executed by the Agency and authenticated and delivered by the Trustee, will be valid and binding special limited obligations of the Agency; and that upon the delivery of such Series of Bonds the aggregate principal amount of Bonds and all additional Series of Bonds then outstanding will not exceed the amount permitted by law or by the Indenture.
- (d) A Certificate of the Tax Collector or City Controller certifying (on the basis of calculations as of the date of sale of such Series of Bonds) that the requirement of subsection (d) of the conditions for issuance of an additional Series of Bonds (set forth above) is satisfied.
- (e) A Certificate of the Agency stating that the requirement of subsection (b) of the conditions for issuance of an additional Series of Bonds (set forth above) has been satisfied.
- (f) A Certificate of the Agency or of an independent certified public accountant that upon delivery of such Series of Bonds, the aggregate principal amount of Bonds then outstanding will not exceed the amount permitted under the Law.

- (g) An opinion of counsel stating that the requirements set forth in the Indenture for the issuance of an additional Series of Bonds have been met.

### **Issuance of Refunding Bonds**

Refunding Bonds may be authorized and issued by the Agency without compliance with the provisions of the Indenture with respect to issuance of an additional Series of Bonds; provided that Maximum Annual Debt Service on all Bonds and Parity Debt Outstanding following the issuance of such refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds and Parity Debt Outstanding prior to the issuance of such refunding Bonds. Such refunding Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of any or all of the following:

- (1) The principal or Redemption Price of the outstanding Bonds or Parity Debt to be refunded.
- (2) All expenses incident to the calling, retiring or paying of such outstanding Bonds or Parity Debt and the Costs of Issuance of such refunding Bonds.
- (3) Interest on all outstanding Bonds or Parity Debt to be refunded to the date such Bonds or Parity Debt will be called for redemption or paid at maturity.
- (4) Interest on the refunding Bonds from the date thereof to the date of payment or redemption of the Bonds or Parity Debt to be refunded.

Before such refunding Bonds shall be issued and delivered, the Agency shall file the following documents with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such refunding Bonds have been satisfied):

- (1) An executed copy of the Supplemental Indenture authorizing such refunding Bonds.
- (2) An Opinion of Co-Bond Counsel to the effect that the execution of the Supplemental Indenture has been duly authorized by the Agency in accordance with the Indenture; that such refunding Bonds, when duly executed by the Agency and authenticated and delivered by the Trustee, will be valid and binding special limited obligations of the Agency; and that upon the delivery of such refunding Bonds the aggregate principal amount of Bonds then outstanding will not exceed the amount permitted by law or by the Indenture.
- (3) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Owners of all or the portion of the Bonds or Parity Debt to be redeemed, or proof that such notice has been given by the Agency; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the Agency may cause to be deposited with the Trustee all of the Bonds and Parity Debt proposed to be redeemed (whether canceled or uncanceled) with irrevocable instructions to the Trustee to cancel said Bonds or Parity Debt so to be redeemed upon the exchange and delivery of said refunding Bonds; and provided further, that no provision of the Indenture shall be construed to require the redemption of Bonds prior to their respective maturity dates in connection with the refunding thereof.
- (4) A Certificate of an independent certified public accountant certifying (on the basis of calculations as of the date of sale of such refunding Bonds) that Maximum Annual Debt Service on all Bonds and Parity Debt Outstanding following the issuance of such refunding Bonds is less than or equal

to the Maximum Annual Debt Service on all Bonds and Parity Debt Outstanding prior to the issuance of the Series of refunding Bonds.

The proceeds of the sale of the refunding Bonds shall be applied by the Trustee according to the written direction of the Agency to the retirement of the outstanding Bonds or Parity Debt for which said refunding Bonds are to be issued. All Bonds or Parity Debt purchased, redeemed or retired by use of funds received from the sale of refunding Bonds and all Bonds surrendered to the Trustee against the issuance of refunding Bonds, shall be forthwith canceled and shall not be reissued.

### **Parity Debt and Subordinated Debt**

The Agency will not, so long as any of the Bonds are Outstanding, issue any obligations, howsoever denominated, payable in whole or in part from Revenues except the following:

(a) Bonds of any Series authorized pursuant to the provisions of the Indenture with respect to additional Series of Bonds (described above).

(b) Refunding Bonds authorized pursuant to the provisions of the Indenture with respect to a Series of refunding Bonds (described above).

(c) Parity Debt payable on a parity with the Bonds and which will have, when issued, an equal lien and charge upon Revenues, provided that the following conditions to the issuance of such Parity Debt are satisfied:

(1) Such Parity Debt has been duly and legally authorized for any lawful purpose;

(2) No Event of Default shall have occurred and then be continuing, as evidenced in a Certificate of the Agency filed with the Trustee;

(3) Unless such Parity Debt is for the refunding purposes provided in the Indenture (as described above), the Agency shall have obtained and placed on file with the Trustee a Certificate, upon which the Trustee may conclusively rely, of the Tax Collector or City Controller (on the basis of calculations as of the date of delivery of such Parity Debt) that the requirements of subsection (d) of the conditions for issuance of an additional Series of Bonds (set forth above) have been met with respect to such Parity Debt;

(4) The Agency shall have filed with the Trustee an Opinion of Co-Bond Counsel to the effect that such Parity Debt has been duly authorized in accordance with law;

(5) The Bond Reserve Requirement for each Series of Bonds and for Parity Debt as set forth in the indenture shall have been satisfied;

(6) The Trustee shall be designated as paying agent or trustee for such Parity Debt and the Agency shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Debt (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Parity Debt);

(7) The agreement under which the Parity Debt is issued shall require that:

(i) An Event of Default shall constitute an event of default under such agreement;

(ii) The Parity Debt shall be prepayable in accordance with the terms substantially in the form of and under the conditions prescribed in the Indenture;

(iii) The rights and obligations of the holders of Parity Debt shall be substantially the same as the rights and obligations of the Owners of Bonds under the Indenture; and

(iv) The remedies upon an event of default shall be substantially the same as the remedies provided in the Indenture and, prior to exercising any such remedies, the holders of such Parity Debt (or a trustee representing their interests) shall be required to cooperate with the Trustee to the end that the interests of such holders and the Bondowners shall be equally protected; and

(8) A certificate of the Agency stating that the requirements of the Indenture with respect to the issuance of Parity Debt have been satisfied.

(d) Obligations which are junior and subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt and which subordinated obligations are payable in any year as to principal, premium, interest and reserve fund requirements, if any, only out of Revenues after the prior payment in such year of all amounts then required to be paid under the Indenture from Revenues for principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt, as the same become due and payable and at the times and in the manner as required in the Indenture.

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## DEBT SERVICE SCHEDULE

The debt service schedule for the Series 2011 Bonds is shown below.

<u>Bond Year</u> <u>(Ending June 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual</u> <u>Debt Service</u>
2012	\$850,000.00	\$2,422,443.33	\$3,272,443.33
2013	1,180,000.00	1,992,400.00	3,172,400.00
2014	1,115,000.00	1,968,800.00	3,083,800.00
2015	3,165,000.00	1,935,350.00	5,100,350.00
2016	3,210,000.00	1,808,750.00	5,018,750.00
2017	3,265,000.00	1,680,350.00	4,945,350.00
2018	3,280,000.00	1,549,750.00	4,829,750.00
2019	4,610,000.00	1,385,750.00	5,995,750.00
2020	3,365,000.00	1,155,250.00	4,520,250.00
2021	3,510,000.00	987,000.00	4,497,000.00
2022	3,690,000.00	811,500.00	4,501,500.00
2023	3,865,000.00	627,000.00	4,492,000.00
2024	4,220,000.00	433,750.00	4,653,750.00
2025	<u>4,455,000.00</u>	<u>222,750.00</u>	<u>4,677,750.00</u>
TOTAL	\$43,780,000.00	\$18,980,843.33	\$62,760,843.33

## BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the Series 2011 Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Series 2011 Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2011 Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. (“Holdings”). Holdings is an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM’s financial strength is rated “AA+” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “Aa3” (negative outlook) by Moody’s Investors Service, Inc. (“Moody’s”). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any



security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

*Current Financial Strength Ratings.* On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the “Bond Insurance RFC”) in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at [www.standardandpoors.com](http://www.standardandpoors.com), for the complete text of S&P’s comments.

On October 25, 2010, S&P published a Research Update in which it downgraded AGM’s counterparty credit and financial strength rating from “AAA” (negative outlook) to “AA+” (stable outlook). Reference is made to the Research Update, a copy of which is available at [www.standardandpoors.com](http://www.standardandpoors.com), for the complete text of S&P’s comments.

On December 18, 2009, Moody’s issued a press release stating that it had affirmed the “Aa3” insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at [www.moodys.com](http://www.moodys.com), for the complete text of Moody’s comments.

There can be no assurance as to any further ratings action that Moody’s or S&P may take with respect to AGM.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the Securities and Exchange Commission (the “SEC”) on March 1, 2011.

*Capitalization of AGM.* At December 31, 2010, AGM’s consolidated policyholders’ surplus and contingency reserves were approximately \$2,578,146,678 and its total net unearned premium reserve was approximately \$2,298,456,380, in each case, in accordance with statutory accounting principles.

*Incorporation of Certain Documents by Reference.* Portions of the following document filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Series 2011 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52<sup>nd</sup> Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption “BOND INSURANCE—Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Series 2011 Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE.”

## HOTEL TAX REVENUES

### Hotels in the Levy Area

As of the date of adoption of the Ordinance, the hotels subject to the Agency Hotel Tax (the “Levy Area Hotels”) are located within the Yerba Buena Center Redevelopment Project Area, the Golden Gateway Redevelopment Project Area, the Western Addition A-1 Redevelopment Project Area, the Western Addition A-2 Redevelopment Project Area, the South of Market Redevelopment Project Area (formerly the Earthquake Recovery Redevelopment Project Area) and the Chinese Cultural and Trade Center Redevelopment Project Area (together, the “Levy Area”). The hotels currently in the Levy Area are set forth below:

<u>Hotel<sup>†</sup></u>	<u>No. of Rooms</u>	<u>Redevelopment Project Area</u>
San Francisco Marriott Marquis	1,499	Yerba Buena
Hyatt Regency San Francisco	802	Golden Gateway
Westin San Francisco Market Street <sup>(1)</sup>	676	Yerba Buena
Hilton San Francisco Financial District	544	Chinese Cultural and Trade Center
W San Francisco <sup>(2)</sup>	404	Yerba Buena
Four Seasons Hotel San Francisco <sup>(3)</sup>	277	Yerba Buena
The St. Regis San Francisco <sup>(4)</sup>	260	Yerba Buena
Hotel Kabuki	218	Western Addition A-1
Best Western Hotel Tomo	125	Western Addition A-2
Hotel Majestic	58	Western Addition A-2
Inn at the Opera	48	Western Addition A-2
Queen Anne Hotel	48	Western Addition A-2
TOTAL	4,959	

<sup>†</sup> Does not include the Pontiac Hotel located in the South of Market Earthquake Recovery Redevelopment Project Area, which has historically contributed an insignificant amount of the City Hotel Tax.

(1) Opened in April 2007.

(2) Opened in May 1999.

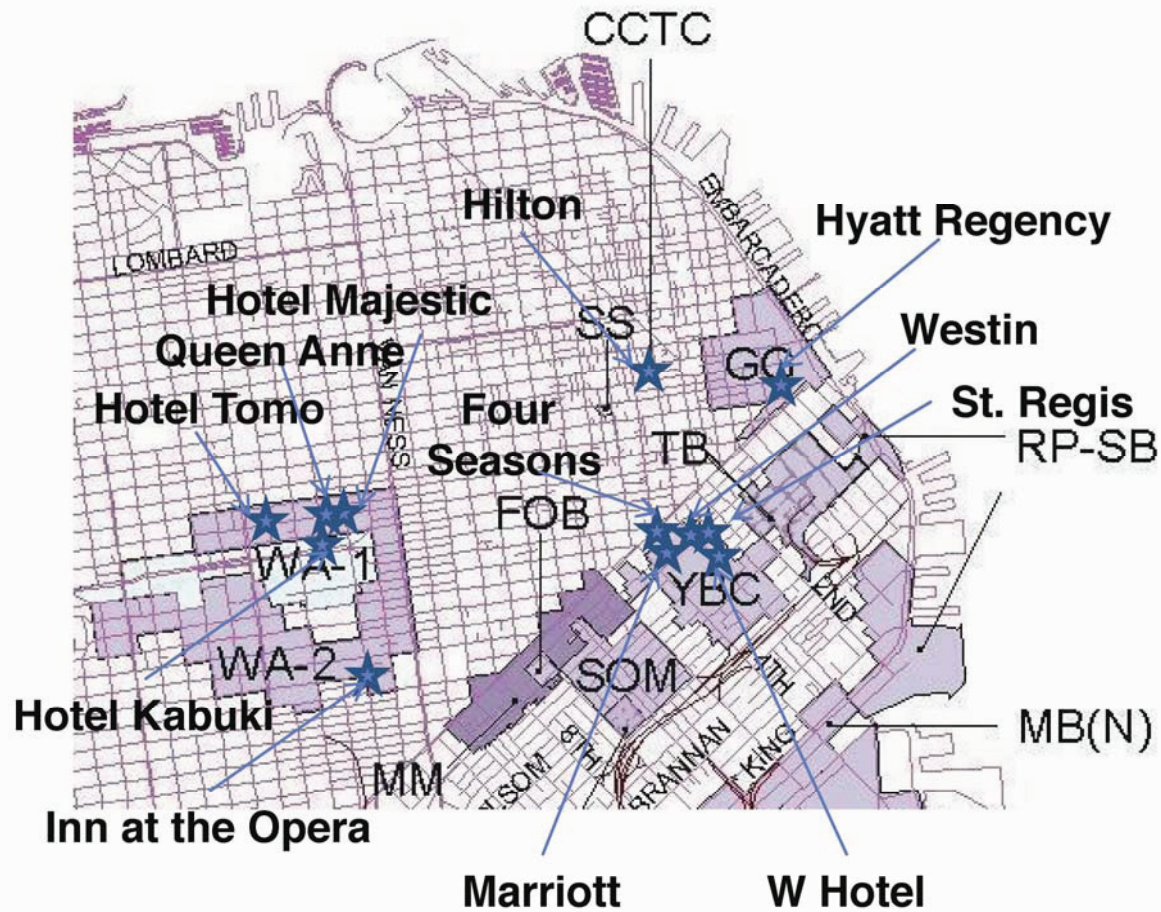
(3) Opened in October 2001.

(4) Opened in November 2005.

Source: San Francisco Convention and Visitors Bureau.

The map on the following page shows the location of the Levy Area Hotels, other than the Pontiac Hotel, within the City.

### Locations of Levy Area Hotels



**Bold Text** indicates the location of a Levy Area Hotel.

Finer text indicates the location of a Redevelopment Project Area (names are abbreviated, see previous page for full name).

## **Collection of the Transient Occupancy Tax**

The Agency Hotel Tax is levied and collected in the same manner as the City's general transient occupancy tax, except that the Agency Hotel Tax only applies to hotels in the Levy Area. Pursuant to the Tax Administration Agreement (see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS—The Tax Administration Agreement"), the City Tax Collector transfers the Agency Hotel Tax to the Trustee for payment of the Bonds.

The Transient Occupancy Tax (referred to as "TOT") is imposed by the Ordinance for every occupancy of a guest room in a hotel in the City, and each occupant is required to pay the TOT to the operator of the hotel along with the rent for occupancy. Under the Ordinance, no TOT is imposed on the following: (i) a "Permanent Resident," defined in the Ordinance as any occupant as of a given date who has or shall have occupied, or has or shall have the right of occupancy, of any guest room in a hotel for at least 30 consecutive days next preceding such date; (ii) a corporation or association which is exempted from the City's transient occupancy tax pursuant to Part III, Article 7 of the San Francisco Municipal Code, Section 506 *et seq.*, as the same may be amended from time to time ("Article 7"); or (iii) a guest room where the rent is less than at the rate of \$30 per day or \$100 per week, or such other exception rate as may be set by the City from time to time pursuant to Article 7. Under the Ordinance and the City Hotel Tax Ordinance, the TOT is collected by the operator of a hotel within the Levy Area from the occupant of a guest room. The operator is then required to pay to the Tax Collector, in monthly installments as estimated TOT prepayments, the TOT collected during each calendar quarter on or before the last day of the month immediately following the month for which the prepayment is due. Taxes paid in the first two monthly installments of any quarterly period shall be a credit against the total tax liability for the quarterly period. Estimated tax prepayments shall be computed based on the estimated tax collected or required to be collected from occupants during the month in question, but in no instance shall a prepayment be equal to a sum less than 30% of the tax collected in the immediately preceding quarterly period. If the operator can establish by clear and cogent evidence that the amount of any prepayment will exceed the total tax liability for the quarterly period for which the tax prepayment becomes due, the Tax Collector may, in writing, adjust the amount of the tax prepayment. The third monthly installment of any quarterly period shall be in an amount equal to the total tax liability for the quarterly period, less the amount of any tax prepayment actually paid. Further, on or before the last day of the month immediately following each quarterly period, every operator shall file a return for the preceding quarterly period with the Tax Collector, in such form as the Tax Collector may prescribe. The Tax Collector may, for good cause, extend for a period of not to exceed one month, the time for making any payment or filing any return.

Pursuant to the Ordinance and the City Hotel Tax Ordinance, the Tax Collector may, for good cause, extend, for not to exceed one month, the time for a hotel operator to transmit the TOT to the Tax Collector. Further, the Board of Review, consisting of the City Administrator, the City Controller and the City's Assessor, may grant, for good cause, extensions of time in excess of one month for a hotel operator to transmit the TOT to the Tax Collector.

In the event of nonpayment of the TOT by an operator of a hotel within the Levy Area, the Tax Collector may take certain actions to collect the amount owed by such operator, including but not limited to, audits, citation issuance, the filing of a suit and, ultimately, the recordation of a tax lien against the hotel with the Recorder of the City. Additionally, penalties, interest, and fees will be added to overdue TOT payments due to the Tax Collector from an operator of a hotel within the Levy Area.

## Historical Agency Hotel Tax Revenues

A transient occupancy tax has been levied by the City for every occupancy of a guest room in hotels in the City since July 1, 1961 at the rates shown in the following table. The Agency Hotel Tax is 12%, although the overall transient occupancy tax rate is 14%.

### HISTORICAL SUMMARY OF CITY HOTEL TAX RATE CHANGES JULY 1, 1961 TO PRESENT

<u>Effective Date</u>	<u>Hotel Tax Rate</u>
July 1, 1961 to December 31, 1967	3.00%
January 1, 1968 to December 31, 1970	5.00
January 1, 1971 to December 31, 1972	5.50
January 1, 1973 to June 29, 1978	6.00
June 30, 1978 to June 30, 1980	8.00
July 1, 1980 to December 31, 1986	9.75
January 1, 1987 to August 14, 1993	11.00
August 15, 1993 to July 31, 1996	12.00
August 1, 1996 to Present <sup>†</sup>	14.00

<sup>†</sup> The Agency's Hotel Tax remains 12%.

Source: City and County of San Francisco - Tax Collector's Office.

Section 7280.5 and the City Hotel Tax Ordinance require the amount of the Agency Hotel Tax due to the Agency to be credited against the payment of the transient occupancy tax due to the City. In any Bond Year, the aggregate amount of Agency Hotel Tax credited will not exceed the Debt Service for that Bond Year. However, in the event the City did not transfer to the Agency in the immediately preceding Bond Year the full amount required to be transferred pursuant to the Tax Administration Agreement for such year, the City is required to transfer an additional amount equal to the difference between the amount required to be transferred pursuant to the Tax Administration Agreement and the amount actually transferred during such year. All amounts of Agency Hotel Tax in excess of such combined amount will be retained by the City.

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A history of the Agency Hotel Tax revenues for the Levy Area Hotels are shown in the following table:

### HISTORICAL AGENCY HOTEL TAX REVENUES

Fiscal Year End	Agency Hotel Tax	Percent
<u>June 30,</u>	<u>Revenues</u>	<u>Change</u>
2000 <sup>(1)</sup>	\$28,422,379	20.8%
2001	30,469,617	7.2
2002 <sup>(2)</sup>	23,531,417	(22.8)
2003	22,215,172	(5.6)
2004	25,012,828	12.6
2005	27,698,389	10.7
2006 <sup>(3)</sup>	29,801,003	7.6
2007	35,054,799	17.6
2008	41,138,190	17.4
2009	37,904,408	(7.9)
2010 <sup>(4)</sup>	33,670,174	(11.2)

(1) The W San Francisco Hotel opened for business in May 1999.

(2) The Four Seasons Hotel opened for business in October 2001.

(3) The St. Regis Hotel opened for business in November 2005.

(4) The Cathedral Hill Hotel closed in October 2009.

Source: San Francisco Treasurer/Tax Collector.

The City Hotel Tax Ordinance provides that it is unlawful for the Tax Collector or any person having an administrative duty with respect to the Agency Hotel Tax to make known in any manner whatever the business affairs, operations, or information obtained by an investigation of records and equipment of any operator or any other person visited or examined in the discharge of official duty, or the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any return, or to permit any return or copy thereof to be seen or examined by any person.

### HISTORICAL AGENCY HOTEL TAX DEBT SERVICE COVERAGE ANALYSIS

Fiscal Year Ending	Agency	Annual	
<u>June 30,</u>	<u>Hotel Tax</u>	<u>Debt Service</u>	<u>Coverage</u>
	<u>Revenues</u>		
2000	\$28,422,379	\$6,267,714	4.53x
2001	30,469,617	6,268,832	4.86
2002	23,531,417	6,206,010	3.79
2003	22,215,172	6,180,955	3.59
2004	25,012,828	6,642,935	3.77
2005	27,698,389	5,951,650	4.65
2006	29,801,003	5,880,173	5.07
2007	35,054,799	5,809,163	6.03
2008	41,138,190	5,724,363	7.19
2009	37,904,408	5,647,838	6.71
2010	33,670,174	5,564,988	6.05

Source: San Francisco Treasurer/Tax Collector.



## Pro-Forma Debt Service Coverage

The following table shows pro-forma debt service coverage for the Series 2011 Bonds. The pro-forma debt service coverage is based upon historical Agency Hotel Tax Revenues for fiscal years 2006 through 2010 and preliminary estimates of Maximum Annual Debt Service on the Series 2011 Bonds.

<b>SAN FRANCISCO REDEVELOPMENT AGENCY LEVY AREA HOTELS HISTORICAL HOTEL TAX REVENUES AND PRO-FORMA DEBT SERVICE COVERAGE</b>					
<u>Fiscal Year Ending June 30</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Hotel Tax Revenues <sup>†</sup>	\$29,801,003	\$35,054,799	\$41,138,190	\$37,904,408	\$33,670,174
Maximum Annual Debt Service on the Series 2011 Bonds	5,995,750	5,995,750	5,995,750	5,995,750	5,995,750
Pro-Forma Debt Service Coverage	4.97x	5.85x	6.86x	6.32x	5.62x

<sup>†</sup> There is no assurance that historical Hotel Tax Revenues are indicative of Hotel Tax Revenues expected to be received by the Agency in future years.

## Recent Developments Affecting Levy Area Hotels

Set forth below is a discussion of certain recent developments affecting the Levy Area Hotels and potentially the Agency Hotel Tax revenues derived therefrom. The developments discussed are expected to increase the per-night costs to a room occupant.

*Tourism Improvement District.* In December 2008, the City formed a tourism improvement district (the “Tourism Improvement District”) which levies and collects assessments against hotel-based business located within that district, which is conterminous with the City boundaries. All Levy Area Hotels are located within the Tourism Improvement District and are therefore subject to the assessments. The assessments, which are subject to district-wide fixed maximum amounts, are expected to range between approximately 1% to 1-1/2% of the room rates for each hotel and may be passed through to the occupants.

The assessments against the affected hotels will be levied for 15 years, and began on January 1, 2009 and terminates on December 31, 2023. The assessments are levied in amounts designed to collect a maximum of \$182,043,000 annually in years one through five (2009-2013) and a total of \$735,085,395 in years six through 15 (2014 through 2023). Amounts collected in the first five years have been, and are being, applied primarily to improvements to Moscone Center, which improvements are underway. The longer term component is for operating costs of the San Francisco Convention and Visitors Bureau.

No revenue from the Tourism Improvement District is available to pay debt service on the Series 2011 Bonds. Delinquent assessments, which are payable quarterly, can be collected through foreclosure proceedings.

## **SAN FRANCISCO TOURISM AND CONVENTION INDUSTRY**

### **Overview**

Tourism is a major industry for the City. As of October 2009, the City had approximately 32,976 hotel rooms in 215 hotels and over 3,000 restaurants. The City averages 15.4 million visitors annually, of which approximately 4.9 million stay in a hotel, with an average hotel stay of 3.6 nights. The City's visitor base is composed of 46% leisure travelers, 23% business travelers and 23% group travelers. The City provides significant financial support for tourism, with approximately 75% of the revenue generated by the City Hotel Tax going to support the Moscone Center and other civic entities.

The City's Moscone Convention Center is a world-class facility, capable of accommodating multiple overlapping or simultaneous gatherings, and makes the City a prime competitor for national and international conventions and gatherings. Notable annual conventions which have used the Moscone Center in the past include MacWorld (35,000 attendees), Oracle OpenWorld (45,000 attendees) and the Game Developers Conference (15,000 attendees). The Moscone Center's large capacity results in a high utilization rate, which in turn increases the demand for hotel accommodations. Many of the hotels in the Levy Area are within walking distance of Moscone Center.

### **Recent Developments**

In Fiscal Years 2009 and 2010, Agency Hotel Tax Revenues declined from the Fiscal Year 2008 collections, which time period coincided with the national economic downturn. Recently, however, the City has seen notable improvements in tourism. In the last year, passenger traffic at San Francisco International Airport was up 4.7%. Occupancy rates increased approximately 2% for 2009 to 2010, and the average daily room rate also increased in certain months for that same period.

Also, in 2008, the voters of the City approved a ballot measure to form a tourism improvement district, funds from which have financed improvements to the Moscone Center and will provide long-term funding for the San Francisco Convention and Visitors Bureau, which markets the City as a travel destination and is one of the world's largest such entities.

## **THE AGENCY**

### **History and Purpose**

The Agency was organized in 1948 by the Board of Supervisors of the City pursuant to the Redevelopment Law. The Agency's mission is to eliminate physical and economic blight within specific geographic areas of the City designated by the Board of Supervisors. Included within that mission is the Agency's role to enhance the supply of affordable housing Citywide. The Agency currently has redevelopment plans for nine (9) redevelopment project areas that are in various stages of implementation. The redevelopment plans for four (4) other redevelopment project areas have expired, but the Agency's authority to incur indebtedness and repay debts were extended for such redevelopment project areas for the exclusive purpose of financing low and moderate income housing.

## Authority and Personnel

The powers of the Agency are vested in its Commission, which has a maximum of seven members who are appointed by the Mayor of the City with the approval of the Board of Supervisors. Members are appointed to staggered four-year terms, must reside within the City limits and must not be officials or employees of the City. Once appointed, members serve until replaced or reappointed.

The current members of the Agency Commission, together with their principal occupations, the years of their first appointment to the Commission and the expiration date of their current terms are as follows:

<u>Name</u>	<u>Occupation</u>	<u>First Appointed</u>	<u>Term Expires</u>
Rosario Anaya	Businesswoman and Educator	2010	9/3/2014
Miguel Bustos	Senior Program Manager	2009	9/3/2013
Francee Covington	Businesswoman	2005	9/3/2012
Leroy King	Labor Official Retired	1980	9/3/2014
Darshan Singh	Businessman	1995	9/3/2011
Rick Swig	Businessman	2007	9/3/2012
Agnes Ubalde	Corporate Social Responsibility Executive	2010	9/3/2014

The Agency currently employs approximately 110 persons in full-time positions. The Executive Director, Fred Blackwell, was appointed to that position in August 2007. The other principal full-time staff positions are the Deputy Executive Director, Community and Economic Development; the Deputy Executive Director, Finance and Administration; the Deputy Executive Director, Housing; and the Agency General Counsel. Each redevelopment project area is managed by a Project Manager. There are separate staff support divisions with real estate and housing development specialists, architects, engineers and planners, and the Agency has its own fiscal, legal, administrative and property management staffs, including a separate staff to manage the South Beach Harbor Marina.

## RISK FACTORS

### General

The Series 2011 Bonds are special limited obligations of the Agency and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the Hotel Tax Revenues and other funds pledged under the Indenture. If for any of the reasons described below, or for any other reason, the Agency does not collect sufficient Hotel Tax Revenues to pay debt service on the Series 2011 Bonds, the Agency will not be obligated to utilize any other of its funds, other than amounts on deposit in the Bond Reserve Fund and certain other amounts on deposit in the funds and accounts established under the Indenture, to pay debt service on the Series 2011 Bonds.

### Legislation to Eliminate Redevelopment Agencies and Restrict Activities

*Effect on the Series 2011 Bonds.* As part of the efforts by the Governor of the State of California to address a substantial deficit in the 2011-2012 State budget, has proposed budget measures which, among other things, would re-direct tax increment funds, the primary source of funding for redevelopment activities in the State, to other governmental purposes. One of these measures is certain legislation which was proposed by the Governor in January 2011 and for which a placeholder bill was thereafter introduced. That bill was amended in whole on March 15, 2011 to set forth its substantive provisions (the “proposed legislation”) and would eliminate redevelopment agencies, including the Agency, and their ability to issue bonds.

The Series 2011 Bonds will be secured by Hotel Tax Revenues and not by the tax increment sought to be re-directed in the proposed legislation. However, because the proposed legislation is broadly drafted, if enacted in its present form, the Agency could not thereafter issue the Series 2011 Bonds. As a result, potential investors should be aware that both the Agency and the Underwriters have the right not to proceed with issuance of the Series 2011 Bonds after the Underwriters have committed to purchase the Series 2011 Bonds, if the proposed legislation or similar legislation becomes effective prior to the delivery date for the Series 2011 Bonds, and the Agency anticipates that if the proposed legislation or similar legislation becomes effective prior to the delivery date for the Series 2011 Bonds, it would not proceed with the issuance and delivery of the Series 2011 Bonds. However, if the Series 2011 Bonds are issued and delivered prior to the effective date of the proposed legislation or similar legislation, the Series 2011 Bonds would be valid, binding and legal obligations of the Agency, would be enforceable obligations under proposed legislation and would enjoy the full benefit of the pledge of Revenues, which include the Hotel Tax Revenues, that is established pursuant to the Indenture and described herein.

If the Series 2011 Bonds are issued before the legislation becomes effective, the Agency and Co-Bond Counsel believe that the Series 2011 Bonds would be valid, binding and legal obligations of the Agency and that the pledge of Agency Hotel Tax Revenues to secure the Series 2011 Bonds would not be affected by the proposed legislation. If the Series 2011 Bonds are successfully issued and the proposed legislation is later enacted, the obligation to repay them would be shifted to a successor entity to the Agency, as described in the summary of the proposed legislation set forth below.

*Summary of Proposed Legislation.* A brief summary of the proposed legislation is set forth below, but investors are encouraged to read the entire proposed legislation. The proposed legislation can be obtained from the State of California's Department of Finance website at the following address (this address is provided for the convenience of investors and the website is not incorporated in this Official Statement):

[http://www.dof.ca.gov/budgeting/trailer\\_bill\\_language/financial\\_research\\_and\\_local\\_government/documents/502%20RDA%20Legislation%202-23p.docx](http://www.dof.ca.gov/budgeting/trailer_bill_language/financial_research_and_local_government/documents/502%20RDA%20Legislation%202-23p.docx).

The proposed legislation is styled as an urgency measure, which requires a two-thirds vote of each house of the Legislature for passage unless the legislation is "identified as related to the budget in the budget bill passed by the Legislature." Section 12 (e)(2) of Article IV of the California Constitution (as amended by Proposition 25 (Nov. 2010)). Urgency legislation is effective immediately upon passage and upon the signature of the Governor. It is possible that, if the proposed legislation is included as a part of a complete budget package passed by the Legislature, it could be passed with only majority vote approval and still become effective immediately. The proposed legislation makes it clear that its provisions would not be retroactive.

The proposed legislation declares that it is the intent of the Legislature to do the following:

"(1) Bar existing redevelopment agencies from incurring new obligations that would divert any more money from core functions and dissolve all existing redevelopment. It is the intent of the Legislature that the greatest amount of funding be realized from these actions to fund core governmental services.

(2) Beginning with 2012-13 fiscal year, allocate these funds according to the existing property tax allocation, except for enterprise special districts, to make the funds available for cities, counties, special districts, school and community college districts to provide core governmental services. As a result of these actions, it is estimated that, by fiscal year 2012-13, these local entities will receive \$1.9 billion per year in new resources to use for their core priorities.

(3) Require a successor entity to settle the affairs of the redevelopment agencies.

(4) Require the protection of contractual rights by successor agencies, which will be required to retire redevelopment agency debts in accord with existing payment schedules. No existing contractual obligations will be impaired.”

The proposed legislation would suspend immediately upon its effective date a variety of Agency activities, including the issuance of bonds and the entering into of contracts, but would allow agencies to continue to make all scheduled payments for “enforceable obligations,” which is a defined term that includes bonds. Because the proposed legislation purports to prohibit the Agency from entering into new contracts after the effective date of the proposed legislation, it is not clear whether the Agency would be authorized to enter into new contracts involving the expenditure of Bond proceeds for redevelopment projects after the effective date of the proposed legislation.

Thereafter, on July 1, 2011, the proposed legislation would dissolve all redevelopment agencies and vest their remaining powers in successor agencies. Each successor agency would be governed by a new seven-member oversight board, which would consist of, among others, a member selected by the county board of supervisors, a member selected by a non-enterprise special district, and two members selected by the county superintendent of education to represent schools and community college districts. The city council or board of supervisors that formed the redevelopment agency could select only one member of the oversight board.

Again, because the proposed legislation purports to prohibit the successor agency from entering into new contracts, it is not clear whether the successor agency would be authorized to enter into new contracts involving the expenditure of bond proceeds for redevelopment projects after the effective date of the proposed legislation.

Subject to the approval of the oversight board, each successor agency would be charged with preparing “Recognized Obligation Payment Schedules” which document the minimum payments and due dates of payments required by “enforceable obligations” for each half-year fiscal period. “Enforceable obligations” include, among other things, bonds issued pursuant to the Redevelopment Law (including the required debt service, reserve set-asides and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former agency). Commencing January 1, 2012, only those payments listed in the Recognized Obligation Payment Schedule may be made by the successor agency from funds specified in the Recognized Obligation Payment Schedule. For fiscal year 2011-12, the draft of the Recognized Obligation Payment Schedule must be reviewed and certified, as to its accuracy, by an external auditor. The initial Recognized Obligation Payment Schedule must also be certified by the county auditor-controller.

The proposed legislation provides that any legally binding obligations that were entered into with a pledge of tax increment will continue to have the revenues that were formerly tax increment and which are deposited into a new “Redevelopment Obligation Retirement Fund” to be held by the successor agency. However, the proposed legislation establishes a priority of allocation with respect to property tax increment that would have been allocated to each redevelopment agency without regard for existing priority relationships; these property taxes would be deposited in a Redevelopment Property Tax Trust Fund (to be administered by the county auditor-controller) and then, in fiscal year 2012-13 and following, first allocated to schools and community college districts in the amount that they would have received if the proposed legislation had not been adopted into law, and, second, for payments listed in the Recognized Obligation Payment Schedule. For fiscal year 2011-12, the proposed legislation provides that, before being used to make the payments listed in the Recognized Obligation Payment Schedule, the property taxes would be used to pay each successor agency’s share of an aggregate \$1.7 billion payment to a “Public Health and Safety Fund.”



Finally, the proposed legislation, if adopted, would lengthen the statute of limitations (i) for the commencement of an action to review a determination or finding by a redevelopment agency or its legislative body, from 90 days to two years after the determination or finding, if such determination or finding is made after January 1, 2011, and (ii) for any action that is brought on or after January 1, 2011, to determine the validity of bonds issued by the redevelopment agency, from 60 days to two years after the date of the triggering event. Although the Agency does not believe there is any defect in the proceedings for the issuance of the Series 2011 Bonds that could give rise to a successful challenge and Co-Bond Counsel is providing its opinion with respect to the Bonds as set forth in Appendix D, there could be an increased risk of a legal challenge because the Agency is issuing the Series 2011 Bonds after January 1, 2011, and any such challenge could affect the market price of the Series 2011 Bonds on the secondary market.

### **Reduction in Hotel Tax Revenues**

No assurance can be given that Agency's Hotel Tax Revenues will equal or exceed any projections or forecasts contained herein or that the historical hotel tax collections experienced by the City and the Agency with respect to the hotels located within the Levy Area represent an accurate indicator of future amounts of Hotel Tax Revenues. A reduction in the amount of Hotel Tax Revenues could occur for several reasons, including but not limited to (i) a reduction in the demand for hotel accommodations resulting from a reduction in the frequency or length of tourist or business visits to the City due to a general recession or the decline of the City as a tourist destination, business center or convention location, (ii) competition from hotels not located within the Levy Area, including hotels that may be built in the future, (iii) reductions in room rates due to such competition, recession or other economic factors, (iv) temporary closing of hotels for remodeling, maintenance or repairs, (v) the ability of the hotel operator to delay the payment of the Agency Hotel Tax to the Agency as described below, (vi) partial or full conversion of hotel property to other purposes not subject to the Agency Hotel Tax (e.g., time shares or condominiums), and (vi) temporary or permanent closings of hotels in the Levy Area due to damage or destruction or other reasons. These factors may affect only one or more hotels in the Levy Area from time to time or may affect all of them at the same time. See also "–Change in Use" below.

Pursuant to the Ordinance and the City Hotel Tax Ordinance, the Tax Collector may, for good cause, extend, for not to exceed one month, the time for a hotel operator to transmit the Agency Hotel Tax to the Tax Collector. Further, the Board of Review, consisting of the City Administrator, the City Controller and the City's Assessor, may grant, for good cause, extensions of time in excess of one month for a hotel operator to transmit the Agency Hotel Tax to the Tax Collector.

### **Risks Associated with Hotel Industry**

A number of factors, many of which may be beyond the control of the Issuer could have an adverse impact on Agency Hotel Tax revenues including adverse changes in the national economy and levels of tourism, competition from other hotels outside of the Levy area, sales taxes, energy costs, governmental rules and policies (including environmental restrictions and changes in zoning and land use), potential environmental and other liabilities, interest rate levels, and tax laws affecting real estate. Levels of tourism are highly dependent upon gasoline and other fuel prices, airline fares, and the national economy. Because hotel rooms are rented for a relatively short period of time compared to most other commercial properties, hotels are impacted more quickly by adverse economic conditions and competition than other commercial properties that are rented for longer periods of time.

## **Concentration of Revenues**

The largest hotel in the Levy Area, the San Francisco Marriott Marquis contains approximately 30% of the rooms within the Levy Area, with the four largest hotels containing approximately 70% of Levy Area hotel rooms. A significant adverse impact upon the continued operation of one or more of these hotels would have a substantial impact on Agency Hotel Tax revenues. No remedy is available to Bondowners in the event of a shortfall in Agency Hotels Tax Revenues due to non-operation in whole or in part of any hotels or hotels.

## **Change in Use**

The operators of the hotels in the Levy Area are obligated to collect the Agency Hotel Tax but are not obligated to continue to use their facilities as hotels. A reduction in Hotel Tax Revenues could result from the permanent change in use of one or more of the hotels in the Levy Area such that such former hotel facility is used for a purpose which does not include the occupancy of guest rooms and collection of the Agency Hotel Tax, such as time-share ownership. This permanent closing and/or reutilization of a facility could result from various economic or individual circumstances, including the determination by an owner of a hotel that another use represents a more profitable use of its facility or land. The Agency cannot give any assurance that any or all of the hotels currently located in the Levy Area will continue to be hotels during the entire period of time that Series 2011 Bonds are Outstanding.

## **Bankruptcy or Insolvency of Hotel Owner**

The Agency Hotel Tax is imposed by the Ordinance upon every occupant occupying a guest room in a hotel in a redevelopment project area of the Agency, and such occupant is required to pay the Agency Hotel Tax to the operator of the hotel along with the rent for occupancy. The obligation of the occupant to pay is not satisfied until the Agency Hotel Tax has been paid to the Agency or to the Tax Collector on behalf of the Agency; however, the occupant satisfies his or her obligation upon obtaining a receipt indicating payment of the rent from the operator of the hotel.

The remittance of the Agency Hotel Tax to the Tax Collector on behalf of the Agency may be limited or delayed by bankruptcy or insolvency of the owners of the hotels in the Levy Area. In addition, the various legal opinions to be delivered concurrently with the delivery of the Series 2011 Bonds (including Co-Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments entered into by the Agency and the City by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally. A bankruptcy or other insolvency proceeding of the owner of a hotel within the Levy Area could result in the Agency Hotel Tax to be remitted by such owner not being remitted on a timely basis or in the full amount.

## **Limited Obligation of Agency**

The Series 2011 Bonds are special limited obligations of the Agency and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the Hotel Tax Revenues and other funds pledged under the Indenture. The Agency's ability to pay debt service on the Series 2011 Bonds is contingent upon its collecting sufficient Hotel Tax Revenues from the hotels presently located in the Levy Area. Although the Agency has not covenanted to do so, it is possible that in the event the Agency does not collect sufficient Hotel Tax Revenues to pay debt service on the Series 2011 Bonds, it could attempt to increase the Agency Hotel Tax or to apply it to hotels which are located in project areas of the Agency which are not within the Levy Area (of which hotels there currently are none). However, the Agency's ability to so increase or extend the Agency Hotel Tax would depend on the willingness of the City to adopt legislation providing for the credit against the City Hotel Tax with respect to such increased or extended Agency Hotel Tax. Therefore, no assurance can be given that, in

the event of a shortfall of Hotel Tax Revenues, the Agency would attempt to increase or extend the Agency Hotel Tax or that the City would cooperate in such increase or extension.

The Agency's obligation to advance monies to pay debt service on the Series 2011 Bonds in the event of delinquent payment of the Agency Hotel Tax will not exceed the balance in the Bond Reserve Fund. Neither the faith and credit nor the taxing power of the City, the State or any political subdivision or public agency thereof, other than the Agency to the extent of the pledge of Revenues, is pledged to the payment of principal of or interest on the Series 2011 Bonds. The Agency has no power to levy any taxes other than the Agency Hotel Tax.

## **Proposition 62**

On November 4, 1986, California voters adopted Proposition 62, a statutory initiative which, among other matters, requires: (a) that any tax for general governmental purposes imposed by local government entities be approved by a majority vote of the voters voting in an election on the issue, (b) that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local government entity be approved by a two-thirds of the voters voting in an election on the issue and (c) the revenues from a special tax be used for the purposes or for the services for which the special tax was imposed. Proposition 62 also provided that any tax imposed by any local government after August 1, 1985 and prior to November 5, 1986 (the effective date of Proposition 62) can continue to be imposed only if approved by a majority vote of the voters voting in an election on the issue, and that any local government which fails to seek or obtain such approval will cease to impose such tax on and after November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional by the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4<sup>th</sup> 220 (1995) ("Guardino"), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax, and by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The Guardino decision did not address the question of whether or not Proposition 62 should be applied retroactively to taxes imposed during the period that certain of its provisions were held to be unconstitutional.

Following the Guardino decision several actions were filed challenging taxes imposed by public agencies after the adoption of Proposition 62. On June 4, 2001, the California Supreme Court rendered its opinion in *Howard Jarvis Taxpayers Association v. City of La Habra, et al.*, 25 Cal. 4<sup>th</sup> 809 ("La Habra") holding that an action brought in 1996 challenging the imposition of a 1992 utility users tax imposed for general purposes, without voter approval, was not barred by a three-year statute of limitations period because the continued imposition and collection of the tax was an ongoing violation upon which the statute of limitations period began anew with each collection.

The Guardino and La Habra decisions did not decide the question of the applicability of Proposition 62 to charter cities such as the City. Two cases decided by the California Courts of Appeals in 1993, *Fielder v. City of Los Angeles* (1993) 14 Cal. App. 4<sup>th</sup> 137 (rev. den. May 27, 1993), and *Fisher v. County of Alameda* (1993) 20 Cal. App. 4<sup>th</sup> 120 (rev. den. Feb. 24, 1994) hold that Proposition 62's restrictions on property transfer taxes do not apply to charter cities because charter cities derive their power to enact taxes under Article XI, Section 5 of the California Constitution relating to municipal affairs.

The City estimates that approximately \$100.9 million has been collected from fiscal year 2007-08 through fiscal year 2009-10 as a result of new or increased taxes imposed without voter approval between

August 1, 1985 and January 1, 1995, the date on which the provisions of Proposition 218 applicable to voter approval of taxes were effective. Such increased or new taxes include hotel and various business taxes (“Post Proposition 62 Taxes”).

If a court were to determine that a jurisdiction imposed a new or increased tax in violation of Proposition 62, Proposition 62 specifies that the portion of the one-percent ad valorem property tax levy allocated to that jurisdiction be reduced by \$1 for every \$1 in revenue attributable to the tax for each year that the tax is collected. This provision of Proposition 62 has not been interpreted by the California courts.

Proposition 62, is an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature (except that it may be amended only by a vote of the State’s electorate). However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62 with respect to taxes imposed after January 1, 1995.

Because the Agency’s Hotel Tax ordinance was adopted after November 1, 1986 and was not approved by the voters, the Agency Hotel Tax could be subject to judicial challenge. If the Agency Hotel Tax were to be invalidated, the result would be that hotels in the Levy Area would no longer receive the credit against the City Hotel Tax and the affected hotels would continue to pay the City Hotel Tax. While it seems unlikely that any occupant of a hotel would find enough economic interest in the Agency Hotel Tax to take any action, it is possible that others might have a financial incentive to bring such a challenge, based on the requirement in Proposition 62 that the portion of the 1% general ad valorem property tax allocated to the jurisdiction (in this case, tax increment allocated to the Redevelopment Agency) be reduced by one dollar for each one dollar in revenue attributed to the invalid tax for each year the tax is collected.

Under the Tax Administration Agreement the City has covenanted to provide the Agency sufficient funds from the Agency Hotel Tax to provide for the payment of principal and interest on the Bonds. Other than pursuant to the Tax Administration Agreement, the City is not obligated in any manner to apply any portion of the City Hotel Tax to such purpose. Neither the City nor the Agency is aware of any pending or threatened challenges to the levy of the Agency Hotel Tax or the City Hotel Tax. In the event that the Agency Hotel Tax were to be ruled unconstitutional under Proposition 62, the City’s covenant to provide the Agency sufficient funds to provide for the payment of principal and interest on the Bonds, could be challenged as unenforceable and a gift of public funds. No assurance can be given that a court would not hold that the City’s covenant is unenforceable. For the reasons stated above, the Agency believes that the Santa Clara decision should have no adverse affect on the Agency’s ability to levy the Agency Hotel Tax.

### **Proposition 218**

On November 5, 1996, California voters adopted Proposition 218, adding Articles XIIC and XIID to the California Constitution, that apply to counties, cities, cities and counties, including charter cities or counties, any special district, or other local or regional governmental entity. Under Proposition 218 (i) no local government may impose, extend, or increase any general tax until such tax is submitted to the electorate and approved by a majority vote and (ii) no local government may impose, extend, or increase any special tax until such tax is submitted to the electorate and approved by a two-thirds vote. The election to approve a general tax is required to be consolidated with a regularly scheduled general election for members of the governing body of the local government, except in case of emergency declared by a unanimous vote of the governing body. However, there are no such requirements with respect to special taxes. Proposition 218 does provide a window period for implementation. Local agencies that imposed extended or increased general taxes without voter approval after January 1, 1995, but before November 6, 1996, must submit them for voter-approval by November 6, 1998. Because of

this amendment to the California Constitution, while the City continues to collect the City Hotel Tax at the rate of 14%, the two percentage point increase in the City Hotel Tax is being held in trust until the City election scheduled for November 6, 1998. If the Agency Hotel Tax were to be invalidated and the two percentage point increase in the City Hotel Tax not approved by the electorate, the result could be that hotels in the Levy Area would no longer receive the credit against the City Hotel Tax and the affected hotels would continue to pay the City Hotel Tax at the 12% rate.

### **Seismic Risks**

The City is located in a seismically active region. The hotels in the Levy Area could sustain damage in a major earthquake, both from ground motion and possible liquefaction of underlying soils. Damage could include structural damage (which could, in the worst case, necessitate the closing of a hotel), breaks in utility, drainage and sewage lines, displacement or collapse of buildings and rupture of gas and fuel lines.

Modern design practices, which take into consideration the potential for earthquake damage, have been utilized in the design of the more recent hotels and facilities. Hotels built in recent years have all been designed in accordance with earthquake resistance standards contained in local building codes. The City and the Agency cannot predict when, or if a seismic event might occur, or if one occurs the impact on the hotels in the Levy Area.

### **Natural Gas Transmission Pipelines**

On September 9, 2010, a Pacific Gas and Electric Company (“PG&E”) high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous similar pipelines owned, operated and maintained by PG&E located throughout the City. The explosion of a natural gas pipeline serving or near any of the Levy Area Hotels could have a substantial adverse impact on the affected Hotels and Agency Hotel Tax Revenues derived thereafter.

PG&E’s website ([www.pge.com](http://www.pge.com)) provides information regarding its high pressure natural gas transmission pipelines and its long range natural gas transmission pipeline planning. This information is summarized below.

According to its website, PG&E has a comprehensive inspection and monitoring program to ensure the safety of its natural gas transmission pipeline system, and uses a risk management program that inventories each of the 20,000 segments within PG&E’s natural gas transmission pipeline system and evaluates them against criteria such as:

- the potential for third party damage like dig-ins from construction,
- the potential for corrosion,
- the potential for ground movement, and
- the physical design and characteristics of the pipe segment.

PG&E has also indicated that it considers the proximity of its natural gas transmission pipelines to high density populations, potential reliability impacts and environmentally sensitive areas, and uses the data it collects to help plan and prioritize future work.

Based on all of these factors, PG&E determines which segments warrant further evaluation, monitoring or other future action. PG&E has created a list of the “Top 100” segments to help inform



future work plans (although it should be noted that the pipeline that caused the explosion in the City of San Bruno was not on the Top 100 list). As conditions change from year to year, PG&E reevaluates the segments included on the list. This list can be found on PG&E's website at: [http://www.pge.com/includes/docs/pdfs/myhome/customerservice/response/planning\\_segments.pdf](http://www.pge.com/includes/docs/pdfs/myhome/customerservice/response/planning_segments.pdf).

A pipeline segment may be placed into planning for further study and long-range planning based upon its risk for one of five factors:

- Potential for Third-Party Damage,
- Potential for Corrosion,
- Potential for Ground Movement,
- Physical Design and Characteristics, and
- Overall (did not score high in any one factor of the above factors, but scored moderately high in more than one factor).

As noted above, additional information may be found on PG&E's website, specifically at [http://www.pge.com/includes/docs/pdfs/myhome/customerservice/response/planning\\_segments.pdf](http://www.pge.com/includes/docs/pdfs/myhome/customerservice/response/planning_segments.pdf).

None of the natural gas transmission pipelines on the PG&E Top 100 list are located within the City. However, as noted above, the pipeline that caused the explosion in the City of San Bruno was not on the Top 100 list.

The Agency is not able to independently confirm the information set forth above or the information contained on the PG&E website with respect to PG&E's pipelines, and can provide no assurances as to its accuracy or completeness. Further, the Agency can provide no assurances as to the condition of PG&E pipelines in the City, or predict the extent of the damage to the surrounding property that would occur if a PG&E pipeline located within the City were to explode.

### **Bond Insurance Risk Factors**

In the event of default of the payment of principal or interest with respect to the Series 2011 Bonds when all or some becomes due, any owner of the Series 2011 Bonds shall have a claim under the Bond Insurance Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Bond Insurance Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional redemption of the Series 2011 Bonds by the City which is recovered by the City from the Series 2011 Bond Owner as a voidable preference under applicable bankruptcy law is covered by the Bond Insurance Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the City unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the consent of the Bond Insurer may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Bond Insurance Policy, the Series 2011 Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Series 2011 Bonds, no assurance is given that such event will not adversely affect the market prices of the Series 2011 Bonds or the marketability (liquidity) for the Series 2011 Bonds.

The long-term ratings on the Series 2011 Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The financial strength and claims paying ability of the Bond Insurer are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Series 2011 Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market prices of the Series 2011 Bonds or the marketability (liquidity) for the Series 2011 Bonds. See "RATINGS."

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

None of the City or Underwriters have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Series 2011 Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

## VALIDATION

On July 7, 1994, the City and the Agency, acting pursuant to the provisions of Section 860 *et seq.* of the California Code of Civil Procedure (the "Validation Act"), filed a complaint in the Superior Court of the State of California for the City and County of San Francisco seeking judicial validation of the transactions relating to the issuance of revenue bonds in one or more series and certain other matters. On August 15, 1994, the court entered a default judgment to the effect, among other things, that the Bonds when executed and delivered will be valid and legal obligations of the Agency enforceable in accordance with their terms and that all proceedings taken in connection with issuance of the revenue bonds, including the adoption of the Ordinance pursuant to which the Agency Hotel Tax is levied, have been validly taken and the hotel tax and surcharges imposed and restated by the City pursuant to its charter power and Section 7280 of the Revenue and Taxation Code, respectively, and the hotel tax imposed by the Agency pursuant to Section 7280.5 of the Revenue and Taxation Code have been validly authorized, reimposed, restated and imposed, respectively, pursuant to the City Charter, the Constitution and laws of the State.

The Validation Act provides an extraordinary procedure by which the court may validate the debt obligations and other contracts of a governmental entity. The purpose of the Validation Act is to provide a governmental entity the means to obtain a declaratory judgment as to the validity of a major financial commitment to be undertaken by such entity upon which other parties may conclusively rely. An action pursuant to the Validation Act is an *in rem* action which generally results in the entry of a default judgment. The Validation Act generally provides that a judgment of validation "if no appeal is taken . . . shall . . . thereupon become and thereafter be forever binding and conclusive, as to all matters therein adjudicated or which at the time could have been adjudicated against the agency and against all other persons." The appeal period for the validation action has expired. There can be no assurance that matters not included in the complaint for validation or circumstances not yet existing at such time could not form

the basis of litigation affecting the Series 2011 Bonds. See “RISK FACTORS” above and “LITIGATION” below.

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Upon delivery of the Series 2011 Bonds the arithmetical accuracy of certain computations included in the schedules provided by the Underwriters and the Co-Financial Advisors on behalf of the Agency relating to the: adequacy of forecasted receipts of principal and interest on the noncallable securities and cash to be held pursuant to the Escrow Agreement will be verified by Causey Demgen & Moore Inc., independent certified public accountants (the “Verification Agent”). Such verification shall be based solely upon information and assumptions supplied to the Verification Agent by the Underwriters. The Verification Agent has not made a study or evaluation of the information and assumptions on which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

## **TAX EXEMPTION**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, and Lofton & Jennings, San Francisco, California, Co-Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Series 2011 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Commission comply with all requirements of the Internal Revenue Code of 1986 (the “Code”) that must be satisfied subsequent to the issuance of the Series 2011 Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Commission has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2011 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Series 2011 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Series 2011 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Series 2011 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Series 2011 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Series 2011 Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series 2011 Bonds who

purchase the Series 2011 Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series 2011 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2011 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Series 2011 Bonds under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Series 2011 Bonds (said term being the shorter of the applicable maturity date of the Series 2011 Bonds or the call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Series 2011 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Series 2011 Bond is amortized each year over the term to maturity of the Series 2011 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized Series 2011 Bond premium is not deductible for federal income tax purposes. Owners of Series 2011 Bonds with original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Series 2011 Bonds.

In the further opinion of Co-Bond Counsel, interest on the Series 2011 Bonds is exempt from California personal income taxes.

Owners of the Series 2011 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011 Bonds may have federal or state tax consequences other than as described above. Co-Bond Counsel express no opinion regarding any federal or state tax consequences arising with respect to the Series 2011 Bonds other than as expressly described above.

A copy of the proposed opinion of Co-Bond Counsel is set forth in APPENDIX D hereto.

## **LITIGATION**

No litigation is pending, or to the best knowledge of the Agency, threatened in any court in any way affecting the existence of or in any way challenging the respective powers of the several offices of the officials of the Agency, or the titles of the officials holding those respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the Series 2011 Bonds, or the collection of revenues and assets of the Agency, including the Revenues, pledged or to be pledged under the Indenture, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Series 2011 Bonds, the indenture or the bond purchase contract relating to the Series 2011 Bonds, or contesting in any way the completeness or accuracy of the Official Statement, or contesting the powers of the Agency or its authority to levy the Agency Hotel Tax or to pledge the Agency Hotel Tax Revenues to the payment of the Series 2011 Bonds.

## **RATINGS**

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Group ("Standard & Poor's") are expected to assign ratings of "Aa3" (negative outlook) and "AA+" (stable outlook), respectively, to the Series 2011 Bonds with the understanding that upon delivery, the Bond Insurance Policy will be issued by Assured Guaranty Municipal Corp. See "BOND INSURANCE" and APPENDIX E—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY." Moody's and Standard & Poor's have also given the Series 2011 Bonds underlying ratings of "A1" and "A+," respectively.

These ratings reflect only the views of such organizations, and an explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. An explanation of the significance of the ratings may be obtained from the rating agencies as follows: Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10004; and Standard & Poor's, 55 Water Street, New York, New York 10041. The Agency and the City furnished to such rating agencies certain information and materials. Generally, rating agencies base their ratings on such information and materials so furnished and on investigations, studies and assumptions made by them. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, in their judgment, circumstances so warrant. The Agency, the City and the Trustee undertake no responsibility either to notify the Owners of the Series 2011 Bonds of any revision or withdrawal of the ratings or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2011 Bonds.

### **APPROVAL OF LEGALITY**

Certain legal matters in connection with the issuance of the Series 2011 Bonds are subject to the approval of Jones Hall and Lofton & Jennings, San Francisco, California, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, for the Agency by Jones Hall and Lofton & Jennings, Co-Disclosure Counsel, by its General Counsel and for the City by its City Attorney. At the time of delivery of the Series 2011 Bonds, Co-Bond Counsel will deliver their final approving opinion in substantially the form set forth in APPENDIX D. The fees and expenses of Co-Bond Counsel and Co-Disclosure Counsel are contingent upon the issuance and delivery of the Series 2011 Bonds.

### **CO-FINANCIAL ADVISORS**

The Agency has retained Public Financial Management, Inc., San Francisco, California, and TKG & Associates, San Francisco, California, as Financial Advisors in connection with the authorization and delivery of the Series 2011 Bonds. The Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The payment of the fees and expenses of the Financial Advisors are contingent upon the issuance and delivery of the Series 2011 Bonds.

### **UNDERWRITING**

Citigroup Global Markets Inc., on behalf of itself and as representative (the "Representative") of Backstrom McCarley Berry & Co., LLC and Jefferies & Company (collectively, with the Representative, the "Underwriters") has agreed to purchase the Series 2011 Bonds from the Agency, at a purchase price of \$44,770,771.92 (reflecting the principal amount thereof plus a net original issue premium of \$1,195,871.80 and less an Underwriters' discount of \$205,099.88) on the Series 2011 Bonds. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2011 Bonds if any such Series 2011 Bonds are purchased. The public offering prices may be changed from time to time by the Underwriters.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will



distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of the Series 2011 Bonds.

#### **CONTINUING DISCLOSURE**

The Agency has covenanted for the benefit of owners of the Series 2011 Bonds to provide certain financial information and operating data relating to the Agency by not later than six months after the end of the Agency's Fiscal Year (which is currently June 30) in each year commencing with the report for the 2011 Fiscal Year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of events will all be filed with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of material events by the Agency is set forth in APPENDIX C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." The Agency has not previously defaulted on any obligation to provide an annual report in accordance with the Rule with respect to any bond issue of the Agency.

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## MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers of any of the Series 2011 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof.

Additional information may be obtained upon request from the office of the Agency at One South Van Ness Avenue, 5th Floor, San Francisco, California 94103, Attention: Deputy Executive Director, Finance and Administration.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

REDEVELOPMENT AGENCY OF THE  
CITY AND COUNTY OF SAN FRANCISCO

By: /s/ Amy Lee  
Deputy Executive Director,  
Finance and Administration

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## **APPENDIX A**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

The following is a brief summary of provisions of the primary legal documents pertaining to the Bonds. This summary is not intended to be definitive or complete. Reference is directed to the complete text of said documents for the complete terms thereof. Copies of said documents are available from the Agency.

#### **SELECTED DEFINITIONS**

The following terms, as used in the Indenture, and in this summary, have the meanings set forth below.

“Adjusted Added Area Revenues” means that amount derived by adjusting the amount of Historic Added Area Revenues to reflect the amount of City Tax revenues that would have been received over the same period of time from the same area had the City Tax been levied at the Adjusted Rate throughout such period, all other things being equal.

“Adjusted Rate” means, as of any date, any rate of levy of the Hotel Tax and the City Tax that is different from the rate of levy during any of the twelve (12) months immediately preceding such date.

“Adjusted 12-Month Revenues” means that amount derived by adjusting the amount of Historic 12-Month Revenues to reflect the amount of Hotel Tax Revenues that would have been received over the same period of time had the Hotel Tax been levied at the Adjusted Rate throughout such period, all other things being equal.

“Average Annual Debt Service” means, with respect to any Series of Bonds or Parity Debt, the average annual aggregate amount of principal and interest becoming due and payable on such Bonds or Parity Debt calculated in a manner identical with that used to calculate Maximum Annual Debt Service for such Bonds or Parity Debt.

“Bond Insurance Policy” means any municipal bond new issue insurance policy or financial guaranty bond issued by a Bond Insurer that guarantees payment of principal of and interest on any Series of Bonds issued pursuant to the terms of the Indenture.

“Bond Insurer” means any municipal bond insurance company that issues a Bond Insurance Policy for any Series of Bonds issued pursuant to the terms of the Indenture, or any successor thereto.

“Bond Obligation” means, as of any given date of calculation, the principal amount of Outstanding Bonds. “Bond Reserve Fund” means the fund by that name established pursuant to the Indenture.

“Bond Reserve Requirement” means, subject to provisions described below under the caption “INDENTURE – Establishment of Funds – Allocation of Hotel Tax Revenues – Funding and Application of Bond Reserve Fund,” with respect to a bond reserve account related to any Series of Bonds Outstanding, as of any date of calculation by the Trustee, with the assistance of the Agency as necessary, an amount equal to the least of (i) five percent (5%) of the proceeds derived from the sale of such Series of Bonds; (ii) fifty percent (50%) of Maximum Annual Debt Service for such Series of Bonds; or (iii) sixty two and one-half percent (62.5%) of the Average Annual Debt Service for such Series of Bonds; provided, however, that the Bond Reserve Requirement is subject to the limitation that the Bond Reserve

Requirement shall not be funded in a manner, nor exceed an amount which would, in an opinion of Bond Counsel, adversely affect the tax-exempt status of such Series of Bonds.

“Bonds” means the Redevelopment Agency of the City and County of San Francisco Hotel Occupancy Tax Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

“Bond Year” means, with respect to the Series 2011 Bonds, the period beginning on the date on which the Agency initially issues the Series 2011 Bonds and ending on July 1, 2011, and each successive one-year or shorter period thereafter until there are no Series 2011 Bonds Outstanding.

“Business Day” means any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed, and (2) for purposes of payments and other actions relating to Bonds secured by a letter of credit, any day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the letter of credit are to be presented are authorized or obligated by law or executive order to be closed.

“Capitalized Interest Accounts” means the accounts in the Interest Fund so designated and established pursuant to the Indenture.

“Certificate,” “Statement,” “Request,” “Requisition” and “Order” of the Agency or the City mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Agency by its Executive Director or its Deputy Executive Director, Finance or any other person authorized by the Agency or its Executive Director in writing to the Trustee to execute such instruments or in the name of the City by its Mayor, its Chief Administrative Officer, a City Official or any other person authorized by the City or its Chief Administrative Officer in writing to the Trustee to execute such instruments. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for therein.

“Children’s Center” means that facility to be located on Howard Street between 3rd and 4th Streets in the City, atop Moscone Convention Center South, to include, without limitation, an approximately 25,000 square foot exhibit and performance facility to be known as Children’s Place, a childcare center, an ice skating rink, a bowling center, an historic carousel and an open garden and activity space.

“City Official” means the Tax Collector or the Controller of the City.

“City Tax” means the transient occupancy tax and surcharges imposed by the City Tax Ordinance.

“City Tax Ordinance” means Part III, Article 7 of the San Francisco Municipal Code, as amended to date, and as it may be amended in the future.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations applicable thereto or issued thereunder.

“Corporate Trust Office” or “corporate trust office” means the corporate trust office of the Trustee in San Francisco, California, or such other or additional offices as may be designated by the Trustee.



“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Agency and the City and related to the authorization, execution, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning the Bonds, initial fees and charges of the Trustee (including the fees and expenses of its counsel), legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance and credit enhancement costs, and any other cost, charge or fee in connection with the delivery of Bonds.

“Event of Default” means any of the events specified in the Indenture.

“First Supplemental Indenture” means that First Supplemental Indenture dated as of December 1, 1994 by and between the Agency and First Interstate Bank of California, authorizing the issuance of the Series 1994 Bonds.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month period hereafter selected and designated as the official fiscal year period of the Agency, which designation shall be provided to the Trustee in a certificate of the Agency.

“Historic Added Area Revenues” means the aggregate amount of City Tax revenues received by the City during the twelve (12) months immediately preceding the date on which such additional Series of Bonds will become Outstanding from any areas which have been added to the SFRA Project Area in connection with the issuance of an additional Series of Bonds proposed to be issued.

“Historic 12-Month Revenues” means the Hotel Tax Revenues received during the twelve (12) months immediately preceding the date on which an additional Series of Bonds will become Outstanding.

“Hotel Tax” means the tax on the transient occupancy of guest rooms in hotels in redevelopment project areas in the City and County of San Francisco levied pursuant to the Ordinance in accordance with the provisions of Section 7280.5 and Section 33641 of the Health and Safety Code of the State of California pursuant to the Ordinance at the rate of twelve percent (12%) for so long as any Bonds remain Outstanding under the Indenture.

“Hotel Tax Revenues” means Project Area Tax Revenues less all amounts payable by the Agency to the City Tax Collector and the City Controller pursuant to the City Tax Ordinance and the Tax Administration Agreement for costs and expenses of the City’s tax collection and administration services in connection with the Hotel Tax collected on behalf of the Agency.

“Indenture” means, collectively, the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, as the same may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions of the Indenture.

“Interest Fund” means the fund by that name established pursuant to the Indenture.

“Investment Securities” means the following:

- (i) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of

America and including certificates or other instruments evidencing direct ownership interests in such direct obligations of the United States of America such as “CATS”, “TIGRS”, Treasury Receipts, Stripped Treasury Coupons, and interest strips of bonds, issued by the Resolution Funding Corporation and held in book-entry form by the Federal Reserve Bank of New York) and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America; provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee (“Direct Obligations”);

(ii) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation (“FHLMCs”); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association (“FNMA”); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association (“GNMA”); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the United States Department of Housing & Urban Development; guaranteed Title I financings of the United States Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; and Resolution Funding Corporation securities;

(iii) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, “A” or better by each Rating Agency then rating any of the Bonds, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, “A” or better by each Rating Agency then rating any of the Bonds;

(iv) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, in the highest Rating Category by each Rating Agency then rating any of the Bonds;

(v) federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, is rated in the highest short-term Rating Category by each Rating Agency then rating any of the Bonds;

(vi) deposits (including certificates of deposit) of any bank (including the Trustee) or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;

(vii) investments in money-market funds rated in the highest Rating Category by each Rating Agency then rating any of the Bonds, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;

(viii) repurchase agreements collateralized by Direct Obligations, GNMA's, FNMA's or FHLMA's with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the Federal Deposit Insurance Corporation ("FDIC") or any financial institution, if such broker/dealer or bank or financial institution has an uninsured, unsecured and unguaranteed obligation rated in one of the two highest Rating Categories by each Rating Agency then rating any of the Bonds, provided:

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction; and

(b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits of not less than \$50 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq., in such securities is created for the benefit of the Trustee; and

(d) the repurchase agreement has a term of one year or less, or invests the moneys so as to allow them to be withdrawn as required under the Indenture with no penalty, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two (2) business days of such valuation; and

(e) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is sufficient to be acceptable to Standard & Poor's to maintain an "A" rating in a structured financing (with a market value approach).

(ix) any cash sweep or similar account arrangement of or available to the Trustee which is fully insured by the FDIC and the investments of which are limited to investments described in clauses (i) through (viii) of this definition of Investment Securities;

(x) with respect to moneys held in any account established for or in connection with a particular Series of Bonds, any investment agreement with a financial institution or insurance company which investment has been approved by any Bond Insurer then insuring the payment of principal of and interest on such Series of Bonds or portion thereof; and

(xi) any investment approved by the Agency and any Bond Insurer with respect to any Series of Bonds or portion thereof then insured by such Bond Insurer.

"Law" means the Community Redevelopment Law, constituting Part 1 of Division 24 of the Health and Safety Code of the State, as amended, and all laws supplemental thereto. Whenever reference

is made in the Indenture to the Law, reference is made to the Law as in force on the date of the Indenture, unless the context otherwise requires.

“Mandatory Sinking Account Payment” means, with respect to Bonds of any Series and maturity, the amount required by a Supplemental Indenture to be deposited by the Agency in a Sinking Account for the payment of Term Bonds of such Series and maturity.

“Mandatory Sinking Account Payment” means, with respect to Bonds of any Series and maturity, the amount required by a Supplemental Indenture to be deposited by the Agency in a Sinking Account for the payment of Term Bonds of such Series and maturity.

“Master Indenture” means the Indenture dated as of December 1, 1994 by and between the Agency and First Interstate Bank of California, as succeeded by the Trustee.

“Maximum Annual Debt Service” means, with respect to any Series of Bonds or Parity Debt, the greatest amount of principal and interest becoming due and payable on such Bonds or Parity Debt in the Fiscal Year in which the calculation is made or any subsequent Fiscal Year; provided, however, that for the purposes of computing Maximum Annual debt Service:

- (i) principal and interest payments on such Bonds or Parity Debt shall be excluded (i) in an amount equal to the Bond Reserve Requirement for such year; and (ii) to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor and to the extent that such interest payments are to be paid from the proceeds of Bonds or Parity Debt held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest by the Trustee or other fiduciary;

- (ii) in determining the principal amount due in each Fiscal Year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any Mandatory Sinking Account Payments; and

- (iii) if any Bonds feature an option on the part of the Bondowners or an obligation under the terms of such Bonds to tender all or a portion of such Bonds to the Agency, the Trustee or other fiduciary or agent, and require that such Bonds or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Bonds, the options or obligations of the Owners of such Bonds to tender the same for purchase or payment prior to their stated maturity or maturities shall be treated as a principal maturity occurring on the first date on which Owners of such Bonds may or are required to tender such Bonds, except that any such option or obligation to tender Bonds shall be ignored and not treated as a principal maturity if (1) such Bonds are rated in one of the two highest long-term Rating Categories by each Rating Agency then rating any of the Bonds or such Bonds are rated in the highest short-term note or commercial paper Rating Category by each Rating Agency then rating any of the Bonds and (2) funds for the purchase price of such Bonds are to be provided by a letter of credit or standby bond purchase agreement and the obligation of the Agency with respect to the provider of such letter of credit or standby bond purchase agreement, other than its obligations on such Bonds, shall be subordinated to the obligation of the Agency on the Bonds or, if not subordinate, shall be incurred (assuming such immediate tender) under the conditions and meeting the tests for the issuance of Parity Debt set forth in the Indenture.

Notwithstanding anything to the contrary contained in the Indenture, the type of indebtedness described in this subsection (iii) of this definition shall be taken into account in calculating Average Annual Debt Service or Maximum Annual Debt Service.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Agency.

“1994 Project” means, collectively, the acquisition, construction and equipping of the Children’s Center and certain improvements to the George R. Moscone Convention Center, all as consistent with the Ordinance, as amended, supplemented or otherwise modified from time to time, and related improvements all in accordance with plans and specifications approved by the Agency, and repayment of any indebtedness incurred for such purposes and the payment of all costs incidental to or connected with the accomplishment of such purposes, including, without limitation, engineering, inspection, legal, fiscal agent, financial consultant and other fees, bond and other reserve funds, working capital, Bond interest and expenses for all proceedings for the authorization, issuance and sale of Bonds.

“Operation and Maintenance Expenses” means the following in connection with the Children’s Center: (1) salaries and other benefits paid to employees of the Agency and/or its contractors and subcontractors working in the Children’s Center, (2) insurance premiums and insurance deductible reserves, paid or maintained with respect to insurance acquired for the Children’s Center, (3) capital improvements required for the ordinary operation and use of the Children’s Center for its intended purposes (4) administrative expenses of the Convention Facility Department of the City related to the operation of the Children’s Center, (5) contractual services provided to the Children’s Center, including but not limited to refuse collection, elevator, escalator, equipment and computer maintenance, outside auditors and landscaping, (6) equipment needed to operate and maintain the Children’s Center or required by tenants of the Children’s Center, (7) costs of utilities for the Children’s Center, (8) all taxes levied against the Children’s Center, (9) promotion and advertising expenses and (10) general operating expenses, including but not limited to, office supplies, printing, training, subscriptions and janitorial supplies.

“Operation and Maintenance Fund” means the fund by that name created pursuant to the Indenture.

“Opinion of Bond Counsel” means a written opinion of a law firm of recognized national standing in the field of public finance selected by the Agency.

“Ordinance” means the Ordinance of the Agency adopted on March 15, 1994 pursuant to Section 7280.5 levying the Hotel Tax.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions relating to disqualified Bonds) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Agency shall have been discharged in accordance with the defeasance provisions of the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.



“Owner” or “Bondowner,” whenever used in the Indenture with respect to a Bond, means the person in whose name such Bond is registered.

“Parity Debt” means any indebtedness, installment sale obligation, lease obligation or other obligation of the Agency’ for borrowed money having an equal lien and charge upon the Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are outstanding).

“Person” means a corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Fund” means the fund by that name established pursuant to the Indenture.

“Project” means the Yerba Buena Gardens improvements within the Yerba Buena Center Redevelopment Project Area, certain improvements to the George R. Moscone Convention Center, the Mexican Museum, and each construction, acquisition, maintenance, renovation and/or operations project within or without a redevelopment project area in the City, as permitted by the Law, financed with Bonds authorized by a Supplemental Indenture in accordance with plans and specifications approved by the Agency, and repayment of any indebtedness incurred for such purposes and the payment of all costs incidental to or connected with the accomplishment of such purposes, including, without limitation, engineering, inspection, legal, fiscal agent, financial consultant and other fees, bond and other reserve funds, working capital, Bond interest and expenses for all proceedings for the authorization, issuance and sale of Bonds.

“Project Area Tax Revenues” means the Revenues received from the SFRA Project Area as a result of the imposition of the City Tax and the Hotel Tax.

“Project Fund” means any one of the funds of that name established by a Supplemental Indenture to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on a Project.

“Proportionate Basis,” when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined, as nearly as the Agency shall determine to be practicable, by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed, provided that if the amount available for redemption of Bonds of any maturity is insufficient to redeem a multiple of \$5,000 principal amount payable at maturity, such amount shall be applied to the redemption of the highest possible integral multiple (if any) of \$5,000 principal amount payable at maturity. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Account Payments. When used with respect to the payment or purchase of Bonds, “Proportionate Basis” shall have the same meaning set forth above except that “pay” or “purchase” shall be substituted for “redeem” or “redemption” and “paid” or “purchased” shall be substituted for “redeemed.”

“Rating Agency” means Moody’s and Standard & Poor’s and their successors and assigns.

“Rating Category” means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Rebate Fund” means the fund by that name established pursuant to the Indenture.

“Rebate Instructions” means those calculations, and directions required to be delivered to the Trustee by the Agency under the Tax Certificate.

“Rebate Requirement” means the Rebate Requirement defined in the Tax Certificate.  
“Redemption Fund” means the fund by that name established pursuant to the Indenture.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

“Related Documents” mean the Indenture, the 2011 Escrow Agreement and the Tax Administration Agreement.

“Revenue Fund” means the Hotel Tax Revenue Fund established pursuant to the Indenture.

“Revenues” means all Hotel Tax Revenues and all interest, profits and other income received from and after the dated date of the Master Indenture from the investment of Hotel Tax Revenues (other than amounts in the Rebate Fund and the Operation and Maintenance Fund).

“Second Supplemental Indenture” means the Second Supplemental Indenture dated as of March 1, 1998, by and between the Agency and BNY Western Trust Company, authorizing the issuance of the Series 1998 Bonds.

“Section 7280.5” means Section 7280.5 of the Revenue and Taxation Code of the State of California.

“Securities Depositories” means the following: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax- (516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax- (312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax- (215) 496-5058; or, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other securities depositories, or no such depositories, as the Agency may designate in a Request of the Agency delivered to the Trustee.

“Serial Bonds” means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

“Series,” whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as in the Indenture provided.

“Series 2011 Bond Insurance Policy” means the insurance policy issued by the Series 2011 Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2011 Bonds when due. The Series 2011 Bond Insurance Policy shall constitute a Bond Insurance Policy as defined and used in the Indenture.

“Series 2011 Bond Insurer” means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof. The Series 2011 Bond Insurer shall constitute a Bond Insurer as defined and used in the Indenture.

“SFRA Project Area” means, collectively:

(1) Yerba Buena Center Project Area, as described in the Redevelopment Plan adopted by the Board of Supervisors on April 25, 1966, as amended on July 26, 1971, October 9, 1973, September 13, 1976, August 8, 1977, August 13, 1979, November 2, 1981 and December 1, 1986;

(2) Embarcadero-Lower Market (Golden Gateway) Project Area, as described in the Redevelopment Plan adopted by the Board of Supervisors on May 25, 1959, as amended on July 31, 1961, July 13, 1964, November 23, 1964, May 15, 1967, July 22, 1968, November 29, 1976 and December 1, 1986;

(3) Western Addition Project Area A-1, as described in the Redevelopment Plan adopted by the Board of Supervisors on May 28, 1956, as amended on January 30, 1961, July 31, 1961, January 14, 1963, February 25, 1963, July 3, 1964, October 26, 1981 and May 3, 1985;

(4) Western Addition Project Area A-2, as described in the Redevelopment Plan adopted by the Board of Supervisors on October 13, 1964, as amended on August 3, 1970, June 6, 1976, December 15, 1986, November 9, 1987 and August 10, 1992; and

(5) South of Market Earthquake Recovery Redevelopment Plan (South of Market Project Area), as described in the Redevelopment Plan adopted by the Board of Supervisors on June 11, 1990.

(6) Chinese Cultural and Trade Center Redevelopment Project Area, as described in the Redevelopment Plan adopted by the Board of Supervisors on November 8, 1965.

“Sinking Accounts” means the accounts in the Principal Fund so designated and established pursuant to the Indenture for the payment of Term Bonds.

“Standard & Poor’s” means Standard & Poor’s Ratings Group, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Agency.

“State” means the State of California.

“Subordinated Obligation Fund” means the fund by that name established pursuant to the Indenture.

“Subordinated Obligation Reserve Fund” means the fund by that name established pursuant to the Indenture.

“Supplemental Indenture” means any indenture hereafter duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Administration Agreement” means that certain agreement dated as of December 1, 1994 by and between the City and the Agency, providing for the administration by the City of the Hotel Tax on behalf of the Agency.

“Tax Certificate” means, with respect to the any particular Series of Bonds, the Tax Certificate dated as of the date of delivery of such Series of Bonds, concerning certain matters pertaining to the use and investment of proceeds of such Series of Bonds, including any and all exhibits attached thereto.

“Term Bonds” means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Accounting Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

“Third Supplemental Indenture” means the Third Supplemental Indenture dated as of March 1, 2011 by and between the Agency and the Trustee, authorizing the issuance of the Series 2011 Bonds.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., as successor trustee, or its successor as Trustee under the Indenture.

## **INDENTURE**

### **Issuance of Bonds**

For a discussion of the circumstances under which Bonds may be issued see “Issuance of Additional Series of Bonds” and “Proceedings for Issuance of Additional Series of Bonds” in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS” in this Official Statement. Future Series of Bonds may be issued as variable rate indebtedness or in the form of capital appreciation bonds.

### **Refunding Bonds**

For a description of the circumstances under which Refunding Bonds may be issued, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS — Issuance of Refunding Bonds” in this Official Statement.

### **Limitations on the Issuance of Obligations Payable from Revenues**

For a description of other obligations which may be payable from Revenues, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS — Parity Debt and Subordinated Debt” in this Official Statement.

### **Redemption of Bonds**

Each Series of Bonds may be made subject to mandatory, optional or extraordinary redemption or mandatory or optional tender and purchase prior to their respective stated maturities, as a whole or in part, at such time or times, upon such terms and conditions and upon such notice and with such effect as may

be provided in the Supplemental Indenture creating such Series of Bonds. See “THE SERIES 2011 BONDS — Redemption” in this Official Statement.

#### Pledge and Assignment of Revenues: Revenue Fund

The Bonds are limited obligations of the Agency and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the Revenues and other funds pledged under the Indenture. Pursuant to the Indenture, all Revenues are pledged to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds and any Parity Debt in accordance with their terms, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. There are pledged to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds in accordance with their terms all amounts (including proceeds of the Bonds) held by the Agency and the Trustee under the Indenture (except for amounts held in the Operation and Maintenance Fund and the Rebate Fund), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. Said pledge constitutes a first lien on the Revenues and amounts in such funds and is valid and binding from and after delivery by the Trustee of the Bonds or Parity Debt, without any physical delivery thereof or further act. The Agency may, as provided in the Indenture, create or permit to be created a charge or lien on the Revenues ranking junior and subordinate to the charge or lien of the Bonds issued pursuant to the Indenture.

Under the Indenture, the Revenues are pledged to the payment of Bonds and Parity Debt without priority or distinction of one over the other and the Revenues constitute a trust fund for the security and payment of the Bonds and Parity Debt; but nevertheless out of Revenues certain amounts may be applied for other purposes as provided in the Indenture. The pledge of Revenues made in the Indenture is irrevocable until all of the Bonds and all Parity Debt are no longer Outstanding.

Under the Indenture, the Agency transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds and all Parity Debt, all of the Revenues and other assets pledged as described above and all of the right, title and interest of the Agency in the Tax Administration Agreement (except for any deposits to the Rebate Fund and the Operation and Maintenance Fund). The Trustee is entitled and obligated to collect and receive all of the Revenues, and any Revenues collected or received by the Agency or the City are deemed to be held, and to have been collected or received, by the Agency or the City as the agent of the Trustee and are forthwith to be paid by the Agency or the City to the Trustee. The Trustee also is entitled and obligated to take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Agency or separately, all of the rights of the Agency under the Tax Administration Agreement.

The Revenues will be received and held in trust by the Trustee for the benefit of the Owners of the Bonds and the Parity Debt and will be disbursed, allocated and applied solely for the uses and purposes all as set forth in the Indenture. Immediately upon receipt thereof, the Trustee will forthwith deposit in a trust fund, designated as the “Revenue Fund,” which fund the Trustee will designate and maintain, all Revenues, when and as received by the Trustee.

Within the Revenue Fund the Trustee will establish a separate account designated as the “Earnings Account”. All interest, profits and other income received from the investment of moneys in the Revenue Fund will be deposited to the Earnings Account. Moneys in the Earnings Account (including all interest, profits and other income received from the investment of such moneys) will be used and withdrawn by the Trustee during any Bond Year solely to make up any deficiency in the Interest Fund or the Principal Fund during such Bond Year. On or before the third Business Day next succeeding the principal payment date for such Bond Year, but only after all amounts, required to be transferred to the

various accounts and funds provided for in the Indenture have been so transferred, all amounts remaining on deposit in the Revenue Fund, including all moneys held in the Earnings Account of the Revenue Fund, will be transferred to the Operation and Maintenance Fund for use as set forth in the Indenture.

#### Establishment of Funds

##### Allocation of Hotel Tax Revenues.

(A) The Trustee is required to transfer the moneys in the Revenue Fund to the following respective funds (each of which, except for the Rebate Fund and the Operation and Maintenance Fund, the Trustee agrees to establish, maintain and hold in trust for the benefit of the Owners of the Bonds) at the following times, in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit, or, with respect to the Bond Reserve Fund, any deficiency resulting from a draw on such fund pursuant to the Indenture to make up a deficiency in the Interest Fund or the Principal Fund) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that on a parity with such deposits the Agency or the Trustee, as the case may be, may set aside or transfer amounts with respect to outstanding Parity Debt as provided in the transcript of proceedings for such Parity Debt delivered to the Trustee pursuant to the Indenture (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Debt); provided further that after all such deposits have been made the Trustee may set aside or transfer amounts with respect to the outstanding subordinated obligations permitted under the Indenture:

(i) Interest Fund.

(a) Within the Interest Fund there may be established for each Series of Bonds issued pursuant to the Indenture a separate account or accounts designated as the "Capitalized Interest Account" (inserting therein the Series designation of each Series of Bonds for which proceeds of the sale thereof are required by the Supplemental Indenture providing for the issuance of such Series to be set aside to pay interest on such Series).

(b) The Trustee, on or before the Business Day next preceding each interest payment date, subject to the provisions of the Indenture, must deposit in the Interest Fund an amount which, together with any balance then on deposit in said Fund, will be sufficient to pay the aggregate amount of interest becoming due and payable on the Outstanding Bonds on such next succeeding interest payment date.

Any moneys in the Interest Fund not then required for the payment of interest on the next succeeding interest payment date will be carried forward and applied to the payment of interest on any subsequent interest payment date. Moneys in the Interest Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds when due and payable (including accrued interest on any Bonds redeemed or purchased prior to maturity). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the next succeeding interest payment date upon all of the Bonds issued under the Indenture and then Outstanding.

(ii) Principal Fund: Sinking Accounts. The Trustee, on or before the Business Day next preceding each principal payment date, after making the deposit required on such date described in subsection (i) above, and subject to the provisions of the Indenture, will deposit in the Principal Fund an amount which, together with any balance then on deposit in said Fund, will



be sufficient to pay (a) the aggregate amount of Bond Obligation becoming due and payable on the Outstanding Bonds on such principal payment date, plus (b) into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which mandatory redemption is required from such Sinking Accounts, the aggregate of the Mandatory Sinking Account Payments to be paid on such principal payment date. All of the aforesaid Mandatory Sinking Account Payments will be made without priority of any payment into any one such Sinking Account over any other such payment. In the event that the Revenues are not sufficient to make the required deposits so that moneys in the Principal Fund on any principal payment or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys will be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds required to be redeemed and which have been redeemed or purchased during the preceding twelve-month period. Any moneys in the Principal Fund not then required for the payment of such Bond Obligation on such principal payment date will be carried forward and applied to the payment of the Bond Obligation on any subsequent principal payment date. Moneys in the Principal Fund will be used and withdrawn by the Trustee solely for the purpose of paying the Bond Obligation of the Bonds when due and payable.

(iii) Bond Reserve Fund. On or before the Business Day next preceding each principal payment date, after making all deposits required by the Indenture as described in subsections (i) and (ii) above, should the amount on deposit in the Bond Reserve Fund be less than the Bond Reserve Requirement, the Trustee will transfer from the Revenue Fund for deposit in the Bond Reserve Fund the difference between the Bond Reserve Requirement and the amount then on deposit in the Bond Reserve Fund.

(iv) Rebate Fund. The Trustee will transfer to the Rebate Fund (which fund the Trustee agrees to establish and maintain on behalf of the Agency) when and to the extent necessary and as provided in the Indenture, an amount such that the balance of the Rebate Fund will be equal to the Rebate Requirement, as computed in accordance with the Tax Certificate.

(v) Subordinated Obligation Fund. The Trustee will deposit in the Subordinated Obligation Fund the amounts specified in the applicable Supplemental Indentures relating to the subordinated obligations permitted by the Indenture.

(vi) Subordinated Obligation Reserve Fund. The Trustee will deposit in the Subordinated Obligation Reserve Fund the amounts specified in the applicable Supplemental Indentures relating to the subordinated obligations permitted by the Indenture.

(vii) Operation and Maintenance Fund. After making the deposits required by the Indenture as described in subsections (i) through (vi) above, the Trustee, in accordance with the Indenture, will deposit in the Operation and Maintenance Fund all amounts remaining on deposit in the Revenue Fund (including all amounts on deposit in the Earnings Account of the Revenue Fund) as of such date.

(B) The Trustee will immediately give written notification to the Agency, the City, the City Controller and the City Tax Collector if at any time during any Bond Year Hotel Tax Revenues transferred from the City to the Trustee pursuant to the Tax Administration Agreement during such Bond Year exceed the aggregate amount of moneys necessary to make the deposits required to be made

pursuant to the Indenture as described in subsections (i), (ii), (iii) and (iv) of subsection (A) above during such Bond Year (the "Indenture Requirements"). At the direction of the Agency, the Trustee will remit to or at the direction of the Agency, with simultaneous notice of any such remittance to the City, any Hotel Tax Revenues received in excess of the Indenture Requirements.

Application of Interest Fund. All amounts in the Interest Fund will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture) and making payments on interest rate swap agreements, as provided in the Indenture.

If five Business Days prior to any interest payment date the amounts on deposit in, or available to be transferred to, the Interest Fund with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee is required to immediately notify the Agency, the City, the City Controller and the City Tax Collector in writing, of such deficiency and direct that the Agency transfer or cause to be transferred (but solely from Revenues and any amounts held in the Operation and Maintenance Fund) the amount of such deficiency to the Trustee on or prior to such payment date. The Agency covenants and agrees in the Indenture to transfer or cause to be transferred to the Trustee, but only from Revenues and any amounts held in the Operation and Maintenance Fund, the amount of such deficiency on or prior to the interest payment date referenced in such notice.

Application of Principal Fund.

(A) All amounts in the Principal Fund will be used and withdrawn by the Trustee solely for the purpose of paying the Bond Obligation of the Bonds when due and payable, except that all amounts in the Sinking Accounts will be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, except as provided in the Indenture.

(B) The Trustee will establish and maintain within the Principal Fund a separate Sinking Account for the Term Bonds of each Series and maturity. On or before the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee is required to transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date, the Trustee is required to apply the Mandatory Sinking Account Payment required on that date to the redemption of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to the selection of Bonds for such redemption, the Trustee is required to, upon receipt of a Request of the Agency, apply moneys from such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Agency, except that the purchase price (excluding accrued interest) shall not exceed the principal amount thereof. If, during the twelve-month period (or six-month period with respect to Bonds having semi-annual Mandatory Sinking Account Payments) immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys from such Sinking Account, or, during said period and prior to the selection of Bonds for such redemption, the Agency has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed will be applied, to the extent of the full principal amount thereof as of such Mandatory Sinking Account Payment date, to reduce said Mandatory Sinking Account Payment. All Term Bonds purchased or deposited as described herein will be canceled by the Trustee and destroyed by the Trustee and a certificate of destruction will be delivered to the Agency by

the Trustee. Any amounts remaining in a Sinking Account immediately after each Mandatory Sinking Account Payment when all of the Term Bonds for which such account was established are no longer Outstanding will be withdrawn by the Trustee and transferred to the Bond Reserve Fund to the extent necessary to meet the Bond Reserve Requirement, and thereafter transferred to the Interest Fund until amounts on deposit in such fund are sufficient to make the payment due on the next succeeding interest payment date, and then to the Principal Fund, until amounts on deposit in such fund are sufficient to make the payment due on the next succeeding principal payment date, and then to the Revenue Fund to be used for any of the purposes set forth in the Indenture. All Term Bonds redeemed by the Trustee from the Redemption Fund will be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Agency.

(C) If five Business Days prior to any principal payment date or mandatory redemption date the amounts on deposit in the Principal Fund with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee will immediately notify the Agency, the City, the City Controller and the City Tax Collector, in writing, of such deficiency and direct that the Agency transfer, or cause to be transferred, but only from Revenues and any amounts held in the Operation and Maintenance Fund, the amount of such deficiency to the Trustee on or prior to such payment date. The Agency covenants and agrees in the Indenture to transfer, or cause to be transferred, to the Trustee, but only from Revenues and any amounts held in the Operation and Maintenance Fund, the amount of such deficiency on or prior to the principal payment date or mandatory redemption date referenced in such notice.

#### Funding and Application of Bond Reserve Fund.

(A) The Trustee will establish and maintain within the Bond Reserve Fund a separate bond reserve account for each Series of Bonds Outstanding. In lieu of making the Bond Reserve Fund deposit in a bond reserve account in compliance with the Indenture, or in replacement of moneys then on deposit in any bond reserve account in the Bond Reserve Fund (which will be transferred by the Trustee as then directed by the Agency), the Agency may deliver to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated in one of the two highest Rating Categories of each Rating Agency then rating any of the Bonds (at the time of delivery to the Trustee), in an amount, together with moneys, Investment Securities or surety bonds or insurance policies (as permitted under the Indenture) on deposit in such bond reserve account, equal to the Bond Reserve Requirement for such account. Such letter of credit must have an original term of no less than three years or, if less, the maturity of the Series of Bonds in connection with which such letter of credit was obtained and such letter of credit must provide by its terms that it may be drawn upon as provided in the Indenture. At least one year prior to the stated expiration of such letter of credit, the Agency must either (i) deliver a replacement letter of credit (ii) deliver an extension of the letter of credit for at least an additional year or if less, the maturity of the Series of Bonds in connection with which such letter of credit was obtained, or (iii) deliver to the Trustee a surety bond or an insurance policy satisfying the requirements of the Indenture. Upon delivery of such replacement letter of credit, extended letter of credit or surety bond or insurance policy, the Trustee will deliver the then-effective letter of credit to or upon the order of the Agency. If the Agency fails to deposit a replacement letter of credit, extended letter of credit, surety bond or insurance policy with the Trustee, the Agency must immediately commence to make monthly deposits with the Trustee so that an amount equal to the Bond Reserve Requirement will be on deposit in the relevant bond reserve account in the Bond Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the Bond Reserve Requirement as of the date following the expiration of the letter of credit is not on deposit in the Bond Reserve Fund one week prior to the stated expiration date of the letter of credit (excluding from such determination the letter of credit), the Trustee is required to draw on the letter of credit to fund the deficiency resulting therefrom in the relevant bond reserve account in the Bond Reserve Fund.

(B) In lieu of making the Bond Reserve Fund deposit in a bond reserve account in compliance with the Indenture, or in replacement of moneys then on deposit in any bond reserve account in the Bond Reserve Fund (which shall be transferred by the Trustee as then directed by the Agency to any Project Fund or to the Redemption Fund or, if permitted by a Opinion of Bond Counsel, to such other fund or account as the Agency and the City specifies), the Agency may deliver to the Trustee a surety bond or an insurance policy securing an amount, together with moneys, Investment Securities or letters of credit on deposit in such bond reserve account, equal to the Bond Reserve Requirement for such account. Such surety bond or insurance policy must be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated in one of the two highest Rating Categories of each Rating Agency then rating any of the Bonds (at the time of delivery to the Trustee). Such surety bond or insurance policy must have a term of no less than the maturity of the Series of Bonds in connection with which such surety bond or insurance policy was obtained. In the event that such surety bond or insurance policy for any reason lapses or expires, the Agency is required immediately to implement clause (i) or (iii) of the preceding paragraph or make the required deposits to the relevant bond reserve account in the Bond Reserve Fund.

(C) All amounts in any bond reserve account in the Bond Reserve Fund (including all amounts which may be obtained from letters of credit, surety bonds and insurance policies on deposit in such bond reserve account) shall be used and withdrawn by the Trustee, as provided in the Indenture, solely for the purpose of making up a deficiency in the Interest Fund or the Principal Fund, or (together with any other moneys available therefor) for the redemption of all Bonds of such Series then outstanding or for the payment of the final principal and interest payment of such Series of Bonds, if following such payment the amounts in the Bond Reserve Fund (including the amounts which may be obtained from letters of credit, surety bonds and insurance policies on deposit therein) will equal the Bond Reserve Requirement. The Trustee shall, on a pro rata basis with respect to the portion of a bond reserve account in the Bond Reserve Fund held in cash or Investment Securities and amounts held in the form of letters of credit, surety bonds and insurance policies (calculated by reference to the maximum amounts of such letters of credit, surety bonds and insurance policies and the amount of the initial deposit of such cash and Investment Securities), draw under each letter of credit, surety bond or insurance policy issued with respect to such bond reserve account, in a timely manner and pursuant to the terms of such letter of credit, surety bond or insurance policy, to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Series of Bonds related to such bond reserve account when due. In the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Bondowner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to and provided that the terms of the letter of credit, surety bond or insurance policy, if any, securing such Bonds so provide, shall so notify the issuer thereof and draw on such letter of credit, surety bond or insurance policy to the lesser of the extent required or the maximum amount of such letter of credit, surety bond or insurance policy in order to pay to such Bondowners the principal of and interest so recovered. Immediately succeeding each July 1, any amounts in any bond reserve account in the Bond Reserve Fund in excess of the Bond Reserve Requirement for such account shall, at the option of the Agency, be transferred by the Trustee to or at the direction of the Agency; provided that such amounts shall be transferred only from the portion of the Bond Reserve Fund held in the form of cash or Investment Securities.

(D) The Trustee shall establish, maintain and hold in trust within the Bond Reserve Fund a separate account known as the "Series 2011 Reserve Account". Amounts on deposit in the Series 2011 Reserve Account shall be available only to pay debt service only on the Series 2011 Bonds for so long as any Series 2011 Bonds remain outstanding.



(E) If, at the end of each Fiscal Year (as certified by an officer of the Agency or of the Controller's Office of the City), the percentage derived by dividing the Hotel Tax Revenues collected for any 12 consecutive months (selected by either the Agency or the Controller's Office of the City) out of the 18 months preceding the end of each such Fiscal Year by the Maximum Annual Debt Service on all Series of Bonds and Parity Debt then Outstanding is less than three hundred percent (300%), the Bond Reserve Account Requirement with respect to the Series 2011 Bonds shall be increased to the lesser of (i) ten percent (10%) of the proceeds derived from the sale of the Series 2011 Bonds; (ii) Maximum Annual Debt Service for the Series 2011 Bonds; or (iii) one hundred twenty-five percent (125%) of the Average Annual Debt Service for the Series 2011 Bonds. In such event, the Agency shall immediately notify the Trustee and the Trustee shall immediately commence making monthly deposits from the Revenue Fund to the Series 2011 Reserve Account in amounts sufficient to increase the amount on deposit in the Series 2011 Reserve Account to the increased Bond Reserve Account Requirement (after making all required deposits to the Interest Fund and the Principal Fund).

(F) Unless otherwise directed in writing by the Agency or the Series 2011 Bond Insurer, the Trustee shall be obligated to calculate the value of amounts on deposit in the Series 2011 Reserve Account only on July 1 of each year.

Application of Operation and Maintenance Fund. Moneys in the Operation and Maintenance Fund (including all interest, profits and other income received from the investment of such moneys), upon the Request of the Agency with respect to application for purposes described in clauses (ii), (iii), (iv), (v) and (vi) below (with the written consent of the City when application is made with respect to purposes set forth in clause (vi) below), must be withdrawn by the Trustee and used (i) for transfer to the Interest Fund, the Principal Fund or the Bond Reserve Fund, in that order, in the event of a deficiency in any of such funds; (ii) to pay the fees of the Trustee with respect to the Bonds, as agreed to by the Agency; (iii) to pay the fees of any person calculating the "rebate amount" on behalf of the Agency as permitted under the Indenture; (iv) to pay Operation and Maintenance Expenses upon the Request of the Agency; (v) for the redemption of Bonds upon the notice and in the manner provided in the Indenture; or (vi) for any other lawful purpose of the Agency, with the written consent of the City.

Application of Redemption Fund. The Trustee will establish, maintain and hold in trust a special fund designated as the "Redemption Fund." All moneys deposited by the Agency with the Trustee for the purpose of optionally redeeming Bonds of any Series must, unless otherwise directed by the Agency, be deposited in the Redemption Fund. Moneys held by the Trustee in a Project Fund upon closing of such Fund must, unless otherwise directed by the Agency, or otherwise required pursuant to the Supplemental Indenture creating such Project Fund, be transferred to the Redemption Fund as provided in the Supplemental Indenture creating such Fund. All amounts deposited in the Redemption Fund must be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to the selection of Bonds for such redemption, the Trustee must, upon receipt of a Request of the Agency, apply such amounts to the purchase of Bonds of such Series at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as is directed by the Agency, except that the purchase price (exclusive of such accrued interest) may not exceed the Redemption Price then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund must be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the Agency.

### Investment of Moneys in Funds and Accounts: Valuation of Bond Reserve Fund

All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Indenture will be invested, at the written direction of the Agency, solely in Investment Securities. All Investment Securities will, as directed by the Agency in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations set forth in the tax covenants of the Agency set forth in the Indenture, the limitations as to maturities set forth in the Indenture and such additional limitations or requirements consistent with the foregoing as may be established by a Request of the Agency. If and to the extent the Trustee does not receive investment instructions from the Agency with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Indenture, such moneys will be invested in Investment Securities described in clauses (vi) and (vii) of the definition thereof.

Moneys in the Bond Reserve Fund will be invested in Investment Securities available on demand or maturing within five years of the date of such investment; provided, that if the Agency has entered into a contract with a financial institution obligating that financial institution to purchase Investment Securities from the Agency on any Business Day at a price equal to the yield to maturity of the Investment Securities at the time of their original purchase (the "Reserve Fund Agreement"), such obligation may have any maturity. Moneys in the remaining funds and accounts will be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in the Indenture or in a Supplemental Indenture, all interest, profits and other income received from the investment of moneys in any fund or account, other than interest, profits and other income received from the investment of moneys in the bond reserve accounts in the Bond Reserve Fund to the extent that moneys on deposit therein are less than the Bond Reserve Requirement, the Project Funds and the Redemption Fund, and subject to the requirements of the Indenture with respect to the Earnings Account of the Revenue Fund, will be transferred to the Interest Fund until amounts on deposit in such fund are sufficient to make the payment due on the next succeeding interest payment date, and then to the Principal Fund, until amounts on deposit in such fund are sufficient to make the payment due on the next succeeding principal payment date, and then to the Revenue Fund except as provided in the Agency's tax covenants set forth in the Indenture. All interest, profits and other income received from the investment of moneys in the Redemption Fund will be transferred to the Revenue Fund. All interest, profits and other income received from the investment of moneys in each Project Fund, unless transferred by the Trustee at the direction of the Agency to the Rebate Fund, will remain in such Project Fund, in each case until the earlier of (i) two years from the date of original issuance of the applicable Series of Bonds or (ii) closure of the related Project Fund, at which time such interest, profits and other income will be transferred pursuant to the requirements of the Supplemental Indenture creating such Project Fund. After a Project Fund is closed, all such receipts will be applied in accordance with the provisions governing the application of Revenues as set forth in the Indenture. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security will be credited to the fund or account from which such accrued interest was paid.

For purposes of determining the amount on deposit in any fund or account held under the Indenture, all Investment Securities credited to such fund or account will be valued at the market value thereof taking into account any Reserve Fund Agreement, and, except as otherwise provided in the Indenture, Investment Securities representing an investment of money attributable to any account or Fund and all investment profits or losses thereon will be deemed at all times to be a part of such account or fund.



The Trustee may commingle any of the funds or accounts established pursuant to the Indenture into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Indenture will be accounted for separately as required by the Indenture, and provided further that any such commingling does not result in the investment of any moneys in any investment that would not otherwise be permitted under the Indenture absent such commingling. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Agency, may impose its customary charge therefor. The Trustee may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and the Trustee will not be liable or responsible for any loss resulting from such investment.

The Agency may and the Trustee is required to, upon the Request of the Agency and on behalf of the Agency, and provided that the Trustee is supplied with an Opinion of Bond Counsel to the effect that such action is permitted under the laws of the State, enter into an interest rate swap agreement corresponding to the interest rate or rates payable on a Series of Bonds or any portion thereof and the amounts received by the Agency or the Trustee, if any, pursuant to such a swap agreement may be applied to the deposits required under the Indenture; in which case, the entity with which the Agency or the Trustee may contract for an interest rate swap is limited to entities the debt securities of which meet the rating requirements set forth in subsections (i) through (viii) of the definition of “Investment Securities” in the Indenture and be rated in one of the two highest Rating Categories by each Rating Agency then rating any of the Bonds and if granted a lien on Revenues will not otherwise be deemed a Bondowner under the Indenture.

The Trustee is required to keep proper books of record and accounts containing complete and correct entries of all transactions made by it relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Bonds, including moneys derived from, pledged to or to be used to make payments on the Bonds. Such records are required to specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and to set forth, in the case of each Investment Security, (a) its purchase price, (b) identifying information, including par amount, coupon rate and payment dates, (c) the amount received at maturity or its sale price, as the case may be, including accrued interest, (d) the amounts and dates of any payments made with respect thereto, and (e) the dates of acquisition and deposit on or maturity.

The Trustee will also provide to the Agency in accordance with a Request of the Agency, with respect to each Investment Security, such documentation as is reasonably available to the Trustee and is required by the Code or other applicable law to be obtained by the Agency as evidence, to establish that each investment (i) has been acquired and disposed of on an established market in an arm’s-length transaction at a price equal to its fair market value and no amounts have been paid to reduce the yield on the investments, or (ii) is a United States Treasury Obligation — and Local Government Series, as set forth in the Tax Certificate.

#### Covenants of the Agency

##### Collection of Hotel Tax Revenues.

(A) The Agency represents and warrants in the Indenture that it has duly levied the Hotel Tax in accordance with Section 7280.5 and the City Tax Ordinance and pursuant to and in accordance with the Ordinance duly passed and adopted by the Agency. Said Ordinance has not and will not be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of Hotel Tax Revenues, and the Agency covenants that it will continue to

levy and collect such Hotel Tax to the full amount permitted by law. The Agency further covenants in the Indenture that it has entered into the Tax Administration Agreement with the City Tax Collector under and pursuant to which the City Tax Collector will process and supervise the collection of the Hotel Tax on behalf of the Agency. The Agency covenants that said Tax Administration Agreement will continue in effect so long as any of the Bonds are Outstanding and will not be amended, modified or altered, in any manner that will adversely affect the rights of Bondowners, without the written consent of the Trustee so long as any of the Bonds are Outstanding.

(B) The Agency covenants that during the continuance of an Event of Default, any Hotel Tax Revenues received by the Trustee will be applied first to the payment of the costs and expenses of the Trustee in declaring such Event of Default and pursuing remedies, including reasonable compensation of its agents, attorneys and counsel, which costs and expenses will be paid from the Revenue Fund, and second, to deposit into the Interest Fund and Principal Fund and to the payment of Parity Debt as more fully set forth in the Indenture.

Punctual Payment. The Agency covenants punctually to pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds; and of the Indenture, according to the true intent and meaning thereof, and punctually to pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of Revenues as provided in the Indenture.

Against Encumbrances. The Agency covenants not to create any pledge, lien or charge upon any of the Revenues having priority over or having parity with the lien of the Bonds except as permitted in the Indenture.

#### Tax Covenants

In the Indenture, the Agency covenants with the Owners of the Bonds that, notwithstanding any other provisions of the Indenture, it will make no use of the proceeds of the Bonds or of any other amounts, regardless of the source, or of any property or take any action, or refrain from taking any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

The Agency covenants not to make any use of the proceeds of the Bonds or any other funds of the Agency, or take or omit to take any other action, that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code, or “federally guaranteed” within the meaning of Section 149(b) of the Code. To that end, so long as any Bonds are unpaid, the Agency, with respect to such proceeds and such other funds, covenants to comply with all requirements of such Sections and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Code to the extent such requirements are, at the time, applicable and in effect.

The Agency covenants not to use or permit the use of the 1994 Project or any portion thereof, or of any other facilities financed with the proceeds of the Series 1994 Bonds or the Series 1998 Bonds or any portion thereof, by any person other than a governmental unit as such term is used in Section 141 of the Code, in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the interest paid on the Bonds. In furtherance of such tax covenants the Agency covenants that it will comply with the instructions and requirements of the Tax Certificate, which is incorporated in the Indenture as if fully set forth in the Indenture. These covenants will survive the payment in full or defeasance of the Bonds.

## Rebate Fund

(A) General. The Trustee will establish a special fund under the Indenture designated the “Hotel Occupancy Tax Revenue Bonds Rebate Fund” (the “Rebate Fund”). All amounts at any time on deposit in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the “Rebate Requirement”) pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the “Treasury Regulations”). Such amounts will be free and clear of any lien under the Indenture and shall be governed by the Indenture, by the Supplemental Indentures and by the Tax Certificates executed by the Agency. The Trustee will be deemed conclusively to have complied with the Rebate Requirement if it follows the directions of the Agency, and will have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the Agency with the Rebate Requirement.

### (B) Deposits.

(i) Within 45 days of the end of each Bond Year (as such term is defined in the Tax Certificate), (1) the Agency will calculate or cause to be calculated with respect to the Bonds the amount that would be considered the “rebate amount” within the meaning of Section 1.148-3 of the Treasury Regulations, using as the “computation date” for this purpose the end of such Bond Year, and (2) upon the Agency’s written direction, the Trustee will deposit to the Rebate Fund from amounts on deposit in the Revenue Fund, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the “rebate amount” so calculated.

(ii) The Trustee will not be required to deposit any amount to the Rebate Fund in accordance with the preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under clause (i) above, this clause (ii) or clause (iii) below, equals or exceeds the “rebate amount” calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under the Indenture.

(iii) The Agency will not be required to calculate the “rebate amount,” and the Trustee will not be required to deposit any amount to the Rebate Fund in accordance with this subsection (B), with respect to all or a portion of the proceeds of the Bonds (including amounts treated as proceeds of the Bonds) (1) to the extent that such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said Sections is applicable, (2) to the extent such proceeds are subject to an election by the Agency under Section 148(f)(4)(C)(vii) of the Code to pay a 1-%z% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (3) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.” In such event, and with respect to such amounts, the Agency will provide written direction to the Trustee that the Trustee will not be required to deposit any amount to the Rebate Fund in accordance with the Indenture.

(C) Withdrawal Following Payment of Bonds. Any funds remaining in the Rebate Fund after redemption of all the Bonds and any amounts described in paragraph (2) of subsection (D) below, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees to the Trustee, will be withdrawn by the Trustee and remitted to the Agency.

(D) Withdrawal for Payment of Rebate. Upon the Agency’s written direction, but subject to the exceptions described in subsection (B) above to the requirement to calculate the “rebate amount” and

make deposits to the Rebate Fund, the Trustee will pay to the United States, from amounts on deposit in the Rebate Fund,

(1) not later than 60 days after the end of (i) the fifth Bond Year, and (ii) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the “rebate amount” calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(2) not later than 60 days after the payment of all Bonds, an amount equal to 100% of the “rebate amount” calculated as of the date of such payment (and any income attributable to the “rebate amount” determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(E) Rebate Payments. Each payment required to be made as described in subsection (D) above will be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 on or before the date on which such payment is due, and must be accompanied by Internal Revenue Service Form 8038-T, which will be completed by or on behalf of the Agency for execution by the Agency and provided to the Trustee.

(F) Deficiencies in the Rebate Fund. In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Agency will calculate the amount of such deficiency and direct the Trustee to deposit an amount received from the Agency equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(G) Withdrawals of Excess Amounts. In the event that immediately following the calculation required as described under subsection (B) above, but prior to any deposit made under said subsection, the amount on deposit in the Rebate Fund exceeds the “rebate amount” calculated in accordance with said subsection, upon written instructions from the Agency, the Trustee will withdraw the excess from the Rebate Fund and credit such excess to the Revenue Fund.

(H) Record Keeping. The Agency must retain records of all determinations made under the Indenture until six years after the complete retirement of the Bonds.

(I) Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the Rebate Requirement will survive the payment in full or defeasance of the Bonds.

#### Events of Default

The following events are Events of Default:

(i) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(ii) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment becomes due and payable;

(iii) if the Agency fails to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as referred to in subsection (a) or (b) of this Section, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the Agency by the Trustee; except that, if such failure can be remedied but not within such 60-day period and if the Agency has taken all action reasonably possible to remedy such failure within such 60-day period, such failure will not become an Event of Default for so long as the Agency diligently proceeds to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(iv) if any default exists under any agreement governing any Panty Debt and such default continues beyond the grace period, if any, provided for with respect to such default;

(v) if the Agency files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any State or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(vi) if a court of competent jurisdiction enters an order, judgment or decree declaring the Agency insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Agency, or approving a petition filed against the Agency seeking reorganization of the Agency under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree is not vacated or set aside or stayed within 60 days from the date of the entry thereof;

(vii) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Agency or of the Revenues, and such custody or control is not terminated within 60 days from the date of assumption of such custody or control; or

(viii) if the Legislature of the State repeals or amends all or any portion of the provisions of the Law or Section 7280.5 relating to the Hotel Tax, unless the Agency has determined in its sole judgment that said repeal or amendment does not materially and adversely affect the rights of Bondowners.

In determining that an Event of Default has occurred, no effect will be given to any payments made under any Bond Insurance Policy.

#### Remedies of Bondholders

Application of Revenues and Other Funds After Default. If an Event of Default occurs and is continuing, the Agency must immediately transfer to the Trustee all Revenues held by it and the Trustee must apply all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (except as otherwise provided in the Indenture) as follows and in the following order:

(A) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds, including the costs and expenses of the Trustee and the Bondowners in declaring such Event of Default, and payment of reasonable fees and expenses of



the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture; and

(B) Upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid, and subject to the provisions of the Indenture, to the payment to the persons entitled thereto of (i) all installments of interest then due in the order (of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and (ii) the unpaid Bond Obligation or Redemption Price of any Bonds which has become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue Bond Obligation at the rate borne by the respective Bonds, and, if the amount available is not sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of Bond Obligation or Redemption Price due on such date to the persons entitled thereto, without any discrimination or preference.

Trustee to Represent Bondowners. The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, are conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture, the Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondowners, the Trustee in its discretion may, and upon the written request of the Owners of not less than 25% in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, must, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it deems most effective to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Indenture, the Law or any other law; and upon instituting such proceeding, the Trustee is entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee must be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Bondowners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of 60% in aggregate amount of Bond Obligation of the Bonds then Outstanding have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction must not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee has the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondowners or holders of Parity Debt not parties to such direction.

Limitation on Bondowners' Right to Sue. No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy



under the Indenture, the Law or any other applicable law with respect to such Bond, unless (1) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of not less than 33-1/3% in aggregate amount of Bond Obligation of the Bonds then Outstanding have made written request upon the Trustee to exercise the powers described above as granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (5) the Trustee has not received contrary directions from the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds has any right in any manner whatever by such Owner's or Owners' action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Indenture, the Law or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right must be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Owners of Bonds then Outstanding, subject to the provisions of the Indenture.

Absolute Obligation of the Agency. Nothing contained in any provision of the Indenture, or in the Bonds, will affect or impair the obligation of the Agency, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other assets in the Indenture pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bondowners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Bondowners, then in every such case the Agency, the Trustee and the Bondowners, subject to any determination in such proceedings, will be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Agency, the Trustee and the Bondowners will continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or to the Owners of the Bonds in the Indenture is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time as often as may be deemed expedient.

### Bond Insurer as Owner

With respect to any Series of Bonds, for so long as any Bond Insurer insuring all or a portion of such Series of Bonds complies with all its obligations under the relevant Bond Insurance Policy, it will be deemed to be the sole Bondowner of such insured Bonds except that the Owners will continue to receive all notices otherwise required under the Indenture.

### The Trustee

The Trustee must, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants will be read into the Indenture against the Trustee. The Trustee will, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstance, in the conduct of his or her own affairs.

The Agency may remove the Trustee at any time unless an Event of Default has occurred and then be continuing, and will remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) with respect to any Series of Bonds, in the event of a breach by the Trustee of any of its duties under the Indenture, by the Bond Insurer insuring all or any portion of such Series of Bonds, or if at any time the Trustee ceases to be eligible as described below, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon will appoint a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving written notice of such resignation to the Agency and by giving the Bondowners notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the Agency will promptly appoint a successor Trustee by an instrument in writing. Each Bond Insurer will be given written notice of such resignation and subsequent appointment of a successor Trustee.

Any removal or resignation of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondowner (on behalf of himself and all other Bondowners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Upon acceptance of appointment by a successor Trustee as provided in the Indenture, the Agency will give notice of the succession of such Trustee to the trusts under the Indenture by mail to the Bondowners at the addresses shown on the registration books maintained by the Trustee. If the Agency fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee will cause such notice to be mailed at the expense of the Agency.

Liability of Trustee. The recitals of facts contained in the Indenture and in the Bonds will be taken as statements of the Agency, and the Trustee assumes no responsibility for the correctness of the same (other than the certificate of authentication of the Trustee on each Bond), and makes no representations as to the validity or sufficiency of the Indenture or of the Bonds or of any Investment Security, as to the sufficiency of the Revenues or the priority of the lien of the Indenture thereon, or as to the financial or

technical feasibility of any Project and will not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence, willful misconduct or breach of the express terms and conditions of the Indenture.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Bondowners pursuant to the provisions of the Indenture, unless such Bondowners have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby.

No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties under the Indenture, or in the exercise of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Compensation and Indemnification of Trustee. The Agency covenants in the Indenture to pay to the Trustee from time to time, and the Trustee is entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties under the Indenture of the Trustee, and the Agency will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of the Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct. The Agency, to the extent permitted by law, will indemnify, defend and hold harmless the Trustee against any loss, damage, liability or expense incurred without negligence or willful misconduct on the part of the Trustee, arising out of or in connection with the acceptance or administration of the trusts created, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers under the Indenture.

#### Amendments Permitted

(A) The Indenture and the rights and obligations of the Agency, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Agency and the Trustee may enter into with the written consent of the Owners of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding has been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds is not required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Indenture.

The Indenture and the rights and obligations of the Agency and of the Owners of the Bonds and of the Trustee may also be modified or amended at any time without consent of any Bondowners, by a Supplemental Indenture entered into by the Agency and the Trustee which will become binding when the written consents of each provider of a letter of credit or a policy of bond insurance for the Bonds have been filed with the Trustee, provided that at such time the payment of all the principal of and interest on all Outstanding Bonds will be insured by a policy or policies of municipal bond insurance or payable under a letter of credit the provider of which is required to be a financial institution or association having unsecured debt obligations rated, or insuring or securing other debt obligations rated on the basis of such

insurance or letters of credit, in one of the two highest Rating Categories of each Rating Agency then rating any of the Bonds.

No such modification or amendment will (a) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (in each case, except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It is not necessary for the consent of the Bondowners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof. Promptly after the execution and delivery by the Trustee and the Agency of any Supplemental Indenture pursuant to the Indenture as described herein, the Trustee will mail a notice, setting forth in general terms the substance of such Supplemental Indenture to the Owners of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(B) The Indenture and the rights and obligations of the Agency, of the Trustee and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Agency may adopt without the consent of any Bondowners but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Agency in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Agency;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Agency may deem necessary or desirable, and which does not materially and adversely affect the interests of the Owners of the Bonds;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which do not materially and adversely affect the interests of the Owners of the Bonds;

(iv) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of variable rate indebtedness, capital appreciation bonds or Parity Debt with such interest rate, payment, maturity and other terms as the Agency may deem desirable; subject to the provisions of the Indenture;

(v) to provide for the issuance of Bonds in book-entry form or bearer form, provided that no such provision materially and adversely affects the interests of the Owners of the Bonds;

(vi) to make modifications or adjustments necessary, appropriate or desirable to accommodate credit enhancements including letters of credit, surety bonds and insurance policies delivered with respect to the Bond Reserve Fund;

(vii) if the Agency agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(viii) to provide for the issuance of an additional Series of Bonds pursuant to provisions of the Indenture; and

(ix) for any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

(C) No modification or amendment of the Indenture may materially alter the duties and responsibilities of the Trustee without its consent thereto.

(D) Any amendment or supplement to the Indenture or to the First Supplemental Indenture will be subject to the prior written consent of the Bond Insurer, and any Rating Agency rating the Bonds must receive notice of each amendment and a copy thereof at least fifteen (15) days in advance of its execution or adoption. The Bond Insurer must be provided with a full transcript of all proceedings relating to the execution of any such supplement.

#### Defeasance

Bonds of any Series or a portion thereof may be paid by the Agency in any of the following ways:

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

(ii) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem such Outstanding Bonds; or

(iii) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the Agency pays all Series for which any Bonds are Outstanding and also pays or causes to be paid all other sums payable under the Indenture by the Agency, then and in that case, at the election of the Agency (evidenced by a Certificate of the Agency, filed with the Trustee, signifying the intention of the Agency to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds have not been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Agency under the Indenture will cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Agency, the Trustee must cause an accounting for such period or periods as may be requested by the Agency to be prepared and filed with the Agency and must execute and deliver to the Agency all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee must pay over, transfer, assign or deliver to the Agency all moneys or securities or other property held by it pursuant to the Indenture which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from a firm of certified public accountants, or other firm acceptable to the Trustee, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption or are not required for payment of fees and expenses due to the Trustee.



Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as described below) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond, at the option of the Agency), provided that notice of the Agency's intention to defease such Bond has been mailed by the Trustee to such Bond's Owner as soon as practicable after the date such deposit is made, and provided further that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice, then all liability of the Agency in respect of such Bond will cease, terminate and be completely discharged, provided that the Owner thereof will thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the Agency will remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to certain provisions of the Indenture and the continuing duties of the Trustee thereunder.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and must be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice, the amount to be deposited or held will be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Direct, non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Reform interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by Standard & Poor's or Aaa by Moody's (or such other non-callable Investment Securities as provided in the Supplemental Indenture for such Series of Bonds and as the Bond Insurer for such Series of Bonds has approved) the principal of and interest on which when due will, in the opinion of an independent nationally recognized certified public accountant delivered to the Trustee (upon which opinion the Trustee may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that the Trustee has been irrevocably instructed (by the terms of the Indenture or by Request of the Agency) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal or Redemption Price of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon



call for redemption as provided in the Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, will, upon Request of the Agency, be repaid to the Agency free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the Agency as aforesaid, the Trustee may (at the cost of the Agency) first mail to the Owner; of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Agency of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee pursuant to the Indenture for the payment of principal or interest or premium on Bonds, whether at redemption or maturity, will be held in trust for the account of the Owner thereof, and the Trustee will not be required to pay Owners any interest on, or be liable to the Owners or any other person (other than the Agency) for any interest earned on, moneys so held. Any interest earned on moneys deposited with the Trustee to defease all or any portion of the Bonds will belong to the Agency.

#### Liability of Agency Limited to Revenues

Notwithstanding anything contained in the Indenture or in the Bonds, the Agency will not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes mentioned in the Indenture, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of the Indenture.

#### Limitation of Rights to Agency, Trustee and Bondowners

Nothing in the Indenture or in the Bonds expressed or implied is intended or should be construed to give to any person other than the Agency, the Trustee, and the Owners of the Bonds and any Parity Debt any legal or equitable right, remedy or claim under or in respect of the Indenture or my covenant, condition or provision therein or contained in the Indenture; and all such covenants, conditions and provisions are and will be held to be for the sole and exclusive benefit of the Agency, the Trustee, and the Owners of the Bonds and any Parity Debt.

#### Disqualified Bonds

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned or held by or for the account of the Agency, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Agency or any other obligor on the Bonds, will be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purpose of any such determination if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with, the Agency or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel is full protection to the Trustee.

#### Payments on the Series 2011 Bond Insurance Policy

As long as the Series 2011 Bond Insurance Policy shall be in full force and effect, the Agency and the Trustee agree to comply with the following provisions:

(a) If, on the third Business Day prior to the related scheduled interest payment date or principal payment date (each, a “Payment Date”), there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay in full the principal of and/or interest on the Series 2011 Bonds on such Payment Date, the Trustee shall so notify the Series 2011 Bond Insurer and designated agent (if any) (the “Series 2011 Bond Insurer’s Fiscal Agent”) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal and interest on the Series 2011 Bonds due on such Payment Date, the Trustee shall make a claim under the Series 2011 Bond Insurance Policy and give notice to the Series 2011 Bond Insurer and the Series 2011 Bond Insurer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2011 Bonds and the amount required to pay principal on the Series 2011 Bonds, confirmed in writing to the Series 2011 Bond Insurer and the Series 2011 Bond Insurer’s Fiscal Agent (if any) by 12:00 noon, New York City time, on such second Business Day by filing in the form of Notice of Claim and Certificate delivered with the Series 2011 Bond Insurance Policy.

(b) The Trustee shall designate any portion of payment of principal on Series 2011 Bonds paid by the Series 2011 Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2011 Bonds registered to the then current Owner or Owners of the Series 2011 Bonds, whether DTC or its nominee or otherwise, and shall issue a replacement Series 2011 Bond to the Series 2011 Bond Insurer, registered in the name of the Series 2011 Bond Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee’s failure to so designate any payment or issue any replacement Series 2011 Bond shall have no effect on the amount of principal or interest payable by the Agency on any Series 2011 Bond or the subrogation rights of the Series 2011 Bond Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Series 2011 Bond Insurer into the Policy Payments Account (as hereinafter defined) and the allocation of such funds to payment of interest on and principal on any Series 2011 Bond. The Series 2011 Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Series 2011 Bond Insurance Policy the Trustee shall establish a separate special purpose trust account for the benefit of the Owners of the Series 2011 Bonds referred to as the “Policy Payments Account” and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Series 2011 Bond Insurance Policy in trust on behalf of the Owners of the Series 2011 and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to the Owners of the Series 2011 Bonds in the same manner as principal and interest payments are to be made with respect to the Series 2011 Bonds under the sections of the Indenture regarding payment of Series 2011 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

(e) Notwithstanding anything in the Indenture to the contrary, the Agency agrees to pay to the Series 2011 Bond Insurer a (i) sum equal to the total of all such amounts paid by the

Series 2011 Bond Insurer under the Series 2011 Bond Insurance Policy (the “Insurer Advances”); and (ii) interest on such Insurer Advances from the date paid by the Series 2011 Bond Insurer until payment thereof in full, payable to the Series 2011 Bond Insurer at the Late Payment Rate per annum (collectively, the “Insurer Reimbursement Amounts”). “Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JP Morgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2011 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Agency hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Revenues and payable from such Revenues on a parity with debt service due on the Series 2011 Bonds.

(f) Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Payment Date shall be promptly remitted to the Series 2011 Bond Insurer.

Notwithstanding anything to the contrary in the Indenture, the following provisions shall apply so long as the Series 2011 Bond Insurance Policy is in effect:

(a) The prior written consent of the Series 2011 Bond Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Series 2011 Reserve Account of the Bond Reserve Fund. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Series 2011 Reserve Account shall be applied solely to the payment of debt service on the Series 2011 Bonds.

(b) The Series 2011 Bond Insurer shall be deemed to be the sole Owner of the Series 2011 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Series 2011 Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. The remedies available to the Owners of the Series 2011 Bonds under the Indenture include mandamus.

(c) A default under the Tax Administration Agreement shall be an Event of Default under the Indenture.

(d) The maturity of the Series 2011 Bonds shall not be accelerated without the consent of the Series 2011 Bond Insurer.

(e) In the event the maturity of the Series 2011 Bonds is accelerated, the Series 2011 Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Series 2011 Bond Insurer’s obligations under the Series 2011 Insurance Policy with respect to such Series 2011 Bonds shall be fully discharged.

(f) Notwithstanding anything to the contrary in the Indenture, no grace period for a covenant default shall exceed thirty (30) days, nor be extended for more than sixty (60) days, without the prior written consent of the Series 2011 Bond Insurer.

(g) The discretion of the Trustee in Section 7.02 to apply moneys shall not permit the Trustee to fail to liquidate investment obligations in the Revenue Fund, the Interest Fund, the Principal Fund or the Bond Reserve Fund and apply amounts credited to such funds to the payment of debt service on any Payment Date.

(h) The Series 2011 Bond Insurer shall be deemed to be a third party beneficiary to the Indenture.

(i) Upon the occurrence of an extraordinary optional, special or mandatory redemption in part of the Series 2011 Bonds (other than a redemption pursuant to mandatory sinking account payments), the selection of Series 2011 Bonds shall be subject to the approval of the Series 2011 Bond Insurer. The exercise of any provision of the Indenture that permits the purchase of Series 2011 Bonds in lieu of redemption shall require the prior written approval of the Series 2011 Bond Insurer if any Series 2011 Bond so purchased is not cancelled upon purchase.

(j) Any amendment, supplement, modification to, or waiver of, the Indenture or any transaction document, including the Related Documents, which requires the consent of the Owners of the Series 2011 Bonds or adversely affects the rights and interests of the Series 2011 Bond Insurer shall be subject to the prior written consent of the Series 2011 Bond Insurer.

(k) Unless the Series 2011 Bond Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, any amounts on deposit in any Project Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the related Series of Bonds.

(l) The rights of the Series 2011 Bond Insurer under the Related Documents to direct or consent to Agency, Trustee or Bondowner actions under the Indenture shall be suspended during any period in which the Series 2011 Bond Insurer is in default in its payment obligations under the Series 2011 Bond Insurance Policy (except to the extent of amounts previously paid by the Series 2011 Bond Insurer and due and owing to the Series 2011 Bond Insurer) and shall be of no force or effect in the event the Series 2011 Bond Insurance Policy is no longer in effect or the Series 2011 Bond Insurer asserts that the Series 2011 Bond Insurance Policy is not in effect or the Series 2011 Bond Insurer shall have provided written notice that it waives such rights.

(m) The rights granted to the Series 2011 Bond Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Series 2011 Bond Insurer in consideration of its issuance of the Series 2011 Bond Insurance Policy. Any exercise by the Series 2011 Bond Insurer of such rights is merely an exercise of the Series 2011 Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bondowners nor does such action evidence any position of the Series 2011 Bond Insurer, affirmative or negative, as to whether Bondowner consent is required in addition to consent of the Series 2011 Bond Insurer.

(n) Amounts paid by the Series 2011 Bond Insurer under the Series 2011 Bond Insurance Policy shall not be deemed paid for purposes of the Indenture and the Series 2011 Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Agency in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Series 2011 Bond Insurer have been paid in full or duly provided for.

(o) The Agency and the Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Revenues under applicable law.

(p) The Series 2011 Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series 2011 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2011 Bond Insurance Policy. Each obligation of the Agency to the Series 2011 Bond Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

(q) The Agency shall pay or reimburse the Series 2011 Bond Insurer any and all charges, fees, costs and expenses that the Series 2011 Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights in respect of the Related Documents; (ii) the pursuit of any remedies under the Indenture or Related Documents or otherwise afforded by law or equity; (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or the other Related Documents or any other applicable document whether or not executed or completed; or (iv) any litigation or other dispute in connection with the Indenture or any other Related Documents or the transactions contemplated thereby, other than costs resulting from the failure of the Series 2011 Bond Insurer to honor its obligations under the Series 2011 Bond Insurance Policy. The Series 2011 Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document.

(r) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Series 2011 Bond Insurer or rebate only after payment of past due and current debt service on the Series 2011 Bonds and amounts required to restore the Series 2011 Reserve Account of the Bond Reserve Fund to the Bond Reserve Requirement with respect to the Series 2011 Bonds.

(s) The Series 2011 Bond Insurer shall be entitled to pay principal or interest on the Series 2011 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Series 2011 Bond Insurance Policy) and any amounts due on the Series 2011 Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Series 2011 Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Series 2011 Bond Insurance Policy) or a claim upon the Series 2011 Bond Insurance Policy.

(t) The notice address of the Series 2011 Bond Insurer is: Assured Guaranty Municipal Corp., 31 West 52<sup>nd</sup> Street, New York, New York 10019, Attention: Managing Director – Surveillance; Re: Policy No. 213229-N; Telephone: (212) 826-0100; Telecopier: (212) 339-3529. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate “URGENT MATERIAL ENCLOSED”.



(u) The Series 2011 Bond Insurer shall be provided with the following information by the Agency or the Trustee, as the case may be:

(i) Annual audited financial statements within one hundred eighty (180) days after the end of the Agency's fiscal year (together with a certification by the Agency that it is not aware of any default or Event of Default under the Indenture), and the Agency's annual budget within thirty (30) days after the approval thereto together with such other information, data or reports as the Series 2011 Bond Insurer shall reasonably request from time to time;

(ii) Notice of any draw of the Bond Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Bond Reserve Requirement and (ii) withdrawals in connection with the refunding of Bonds;

(iii) Notice of any default known to the Trustee or the Agency within five Business Days after knowledge thereof;

(iv) Prior notice of the advance refunding or redemption of any of the Series 2011 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Trustee, any paying agent or any bond registrar and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the Agency commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 2011 Bonds;

(viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents;

(ix) All reports, notices and correspondence to be delivered to the Bondowners under the terms of the Related Documents;

(x) A copy of the annual report and any other report or filing given or made pursuant to the Continuing Disclosure Certificate; and

(xi) Any other information as the Series 2011 Bond Insurer may reasonably request.

(v) The Agency will permit the Series 2011 Bond Insurer to discuss the affairs, finances and accounts of the Agency or any information the Series 2011 Bond Insurer may reasonably request regarding the security for the Series 2011 Bonds with appropriate officers of the Agency, and will use commercially reasonable efforts to enable the Series 2011 Bond Insurer to have access to the facilities, books and records of the Agency on any Business Day upon reasonable prior notice.



(w) The Trustee shall notify the Series 2011 Bond Insurer of any failure of the Agency to provide notices, certificates and other information under the Related Documents.

(x) Notwithstanding satisfaction of the other conditions to the issuance of an Additional Series of Bonds set forth in the Indenture, no such issuance may occur if (i) an Event of Default (or any event which, once all notice or grace periods have been passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance, and (2) unless the Bond Reserve Fund is fully funded at the Bond Reserve Requirement (including the proposed issue) upon the issuance of such Additional Series of Bonds, in either case unless otherwise permitted by the Series 2011 Bond Insurer.

(y) In determining whether any amendment, consent, waiver or other action to be taken, or failure to take action, under the Indenture would adversely affect security for the Series 2011 Bonds or the rights of the Owners of the Series 2011, the Trustee shall consider the effect on such Owners as if there were no Series 2011 Bond Insurance Policy.

(z) No contract shall be entered into or any action taken by which the rights of the Series 2011 Bond Insurer or security for or sources of payments of the Series 2011 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Series 2011 Bond Insurer.

(aa) Any interest rate swap entered into by the Agency shall meet the following conditions: (i) the swap agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (iii) debt reasonably expected to be issued within the next twelve (12) months, and (ii) such swap agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consent to in writing by the Series 2011 Bond Insurer, any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to debt service on the Bonds and on any Parity Debt. The Agency shall not terminate any swap agreement unless it demonstrates to the satisfaction of the Series 2011 Insurer prior to the payment of any such termination amount that such payment will not cause the Agency to be in default under the Related Documents, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any such swap agreement must have a rating of at least "A-" and "A3" by Standard and Poor's ("S&P") and Moody's Investors Service ("Moody's"). If the counterparty's or guarantor's rating falls below "A-" or "A3" by either S&P or Moody's, the counterparty or guarantor shall execute a credit support annex to the swap agreement, which credit support annex shall be acceptable to the Series 2011 Bond Insurer. If the counterparty's or guarantor's long term unsecured rating falls below "BBB+" or "Baa1" by either S&P or Moody's, a replacement counterparty or guarantor, acceptable to the Series 2011 Bond Insurer, shall be required.

(bb) Investments purchased with funds on deposit in the Bond Reserve Fund shall have an average aggregate weighted term to maturity not greater than five years; provided that this provision shall not be construed to prohibit the use of an investment agreement or similar agreement otherwise permitted under the Indenture if such agreement or instrument can be liquidated at par by the Agency or the Trustee without penalty.

(cc) In the event that any legislation is adopted by the State of California eliminating redevelopment agencies or otherwise limiting their operations, including Assembly Bill 101 (“AB 101”) introduced on March 15, 2011, the Agency will use its best efforts to ensure that the Series 2011 Bonds are treated as an “Enforceable Obligation” and a “Recognized Obligation”, both as defined in AB 101, or as similar types of obligations in any other similar legislation so adopted, and that the payment of debt service on the Series 2011 Bonds is included in the Recognized Obligation Payment Schedule, as defined in AB 101, or on any similar schedule required by any such other similar legislation so adopted.

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## APPENDIX B

### THE BOOK-ENTRY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Series 2011 Bonds, payment of principal, interest and other payments on the Series 2011 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series 2011 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the Agency, the City nor the Trustee take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2011 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2011 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2011 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2011 Bonds. The Series 2011 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2011 Bond certificate will be issued for the Series 2011 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org). *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Series 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2011 Bonds, except in the event that use of the book-entry system for the Series 2011 Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2011 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2011 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2011 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2011 Bonds may wish to ascertain that the nominee holding the Series 2011 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2011 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Series 2011 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Series 2011 Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2011 Bond certificates are required to be printed and delivered.

10. The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2011 Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy thereof.



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## APPENDIX C

### FORM OF THE CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Redevelopment Agency of the City and County of San Francisco (the “Agency”) in connection with the issuance of by the Agency of its \$43,780,000 aggregate principal amount of Hotel Occupancy Tax Revenue Refunding Bonds, Series 2011 (the “Bonds”). The Bonds are being issued pursuant to Resolution No. 128-2010 of the Agency adopted November 2, 2010, and an Indenture dated as of December 1, 1994 (as supplemented as described below, the “Indenture”) between the Agency and First Interstate Bank of California, as original trustee (the “Original Trustee”), as supplemented by a First Supplemental Indenture dated as of December 1, 1994 between the Agency and the Original Trustee, a Second Supplemental Indenture dated as of March 1, 1998 between the Agency and BNY Western Trust Company (“BNY”), the successor trustee to the Original Trustee, and as further supplemented and amended by the Third Supplemental Indenture dated as of March 1, 2011 between the Agency and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”) to BNY. The Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Dissemination Agent*” means The Bank of New York Mellon Trust Company, N.A., or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“*Participating Underwriter*” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports

(a) The Agency shall provide, or shall cause the Dissemination Agent to provide, to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate by not later than six months after the end of the Agency's fiscal year in each year commencing not later than January 1, 2011. Not later than fifteen (15) Business Days prior to each such January 1, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Agency to determine if the Agency is in compliance with subsection (a).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Trustee shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall (if the Dissemination Agent is other than the Issuer) file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The Agency's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Agency, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following additional items:

1. The Hotel Tax Revenues for the fiscal year to which the Annual Report pertains, by means of an update to the "SUMMARY OF HOTEL TAX REVENUES FOR THE LEVY AREA HOTELS" table shown in the Official Statement for the Bonds;

2. Estimated annual debt service coverage for the Bonds and any Parity Debt for the fiscal year to which the Annual Report pertains;

3. Description of any Parity Debt (date, amount, term, rating, insurance) issued by the Agency in the fiscal year to which the Annual Report pertains and amount of all Agency debt outstanding payable with tax increment revenue from the Project Areas as of the end of the fiscal year to which the Annual Report pertains;

4. If known to the Agency, a list of Hotels in the Levy Area which commenced operations during the fiscal year to which the Annual Report pertains;

5. If known to the Agency, a list of the Hotels in the Levy Area generating at least 10% of the Hotel Tax Revenues for the fiscal year to which the reports relates which ceased operation for more than 60 days during the fiscal year to which the Annual Report pertains, and the reason, if known to the Agency, for such cessation.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Agency shall clearly identify each such other document so included by reference.

The Trustee shall have no responsibility for the content of the Annual Report, or any part thereof.

#### Section 5. Reporting of Significant Events

(a) The Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. The issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701 TEB);
7. Unless described Section 5(a)(6) hereof, adverse tax opinions or other material notices or determinations with respect to the tax status of the Bonds, or with material events affecting the tax-exempt status of the Bonds, if material;
8. Tender offers;
9. Modification to right of Bondholders, if material;
10. Optional, unscheduled or contingent Bond calls, if material;
11. Defeasances;
12. Release, substitution or sale of property securing repayment of the Bonds, if material;
13. Rating changes; or
14. Bankruptcy, insolvency, receivership or similar event of the obligated person.
15. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
16. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(7), (a)(9), (a)(10), (a)(12), (a)(15) or (a)(16) above, the Agency determines that knowledge of the occurrence of that Listed Event would be material under applicable Federal securities law, the Agency shall, or shall cause the Dissemination Agent (if not the Agency) to, file a notice of such occurrence with the MSRB in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(10) and (11) above need not be given under this subsection any

earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

Section 6. Identifying Information for Filings with the MSRB; Format Filings with MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The obligations of the Agency, the Trustee and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. From time to time, the Agency may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Section 9. Amendment: Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, in the opinion of nationally recognized bond counsel, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) in the opinion of the Trustee or nationally recognized bond counsel, does not materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order

to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in a filing with the MSRB.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, the Trustee may (and, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and hold harmless the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Trustee shall not be required to consent to any amendment which would impose any greater duties or risk of liability on the Trustee. No person shall have any right to commence any action against the Trustee seeking any remedy other than to compel specific performance of this Agreement. The Trustee shall not be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Certificate.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.



Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 2011

REDEVELOPMENT AGENCY OF THE  
CITY AND COUNTY OF SAN FRANCISCO

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

The undersigned hereby agrees to act as Dissemination Agent pursuant to the foregoing Continuing Disclosure Certificate.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
as Dissemination Agent

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

Its: \_\_\_\_\_

Acknowledged:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as trustee

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

Its: \_\_\_\_\_

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE  
TO FILE ANNUAL REPORT

Name of Issuer:           Redevelopment Agency of the City and County of San Francisco

Name of Bond Issue:   Redevelopment Agency of the City and County of San Francisco Hotel  
Occupancy Tax Revenue Refunding Bonds, Series 2011

Date of Issuance:       March 17, 2011

NOTICE IS HEREBY GIVEN that the Redevelopment Agency of the City and County of San Francisco (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate dated March 17, 2011 executed by the Agency for the benefit of the holders and beneficial owners of the above-referenced bonds. The Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

REDEVELOPMENT AGENCY OF THE CITY  
AND COUNTY OF SAN FRANCISCO

By: \_\_\_\_\_  
Its: \_\_\_\_\_

cc:     The Bank of New York Mellon Trust Company, N.A.  
550 Kearny Avenue, Suite 600  
San Francisco, California 94108  
Attention: Corporate Trust Services

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## APPENDIX D

### PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

March \_\_, 2011

Redevelopment Agency of the  
City and county of San Francisco  
San Francisco, California

*OPINION:* \$43,780,000 Redevelopment Agency of the City and County of San Francisco Hotel  
Occupancy Tax Revenue Refunding Bonds, Series 2011

Members of the Agency:

We have acted as co-bond counsel in connection with the issuance by the Redevelopment Agency of the City of San Francisco (the "Agency"), of \$43,780,000 Redevelopment Agency of the City and County of San Francisco Hotel Occupancy Tax Revenue Refunding Bonds, Series 2011 (the "Series 2011 Bonds"), pursuant to Community Redevelopment Law (being Division 24 of the Health and Safety Code of the State of California) (the "Law"), a resolution of the Agency adopted on November 2, 2010 (the "Resolution"), and the Indenture dated as of December 1, 1994 (the "Master Indenture"), between the Agency and First Interstate Bank of California, as original trustee, as heretofore supplemented and amended and as supplemented and amended by the Third Supplemental Indenture (the "Third Supplemental Indenture" and, together with the Master Indenture, as so supplemented and amended, the "Indenture") dated as of March 1, 2011 between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Agency contained in the Indenture and in certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Agency is duly created and validly existing as a public body, corporate and politic, with the power to enter into the Indenture (including the Third Supplemental Indenture), perform the agreements on its part contained therein and issue the Series 2011 Bonds.

2. The Indenture (including the Third Supplemental Indenture) has been duly approved by the Agency and constitutes a valid and binding obligation of the Agency enforceable upon the Agency.

3. The Indenture (including the Third Supplemental Indenture) has been duly authorized, executed and delivered by the Agency and constitutes a valid and binding obligation of the Agency enforceable against the Agency in accordance with its terms. The Indenture creates a valid pledge of and first lien on all Revenues (as defined in the Indenture) to secure the payment of the principal of and redemption premium, if any, and interest on the Series 2011 Bonds and the payment of any additional Series of Bonds and Parity Debt (as such terms are defined in the Indenture) in accordance with their terms, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Indenture also creates a valid pledge of

and first lien on all amounts held by the Trustee under the Indenture in any fund or account established under the Indenture (except for amounts held in the Rebate Fund and the Operation and Maintenance Fund) to secure the payment of the principal of and redemption premium, if any, and interest on the Series 2011 Bonds and the payment of any additional Bonds and Parity Debt in accordance with their terms, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. The Series 2011 Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency, payable solely from the sources provided therefor in the Indenture.

5. Interest on the Series 2011 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentences are subject to the condition that the Agency comply with all requirements of the Internal Revenue Code of 1986 which must be satisfied subsequent to the issuance of the Series 2011 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2011 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2011 Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2011 Bonds.

6. Interest on the Series 2011 Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Series 2011 Bonds and the enforceability of the Series 2011 Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

Respectfully submitted,

A Professional Law Corporation

## **APPENDIX E**

### **SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer



