

In the opinion of Quint & Thimmig LLP and Webster & Anderson, Co-Bond Counsel, subject to certain qualifications described herein, under existing law, until any Reset Date or the Conversion Date, the interest on the 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. Co-Bond Counsel is also of the opinion that under existing law the interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

\$23,440,000

**REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 4
(MISSION BAY NORTH PUBLIC IMPROVEMENTS)
VARIABLE RATE REVENUE BONDS,
SERIES 2002-NORTH**

Dated: Date of Issuance

Price: 100%

Due: August 1, 2032

The Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 4 (Mission Bay North Public Improvements) Variable Rate Revenue Bonds, Series 2002-North (the "Bonds") are being issued and delivered to finance various public improvements needed to develop property located within the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 4 (Mission Bay North Public Improvements) (the "District"). See "THE INFRASTRUCTURE" herein.

The Bonds are being issued by the Redevelopment Agency of the City and County of San Francisco (the "Agency") for the District pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the Government Code of the State of California), and pursuant to an Indenture of Trust, dated as of June 1, 2001, as amended and supplemented by the First Supplemental Indenture of Trust dated as of October 1, 2002 (collectively, the "Indenture"), each by and between the Agency, for and on behalf of the District, and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Bonds initially are being issued in a weekly variable rate mode and will bear interest at a Variable Rate determined weekly. The rate of interest borne by the Bonds may be converted to a Reset Rate or a Fixed Rate on any Interest Payment Date (as defined below). While in the weekly variable rate mode, interest is payable on November 1, 2002 and the first Business Day of each month thereafter. The Bonds are secured on a parity with the Agency's \$16,560,000 Variable Rate Revenue Bonds, Series 2001-North issued under the Indenture in June, 2001, which remain outstanding in the amount of \$16,560,000. See "THE BONDS."

THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE THE BONDS SUBSEQUENT TO THEIR CONVERSION TO A RESET RATE OR A FIXED RATE.

Initial purchases of beneficial interests in the Bonds will be made in book-entry form and the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company. Initial Bond denominations are \$100,000 and any integral multiple of \$5,000 in excess thereof. Purchasers of beneficial interests in the Bonds will not receive certificates representing their interests in the Bonds and will not be paid directly by the Trustee. See "APPENDIX D—THE BOOK-ENTRY SYSTEM" herein.

The Bonds are subject to optional and mandatory redemption prior to their stated maturity, as described herein. See "THE BONDS—Terms of Redemption" herein.

While the Bonds bear interest at a Variable Rate, any Bond, or portions thereof in increments of at least \$100,000, will be purchased upon the demand of the registered owner thereof on any Business Day following the giving of required notice and compliance with other requirements. The Bonds are also subject to mandatory tender for purchase under certain circumstances. See "THE BOND—Demand For Purchase and Mandatory Purchase of Bonds."

The Bonds are limited obligations of the Agency and are payable solely out of Revenues (as defined in the Indenture and described herein), and the other funds pledged under the Indenture, including amounts drawn by the Trustee under an irrevocable direct-pay letter of credit (the "Letter of Credit"). The Letter of Credit has a stated expiration date of June 21, 2006, and may be replaced by a substitute Letter of Credit at any time under the circumstances described herein. The Letter of Credit is being provided by

BANK OF AMERICA, N.A.

Bank of America, N.A. is referred to herein as the "Credit Bank."

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE AGENCY OR THE CITY AND COUNTY OF SAN FRANCISCO AND ARE LIMITED OBLIGATIONS OF THE AGENCY PAYABLE SOLELY FROM THE REVENUES AND THE FUNDS PLEDGED BY THE AGENCY THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY AND COUNTY OF SAN FRANCISCO OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AGENCY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE FAITH AND CREDIT OF THE AGENCY ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

This cover page contains certain information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. The purchase of the Bonds involves certain risks. See "SPECIAL RISK FACTORS."

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval as to their legality by Quint & Thimmig LLP, San Francisco, California, and Webster & Anderson, Oakland, California, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. Certain legal matters will be passed upon for the Credit Bank by Sheppard Mullin Richter & Hampton, Los Angeles, California; for the Landowner by O'Melveny & Myers LLP, Los Angeles, California and for the Agency by its General Counsel. It is anticipated that the Bonds will be available for delivery in New York, New York on or about October 23, 2002.

SALOMON SMITH BARNEY

JACKSON SECURITIES

Dated: October 22, 2002

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

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Kathryn C. Palamountain, Vice President
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Leroy King
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Bertha Ontiveros, General Counsel
Edwin R. Tanjuaquio, Secretary

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San Francisco, California

Remarketing Agent

Salomon Smith Barney
New York, New York

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. The information and expressions of opinions herein are subject to change without notice and neither 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, the Credit Bank, the Landowner or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Estimates and Forecasts. When used in this Official Statement and in any press release and in any oral statement made with the approval of an authorized officer of the Agency or any other entity described or referenced herein, the words or phrases “will likely result,” “are expect to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend,” “planned” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risk and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. 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, give rise to any implication that there has been no change in the affairs or business of the Agency, the Credit Bank, the Landowner or any other entity described or referenced herein since the date hereof.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Agency or the Underwriters. This 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 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Underwriters. 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, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Credit Bank. The Credit Bank does not assume, nor will it assume, any responsibility as to the completeness or accuracy of any of the information contained in this Official Statement, all of which has been furnished by others, with the exception of the information that appears under the caption “THE CREDIT BANK,” which was provided by the Credit Bank.

Stabilization of Prices. In connection with this offering, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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\$23,440,000
REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 4
(MISSION BAY NORTH PUBLIC IMPROVEMENTS)
VARIABLE RATE REVENUE BONDS,
SERIES 2002-NORTH

INTRODUCTION

This Official Statement, which also includes the cover page and Appendices, sets forth certain information relating to the issuance and sale by the Redevelopment Agency of the City and County of San Francisco (the “Agency”) of the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 4 (Mission Bay North Public Improvements) Variable Rate Revenue Bonds, Series 2002-North (the “Bonds”).

This Official Statement is intended to be used to provide information on the Bonds while they bear interest at a Variable Rate (described herein). In the event the interest rate on the Bonds is converted to a Fixed Rate or a Reset Rate (described herein), the Bonds will be subject to mandatory tender for purchase and will be remarketed to investors pursuant to another disclosure document prepared by the Agency.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in this entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement.

All capitalized terms used in this Official Statement and not defined shall have the meanings set forth in “APPENDIX B— SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST AND THE FIRST SUPPLEMENTAL INDENTURE OF TRUST—Definitions” herein.

Authority for Issuance

The Agency is a community redevelopment agency, duly organized and validly existing under the California Constitution and the Community Redevelopment Law, as amended (California Health and Safety Code, Section 33000 et seq.) (the “Redevelopment Law”). See “THE AGENCY” herein. The Bonds are being issued under the authority of the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the California Government Code) (the “Mello-Roos Act”) and an authorizing resolution adopted by the Commission of the Agency on October 8, 2002 (the “Resolution”). The Bonds will be issued pursuant to and secured by an Indenture of Trust dated as of June 1, 2001, as amended and supplemented by the First Supplemental Indenture of Trust dated as of October 1, 2002 (collectively, the “Indenture”), each by and between the Agency and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The Bonds are secured on a parity with the Agency’s outstanding Variable Rate Revenue Bonds, Series 2001-North which were issued in June, 2001 pursuant to the Indenture, which remain outstanding in the principal amount of \$16,560,000 (the “2001 Bonds”).

Use of Bond Proceeds

Proceeds of the Bonds will primarily be used to finance a portion of the costs of acquiring certain public infrastructure improvements (the “Infrastructure,” as described herein) necessary for the development and redevelopment of property within the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 4 (Mission Bay North Public Improvements) (the “District”) established under the Mello-Roos Act. Catellus Development Corporation (the “Landowner”), or an affiliate or transferee

thereof, plans to construct or cause the Infrastructure to be constructed. The Infrastructure consists generally of streets, rails and rail line bridges, sewer and storm drainage systems, water systems, traffic signal systems, dry utilities, open space (including among other items, park improvements and restrooms) and other improvements necessary for the development and redevelopment of property within and adjacent to the District. See “THE INFRASTRUCTURE” below. Proceeds of the Bonds will also be used to provide for capitalized interest on the Bonds for a period of time and to pay costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein. The Bonds are not secured by a lien on, deed of trust on or pledge of any interest in the Infrastructure.

The District

The District is comprised of approximately 65 acres of land located in the City and County of San Francisco (the “City”), approximately 1.5 miles south of the financial district, adjacent to and west of Pacific Bell Park, the waterfront stadium for the San Francisco Giants. The District is part of a larger development project known as the “Mission Bay Project” being undertaken by the Landowner in cooperation with the Agency. See “THE MISSION BAY PROJECT.” To facilitate the Mission Bay Project, the Agency established two redevelopment project areas. All of the District is located within the Agency’s Mission Bay North Redevelopment Project. Most of the property in the District is owned by the Landowner, as the master developer of the Mission Bay Project. The Agency and the Landowner have entered into a Mission Bay North Owner Participation Agreement (described herein) which provides that the Landowner is responsible for constructing infrastructure improvements in the District. Under the Mission Bay North Owner Participation Agreement and other agreements, the Agency will allow the use of a portion, but not all, of the tax increment generated by the property in the District to pay the cost of such improvements. See “SOURCES OF PAYMENT FOR THE BONDS—Tax Increment Revenues” and “APPENDIX D—TAX INCREMENT.”

The Agency

The Agency was organized in 1948 by the Board of Supervisors of the City and County of San Francisco 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. Since its organization, the Agency has completed the redevelopment plans for four redevelopment project areas, and currently has eleven redevelopment plans in various stages of implementation.

Sources of Payment for the Bonds

Description of Revenues. The Bonds are limited and special obligations of the Agency payable on a parity with the 2001 Bonds solely from, and equally and ratably secured by, the Revenues and other funds pledged under the Indenture. The Revenues include moneys drawn by the Trustee under the Letter of Credit, proceeds of a special tax (the “Special Tax”) which the Agency may levy and collect on certain property within the District, tax increment revenues arising from development in the District, but only to the extent remitted to the Trustee for deposit to the Revenue Fund under the terms of the Tax Increment Administration Agreement (the “Tax Increment”), and any other amounts remitted by the Agency to the Trustee with written directions to deposit such amounts to the Revenue Fund established under the Indenture. See “SOURCES OF PAYMENT FOR THE BONDS.”

Letter of Credit. The Landowner, as the master developer of the development and redevelopment planned for the Mission Bay Project, has caused an irrevocable direct-pay letter of credit (the “Letter of Credit”) to be issued to the Trustee by Bank of America, N.A. (the “Credit Bank”) which currently secures the 2001 Bonds and will secure the Bonds, when issued. See “APPENDIX A—Form of Letter of Credit and Amendment.” Under the Indenture, the Trustee is directed to draw on the Letter of Credit in amounts sufficient to pay the principal of and interest on the Bonds as the same become due, and the purchase price of any Bonds tendered or deemed tendered under the Indenture that are not remarketed. The terms of the Letter

of Credit and the obligations of the Credit Bank and Catellus Urban Development Corporation (a wholly owned subsidiary of the Landowner) with respect thereto are set forth in a Reimbursement Agreement dated as of June 1, 2001, by and between such parties (the "Reimbursement Agreement"). The Letter of Credit will expire on June 21, 2006. See "SOURCES OF PAYMENT FOR THE BONDS—The Letter of Credit and Reimbursement Agreement" and "THE CREDIT BANK" herein. The Letter of Credit may be replaced at any time with a substitute letter of credit or other financial instrument which satisfies the requirements of the Indenture. See "APPENDIX B—SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST AND THE FIRST SUPPLEMENTAL INDENTURE OF TRUST—Letters of Credit."

Tax Increment Revenues. Under the Redevelopment Law, the Agency is entitled to receive certain tax increment revenues generated as a result of increases in the value of the property within the District. The Agency and the Landowner have entered into the Mission Bay North Owner Participation Agreement which entitles the Landowner to receive a portion of these tax increment revenues generated from property within the District (the "Net Available Increment"). The Net Available Increment is not pledged to the repayment of the Bonds unless and until remitted to the Trustee for deposit under the Indenture. Although no assurance can be given as to the amount of Net Available Increment that will be generated or that the arrangement between the Landowner and the Agency regarding the disposition of Net Available Increment will not be altered in the future, the Agency and the Landowner expect that Net Available Increment will be remitted to the Trustee in amounts sufficient to reimburse the Credit Bank for amounts drawn under the Letter of Credit, or to the extent amounts are not paid under the Letter of Credit, to pay the principal of and interest on the Bonds when due. See "SOURCES OF PAYMENT FOR THE BONDS—Tax Increment Revenues."

Special Tax Revenues. The Agency is authorized to levy Special Taxes on undeveloped property within the District in accordance with the provisions of the Mello-Roos Act and the Rate and Method of Apportionment of Special Tax applicable to the District; provided, however, if there is no remaining undeveloped property, the Special Tax may be levied on the last taxable parcel for which a building permit was issued. The Agency has covenanted in the Indenture to levy Special Taxes on the taxable parcels in the District in the event that amounts in the Bond Fund, after the receipt of any Tax Increment revenue, are not sufficient to pay the principal of and interest on the Bonds when due. See "SOURCES OF PAYMENT FOR THE BONDS—Special Tax Revenues" and "APPENDIX C—RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Limited Obligations. **THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE AGENCY OR THE CITY AND COUNTY OF SAN FRANCISCO BUT ARE LIMITED OBLIGATIONS OF THE AGENCY PAYABLE SOLELY FROM THE REVENUES AND THE FUNDS PLEDGED BY THE AGENCY THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY AND COUNTY OF SAN FRANCISCO OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AGENCY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE FAITH AND CREDIT OF THE AGENCY ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.**

Flow of Funds

The Indenture provides that the Trustee shall first use amounts drawn by the Trustee on the Letter of Credit and next use other Revenues which constitute Available Amounts (as defined in the Indenture) on deposit in the Bond Fund to pay the principal of and interest on the Bonds. Once the proceeds of a draw on the Letter of Credit have been applied to pay the scheduled payments of principal and interest on the Bonds, the Trustee is to remit to the Credit Bank from other amounts on deposit in the Bond Fund an amount equal to the proceeds of the draw on the Letter of Credit. Following the payment of amounts due on the Bonds and the transfer to reimburse the Credit Bank, any remaining amounts are to be transferred by the Trustee to the

Revenue Fund. See “SOURCES OF PAYMENT FOR THE BONDS—Collection of Revenues and Flow of Funds.”

Description of the Bonds

The Bonds initially will be variable interest rate bonds, with the interest rate set weekly effective on each Wednesday. The Bonds will be issued in an electronic “book-entry” form and principal and interest will be paid to Bond owners through a depository. As long as the Bonds bear interest at a variable interest rate, interest will be payable on the first business day of each month. The Bonds are subject to mandatory tender and purchase from the owners if the interest rate is changed to a Reset Rate or a Fixed Rate as permitted by the Indenture. The Bonds will also be purchased while bearing interest at a Variable Rate on demand of the Bond owner provided certain notification and other procedures are followed by the Bond owner. See “THE BONDS—Demand for Purchase and Mandatory Purchase of Bonds.”

No Continuing Disclosure

While the Bonds bear interest at a variable rate, the annual reporting requirements in Securities and Exchange Commission Rule 15c2-12 are not applicable to the Bonds. Neither the Agency nor the Landowner has covenanted to supply any continuing information to Bondowners or any secondary market disclosure regarding the Bonds, the Infrastructure or the Mission Bay Project.

Bond Owners’ Risks

Certain events could affect the timely repayment of the principal of and interest on the Bonds when due. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. See “SPECIAL RISK FACTORS” herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds, the Indenture, the Letter of Credit and the Reimbursement Agreement are included in this Official Statement, with a summary of the Indenture provided in Appendix B. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Letter of Credit, the Reimbursement Agreement and the constitution and laws of the State as well as the proceedings of the Agency and the District are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

Copies of the Indenture, the Letter of Credit, the Reimbursement Agreement and other documents and information referred to herein are available for inspection and (upon request and payment to the Agency of a charge for copying, mailing and handling) for delivery from the Agency at 770 Golden Gate Avenue, San Francisco, California 94102, Attention: Agency Secretary.

The addresses for various parties involved in the issuance of the Bonds are as follow:

Agency: San Francisco Redevelopment Agency
770 Golden Gate Avenue
San Francisco, California 94102
Attention: Executive Director
Telephone: (415) 749-2400
Fax: (415) 749-2585

Landowner: Catellus Urban Development Corporation
255 Channel Street
San Francisco, California 94107
Attention: Vice President of Development
Telephone: (415) 355-6636
Fax: (415) 355-6666

Trustee: Wells Fargo Bank, National Association
707 Wilshire Boulevard, 17th Floor, MAC E2818-176
Los Angeles, California 90017
Attention: Corporate Trust Department
Telephone: (213) 614-3349
Fax: (213) 614-3355

Letter of Credit Bank: Bank of America, N.A.
Trade Finance Services
Letter of Credit Department
333 South Beaudry Avenue, 19th Floor
Los Angeles, California 90017
Attention: Standby Letter of Credit Department
Telephone: (213) 345-6630
Fax: (213) 345-6694

Remarketing Agent: Salomon Smith Barney Inc.
390 Greenwich Street, 5th Floor
New York, New York 10013
Attention: Short-Term Tax-Exempt Trading
Telephone: (212) 723-7082
Fax: (212) 723-8809

THE BONDS

Description of the Bonds

The Bonds are dated as of their date of original issuance (the “Closing Date”), and will mature on August 1, 2032. The Bonds will initially bear interest at a variable rate of interest (the “Variable Rate”), calculated as set forth in the Indenture, from the Closing Date until the first Reset Date, if any, or the Conversion Date, if any. Any period during which the Bonds bear interest at a Variable Rate shall be referred to herein as a “Variable Period.” See “THE BONDS—Variable Rate” below. During any Variable Period, the Bonds may be tendered for purchase at the option of the registered owner at a price equal to the principal amount thereof plus accrued interest thereon to the date of purchase, upon seven days’ notice as described below under “THE BONDS—Demand for and Mandatory Purchase of the Bonds.” Interest accrued on the Bonds during any Variable Period will be computed on the basis of a 365- or 366-day year, as appropriate, and

the actual number of days elapsed, and will be payable on the first Business Day of each month, commencing November 1, 2002.

Each Bond will bear interest from the date to which interest has been paid next preceding the date of its authentication, unless it is authenticated as of an Interest Payment Date for which interest has been paid or after the Record Date (as defined below) in respect thereof, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date for the first Interest Payment Date, in which event it will bear interest from its date. Any such interest not paid or duly provided for when due shall forthwith cease to be payable to the owner on the regular Record Date therefor and shall be paid to owner in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to the owners by first-class mail not less than ten (10) days prior to such special record date.

The principal of, and interest and premium, if any, payable on the Bonds shall be payable when due, by wire transfer of the Trustee, to The Depository Trust Company, New York, New York (“DTC”), which will, in turn, remit such principal, interest and premium, if any, to its Participants (as defined below), which Participants will in turn remit such principal, interest and premium, if any, to the Beneficial Owners (as defined below) of the Bonds as described below under “APPENDIX F—BOOK-ENTRY SYSTEM.”

In the event that the Bonds are not registered in the name of Cede & Co., as nominee of DTC, or another eligible depository as described below, both the principal and redemption price, including any premium, on each Bond will be payable only upon surrender of such Bond at the corporate trust office of the Trustee specified in the Indenture. Payment of interest on the Bonds will be paid by check mailed on each Interest Payment Date by the Trustee to the registered owners of record (each an “Owner” and collectively the “Owners”) appearing on the registration books kept by the Trustee as of the applicable Record Date preceding each Interest Payment Date, or upon request, as provided in the Indenture, of any Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer on each Interest Payment Date to the account designated by such Owner to the Trustee in writing at least fifteen (15) days before the applicable Record Date.

The Bonds will be issued in fully registered form, without coupons, in denominations of \$100,000, or any integral multiple of \$5,000 in excess thereof from the date of initial issuance of the Bonds until the earlier of the first Reset Date, if any, or the Conversion Date, if any, and during any Variable Period, and in denominations of \$5,000 and any integral multiple thereof during any Reset Period or on and after the Conversion Date. Such denominations are referred to herein as “Authorized Denominations.”

The registered owner of any Bond will be the person or persons in whose name or name a Bond is registered on the registration books kept for that purpose by the Trustee in accordance with the terms of the Indenture. DTC or its designee will be the registered owner of the Bonds as long as the Bonds are in book-entry form. All references in this Official Statement to Bondowners or owners of the Bonds shall mean DTC or its designee and not the beneficial owners of the Bonds. See APPENDIX F hereto. The “Record Date” with respect to any Interest Payment Date during a Variable Period will be the close of business on the Business Day before such Interest Payment Date, and with respect to any Interest Payment Date during a Reset Period or after Conversion, the close of business on the fifteenth (15th) day of the month (whether or not a Business Day) before such Interest Payment Date.

Variable Rate

The Bonds initially will bear interest at a Variable Rate to be determined as provided in the Indenture and described in this paragraph. During each Variable Period, the Variable Rate of interest borne by the Bonds for each period beginning on any Wednesday and ending on the following Tuesday (each such period to be known as a “Variable Interest Accrual Period”) will be the Variable Rate determined by Salomon Smith Barney Inc. (the “Remarketing Agent”) on the first Business Day immediately preceding such Variable Interest Accrual Period (the “Variable Interest Computation Date”). Any Bondowner may obtain information on the

Variable Rate by written request to the Trustee. The Bonds shall bear interest during any Variable Period computed on the basis of a 365- or 366-day year, as appropriate, for the actual number of days elapsed.

The Variable Rate determined by the Remarketing Agent on each Variable Interest Computation Date will be that rate of interest which, if borne by the Bonds, would, in its judgment, having due regard to prevailing financial market conditions, be the interest rate required, but which would not exceed the interest rate required, to be borne by the Bonds in order for their market value on said date to be 100% of the principal amount thereof (disregarding accrued interest); provided, however, that in no event is the Variable Rate at any time permitted to exceed twelve percent (12%) per annum unless and to the extent there has been delivered to the Trustee (i) a Letter of Credit in an amount equal to the then-outstanding principal amount of the Bonds and the 2001 Bonds, plus interest thereon for a period of thirty-seven (37) days calculated at the higher maximum Variable Rate, and (ii) an opinion of Bond Counsel to the effect that such higher maximum Variable Rate is permitted under applicable law and will not, in itself, cause the interest on the Bonds or the Series 2001 Bonds to be included in the gross incomes of the Bondowners for federal tax purposes; and provided, further, that the Variable Rate on any Bond may never exceed the maximum rate of interest which may be charged or collected by the registered owner thereof pursuant to provisions of federal or state law applicable to such owner. If the Remarketing Agent shall fail or refuse to determine the Variable Rate on any Variable Interest Computation Date, then the Variable Rate most recently determined will remain in effect until the Remarketing Agent determines the Variable Rate as described above.

The determination of the Variable Rate by the Remarketing Agent will (in the absence of manifest error) be conclusive and binding on the holders of the Bonds, the Agency, the Credit Bank, the Remarketing Agent and the Trustee, and each will be fully protected in relying on it.

Reset Rate

Provided no Event of Default under the Indenture shall have occurred and be continuing, the rate of interest on the Bonds may be converted to a Reset Rate on any Interest Payment Date during a Variable Period or on any Reset Date, in accordance with the procedures described below. The Indenture permits a Reset Rate to be established for any portion of the Bonds in a minimum denomination of \$100,000 and any integral multiple thereof. In such event, so long as the Bonds are held in book-entry form, the Bonds will be selected for conversion to a Reset Rate and mandatory tender on the Reset Date in accordance with DTC's procedures. See "APPENDIX F—BOOK ENTRY SYSTEM." In the event that the Bonds are no longer held in book-entry form, the Trustee shall select the Bonds subject to mandatory tender by lot.

In order to establish a Reset Rate, the Agency must deliver a written notice to the Trustee, the Credit Bank, the Tender Agent and the Remarketing Agent specifying (i) if the Bonds then bear interest at a Variable Rate, the Reset Date, which shall be a Business Day not less than forty (40) days after notice is received by such parties, (ii) the proposed duration of the Reset Period, which must be at least six (6) months and must terminate on the date immediately prior to an Interest Payment Date, (iii) the date on which the Reset Rate will be determined by the Remarketing Agent, which date will not later than the Business Day immediately prior to the Reset Date, and (iv) any redemption amounts for each Interest Payment Date thereafter at a price equal to the principal amount of Bonds subject to redemption plus interest accrued thereon to the date fixed for redemption, without premium, pursuant to the Indenture. Such notice must be accompanied by (i) an opinion of Bond Counsel to the effect that the establishment of the Reset Rate in accordance with the procedure described in the Indenture is permitted by the Indenture and the Mello-Roos Act and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds, (ii) an unconditional commitment meeting the requirements of the Indenture of a bank or other entity to issue the Letter of Credit to be in effect upon and after the Reset Date, together with accompanying documentation required by the Indenture, (iii) the form of notice to be given by the Trustee to the owners of the Bonds with respect to the establishment of a Reset Rate, (iv) payment to the Trustee of such amount as the Trustee reasonably determines may be required in connection with the establishment of the Reset Rate, including, but not limited to, its own fees and expenses and the cost of printing Bonds, (v) a Continuing Disclosure Agreement in form

acceptable to the Remarketing Agent, executed by the Agency; and (vi) evidence from the Rating Agency to the effect that the then-current rating of the Bonds will not be lowered below “A” or withdrawn solely as a result of the establishment of the Reset Rate (except for any withdrawal of a short-term rating if the long-term rating then in effect is confirmed).

The Trustee is required to give notice to the owners of the Bonds, in the same manner that notices of redemption are given, not less than thirty (30) days before the Reset Date specifying: (i) the Reset Date and that the interest rate on the Bonds will be established at the Reset Rate on the Reset Date, (ii) that all outstanding Bonds must be surrendered to the Tender Agent for purchase not later than 9:30 a.m., New York City time, on the Reset Date.

ANY BOND NOT TENDERED TO THE TENDER AGENT ON A RESET DATE WILL BE DEEMED TO HAVE BEEN TENDERED FOR PURCHASE ON SUCH RESET DATE PURSUANT TO THE INDENTURE FOR ALL PURPOSES OF THE INDENTURE.

If the Letter of Credit to be in effect upon and after a Reset Date is not delivered to the Trustee at least ten (10) days before the applicable Reset Date or, if on any Business Day within ten (10) Business Days before the applicable Reset Date the Trustee receives written notice from the Remarketing Agent to the effect that a Market Risk Event (as defined in the Indenture) has occurred, the Trustee shall promptly (but in any event within two (2) Business Days) give notice to the owners of the Bonds, the Credit Bank, the Agency, and the Remarketing Agent canceling the notice establishing the Reset Rate and stating that the Bonds will bear interest at a Variable Rate.

Fixed Rate

The rate of interest on the Bonds may be established at a Fixed Rate on any Interest Payment Date during a Variable Period or on any Reset Date, in accordance with the procedures described below. The Indenture permits a Fixed Rate to be established for any portion of the Bonds in a minimum denomination of \$100,000 and any integral multiple thereof. In such event, so long as the Bonds are held in book-entry form, the Bonds will be selected for conversion to a Fixed Rate and mandatory tender on the Reset Date in accordance with DTC’s procedures. See “APPENDIX F—BOOK ENTRY SYSTEM.” In the event that the Bonds are no longer held in book-entry form, the Trustee shall select the Bonds subject to mandatory tender by lot.

In order to establish the interest rate on the Bonds at a Fixed Rate (referred to herein as a “Conversion”), the Agency must deliver a written notice to the Trustee, the Credit Bank, the Tender Agent and the Remarketing Agent specifying (i) the date of such conversion (referred to herein as a “Conversion Date”), which must not be less than forty (40) days after such notice is sent to such parties, (ii) the date on which the Fixed Rate will be determined by the Remarketing Agent, which date shall be not later than the Business Day immediately prior to the Conversion Date; and (iii) any redemption amounts for each Interest Payment Date thereafter at a price equal to the principal amount of Bonds subject to redemption plus interest accrued thereon to the date fixed for redemption, without premium, pursuant to the Indenture. Such notice must be accompanied by (i) an opinion of Bond Counsel to the effect that Conversion in accordance with the procedures described is permitted by the Indenture and the Mello-Roos Act and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, (ii) an unconditional commitment of a bank to issue the Letter of Credit to be in effect upon and after Conversion, together with accompanying documentation required by the Indenture, (iii) the form of notice to be given by the Trustee to the owners of the Bonds with respect to Conversion, (iv) payment to the Trustee of such amount as the Trustee reasonably determines may be required in connection with Conversion, including, but not limited to, its own fees and expenses and the cost of printing Bonds, (v) a Continuing Disclosure Agreement in form acceptable to the Remarketing Agent, executed by the Agency; and (vi) evidence from the Rating Agency to the effect that the then-current rating of the Bonds will not be lowered below “A” or withdrawn solely as a result of

Conversion (except for any withdrawal of a short-term rating if the long-term rating then in effect is confirmed).

The Trustee is required to give notice to the owners of the Bonds, in the same manner that notices of redemption are given, not less than thirty (30) days before the Conversion Date, specifying (i) that the interest rate on the Bonds will be established at the Fixed Rate and the date the Fixed Rate will become effective; and (ii) that all Bonds must be surrendered to the Tender Agent for purchase not later than 9:30 a.m., New York City time, on the Conversion Date.

If the Letter of Credit to be in effect upon and after Conversion is not delivered to the Trustee at least ten (10) Business Days before the Conversion Date or, if on any Business Day at least ten (10) days before the Conversion Date the Trustee receives notice from the Agency to the effect that it no longer wishes to proceed with the conversion of the interest rate on the Bonds to a Fixed Rate, or if on any Business Day within ten (10) Business Days before the Conversion Date the Trustee receives notice from the Remarketing Agent that a Market Risk Event has occurred, the Indenture requires that the Trustee promptly (within two (2) Business Days) give notice to the owners of the Bonds canceling such notice of conversion and stating that the Bonds will continue to bear interest at a Variable Rate.

ANY BOND NOT TENDERED TO THE TENDER AGENT ON THE CONVERSION DATE WILL BE DEEMED TO HAVE BEEN TENDERED FOR PURCHASE ON THE CONVERSION DATE FOR ALL PURPOSES OF THE INDENTURE.

Demand for Purchase and Mandatory Purchase of Bonds

The Bonds are subject to mandatory tender on each Reset Date and the Conversion Date, and the registered owners will receive notice of such mandatory tender as set forth above under the captions “THE BONDS—Reset Rate” and “THE BONDS—Fixed Rate.” During any period that the Bonds bear interest at a Variable Rate, they are subject to tender at the option of the owners as described below. The Bonds tendered or deemed tendered will be purchased at the prices described below and the purchase price will be paid in accordance with the provisions set forth below.

Any Bond, or any units of principal amount thereof in Authorized Denominations, will (unless remarketed pursuant to the Indenture) be purchased on demand of the registered owner of such Bond (or, so long as the Bonds are in “book-entry-only” form, on demand of a Direct Participant through DTC with respect to such Bond), or upon being tendered or deemed tendered on a Reset Date or Conversion Date (as described above), on any Business Day during a Variable Period or on any Reset Date or the Conversion Date, at a Purchase Price equal to the principal amount thereof, or of any units thereof purchased in Authorized Denominations, plus interest accrued thereon, if any, to the date of purchase, upon (a) in the case of a demand purchase while the Bonds bear interest at a Variable Rate, delivery to the Tender Agent, with a copy to the Trustee and the Remarketing Agent, of a written notice in the form set forth in the Indenture (a “Tender Notice”), which states (i) the principal amount of such Bond for which payment is demanded, (ii) that such demand is irrevocable, and (iii) the date on which such Bond or units of principal amount thereof in Authorized Denominations shall be purchased pursuant to the Indenture (the “Demand Date”), which date must be a Business Day not prior to the seventh (7th) day next succeeding the date of the receipt of the Tender Notice by the Tender Agent, and (b) in all cases, delivery to the Tender Agent, at or prior to 10:30 a.m., New York City time, on the Demand Date, of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent). In the event that the “book-entry only” system is in effect with respect to the Bonds, delivery of Bonds for purchase on the Demand Date may be effected in the manner set forth by the depository for the Bonds.

Payment of the Purchase Price of any Bond will be made by check or by wire transfer (if requested in writing by the registered owner) or as designated in the Tender Notice with respect to such Bond, but only upon delivery and surrender of such Bond to the Tender Agent on the Demand Date. The availability of

money for payment of the Purchase Price is only supported by the Letter of Credit; the Agency has not provided for any other source of funds for such payment. ANY BOND NOT DELIVERED TO THE TENDER AGENT AT OR PRIOR TO 10:30 A.M., NEW YORK CITY TIME, ON THE DEMAND DATE SHALL BE DEEMED TO HAVE BEEN PURCHASED ON SUCH DATE FOR ALL PURPOSES OF THE INDENTURE AND SHALL THEREAFTER CEASE TO ACCRUE INTEREST.

Anything in the Indenture to the contrary notwithstanding, no Bonds will be purchased or remarketed (i) if an Event of Default under the Indenture (other than a covenant default of the Agency) has occurred and is continuing, (ii) after the Conversion Date, or (iii) if such Bond is known by the Trustee to be registered in the name of the Agency, any guarantor of the obligations of the account party under the Letter of Credit, the account party on the Letter of Credit, or the Credit Bank, or is known by the Trustee to be registered in the name of any guarantor of the obligations of the account party on the Letter of Credit, or any nominee of the Agency, any guarantor of the obligations of the account party under the Letter of Credit, the account party on the Letter of Credit, or the Credit Bank.

Transfer and Exchange of Bonds

The ownership of a Bond may be transferred on the books of the Trustee required to be kept pursuant to the Indenture by the person in whose name it is registered, in person or by his duly authorized attorney, upon the surrender of such Bond for cancellation at the Office of the Trustee or the Tender Agent, as the case may be, accompanied by a duly executed written instrument of transfer in a form acceptable to the Trustee or the Tender Agent, as applicable. The Trustee or the Tender Agent may require payment by the Bondowner requesting any such transfer or exchange of any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange, and may, in connection with any exchange, collect a charge equal to a customary fee charged by the Trustee for such exchange, but any such transfer or exchange will otherwise be made without charge to the Bondowner requesting the same. The Trustee will not be required to transfer any Bond called for redemption or of any Bonds during the ten (10) days next preceding the giving of notice of redemption.

Terms of Redemption

The Bonds are subject to redemption upon the circumstances, on the dates and at the prices set forth as follows, provided that the redemption price of any Bond to be redeemed shall be paid from the proceeds of the draw on the Letter of Credit as provided in the Indenture:

(a) The Bonds shall be subject to redemption in whole on the first date for which notice of redemption can timely be given, at a price equal to the principal amount of Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium, (i) if the Credit Bank shall fail to honor a draw on the Letter of Credit, or (ii) if within 60 days of notice to the Trustee of an Act of Bankruptcy of the Bank, the Agency shall fail to deliver or cause to be delivered to the Trustee a Letter of Credit from another institution which meets the requirements of the Indenture.

(b) The Bonds shall be subject to redemption in whole or in part on any Interest Payment Date, at a price equal to the principal amount of Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium, during any Variable Period or on any Reset Date or the Conversion Date, in the amount of any voluntary prepayments of the Bonds by the Agency, from any source of available funds.

(c) The Bonds shall be subject to redemption in whole, at a price equal to the principal amount thereof, plus interest accrued thereon to the date fixed for redemption, without premium, on the last Business Day which is not less than five days before the date of expiration of any Letter of Credit unless the Trustee receives a renewal or extension of or replacement for such Letter of Credit meeting the requirements of the Indenture or, in the case of replacement of the Letter of Credit in

connection with any Reset Date or the Conversion Date pursuant to the Indenture, an unconditional commitment of an entity to issue the Letter of Credit to be in effect upon and after such Reset Date or Conversion Date, in each case not less than ten (10) days before the expiration of the then-existing Letter of Credit.

(d) The Bonds are subject to optional redemption at the Agency’s option in whole or in part, on any Interest Payment Date during any Reset Period, or after Conversion (i) in the amount specified for any Interest Payment Date in connection with the establishment of a Reset Rate or a Conversion pursuant to the Indenture, respectively, at a price equal to the principal amount of Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium, and (ii) otherwise during the periods set forth below, at the respective redemption prices set forth below expressed as percentages of the principal amounts of the Bonds called for redemption:

<i>Terms of Reset Period</i>	<i>No-Call Period</i>	<i>Redemption Price</i>	<i>No Premium</i>
7 years or more	First 5 years after Reset or Conversion	101.5%	9th year and thereafter
5 years or more (but less than 7 years)	First 3 years after Reset or Conversion	101.0%	6th year and thereafter
More than 2 years (but less than 5 years)	Period up to 2nd year preceding end of Reset Period or life of Bonds	100.5%	Final year
2 years or less	Up to one year prior to end of Reset Period or life of Bonds	100.0%	Final year

(e) The Bonds shall be subject to redemption on the next date for which notice of redemption can timely be given, in connection with a transfer from the Bond Proceeds Account within the Improvement Fund to the Bond Fund for such purposes as described in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium. See “APPENDIX B—SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST AND THE FIRST SUPPLEMENTAL INDENTURE OF TRUST” and “SOURCES OF PAYMENT FOR THE BONDS—The Letter of Credit and Reimbursement Agreement” herein.

(f) The Bonds shall be subject to redemption in whole, at a price equal to the principal amount thereof, plus interest accrued thereon to the date fixed for redemption, without premium, on the earliest date for which notice of redemption can timely be given, ninety (90) days after the date on which the Trustee receives notice from the Credit Bank of the occurrence of an Event of Default under and as defined in the Reimbursement Agreement, together with a direction from the Credit Bank to cause such redemption.

Notice of Redemption

So long as the Bonds are held in book-entry form, notices of redemption will be mailed only to DTC and not to the beneficial owners of the Bonds. The Trustee is authorized and directed by the Indenture to give notice of the call for redemption of Bonds at the times set forth in this paragraph, to fix the date for any such redemption pursuant to the terms of the Indenture, and, if moneys are available, to redeem the Bonds so called on the date so fixed by the Trustee. The Trustee is required to give such redemption notice by first class mail, not less than thirty (30) days or, in the case of a redemption pursuant to subsections (a) or (c) above, not less than five (5) days prior to the redemption date. Neither failure to mail such notice to any Bondowner nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any Bonds.

Selection of Bonds for Redemption; Partial Redemption

When any redemption of less than all of the outstanding Bonds is to be made, the Trustee shall select the Bonds to be redeemed as directed in a certificate of the Agency, and by lot within a maturity in any manner in which the Trustee deems fair. Any Bond may be redeemed in whole or in part, but no part of any Bond shall be redeemed in an amount less than \$5,000, and Bonds remaining after any redemption shall be in Authorized Denominations. Upon surrender to the Trustee of any Bond which is to be redeemed only in part, the Agency will execute, and the Trustee is required to authenticate and deliver to the Owner thereof, without charge to the Owner thereof, a new Bond or Bonds of like maturity and of Authorized Denominations requested by such Owner in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Effect of Redemption

Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price being held by the Trustee, the Bonds so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, interest on the Bonds so called for redemption shall cease to accrue, said Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and the holders of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE AGENCY OR THE CITY AND COUNTY OF SAN FRANCISCO AND ARE LIMITED OBLIGATIONS OF THE AGENCY PAYABLE SOLELY FROM THE REVENUES AND THE FUNDS PLEDGED BY THE AGENCY THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY AND COUNTY OF SAN FRANCISCO OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AGENCY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE FAITH AND CREDIT OF THE AGENCY ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

Pledge of Revenues and Other Amounts Under the Indenture

The Bonds are limited obligations of the Agency payable solely from, and equally and ratably secured by a pledge of "Revenues" which are defined in the Indenture as all amounts pledged under the Indenture to the payment of principal of, premium, if any, and interest on the Bonds, consisting of the following:

- (i) all moneys drawn by the Trustee under the Letter of Credit,
- (ii) Special Tax Revenues,
- (iii) Tax Increment (as defined in the Indenture, and which constitutes only a portion of the total tax increment generated from property in the District), and
- (iv) any other amounts required by the Indenture to be deposited in the Revenue Fund or otherwise remitted by the Agency to the Trustee with written directions to deposit the same to the Revenue Fund; but such term does not include amounts deposited to the Administrative Expense Fund, the Costs of Issuance Fund or the Improvement Fund, or any earnings thereon.

The Bonds and the 2001 Bonds are secured by a first pledge of all of the Revenues and all moneys deposited in the Bond Fund (including the Capitalized Interest Account and the Special Tax Prepayments Account therein) and, until disbursed as provided in the Indenture, in the Revenue Fund. Amounts available to the Trustee as Revenues will include an amount deposited in the Capitalized Interest Account upon delivery of the Bonds, which will be applied to reimburse the Credit Bank for draws on the Letter of Credit made to pay interest on the Bonds.

Amounts in the Capitalized Interest Account, Special Tax Revenues or Tax Increment will only be paid directly to Bondowners if the Credit Bank fails to honor a draw on the Letter of Credit and only to the extent that such Revenues constitute Available Amounts; otherwise such amounts will be used to reimburse the Credit Bank for draws on the Letter of Credit. See “Collection of Revenues and Flow of Funds” below.

Amounts in the Administrative Expense Fund, the Costs of Issuance Fund and the Improvement Fund (including the accounts established therein) are not pledged to the repayment of the Bonds. The facilities acquired with the proceeds of the Bonds are not in any way pledged to pay the principal of and interest on the Bonds. Any proceeds of condemnation or destruction of any facilities financed with the proceeds of the Bonds are not pledged to pay the principal of and interest on the Bonds and are free and clear of any lien or obligation imposed thereunder.

Letter of Credit and Reimbursement Agreement

The Credit Bank delivered the Letter of Credit to the Trustee at the time of issuance of the 2001 Bonds. The Letter of Credit is being amended in connection with the issuance of the Bonds and will secure on a parity both the Bonds and the 2001 Bonds.

Requirement for Letter of Credit; Substitution. The Indenture provides that at all times during the period the Bonds bear interest at a Variable Rate there shall be provided and continuously available to the Trustee, as beneficiary, an irrevocable direct pay Letter of Credit (whether in the form of a letter of credit or any other credit instrument) meeting the requirements of the Indenture, which requirements include that the Letter of Credit is issued by a national banking association organized under the National Banking Act, or any successor law, or a banking corporation organized under the laws of any state of the United States, or a savings and loan association or corporation or savings bank organized under the laws of the United States or any state thereof, or a branch or agency of a foreign banking corporation or association licensed in one of the States of the United States, or any other issuer acceptable to the Agency; provided that the long term unsecured debt obligations of any such association, organization or other organization are rated “A” or its equivalent or better by Standard & Poor’s Ratings Service or Moody’s Investors Service and whose letter of credit results in variable rate debt that is rated “A-1” or its equivalent or better by Standard & Poor’s Ratings Service or “P-1” or its equivalent by Moody’s Investors Service.

A substitute Letter of Credit satisfying the criteria set forth above may be provided to the Trustee upon satisfaction of certain provisions set forth in the Indenture. The Trustee will mail notice to the owners of the Bonds regarding the proposed delivery of a substitute Letter of Credit not less than 10 days prior to the effective date of the substitution. See “APPENDIX B—SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST AND THE FIRST SUPPLEMENTAL INDENTURE OF TRUST—Letters of Credit.”

The Letter of Credit. The Trustee is directed under the Indenture to draw on the Letter of Credit for amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due, and the purchase price of any Bonds tendered by the owners thereof to the Trustee, as initial Tender Agent, and not remarketed. A wholly-owned subsidiary of the Landowner has entered into the Reimbursement Agreement with the Credit Bank pursuant to which the Credit Bank issued the Letter of Credit at the time of the issuance of the 2001 Bonds. The Letter of Credit will be amended upon the issuance of the Bonds to permit the Trustee to draw thereon in an amount equal to the aggregate principal amount of the Bonds and the 2001 Bonds, plus

an amount equal to the interest on such principal amount for a period of 37 days at an assumed rate of 12% per annum. The initial Letter of Credit will expire on June 21, 2006. See “APPENDIX A—FORM OF LETTER OF CREDIT AND AMENDMENT.”

The Reimbursement Agreement. The terms of the Letter of Credit and the obligations of the Credit Bank and the Borrower (as defined below) with respect thereto are set forth in the Reimbursement Agreement. Pursuant to the Reimbursement Agreement, Catellus Urban Development Corporation, a Delaware corporation and a wholly owned subsidiary of the Landowner (for purposes of this subsection, the “Borrower”), has agreed to reimburse the Credit Bank for the full amount of each drawing under the Letter of Credit, plus interest thereon. The obligations of the Borrower under the Reimbursement Agreement are unsecured. In consideration of the Credit Bank’s issuance of the Letter of Credit, the Landowner has entered into a Payment Guaranty in favor of the Credit Bank guaranteeing certain obligations of the Borrower. The Payment Guaranty includes certain financial covenants (including covenants to maintain a minimum fixed charge coverage ratio, a maximum leverage ratio and a minimum tangible net worth and a covenant against occurrence of a Material Adverse Effect, as defined below). Failure by the Landowner to comply with those financial covenants can cause an Event of Default under the Payment Guaranty and under the Reimbursement Agreement.

Upon the occurrence of an Event of Default under the Reimbursement Agreement, the Credit Bank may bring an action for payment, and otherwise seek appropriate remedies for nonpayment against the Borrower. The Credit Bank may also demand payment from the Landowner under the Payment Guaranty, and if such payment is not made, bring similar actions against the Landowner. Under the Reimbursement Agreement, the Credit Bank is also authorized, upon the occurrence of such an event of default, to make payments or take actions to effect cure on behalf of the Borrower, and to demand that the Borrower deposit cash collateral with the Credit Bank in an amount equal to any amounts then available to be drawn under the Letter of Credit. Under the Indenture, the Credit Bank may also give notice to the Trustee of the occurrence of an Event of Default under the Reimbursement Agreement, together with a direction from the Credit Bank to cause a redemption of the Bonds in whole pursuant to the Indenture, which redemption shall occur ninety (90) days after the date of delivery of such notice by the Credit Bank. See “THE BONDS—Terms of Redemption.”

Each of the following constitutes an “Event of Default” under the Reimbursement Agreement (capitalized terms used in the subsections below and not otherwise defined therein have the meaning given to them in the Reimbursement Agreement):

(a) Non-Payment. The Borrower fails to pay any amount required to be paid pursuant to the Reimbursement Agreement when and as required to be paid herein, and such failure is not cured within ten (10) Banking Days after the date upon which written notice thereof is given to the Borrower by the Credit Bank; or

(b) Representation or Warranty. Any representation or warranty by the Borrower which (i) was made or deemed made in the Reimbursement Agreement, in any other Loan Document (as that term is defined in the Reimbursement Agreement), or which is contained in any certificate, document or financial or other statement by the Borrower or any Responsible Officer furnished at any time under the Reimbursement Agreement, or in or under any other Loan Document and (ii) was relied upon by the Credit Bank to a material extent in its decision to provide the credit facility provided pursuant to the Reimbursement Agreement, is incorrect in any material respect on or as of the date made or deemed made and such incorrectness is not remedied within thirty (30) days after the date upon which written notice of such incorrectness is given to the Borrower by Credit Bank; or

(c) Other Performance Defaults. The Borrower fails to perform or observe any term, covenant or agreement contained in the Reimbursement Agreement other than those relating to payment of money, and such failure is not cured within the cure periods specified in the Reimbursement Agreement; or

(d) Insolvency; Voluntary Proceedings. The Borrower (i) ceases or fails to be Solvent (as that term is defined in the Reimbursement Agreement) or generally fails to pay, or admits in writing its inability to pay its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise, (ii) voluntarily ceases to conduct its business in the ordinary course for more than ten (10) Banking Days; (iii) commences any Insolvency Proceeding (as that term is defined in the Reimbursement Agreement) with respect to itself, or (iv) takes any action to effectuate or authorize any of the foregoing; or

(e) Involuntary Proceedings. (i) Any involuntary Insolvency Proceeding is commenced or filed against the Borrower, or any writ, judgment, warrant of attachment, execution or similar process, is issued or levied against a substantial part of the Borrower's properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within ninety (90) days after commencement, filing or levy; (ii) the Borrower admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is entered against the Borrower in any Insolvency Proceeding; or (iii) the Borrower acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar Person for itself or a substantial portion of its property or business; or

(f) Monetary Judgments. One or more non-interlocutory judgments, non-interlocutory orders, decrees or arbitration awards is entered against the Borrower involving in the aggregate a liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) as to any single or related series of transactions, incidents or conditions, of \$25,000,000.00 or more, and the same shall remain unsatisfied, unvacated and unstayed pending appeal for a period of sixty (60) days after the entry thereof; or

(g) Non-Monetary Judgments. Any non-monetary judgment, order or decree is entered against the Borrower which does or would reasonably be expected to result in a Borrower Material Effect (as that term is defined in the Reimbursement Agreement), and there shall be any period of sixty (60) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) Adverse Change. There occurs a material impairment of the ability of the Borrower to perform under the Reimbursement Agreement or any other document executed by the Borrower in connection with the Reimbursement Agreement (a "Borrower Material Effect") and Borrower fails to remedy such Borrower Material Effect within fifteen (15) days after the Borrower gains knowledge thereof; or

(i) Cross-Defaults with Payment Guaranty. The Landowner defaults (after the passage of applicable notice and cure periods,) in performance of its obligations under its Payment Guaranty (including, without limitation, financial covenants thereunder, default under which shall constitute an Event of Default under the Reimbursement Agreement irrespective of whether there are then amounts owing under the Payment Guaranty) or purports to repudiate, rescind or terminate its obligations thereunder.

(j) Cross-Default With Landowner Indebtedness. An event of default occurs (after giving effect to applicable notice and cure periods) with respect to recourse indebtedness of the Landowner, the aggregate committed principal amount of which is greater than or equal to \$50 million, and the holder(s) of such recourse indebtedness accelerates the payment obligations thereunder.

The following constitute Events of Default under the Payment Guaranty, the occurrence of which causes an Event of Default under the Reimbursement Agreement:

(a) The Landowner fails to perform any of its obligations to make payment as required under the Payment Guaranty, or fails to perform its financial covenants under the Payment Guaranty; or

(b) The Landowner fails to perform any of its obligations under any provision of the Payment Guaranty other than as described in subparagraph (a) above, within thirty (30) days after written notice; or

(c) The Landowner purports to terminate or revoke the Payment Guaranty, or the Payment Guaranty becomes ineffective for any reason; or

(d) Any written representation or warranty made or given by the Landowner to the Credit Bank proves to be false or misleading in any material respect; or

(e) The Landowner (i) ceases or fails to be Solvent (as that term is defined in the Reimbursement Agreement), or generally fails to pay or admits in writing its inability to pay its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise; (ii) voluntarily ceases to conduct its business in the ordinary course for more than ten (10) Banking Days; (iii) commences any Insolvency Proceeding (as that term is defined in the Reimbursement Agreement) with respect to itself; or (iv) takes any action to effectuate or authorize any of the foregoing; or

(f) (i) Any involuntary Insolvency Proceeding is commenced or filed against the Landowner, or any writ, judgment, warrant of attachment, execution or similar process is issued or levied against a substantial part of the Landowner's properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within ninety (90) days after commencement, filing or levy; (ii) the Landowner admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is entered against the Landowner in any Insolvency Proceeding; or (iii) the Landowner acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar person for itself or a substantial portion of its property or business; or

(g) One or more non-interlocutory judgments, non-interlocutory orders, decrees or arbitration awards is entered against the Landowner involving in the aggregate a liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) as to any single or related series of transactions, incidents or conditions, of \$25,000,000.00 or more, and the same shall remain unsatisfied, unvacated and unstayed pending appeal for a period of sixty (60) days after the entry thereof; or

(h) Any non-monetary judgment, order or decree is entered against the Landowner which does or would reasonably be expected to have a Material Adverse Effect (as that term is defined in the Reimbursement Agreement to mean a material impairment of the ability of the Landowner to perform under the Payment Guaranty, or a material adverse effect upon the legality, validity, binding effect or enforceability of the Payment Guaranty against the Landowner), and there shall be period of sixty (60) consecutive days during which a stay of enforcement shall not be in effect; or

(i) The Landowner dissolves or liquidates; or

(j) A Material Adverse Effect occurs, and the Landowner fails to remedy such Material Adverse Effect within (15) days of the Landowner's acquisition of knowledge of same.

The Credit Bank and Borrower and/or the Landowner may agree at any time to alter, modify or amend the terms of the Reimbursement Agreement and/or the Payment Guaranty, including the events which constitute "Events of Default" thereunder, without notice to, or consent of, any Bondowner, the Agency or the

Trustee. Furthermore, the Credit Bank may unilaterally waive any Event of Default which may occur under the terms of the Reimbursement Agreement or Payment Guaranty, without notice to or consent of any other person. Accordingly, there should be no expectation on the part of any prospective purchaser of the Bonds that the occurrence of an Event of Default under the Reimbursement Agreement or Payment Guaranty will necessarily result in implementation of remedies by the Credit Bank, or in the call of any or all of the Bonds for mandatory redemption under the Indenture.

Special Tax Revenues

General. In accordance with the provisions of the Mello-Roos Act, the Agency established the District on December 21, 1999 for the purpose of financing the acquisition, construction and installation of certain public infrastructure necessary for the redevelopment of property within the District. At a special election held on December 21, 1999, the Landowner authorized the Agency to incur indebtedness on behalf of the District in an amount not to exceed \$40,000,000, and approved the rate and method of apportionment of the Special Taxes to pay the indebtedness of the Agency incurred for the District, pay the annual Administrative Expenses of the District and pay directly for public facilities eligible to be financed by the District. The rate and method of the District is referred to herein as the “Rate and Method,” a copy of which is attached hereto as APPENDIX B. All capitalized terms used in this section shall have the meaning set forth in the Rate and Method.

Generally, the Special Taxes may only be levied against privately owned property within the District for which a building permit has not been issued. Currently, there are approximately 17 acres of land within the District subject to the Special Tax levy, which will decline as development occurs within the District. See “THE MISSION BAY NORTH DISTRICT—Planned Development Within the District.”

There are certain risks associated with the collection of Special Taxes, and no assurance can be given that Special Taxes will be collected in the amounts required to be levied under the Indenture. See “SPECIAL RISK FACTORS—Risks Related to Special Taxes” herein.

Rate and Method of Apportionment of Special Taxes. The Rate and Method provides that five days prior to each Interest Payment Date, the Administrator shall determine which Parcels in the District are Taxable Property. Taxable Property shall be subject to Special Taxes in accordance with the Rate and Method of apportionment described below. Taxable Property includes all of the Assessor’s Parcels within the District that are not Exempt Land or exempt from the Special Tax pursuant to law. Exempt Land includes a broad range of parcels and essentially leaves only the parcels within the District that are privately owned and for which a building permit has not been issued as the parcels subject to the Special Tax, except for the last taxable parcel that becomes Developed Property, which remains subject to the Special Tax as described below.

As of any Interest Payment Date, the Maximum Special Tax for Taxable Property in the District shall be the greater of (1) \$2,320,000 per Acre or (2) the amount determined pursuant to the following steps:

Step 1: For Any Variable Rate Bonds Then Outstanding and Any Authorized but Unissued Bonds

- Step 1a:** Add to any then outstanding Variable Rate Bonds the estimated maximum principal amount of Bonds that will be sold in the future on behalf of the District;
- Step 1b:** Multiply the amount from Step 1a by one hundred twelve percent (112%);
- Step 1c:** Add estimated annual Administrative Expenses to the amount determined in Step 1b to determine the maximum potential Special Tax Requirement for Variable Rate Bonds;

- Step 1d:** Determine the Acreage of Taxable Property within the District;
- Step 1e:** Divide the amount from Step 1c by the Acreage from Step 1d to determine the “Maximum Variable Rate Special Tax” per Acre of Taxable Property in the District.

Step 2: *For Any Fixed Rate Bonds Then Outstanding*

- Step 2a:** Determine the maximum annual debt service on all outstanding Fixed Rate Bonds;
- Step 2b:** Multiply the total debt service determined in Step 2a by 1.10 and add estimated annual Administrative Expenses to determine the maximum potential Special Tax Requirement for Fixed Rate Bonds;
- Step 2c:** Determine the Acreage of Taxable Property within the District;
- Step 2d:** Divide the amount from Step 2b by the Acreage from Step 2c to determine the “Maximum Fixed Rate Special Tax” per Acre of Taxable Property in the District.

Step 3: *Calculating the Maximum Special Tax*

Add the Maximum Variable Rate Special Tax from Step 1e above to the Maximum Fixed Rate Special Tax from Step 2d above to determine the current Maximum Special Tax per Acre of Taxable Property in the District.

At least three business days prior to an Interest Payment Date, the Administrator is to determine or cause to be determined the Special Tax Requirement for the Interest Payment Date. The Special Tax shall then be levied proportionately per Acre on each Assessor’s Parcel of Taxable Property up to 100% of the Maximum Special Tax for Taxable Property, as determined by reference to the steps described above, until the amount levied is equal to the Special Tax Requirement due on the Interest Payment Date.

No Special Taxes shall be levied on any Parcel after such Parcel becomes Exempt Land. Notwithstanding the foregoing and pursuant to the definition of Developed Property in the Rate and Method, the last Parcel of Taxable Property in the District for which a building permit for new construction is issued (which is not an Agency Affordable Housing Parcel, as defined in the Mission Bay North Owner Participation Agreement) shall not be classified as Developed Property and therefore categorized as Exempt Land until such time as all outstanding Bonds have been paid in full or otherwise legally defeased. Until such time, the Parcel shall continue to be categorized as Taxable Property and be subject to the levy of the Maximum Special Tax determined pursuant to the steps described above.

The Special Tax may be levied and collected on Taxable Property until the later of (i) the date on which principal and interest on all outstanding Bonds have been paid in full or legally defeased, or (ii) the Infrastructure has been paid for or provision for payment has been made. Upon determination by the Administrator that these requirements have been met, the Special Tax lien shall be removed from all Parcels in the District.

At least two business days prior to an Interest Payment Date, the Administrator shall send or cause to be sent a bill for Special Taxes due on that Interest Payment Date to the current property owners of Taxable Property reflected on the Assessor’s tax roll unless the Administrator has more accurate ownership information that has been recorded at the County Recorder’s Office but is not yet reflected on the Assessor’s tax roll. Notwithstanding the above, the Administrator may collect Special Taxes at a different time or in a different

manner if necessary to meet the financial obligations of the District or otherwise more convenient or efficient in the circumstances.

Any property owner claiming that the amount or application of the Special Tax is not correct and requesting a refund may file a written notice of appeal with the Administrator not later than one calendar year after having paid the Special Tax that is disputed. The Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and decide the appeal. If the Administrator's decision requires the Special Tax to be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of the levy), but an adjustment shall be made to the next Special Tax levy. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any legal action by such owner.

Foreclosure of Delinquent Special Taxes. The Agency has covenanted in the Indenture to collect delinquent Special Taxes through judicial foreclosure proceedings. The net proceeds received following a judicial foreclosure sale with respect to an interest in a parcel within the District resulting from a taxpayer's failure to pay the Special Tax when due shall be paid to the Trustee and deposited in the Revenue Fund.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the Agency Commission, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property interest subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, pursuant to Section 53356.1 of the Act, the Agency has covenanted with and for the benefit of the owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following sentence. Each month, the Trustee shall compare the amount of Special Taxes previously levied in the District to the amount of Special Tax Revenues received by the Trustee. If there is a delinquency in the payment of any Special Taxes as of the end of any month, then the Trustee shall notify the Finance Director in writing of the delinquency and the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 10 days of receipt of such notification by the Trustee, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the Agency within 45 days of such determination to the extent permissible under applicable law. Notwithstanding the foregoing, the Finance Director in his or her discretion may defer all or any of the actions described in the preceding sentence so long as there is no pending default in the payment of principal of and interest due on the Bonds.

Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the District. See "SPECIAL RISK FACTORS—Risks Related to Special Taxes—*Bankruptcy and Foreclosure*" herein. Moreover, no assurances can be given that the real property interest subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See "SPECIAL RISK FACTORS—Risks Related to Special Taxes—*Land Values*" herein. Although the Mello-Roos Act authorizes the Agency to cause such an action to be commenced and diligently pursued to completion, the Mello-Roos Act does not impose on the Agency or any other public agency any obligation to purchase or acquire any leasehold interest sold at a foreclosure sale if there is no other purchaser at such sale. The Mello-Roos Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for ad valorem taxes.

Tax Increment Revenues

General. The Agency adopted the Redevelopment Plan for the Mission Bay North Redevelopment Project (the “North Redevelopment Plan for the ‘North Plan Area’”) on October 26, 1998, which, under the terms of the Redevelopment Law, entitles the Agency to receive a portion of the *ad valorem* property taxes collected within the District following the adoption of such plan. The Agency’s share of such tax revenues constitutes tax increment revenues. See “THE MISSION BAY REDEVELOPMENT PLANS.” For a description of how tax increment revenues are created and collected, see “APPENDIX D—TAX INCREMENT.”

The Agency has not pledged any tax increment revenues to secure the Bonds; however, the Agency has entered into certain agreements pursuant to which it expects a portion of the tax increment revenues (the “Net Available Increment”) to be paid to the Trustee. The Indenture requires the Trustee to request the payment to it of Net Available Increment prior to each Interest Payment Date. To the extent that Net Available Increment is remitted to the Trustee, it becomes Tax Increment within the meaning of the Indenture and is pledged to secure the Bonds and reimburse the Credit Bank. Although not pledged to the Bonds, the Agency expects the Net Available Increment to be paid to the Trustee in the amount required under the Indenture. See “Collection of Revenues and Flow of Funds—*Collection of Tax Increment*” below. However, the arrangements between the Agency and the Landowner regarding the use of Net Available Increment for purposes of the Indenture can be changed without notice to or the consent of the Bondowners.

Net Available Increment. In order to facilitate the implementation of the North Redevelopment Plan, the Agency and the Landowner entered into a Mission Bay North Owner Participation Agreement (the “North OPA”), dated as of November 16, 1998, regarding the development of the property within the North Plan Area owned by the Landowner. The North OPA provides that the Landowner is responsible for constructing the Infrastructure and that the Agency will provide financing of the Infrastructure (i) through the establishment of one or more community facilities districts, such as the District, under the Mello-Roos Act and (ii) with respect to Infrastructure of primary benefit to the North Plan Area, through the use of Net Available Increment and the issuance of bonds secured by a pledge (or otherwise payable from a contribution) thereof.

The North OPA includes a Financing Plan (the “Financing Plan”) under which the Agency has pledged Net Available Increment from the North Plan Area to be used towards the payment of costs of the Infrastructure. As such, Net Available Increment is not pledged to the Bonds but is pledged by the Agency to pay or reimburse the costs of the Infrastructure through a payment to the Landowner of the amount necessary for such Infrastructure (or repayment of the financing thereof, including the financing provided by the Bonds) for such year. “Net Available Increment” is less than the full amount of tax increment generated from property in the District, and is defined in the Financing Plan to mean the tax increment revenues arising under the North Redevelopment Plan and received by the Agency, exclusive of: (i) Housing Increment (calculated solely at 20% of the total tax revenues received by the Agency pursuant to the North Redevelopment Plan), (ii) tax increment revenues required by the Redevelopment Law to be paid to other taxing agencies (initially, 20% of the total tax increment revenues received by the Agency, and otherwise pursuant to the Redevelopment Law and the North Redevelopment Plan), and (iii) tax increment revenues needed to pay Agency Costs (as defined in the Financing Plan) not otherwise paid from other sources.

The Financing Plan is intended to create an “indebtedness” of the Agency under the Redevelopment Law which is secured by an Agency pledge of Net Available Increment. To facilitate the implementation of the North Redevelopment Plan and the development of the North Plan Area in accordance with the North Redevelopment Plan, the Agency and the City have entered into a Tax Increment Allocation Pledge Agreement (the “Tax Allocation Agreement”) dated as of November 16, 1998. Under the Tax Allocation Agreement, the City has acknowledged that the Agency’s obligations under the Financing Plan are subject to repayment from an ongoing pledge of a certain limited amount of tax increment from the North Plan Area. Under the Financing Plan, the Agency pledges Net Available Increment for the purposes of the Financing Plan as a first priority pledge for such purposes.

The Net Available Increment is not pledged to the repayment of the Bonds. The Agency and the Landowner may at any time, without notice to or the consent of the Bondowners or the Trustee amend or terminate the North OPA, the Financing Plan or other agreements between them related to the development of land in the District. While the Agency expects that Net Available Increment will be sufficient to repay draws on the Letter of Credit used to make payment on the Bonds, or if such draws are not paid by the Credit Bank to pay debt service on the Bonds, no assurance can be given that the Net Available Increment will be available or adequate for such purpose.

The Agency has no power to levy and collect *ad valorem* property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate could reduce the amount of Net Available Increment and, in turn, the Tax Increment that would otherwise be available to reimburse the Credit Bank for draws on the Letter of Credit and to pay the principal of, and interest on, the Bonds. Likewise, broadened property tax exemptions or changes in economic conditions within the North Plan Area could have a similar effect. See “SPECIAL RISK FACTORS—Risks Related to Tax Increment Revenues” herein.

Tax Increment History in North Plan Area. Ordinance No. 327-98 was adopted on October 26, 1998, which established fiscal year 1998-99 as the base year for the North Plan Area. The base year assessed valuation within the North Plan Area was \$32,264,000. As described in Appendix D, increases in the assessed valuation within the North Plan Area above the base year assessed valuation creates tax increment. None of the property within the North Plan Area is delinquent in the payment of *ad valorem* taxes.

The table below summarizes tax increment revenues and the Net Available Increment from fiscal year 1998-99 through fiscal year 2002-03.

**TAX INCREMENT REVENUES
FISCAL YEARS 1998-99 THROUGH 2002-03**

	<i>1998-99⁽¹⁾</i>	<i>1999-00</i>	<i>2000-01</i>	<i>2001-02</i>	<i>2002-03⁽²⁾</i>
Secured Assessed Values	\$ 31,446,000	\$ 31,931,000	\$ 33,414,000	\$ 41,599,000	\$ 78,292,000
Unsecured Assessed Values	<u>818,000</u>	<u>1,142,000</u>	<u>505,000</u>	<u>1,198,000</u>	<u>0</u>
Total Assessed Value	\$ 32,264,000	\$ 33,073,000	\$ 33,919,000	\$ 42,797,000	\$ 78,292,000
Base Year Values:					
Secured	\$ 31,446,000	\$ 31,446,000	\$ 31,446,000	\$ 31,446,000	\$ 31,446,000
Unsecured	818,000	818,000	818,000	818,000	818,000
Increase Over Base-Year Values:					
Secured	\$ 0	\$ 485,000	\$ 1,968,000	\$ 10,153,000	\$ 46,846,000
Unsecured	0	324,000	(313,000)	380,000	(818,000)
Secured Tax Rate	0.01064	0.01025	0.01034	0.01022	0.01029
Unsecured Tax Rate	0.01083	0.01064	0.01025	0.01034	0.01022
Tax Increment Revenue:					
Secured Property	\$ 0	\$ 4,971	\$ 20,349	\$ 103,764	\$ 482,045
Unsecured Property	<u>0</u>	<u>3,447</u>	<u>(3,208)</u>	<u>3,929</u>	<u>(8,360)</u>
Total Tax Increment Revenue	\$ 0	\$ 8,419	\$ 17,141	\$ 107,693	\$ 473,685
Less Set Asides and Agency Costs	\$ 0	\$ 8,419	\$ 17,141	\$ 92,893	\$ 239,474
Net Available Increment	\$ 0	\$ 0	\$ 0	\$ 14,800	\$ 234,211

⁽¹⁾ Base Year.

⁽²⁾ Projected based on Fiscal Year 2002-03 assessed valuations and tax levies. Taxes are due in two installments payable not later than December 10, 2002 and April 10, 2003. Actual tax increment will depend on the amount of taxes paid by landowners within the District.

Source: Agency

Collection of Revenues and Flow of Funds

The Indenture requires the Trustee to draw on the Letter of Credit in accordance with its terms in order to receive payment on each Interest Payment Date, redemption date, date for purchase of the Bonds and maturity date an amount sufficient to pay the principal, interest and purchase price of the Bonds when due. The Indenture also requires the Trustee to make a demand for the payment to it of Tax Increment in the amount described below and to the extent that the Tax Increment paid to it is less than the debt service due on the Bonds, to levy Special Taxes on the taxable parcels within the District in the amount described below.

Collection of Tax Increment. The Indenture provides that, six Business Days prior to each Interest Payment Date, the Trustee shall make a demand upon the trustee under the Tax Increment Administration Agreement in an amount equal to the lesser of (i) the debt service due on the Bonds on the next Interest Payment Date, less any amounts then on deposit in the Bond Fund and available to make payments on the Bonds and any expected transfers from amounts then on deposit in the Bond Proceeds Account of the Improvement Fund or the Revenue Fund to occur in respect to such Interest Payment Date; or (ii) the amount on deposit (or that is otherwise available for purposes of such account under the Tax Increment Administration Agreement) in the CFD Bond Account established under the Tax Increment Administration Agreement. Any amount received by the Trustee in respect of any such demand is to be deposited in the Revenue Fund.

Collection of Special Tax Revenues. The Indenture provides that, five Business Days prior to each Interest Payment Date, and following any transfers from the Revenue Fund and the demand for Tax Increment

described in the preceding paragraph to occur in respect of such Interest Payment Date, the Trustee shall determine the difference between the amount available in the Bond Fund to pay debt service due on the Bonds on such Interest Payment Date and the debt service so due and payable. In the event of a shortfall in amounts needed to pay debt service on such Interest Payment Date, the Trustee shall, on the fifth Business Day prior to such Interest Payment Date, send a Special Tax bill in the form set forth in the Indenture to the applicable taxpayers in the District, allocating a portion of the amount so due to each parcel in the District according to the percentages in the report, as in effect from time to time, delivered by the Finance Director of the Agency to the Trustee.

Revenue Fund. The Trustee shall deposit, as soon as practicable following receipt, all Revenues received from the Agency and any amounts required by the Indenture to be transferred from the Administrative Expense Fund and the Bond Fund to the Revenue Fund, except that (i) any proceeds of draws on the Letter of Credit shall be deposited by the Trustee directly to the Bond Fund, and (ii) any proceeds of Special Tax Prepayments to be used to pay the principal portion of any Bonds to be redeemed and any redemption premium due on such redemption shall be transferred by the Agency directly to the Trustee for deposit by the Trustee in the Special Tax Prepayments Account. Moneys in the Revenue Fund shall be held in trust by the Trustee for the benefit of the Agency and the Owners of the Bonds, shall be disbursed as provided in the Indenture and, pending disbursement, shall be subject to a lien in favor of the Owners of the Bonds and the Agency. See “APPENDIX B—SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST AND THE FIRST SUPPLEMENTAL INDENTURE OF TRUST—THE INDENTURE—Revenue Fund.”

Bond Fund. The Indenture creates a Bond Fund and in the Bond Fund, as separate accounts to be held by the Trustee, the Special Tax Prepayments Account and the Capitalized Interest Account. Moneys in the Bond Fund and the accounts therein shall be held in trust by the Trustee for the benefit of the owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the owners of the Bonds.

The Trustee shall deposit in the Bond Fund from time to time, upon receipt thereof, (i) all amounts drawn by the Trustee under the Letter of Credit; (ii) income received from the investment of moneys on deposit in the Bond Fund; and (iii) amounts transferred from the Revenue Fund, the Capitalized Interest Account, the Special Tax Prepayments Account, and the Bond Proceeds Account in the Improvement Fund to the Bond Fund. The Trustee shall establish a separate subaccount in the Bond Fund for amounts drawn under the Letter of Credit, and such amounts shall not be commingled with other moneys in the Bond Fund.

Moneys in the Bond Fund shall be used solely for the payment of the principal of and premium, if any, and interest on the Bonds as the same shall become due, whether at maturity or upon redemption or otherwise; provided that, (i) upon receipt by the Trustee of the proceeds of a draw on the Letter of Credit and payment of the interest and/or principal then due on the Bonds with such proceeds or other Available Amounts in the Bond Fund, the Trustee shall remit to the Credit Bank, from amounts (if any) then on deposit in the Bond Fund, an amount equal to the proceeds of such draw received by the Trustee, and (ii) following the payment of amounts due on the Bonds and any transfer pursuant to the preceding clause (i), any then remaining amounts in the Bond Fund shall be transferred by the Trustee to the Revenue Fund. In making regularly scheduled payments of interest on or principal of the Bonds, the Trustee shall (a) first use amounts drawn by the Trustee under the Letter of Credit; and (b) then use Available Amounts held in the Bond Fund, except proceeds of a draw under the Letter of Credit.

Moneys in the Special Tax Prepayments Account shall be transferred by the Trustee to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given and shall be used to redeem Bonds on the redemption date selected in accordance with the Indenture.

Moneys in the Capitalized Interest Account shall be transferred by the Trustee to the Bond Fund on the fifth Business Day prior to each Interest Payment Date, so long as moneys are on deposit in the Capitalized

Interest Account, in an amount equal to the lesser of (i) the interest due on the Bonds on the succeeding Interest Payment Date less any Tax Increment on deposit in the Revenue Fund that is transferred from the Revenue Fund to the Bond Fund in respect of such Interest Payment Date, or (ii) the amount then on deposit in the Capitalized Interest Account.

No Issuance of Parity Bonds

The Indenture does not permit the issuance of any additional bonds secured on a parity with the Bonds and the 2001 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of Bond proceeds:

Sources of Funds	
Principal Amount	\$23,440,000.00
TOTAL SOURCES	
Uses of Funds	
Deposit to Bond Proceeds Account ⁽¹⁾	\$20,142,341.76
Deposit to Project Supervision Account ⁽¹⁾	400,000.00
Deposit to Administrative Expense Fund	918,000.00
Deposit to Capitalized Interest Account ⁽²⁾	1,632,015.68
Costs of Issuance ⁽³⁾	252,581.76
Underwriters' Fee	<u>95,060.80</u>
TOTAL USES	\$23,440,000.00

- ⁽¹⁾ Amounts held in the Bond Proceeds Account will be used to pay the costs of the Project, and amounts held in the Project Supervision Account will be used to pay costs of the Agency or the City incurred in connection with the acquisition of the Project.
- ⁽²⁾ Assuming an average interest rate on the Bonds of 3.37% per annum, this amount would be sufficient to pay interest on the Bonds through October 23, 2004.
- ⁽³⁾ Includes fees of Co-Bond Counsel and the Trustee, initial Letter of Credit fees to, costs of printing the Official Statement, reimbursement to the Landowner for costs of formation of the District, and other costs of issuance.

THE CREDIT BANK

The following information concerning the Credit Bank has been provided by representatives of the Credit Bank and has not been independently confirmed or verified by the Underwriters, the Agency or the Landowner. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that information given below or incorporated herein by reference is correct as of anytime subsequent to its date.

The Credit Bank did not provide, and does not assume responsibility for the completeness, accuracy or adequacy of the information in this Official Statement other than information contained under this caption "THE CREDIT BANK" and under the caption "SOURCES OF PAYMENT FOR THE BONDS—The Letter of Credit and Reimbursement Agreement."

Bank of America, N.A. (the "Credit Bank"), is a national banking association organized under the laws of the United States, and its principal executive offices are located in Charlotte, North Carolina. The

Credit Bank is a wholly owned indirect subsidiary of Bank of America Corporation and is engaged in general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of June 30, 2002, the Credit Bank had consolidated assets of \$638,448,000,000, consolidated deposits of \$360,769,000,000 and stockholder's equity of \$47,764,000,000 based on regulatory accounting principles.

Bank of America Corporation is a bank holding company registered under the Bank Holding Company Act of 1956, as amended, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding Bank of America Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2001, together with any subsequent documents it filed with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Letter of Credit has been issued by the Credit Bank. Moody's Investors Service, Inc. ("Moody's") currently rates the Credit Bank's long-term certificates of deposit as "Aa1" and short-term certificates of deposit as "P-1". Standard & Poor's Rating Services ("Standard & Poor's") rates the Credit Bank's long-term certificates of deposit as "AA-" and its short-term certificates of deposit as "A-1+". Fitch IBCA, Inc. ("Fitch") rates long-term certificates of deposit of the Credit Bank as "AA" and short-term certificates of deposit as "F1+." Further information with respect to such ratings may be obtained from Moody's, Standard & Poor's and Fitch, respectively. No assurances can be given that the current ratings of the Credit Bank's instruments will be maintained.

The Credit Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the Commission pursuant to the Exchange Act), and the most recent publicly available portions of the quarterly Call Reports of the Credit Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communications

PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS ARE EXPECTED TO BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE BONDS ARE EXPECTED TO BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE LETTER OF CREDIT IS A BINDING OBLIGATION OF THE CREDIT BANK, THE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF BANK OF AMERICA CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The information contained herein relates to and has been obtained from the Credit Bank. The information concerning Bank of America Corporation and the Credit Bank contained herein is furnished solely to provide limited introductory information regarding Bank of America Corporation and the Credit Bank and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced above.

The delivery hereof shall not create any implication that there has been no change in the affairs of Bank of America Corporation or the Credit Bank since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

THE AGENCY

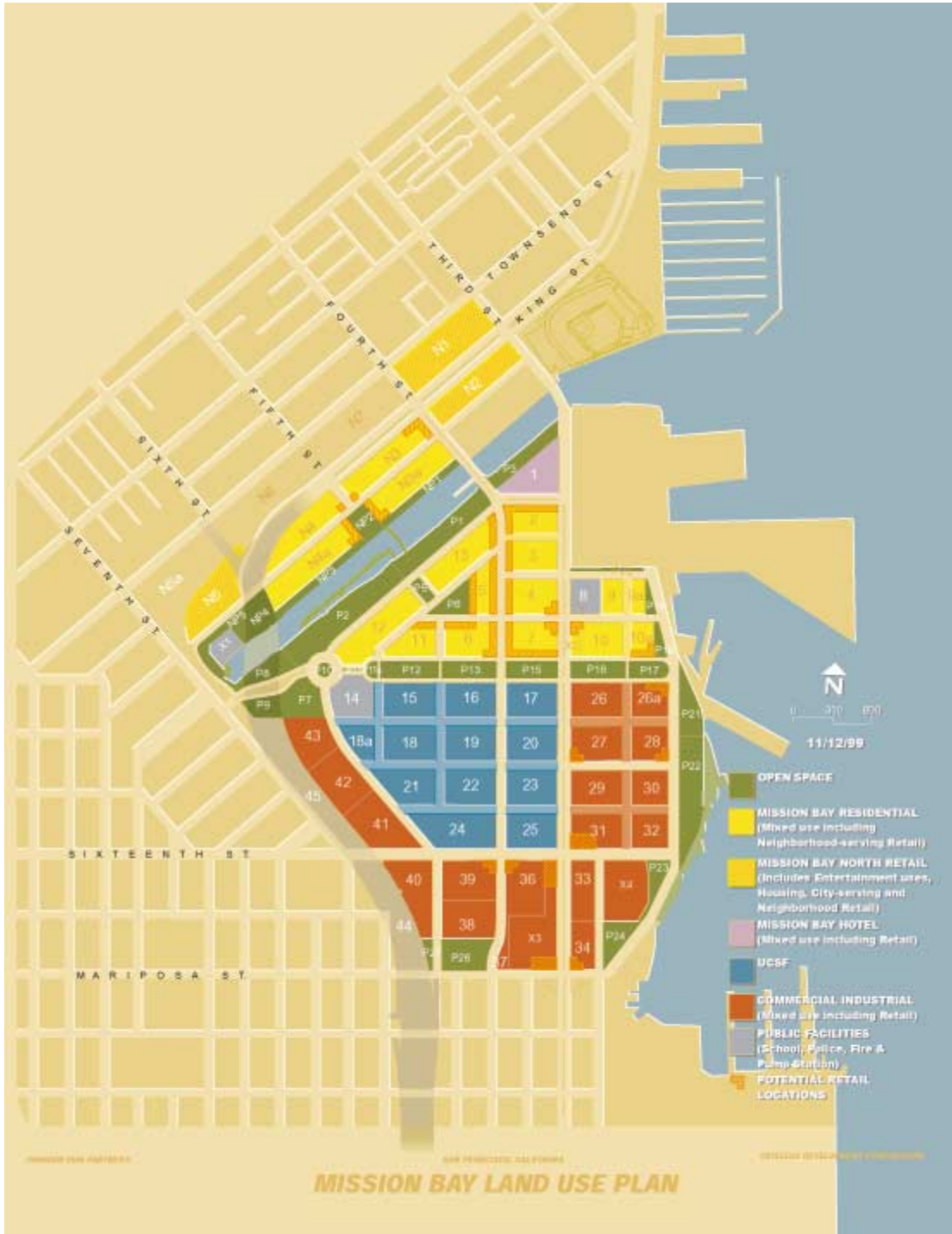
History and Purpose

The Agency was organized in 1948 by the Board of Supervisors of the City and County of San Francisco 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. Since its organization, the Agency has completed the redevelopment plans for four redevelopment project areas, and currently has eleven redevelopment plans in various stages of implementation.

Powers and Controls

Redevelopment in the State is carried out pursuant to the Redevelopment Law. Section 33020 of the Redevelopment Law defines redevelopment as the planning, development, replanning, redesign, clearance, reconstruction or rehabilitation, or any combination of these, of all or part of a survey area and the provision of such residential, commercial, industrial, public or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them. The Agency has the power to issue bonds to accomplish its goals. Bonds issued by a redevelopment agency can be repaid from the increase in property taxes attributable to the redevelopment activities completed through the efforts of the redevelopment agency and parties to agreements that provide for improvements to be made to deteriorated property. The increment and the bonds are required to be from the same officially designated redevelopment area of the City.

MISSION BAY PROJECT MASTER PLAN MAP



THE MISSION BAY PROJECT

The information contained in this section is presented for background information on the Mission Bay Project. Not all of the Mission Bay Project is in the District. For information on the portion of the Mission Bay Project in the District, see “THE MISSION BAY NORTH DISTRICT” below.

Catellus and the Mission Bay Project

Origin of the Mission Bay Project. The Landowner and its predecessors have been the owner of much of the property in and adjacent to the District since the 1800’s, having originally used most of it for railroad and industrial operations. In July 1999, Catellus entered into agreements with the City and the State which provided for certain land exchanges necessary to implement approvals for the redevelopment of approximately 302 acres of land in the southeastern waterfront area of the City, which land includes all of the land within the District and land immediately south of the District, for development and redevelopment of the area as a redevelopment project area under the Redevelopment Law. The area which comprises the Mission Bay Project is currently the subject of two Redevelopment Plans (described below) adopted by the City and is planned for redevelopment from vacant land and existing industrial uses located in old structures to commercial and high density residential uses located in new improvements, with open space and new public infrastructure appropriate to the new development. See “THE MISSION BAY REDEVELOPMENT PLANS” below.

Overview of Mission Bay Project. Geographically, the Mission Bay Project is bounded by Townsend Street to the North, Seventh Street to the west, Mariposa to the south, and San Francisco Bay to the east. See Master Plan map above. When complete, development of the Mission Bay Project is envisioned by the Landowner and the Agency to create a new neighborhood in San Francisco. In total, the Mission Bay Project is entitled for up to 6,090 high density housing units, 6.0 million square feet of office and flex space, 2.65 million square feet of university research facilities, over 860,000 square feet of retail uses, a 500 room hotel, and about 49 acres of dedicated public open space. The Landowner commenced its redevelopment activities in the spring of 2001 with construction projected to continue for approximately 10 to 12 years, subject to market conditions.

The residential units in the Mission Bay Project are planned to consist of market rate and affordable units, both for rental and for sale. The Landowner or its assignees or transferees may develop up to approximately 4,600 units at a variety of densities, and in a variety of architectural styles. The Agency will sponsor development of the remaining units in the Mission Bay Project.

Retail uses in the Mission Bay Project are planned to include up to approximately 865,000 leasable square feet of retail space. The highest density of retail uses are and will be in the vicinity of Pacific Bell Park in the northern portion of the Mission Bay Project, which is referred to as the “North Plan Area” and includes the District. The remaining retail uses will be oriented toward local users living in the neighborhood.

Commercial uses are planned to include a mix of approximately 5,950,000 leasable square feet of office, research and development, light manufacturing, multi-media, software development, and other commercial space suitable for biotechnology and multimedia users, and a 500-room hotel.

Development in the southern portion of the Mission Bay Project, which is referred to as the “South Plan Area,” is planned to be anchored by a major new University of California at San Francisco research campus on about 42 acres of land donated by the Landowner and the City, containing approximately 2.65 million gross square feet of instruction, research and support space for a renowned bio-medical research institution. The university is under construction on approximately 550,000 square feet of buildings, with the first building (400,000 square feet) anticipated to be complete by the end of 2002.

Publicly oriented facilities planned in the Mission Bay Project include about 49 acres of public parks, plazas and open space to serve a variety of recreational needs and a new and upgraded public infrastructure system necessary to serve residents, occupants, and visitors. All streets will either be new or upgraded with modern street surface systems as well as new sewer and utility provisions sub-surface.

The Mission Bay Project entitlements listed above include certain developments to be constructed by owners other than the Landowner.

Information on the Mission Bay Project can be found on the internet at a website location, www.missionbaysf.com. The website address is given for reference and convenience only, the information on the website may be incomplete or inaccurate and has not been reviewed by the Agency or the Underwriters. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.

THE MISSION BAY REDEVELOPMENT PLANS

The Mission Bay Project is located entirely within two redevelopment project areas established by the Agency, with one plan covering the northern area and one plan covering the southern area (the "Redevelopment Plans"). The plan for the north was adopted by the Agency on October 26, 1998 as the Redevelopment Plan for the Mission Bay North Redevelopment Project, (the "North Redevelopment Plan" for the "North Plan Area"). The plan for the south was adopted by Agency on November 2, 1998 as the Redevelopment Plan for the Mission Bay South Redevelopment Project, (the "South Redevelopment Plan" for the "South Plan Area"). *All of the property within the District is within the North Plan Area.* Among other actions taken in the fall of 1998, the Redevelopment Agency Commission and the San Francisco Board of Supervisors certified the Final Supplemental Environmental Impact Report ("FSEIR") for the Mission Bay Project, thereby providing the necessary environmental clearances under the California Environmental Quality Act ("CEQA").

All real property in each of the project areas is subject to the controls and restrictions of the Redevelopment Plans for each of the project areas. The Redevelopment Plans require that new construction comply with all applicable laws in effect including the building, electrical, heating and ventilation, housing and plumbing codes of the City which, among other things, impose certain seismic risk requirements with respect to new construction. The Redevelopment Plans establish limits, restrictions and controls including design standards affecting the height of buildings, land coverage, setback requirements, design criteria, traffic circulation, traffic access and other development and design controls necessary for proper development of each of the project areas.

The Redevelopment Plans set forth plans and objectives for the revitalization of the project areas and establish the land use designations, permitted uses, and densities. Primary among those objectives are the elimination of blight, the creation of substantial new housing, including affordable housing, the provision of open space, and the promotion of economic development opportunities. The Redevelopment Law requires that property owners within the Redevelopment Plan Area enter into Owner Participation Agreements with the Agency as a condition to development, which the Landowner has done. Development will also be guided by the completed Design for Development Guidelines of the Redevelopment Plan Areas, which are intended to create an architecturally coherent, sophisticated and modern community.

The North Redevelopment Plan. In accordance with the Redevelopment Law, the City approved a Redevelopment Plan for the Mission Bay North Redevelopment Project by Ordinance No. 327-98, adopted by the Board on October 26, 1998 and approved by the Mayor of the City on October 30, 1998. The North Redevelopment Plan, as it may be amended, covers land in the North Plan Area. The North Redevelopment Plan is to be implemented by the Landowner. To do so, the Landowner has been provided certain legislative entitlements for the District in the Mission Bay North Owner Participation Agreement (the "North OPA"). The term of the North Redevelopment Plan is 30 years, however the Agency can make payment on related

debts incurred for a period of up to 45 years after formation, which is approximately October of 2043. The North OPA can be amended or terminated without notice to or consent of the owners of the Bonds or the Trustee.

The North Redevelopment Plan describes a mixed-use development comprised of up to approximately 3,000 units of housing, including both market-rate and affordable rental and for-sale-units, approximately 6 acres of public open space, up to approximately 500,000 leasable square feet of retail, commercial and entertainment uses, and parking and loading uses. In addition, approximately 5,000 leasable square feet of local-serving retail uses may be developed on parcels designated for Agency affordable housing. For a description of the redevelopment contemplated for the North Plan Area by the Landowner and the Agency, see the section entitled “Pending Development within the District” below.

MISSION BAY NORTH DISTRICT MAP



— Mission Bay North District Boundary

THE MISSION BAY NORTH DISTRICT

The Landowner has provided the information set forth below. Neither the Agency, its representatives, nor the Underwriters have made any independent investigation of the information presented herein as to the Landowner and the District, and do not assume liability for such information or guarantee the accuracy of such information.

Information in this section and elsewhere in this Official Statement sets forth the Landowner's anticipated development plans for the District. No assurance can be given that property in the District will actually be developed as contemplated. See "GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT—Estimates and Forecasts."

Background

The District is comprised of approximately 65 acres of land located approximately 1.5 miles south of the financial district of the City, adjacent to and west of Pacific Bell Park, the downtown waterfront baseball stadium for the San Francisco Giants. The District is bounded on the south by the northerly bank of the China Basin Channel waterway, on the west by Seventh Street, on the east by Third Street, and on the north roughly by Townsend Street. See the Master Plan map and Mission Bay North District Map above. The District is within and surrounded by a developed urban area with existing and planned transportation improvements, including the existing CalTrain railroad station located at the southwest corner of Fourth and Townsend Streets, which is adjacent to but not in the District.

The District is currently comprised of a recently completed 100-unit apartment project, projects under construction, public improvements, parking areas and undeveloped building pads. Land adjacent to the District to the north has been transitioning over the past few years into an urban residential and retail-commercial neighborhood, with several recently completed multifamily housing rental and for-sale projects currently occupied by tenants and owners. Commercial development has accelerated since the completion of Pacific Bell Park with new restaurant and retail commercial projects underway or recently completed. The area south and west of the District is commencing a transition from established older commercial/industrial uses to modern residential and neighborhood commercial developments. Desirability of the area is enhanced by the proximity to new upscale housing, retail establishments, the waterfront, South Beach Marina, Pacific Bell Park, various transportation options and proximity to jobs in the nearby financial district of the City.

Development is currently underway within the District, with approximately 100 apartment units and 10,000 square feet of retail completed and approximately 979 residential units, 100,000 square feet of retail space and 75,000 square feet of office space all under construction. See "Status of Projects Under Development" below.

Planned Development Within the District

Land in the District is planned for mixed-use development in accordance with the North Redevelopment Plan, consisting primarily of high density for-rent and for-sale residential uses as well as retail, commercial and entertainment uses, and includes a significant public open space component. The 65 acres in the District include approximately 22 net acres planned to be master developed by the Landowner, of which approximately 17 acres currently remain subject to the Special Tax. The remaining land in the District is planned for Agency-sponsored affordable housing projects, public facilities, public open space, streets and non-buildable land, all of which will not be subject to the Special Tax and all of which is not security for the Bonds. The Landowner's current strategy includes self-developing various projects, as well as long term ground leases to apartment developers, land sales to condominium developers, and financial joint ventures with partners to self-develop mixed-use projects.

Development Entitlements. The Landowner has received the entitlements and environmental clearances necessary to proceed with development in the District upon meeting certain administrative requirements, including obtaining a building permit for each respective improvement. The principal agreement governing the Landowner's development rights and obligations in the North Plan Area is the North OPA.

Under the North OPA, up to 3,000 housing units may be built, of which 20% or up to 600 units are to be affordable. Assuming full build-out of 3,000 units, the Landowner will be authorized to develop 2,655 of those units, of which 2,400 would be market-rate units and 255 would be affordable housing units. The Agency expects to oversee the development of up to approximately 345 affordable housing units.

The Landowner will also be permitted under the North OPA to develop up to approximately 350,000 square feet of urban entertainment retail uses on the blocks located on Third Street across from the Pacific Bell Park. In addition, the Landowner could develop up to approximately 100,000 square feet of City-serving retail uses, and 50,000 square feet of local-serving retail, plus parking and loading uses in the balance of the North Plan Area. The Agency, or its designated developers, could build an additional 5,000 square feet of local-serving retail on the Agency affordable housing sites.

Mapping. Certain land exchanges with the City in 1999 resulted in the Landowner owning land in a pattern that would accommodate implementation of the Redevelopment Plans, provided the additional subdivision necessary for individual development parcels was undertaken. Current subdivision maps recorded in the District provide for approximately 9 developable legal lots (prior to condominium unit subdivision), ranging in size from about 1.0 acres to 4 acres. One acre of this land has been transferred to the Agency for its first affordable housing project, with a second one-acre parcel scheduled to be transferred in the Fall of 2002. Eventually, approximately 16 developable lots are to be mapped. Each lot is expected to contain a separate development project that will function independently, yet with designs providing for functional integration into the greater Mission Bay Project community. Of the 16 developable lots, approximately 4 parcels comprising up to 3.8 acres of land will be dedicated by the Landowner to the Agency for purposes of constructing Agency sponsored affordable housing projects. The remaining 12 parcels will be master planned or developed by the Landowner, sold to third parties, ground leased by third parties or developed by joint ventures between Landowner and third parties. The Rate and Method for the Special Tax provides that a parcel will no longer be subject to the Special Tax when a building permit for development of that parcel is issued by the City, except that the last parcel for which a permit is issued will remain subject to the Special Tax until the Bonds are repaid. See "SOURCES OF PAYMENT FOR THE BONDS—Special Tax Revenues" and "APPENDIX C—RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Phasing of Development. The Landowner is entitled by the North OPA to develop the improvements in the District in what are referred to as "Major Phases". Geographically, a Major Phase will typically consist of one or more blocks, although in limited instances it may also include a portion of a block. Each of the Major Phases will contain sub-phases consisting of individual building projects and their respective public infrastructure improvements. The Landowner will have the flexibility to determine the number and size of the Major Phases and sub-phases in order to respond to market conditions and the availability of private financing. To date, the Landowner has submitted, and the Agency has approved Major Phase applications accounting for approximately 90% of the District's future development. Public improvements required for each Major Phase are to be constructed pursuant to Improvement Agreements to be entered into between the Landowner and the City which will specify the particular subdivision improvements to be constructed.

Current and Projected Development Within the District

The developable property in the District is located within 7 planning super "blocks" identified on the Project Master Plan map and the Mission Bay North District map as Blocks N1, N2, N3, N3a, N4, N4a and N5. Within these 7 blocks, the Landowner anticipates that approximately 12 private improvement projects will be constructed. As of August 2002, 4 separate private improvement projects were underway on land within the 7 blocks. See "Status of Projects Under Development" below. The following is a summary of the uses now

underway and anticipated within the blocks. These uses reflect the uses allowed under the North Redevelopment Plan and reflect the Landowner’s current anticipation or understanding of development to occur within the District. Certain of the blocks will be developed by entities other than the Landowner. The Landowner has obtained certain of the information set forth below from other landowners currently developing parcels within the District. While the Landowner believes such information is reliable, it has not independently verified the information presented herein relating to parcels to be developed by others and does not guarantee the accuracy of such information. No assurance can be given that property will actually be developed with the uses shown or on the schedule shown. See “SPECIAL RISK FACTORS—Risks Related to Development.”

CURRENT AND PROJECTED DEVELOPMENT

<i>Master Plan Block Number</i>	<i>Planned Major Improvements</i>	<i>Construction Status or Projected Start Date</i>	<i>Actual or Projected Completion Date</i>
N1	86,000 s.f. retail, 595 rental residential units, 46,000 s.f. office	Under Construction	December 2003
N2			
Parcel 1	34 for-sale residential units, 25,000 s.f. office, 6,000 s.f. ground floor retail	Under Construction	October 2003
Parcel 2	100 units Agency affordable housing, 10,000 s.f. retail	Complete	Complete
Parcel 3	250-unit apartment complex, 10,000 s.f. retail ⁽¹⁾	Under Construction	December 2002
N3			
Parcel 1	302-unit apartment complex, 25,000 s.f. retail ⁽¹⁾	June 2003	December 2004
Parcel 2	290-unit apartments, 10,000 s.f. retail	November 2003	June 2005
N3a			
Parcel 1	139 units Agency affordable housing ⁽¹⁾	December 2002	May 2004
Parcel 2	100 units for-sale condominiums	February 2003	June 2004
Parcel 3	102 units for-sale condominiums ⁽¹⁾	Under Construction	August 2003
N4			
Parcel 1		TBD ⁽²⁾	TBD
Parcel 2	45 units Agency affordable housing	TBD	TBD
Parcel 3		TBD	TBD
N4a			
Parcel 1	120 units for-sale condominiums	TBD	TBD
Parcel 2	45 units Agency affordable housing	TBD	TBD
Parcel 3	242-unit apartments	April 2003	November 2004
N5	residential/retail	TBD	TBD

⁽¹⁾ Parcel to be developed by an entity other than Landowner. Dates provided regarding non-Landowner development activity have not been independently verified by the Landowner.

⁽²⁾ To be determined.

Source: Landowner

Status of Projects Under Development

Development of the mixed use project on Master Plan Block N-1, which consists of approximately 595 residential apartment units, 86,000 square feet of retail uses, and 46,000 square feet of office, is being managed by the Landowner. The project is being funded by a joint venture that is owned by the Landowner and Federal Street Operating, LLC. To date, the project has been funded from cash provided by the members

of the joint venture. The Landowner expects that a construction loan will be obtained to fund some or all of the remaining costs. To date, retail leases have been executed with Safeway, Inc. and Borders, Inc. totaling approximately 56,000 square feet of space. As of August 2002, project construction was approximately 30% complete and the project is scheduled for completion in December, 2003.

A wholly owned subsidiary of the Landowner is self-developing a smaller mixed-use project on Master Plan Block N2 Parcel 1, consisting of approximately 34 for-sale residential units, 25,000 square feet of office space and 6,000 square feet of ground floor retail. Construction financing in the range of 80% of costs is being provided by Wells Fargo Bank, N.A. and the project is scheduled for completion in October, 2003.

A mixed-use 250-unit apartment and retail project under construction on Master Plan Block N2 Parcel 3 is being constructed by AvalonBay Communities, Inc. ("AvalonBay"). Based upon information available to Landowner, the project is expected to be complete in December, 2002. AvalonBay is leasing the underlying land parcel from the Landowner under a 99-year long-term ground lease. The proposed 302-unit apartment and retail development on Block N3 Parcel 1 is also to be constructed by AvalonBay under a similar transaction structure which includes a 99-year long-term ground lease from the Landowner.

The 102-unit condominium project on Block N3a Parcel 3 is being constructed and funded by a joint venture owned by The Riding Group, LLC and Signature Properties, Inc., on land purchased from the Landowner at a cost of \$13.4 million. Construction of the project commenced in Spring 2002 and the project is expected to be complete in August, 2003.

Other private development in the District is either to be self-developed and funded by the Landowner, or to be developed under differing transactional structures with parties yet to be identified.

Development Financing and Transactions

The Landowner expects that the cost of the Infrastructure necessary for the development and redevelopment within the District will be approximately \$54 million. Based on current projections, approximately 63% of this amount, or \$34 million, will be funded from the Bonds and the 2001 Bonds, with the remainder anticipated to be funded from Net Available Increment pursuant to the Financing Plan between the Agency and the Landowner. For a description of the funding of the Infrastructure, see "THE INFRASTRUCTURE" below.

For private building construction projects which the Landowner intends to self-develop, predevelopment feasibility and design costs will be funded by cash on hand until such time as project specific construction loans are closed. Due to the volume of projects, the Landowner has negotiated a construction loan with Wells Fargo Bank, N.A. and is continuing to negotiate financing agreements with a number of lenders including Bank of America, N.A., Bank One, N.A., PNC Bank, N.A. and Fleet National Bank.

The Landowner also expects to receive proceeds from the financing of its ground lease transactions. Due to a variety of considerations, the Landowner has entered into, and expects to continue to enter into long-term ground leases with third-party developers. The Landowner expects to use the ground lease payments as security for long-term financing arrangements, thereby supplementing its cash position to fund other building development opportunities in the District. To date, the Landowner has ground leased Master Plan Blocks N2 Parcel 3 and N3 Parcel 1 as described above under "Status of Projects Under Development."

Proceeds from the future sales of condominiums are also expected to provide a source of funds available to fund ongoing financial requirements of master planning the District.

THE INFRASTRUCTURE

The District has been formed to finance a portion of the Infrastructure which is described in the Infrastructure Plan attached to the North OPA, including open space (including, among other items, park improvements and restrooms), streets, rails and rail line bridges, sewer and storm drainage systems, water systems, street improvements (including freeway ramps or other demolition), traffic signal systems, right-of-way acquisition for required infrastructure, dry utilities, acquisition of right-of-way and other improvements which are to be constructed in or for the benefit of the North Plan Area.

Funding of the Infrastructure

As mentioned above, the particular public improvements to be funded by proceeds of the Bonds represent a portion of the overall public infrastructure improvements to be constructed in the District. The Landowner expects that the cost of the Infrastructure necessary for its development and redevelopment activities in the District will be approximately \$54 million, which is a revision to the estimate of approximately \$40 million made in 2001. Amounts deposited in the Bond Proceeds Account of the Improvement Fund from Bond proceeds will fund approximately \$20 million of such estimated costs, in addition to the approximately \$14 million of proceeds of the 2001 Bonds deposited in the Improvement Fund in June of 2001. Approximately \$11.8 million of proceeds of the 2001 Bonds remains to be expended as of September 30, 2002.

The Landowner expects that the cost of any Infrastructure not financed from the Bonds will be financed by Net Available Increment (or bonds secured by such revenue) to be payable for the benefit of the Landowner by the Agency pursuant to the North OPA.

The Indenture provides that within the Improvement Fund a Bond Proceeds Account and a Tax Increment Proceeds Account will be established. Monies in either account may be used to pay for or reimburse the Landowner for the costs of the Infrastructure, provided that unless otherwise directed by the Agency, the Trustee shall first use amounts, if any, in the Bond Proceeds Account and then use amounts, if any, in the Tax Increment Proceeds Account. Amounts in the Tax Increment Proceeds Account may not be used to pay costs of the Infrastructure, or portions thereof, which the Agency identifies to the Trustee as not within or of direct benefit to the North Plan Area (as defined in, and determined by the Agency consistent with the terms of the North OPA).

Acquisition of the Infrastructure

Pursuant to the Financing Plan, the Agency and the Landowner have entered into an Acquisition Agreement (the "Acquisition Agreement") dated as of June 1, 2001 and amended by a supplement thereto dated as of October 1, 2002. Under the terms of the Acquisition Agreement, the Agency, or other government agencies or public utilities, will acquire the Infrastructure from the Landowner upon completion of various discrete components of infrastructure and inspection thereof by the City. The Acquisition Agreement provides that the Infrastructure will be acquired for an amount based upon the documented Actual Cost (as defined in the Acquisition Agreement) thereof or for such other amount as may be agreed upon by the Landowner, the Agency and the City.

Construction of the Infrastructure

Pursuant to the terms of the Acquisition Agreement and the North OPA, the Landowner will oversee construction of the Infrastructure in accordance with the approved subdivision improvement plans and agreements entered into between the Landowner and the City. The Landowner expects to utilize its subsidiary, Catellus Urban Construction Inc., a California licensed general contractor, for many of the construction activities. Construction of the Infrastructure has commenced. Infrastructure required for development on Master Plan Blocks N1, N2 and N3 (as described under the above caption "THE MISSION BAY NORTH

DISTRICT—Current and Projected Development in the District”) commenced in the winter of 2001 and is expected to be completed during the second quarter of 2003. The Landowner anticipates that the remaining Infrastructure will be completed in phases, with each phase comprising approximately 12 months of construction and the last phase being completed in 2006.

THE LANDOWNER

The Landowner has provided the information set forth below. Neither the Agency, its representatives, nor the Underwriters have made any independent investigation of the information presented herein as to the Landowner and do not assume liability for such information or guarantee the accuracy of such information.

Catellus Development Corporation, a Delaware corporation (the “Landowner”) (NYSE:CDX) is a diversified real estate operating company formed in 1984 as the real estate operating subsidiary of Santa Fe Pacific Railroad. In December 1990, Catellus Development Corporation was spun off to the common stockholders of Santa Fe Pacific along with the land holdings of its former railroad parent. The Landowner currently has one of the largest portfolios of developable land in the western United States and approximately 34.5 million square feet of commercial, office and retail space. The Landowner organizes its lines of business into three operating divisions: Suburban Development (including commercial and residential development) and Urban Development and Asset Management. Each group specializes in developing a variety of product types on sites that require a high level of planning and entitlement expertise. As a land-based developer, the Landowner’s land portfolio is capable of supporting over 47 million square feet of new commercial development and approximately 11,000 residential units.

The Landowner operates in key urban markets throughout California, including San Francisco, Silicon Valley, Los Angeles, and San Diego; and in some of the strongest suburban markets in the country, including Chicago, Denver, Dallas, Northern and Southern California, and Portland.

The Landowner’s two largest developments in Northern California are currently Pacific Commons in Fremont, California and the Mission Bay Project. In May of 2000, the Landowner received approval from the City of Fremont to develop 8.3 million square feet of commercial space at Pacific Commons. Following that announcement, the Landowner signed a lease with Intel for a 74,000 square foot light industrial building. Additionally, after months of negotiation, the Landowner signed an agreement with a subsidiary of Cisco Systems for a 3.4 million square foot corporate campus, nearly half of the remaining entitlement available at Pacific Commons. The Landowner has constructed over 1.1 million square feet of buildings in the project and continues to actively market the project.

Extensive information on the Landowner can be found on the internet at its website location, www.catellus.com. The website includes a link to an Investor Relations page where information such as the Landowner’s annual report, Securities and Exchange Commission filings, financial reports, stock information, press releases and audio version of certain senior management presentations can be found. The website address is given for reference and convenience only, the information on the website may be incomplete or inaccurate and has not been reviewed by the Agency or the Underwriters. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference. The Landowner may be contacted at InvestorRelations@catellus.com or by mail or telephone to: Director of Investor Relations, Catellus Development Group, 201 Mission Street, San Francisco, California 94105, (415) 974-4649.

SPECIAL RISK FACTORS

The purchase of the Bonds involves certain risks. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. The risk factors are grouped into four separate categories, including (1) Risks Related to Ownership of Bonds, (2) Risks Related to Development, (3) Risks Related to Special Taxes, and (4) Risks Related to Tax Increment Revenues. This discussion does not purport to be comprehensive or definitive.

Risks Related to Ownership of Bonds

Early Redemption. The Bonds are subject to early redemption at par and without premium in the event of a default under the Reimbursement Agreement and a decision by the Credit Bank to require a redemption of or a purchase in lieu of redemption of the Bonds. An event of default could occur as a result of the Trustee not receiving Revenues sufficient in amount to reimburse the Credit Bank for amounts drawn under the Letter of Credit to pay the principal of and interest on the Bonds. See “SOURCES OF PAYMENT FOR THE BONDS—Letter of Credit and Reimbursement Agreement.”

Limited Obligations. The Bonds and interest thereon are not payable from the general funds of the Agency or the City, and are secured only by Revenues and amounts in the Bond Fund and the Revenue Fund held under the Indenture. The principal of, premium, if any, and interest on the Bonds are not a legal or equitable pledge, charge, lien or encumbrance upon any of the Agency’s property or upon any of the Agency’s income, receipts or revenues, except the Revenues and other amounts pledged under the Indenture. Revenues could be insufficient to pay debt service on the Bonds. The Agency has no obligation to pay debt service on the Bonds in the event of insufficient Revenues except from amounts on deposit in the Bond Fund and the Revenue Fund.

Loss of Tax Exemption. As discussed under the caption “TAX MATTERS,” the interest on the Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds as a result of a failure of the Agency to comply with certain provisions of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional redemption provisions of the Indenture, unless the Credit Bank elects to accelerate payment on the Bonds.

Limitations on Remedies. Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of the Bonds.

Co-Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors’ rights, by equitable principles and by the exercise of judicial discretion. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

Limited Secondary Market. There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Risks Related to Development

Delay in Development. Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bondowners than developed property. The failure to complete

development of the required Infrastructure and the residential units, retail and commercial uses may reduce the value of the property in the District and will delay the collection of Net Available Increment. The failure to complete the Infrastructure required for development in the District as planned, or substantial delays in the completion of the planned private improvements within the District due to litigation or other causes will also increase the length of time during which Special Taxes will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within the District to pay the Special Taxes when due.

There can be no assurance that land development operations in the District will not be adversely affected by a future deterioration of the real estate market and economic conditions or future State and federal governmental policies and laws relating to real estate development, the income tax treatment of real property ownership, the national economy or international events related to past or future terrorist acts. A slowdown of the development process and the absorption rate in the District could adversely affect land values and reduce the amounts of Net Tax Increment received by the Trustee. In that event, there could be insufficient Revenues to reimburse the Credit Bank pursuant to the Indenture or, if the Credit Bank failed to honor a draw on the Letter of Credit, to pay the principal of, and interest on, the Bonds when due.

Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. No assurance can be given that the proposed development will be partially or fully completed, and it is possible that cost overruns will be incurred which will require additional funding, which may or may not be available.

Under current California law, it is generally accepted that proposed development is not exempt from future land use regulations until building permits have been properly issued and substantial work has been performed and substantial liabilities have been incurred in good faith reliance on such permits. As of October 15, 2002, a substantial portion of the building permits necessary to complete the proposed development within the District had not been issued.

It is possible that future initiatives could be enacted, could become applicable to the proposed development and could negatively impact the ability of the current landowners, and their successors, to complete the proposed development. The application of future land use regulations to the proposed development could cause significant delays and cost increases in the completion of the development and could cause the land values within the District to decrease and, in turn, reduce the Net Available Increment received by the Trustee.

Tax Increment Revenues Dependent Upon Future Development. Tax increment revenues and Net Available Increment will be generated only to the extent that property values within the District increase above the base year assessed value. Increases in property values are expected to rise primarily due to the occurrence of new development within the District. The Landowner is projecting that Net Available Increment payable by the Agency under the Financing Plan will pay for approximately \$20 million of the estimated \$54 million of Infrastructure costs within the District, as well as amounts sufficient to reimburse the Credit Bank for amounts paid by it as debt service on the Bonds and the 2001 Bonds. To the extent that development does not occur as projected, or the value of the property once developed is less than projected, the Net Available Increment will likely be less than projected, which will require the Landowner to find alternative funding sources to complete the Infrastructure and reimburse the Credit Bank. Likewise, the Landowner is projecting that a portion of the development costs will be funded from land sales and ground lease payments, which could also be deferred or reduced if development does not occur as anticipated.

Project Cost Overruns. Although the Landowner believes that the cost estimates for development within the District are reasonable, large construction projects often involve cost overruns. To the extent that cost overruns are incurred, the Landowner will need to identify additional sources of funds to complete the development. No assurance can be given that funds will be available to fund cost overruns, if any.

Reliance on Availability of Future Financing. The Landowner projects that it will need to obtain construction loans to complete its proposed development in the District. While the Landowner is in negotiations with several banks to secure a portion of this amount, no assurance can be given that construction loans will be obtained in the amounts or on the dates anticipated by the Landowner to complete the construction as currently planned. Delays in financing could delay construction and, in turn, the generation of Net Available Increment and increase the amount of Special Taxes to be levied on undeveloped property.

Natural Disasters. The District may be subject to unpredictable seismic activity, fires, floods or other natural disasters. The San Francisco Bay area is seismically active. The District has the potential to experience moderate to high ground shaking during a seismic event. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such an event. Seismic activity from faults affecting the District represents potential risk for damage to buildings, roads, bridges and property in the District in the event of an earthquake.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the taxpayers may be unable or unwilling to pay property taxes, Special Taxes or rent when due, and the value of land within the District could be diminished in the aftermath of such a natural disaster, reducing Net Available Increment and the proceeds of foreclosure sales in the event of delinquencies in the payment of property taxes and Special Taxes. In that event, there could be insufficient Revenues to reimburse the Credit Bank pursuant to the Indenture or, if the Credit Bank failed to honor a draw on the Letter of Credit, there could be a default in the payment of the principal of, and interest on, the Bonds when due.

Hazardous Substances. The presence of hazardous substances on a parcel may result in a reduction in the value of the parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property, whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the estimated costs of remedying the condition to the level required by government agencies, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency in the payment of taxes on a parcel.

Historically, land in the Mission Bay area was used for a variety of industrial purposes, including warehousing, railroad yard operations, and other commercial and distribution based uses. Much of the area is random fill pushed into the Bay during the late 19th century, through the early 1900s, a significant portion of which was comprised of debris originating from the 1906 earthquake.

In 1996, a comprehensive 3-year site investigation and risk evaluation process was undertaken to fully understand the environmental conditions at Mission Bay, and determine whether redevelopment of the area could occur in a manner that would be protective of human health and environment. The California Environmental Protection Agency designated the San Francisco Regional Water Quality Control Board (“RWQCB”) as the “Administering Agency” under an approval process outlined by Assembly Bill (AB) 2061 to oversee the investigation and environmental approvals within the Mission Bay area.

The Mission Bay site investigation was completed in 1998 and produced several technical reports detailing results, conclusions and recommendations for development of the land. In brief, the environmental studies found the following:

Principal chemicals detected were petroleum hydrocarbons associated with the site use and materials associated with the fill materials at the site. No high concentrations of VOCs were found in either soils or groundwater. No significant source areas for metals were detected in soil or groundwater, other than the fill materials placed at the turn of the century. No concentration of any chemical posed a threat to human health or the environment following the completion of the planned development. The aforementioned results are accepted by what is referred to as the petroleum “free-product” area. The free-product area is marked by petroleum product which exists beneath the surface and which is the subject of a RWQCB Clean Up and Abatement Order issued to the oil companies that operated in that area for many years. The area is located east of Illinois Street near 16th Street in the South of Channel area.

To outline procedural requirements for the development within Mission Bay, a Risk Management Plan (“RMP”) was developed by the Administering Agency, the City and owners in Mission Bay. The purpose of the RMP was to specify the protocols for managing the chemicals in the soil and groundwater in a manner that would be protective of human health and the environment before, during and after development. One of the most important aspects of the RMP, and one which provides for ongoing development, was the condition that, at the conclusion of all development, the native soils would be capped with either new development or 12 to 18 inches of clean fill in the case of parks. The RMP was approved by the RWQCB on May 12, 1999, and a Certificate of Completion for the site investigation and remediation was issued by the RWQCB on May 25, 1999.

On March 12, 2002, the Department of Toxics and Substance Control of the State of California (“DTSC”) notified the Landowner of an investigation of the Landowner, its general contractors, and subcontractors working for such general contractors, concerning the Mission Bay project. The investigation, which is ongoing, focuses on whether individuals and companies hauling soil within and from Mission Bay satisfied certain hazardous waste license/certification hauling requirements. The DTSC issued a notice of violation, without fines or penalties, to the Landowner and one subcontractor on May 23, 2002, citing the subcontractor’s failure to qualify as a registered hazardous waste hauler. The Landowner, including its subsidiaries, is cooperating fully with the investigation, which is still continuing. The Landowner does not anticipate that this investigation or any proceeding that may result from this investigation will have a material adverse impact on the Mission Bay Project.

By letter dated August 21, 2002, the City Attorney notified the Regional Water Quality Control Board (“RWQCB”) of certain complaints received from numerous citizens regarding perceived dust emissions from construction activities and soil stockpiling in the Mission Bay Project. The City Attorney requested the RWQCB to investigate dust control measures at the Mission Bay Project and compliance with the Risk Management Plan for the Mission Bay Project. The Landowner does not anticipate that these complaints or any measures that may result from this investigation will have a material adverse impact on the Mission Bay Project.

Risks Related to Special Taxes

Maximum Special Tax Burden. The Rate and Method is designed such that the maximum special Tax that may be levied so long as the Bonds are outstanding will equal or exceed the debt service due on the Bonds. For fiscal year 2002-03, there are 11 parcels that are subject to a Special Tax levy, and these parcels have an assessed value of \$18,098,074. No Special Taxes will be levied in the current fiscal year, as the debt service on the Bonds and the 2001 Bonds will be paid from funded capitalized interest. Although the Rate and Method permits a levy sufficient to pay the debt service on the Bonds, the number of taxable parcels diminishes as development occurs. As a result, the amount of the Special Tax levied on the remaining taxable parcels could be significant when compared to the value of the taxable parcels. This, in turn, could lead to an unwillingness of the owner to pay Special Taxes when due.

Special Tax Delinquencies. With limited exceptions, the Rate and Method permits the levy of the Special Tax only on undeveloped property. As property is conveyed by the Landowner to the Agency or other public agencies, or building permits are issued for parcels owned by the Landowner or other private entities, such parcels become exempt from the Special Tax. The maximum Special Tax is the greater of \$2,320,000 per acre or each parcel's share of the debt service on the Bonds and the 2001 Bonds at an assumed interest rate of 12% per annum. The fact that the Special Tax is levied only on undeveloped property (except for the last parcel of taxable property for which a building permit is issued, which will remain subject to the Special Tax) presents certain risks to Bondowners.

The receipt of the Special Taxes is dependent on the willingness and the ability of the Landowner, or any successor, to pay the Special Taxes when due. Failure of the Landowner, or any successor, to pay the annual Special Taxes when due could result in insufficient Revenues to reimburse the Credit Bank for draws on the Letter of Credit, which, in turn, could result in an early redemption of the Bonds, or, if the Credit Bank failed to honor a draw on the Letter of Credit, a default in payment of the principal of, and interest on, the Bonds when due.

No assurance can be made that the Landowner, or its successors, will complete the intended construction and development in the District. As a result, no assurance can be given that the Landowner, or its successors, will continue to pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “-Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the Agency's ability to pursue judicial proceedings with respect to delinquent parcels.

Bondowners should assume that any event that significantly impacts the ability to develop land in the District would cause the property values within the District to decrease and could affect the willingness and ability of the owners of the parcels within the District subject to the levy of the Special Tax to pay the Special Taxes when due.

Undeveloped property is less valuable per unit of area than developed land, especially if there are no plans to develop such land or if there are significant restrictions on the development of such land. The undeveloped property also provides less security to the Bondowners should it be necessary for the Agency to foreclose on undeveloped property due to the nonpayment of the Special Taxes. Furthermore, an inability to develop the land within the District as currently proposed could result in a reduction in Net Available Increment and will make the Bondowners dependent upon timely payment of the Special Taxes levied on undeveloped property for a longer period of time than projected. A slowdown or stoppage in the continued development of the District could reduce the willingness and ability of the Landowner and its successors to make Special Tax payments on the parcels subject to the levy of the Special Tax and could greatly reduce the value of such property in the event it has to be foreclosed upon.

Payment of the Special Tax is not a Personal Obligation of the Owners. An owner or lessee of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the proceeds received from the foreclosure sale of

a taxable parcel are not sufficient, taking into account other liens imposed by public agencies, to pay the Special Tax, the District has no recourse against the owner or lessee of the parcel to pay the amount of any shortfall.

Parity Taxes and Special Assessments. The Special Taxes and any penalties thereon will constitute a lien against the parcels of land on which they are imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied against the parcel and is co-equal to and independent of the lien for *ad valorem* property taxes regardless of when they are imposed upon the same parcel. The Special Taxes have priority over all existing and future private liens imposed on a parcel except for liens or security interests held by the Federal Deposit Insurance Corporation. See “- FDIC/Federal Government Interests in Properties” below.

FDIC/Federal Government Interests in Properties. The ability of the Agency to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “FDIC”) has an interest. In the event that any financial institution making any loan which is secured by real property within the District subject to the Special Tax is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, then the ability of the Agency to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC’s consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC’s consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC’s federal immunity.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could ultimately cause a default in payment on the Bonds.

Bankruptcy and Foreclosure. Bankruptcy, insolvency and other laws generally affecting creditors rights could adversely impact the interests of owners of the Bonds. The payment of property owners’ taxes and the ability of the Agency to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally

affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS—Special Tax Revenues—*Proceeds of Foreclosure Sales*." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Co-Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled In re Glasply Marine Industries. In that case, the court held that ad valorem property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

According to the court's ruling, as administrative expenses, post petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current ad valorem taxes.

The Mello-Roos Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as ad valorem taxes. No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy. Glasply is controlling precedent on bankruptcy courts in the State. If the Glasply precedent was applied to the levy of the Special Taxes, the amount of Special Taxes received from parcels whose owners declare bankruptcy could be reduced.

Proceedings to Reduce or Terminate Special Tax. An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative have not yet been interpreted by the courts, although several lawsuits have been filed requesting the courts to interpret various aspects of the Initiative. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Special Tax Loan as described below.

Among other things, Section 3 of Article XIIC states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Mello-Roos Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Mello-Roos Act

prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Mello-Roos Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

“Section 3 of Article XIII C of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters within the District, or the Agency Commission acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Nevertheless, to the maximum extent that the law permits it to do so, the Agency has covenanted in the Indenture that it will not consent to or conduct proceedings under the Act to reduce the maximum Special Tax rates in the District below an amount, for any fiscal year, equal to 110% of the aggregate debt service due on the Bonds in such fiscal year, plus a reasonable estimate of Administrative Expenses for such fiscal year, so long as the Bonds are outstanding. No assurance can be given as to the enforceability of the foregoing covenant. See “APPENDIX C—SUMMARY OF THE INDENTURE.”

The interpretation and application of the Initiative will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “SPECIAL RISK FACTORS—Risks Related to Ownership of Bonds—*Limitations on Remedies*.”

Risks Related to Tax Increment Revenues

The Net Available Increment is not pledged to the repayment of the Bonds. The Agency and the Landowner may at any time, without notice to or the consent of the Bondowners or the Trustee amend or terminate the North OPA, the Financing Plan or other agreements between them related to the development of land in the District. While the Agency expects that Net Available Increment will be sufficient to repay draws on the Letter of Credit used to make payment on the Bonds, or if such draws are not paid by the Credit Bank to pay debt service on the Bonds, no assurance can be given that the Net Available Increment will be available or adequate for such purpose.

Applicable law sets forth the provisions for the levy of *ad valorem* taxes and for the calculation of what portion of such taxes constitutes tax increment. See “APPENDIX D—TAX INCREMENT.”

Reduction in Taxable Value; Plan Limitations. Tax increment revenues allocated to the Agency are determined by the amount of incremental taxable value in the District and the current rate or rates at which property in the District is taxed. The reduction of taxable values of property in a project area caused by economic factors beyond the control of the Agency, including, but not limited to, a relocation out of a project area by one or more major property owners or lessees, successful appeals by property owners or lessees for a reduction in a property’s assessed value, blanket reductions in assessed value due to general reductions in property values or the complete or partial destruction of such property caused by, among other eventualities, an earthquake or other natural disaster, could cause a reduction in tax increment revenues payable to the Agency and Net Available Increment available under the Financing Plan. Such a reduction of tax increment revenues

could result in insufficient Revenues to reimburse the Credit Bank pursuant to the Indenture or, if the Credit Bank failed to honor a draw on the Letter of Credit, a default in the payment of the principal of and interest on the Bonds when due.

Reduction in Inflationary Rate and Changes in Legislation; Further Initiatives. Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis.

Article XIII A of the California Constitution, which significantly affected the rate of property taxation, was adopted pursuant to California's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might alter the amount of tax increment revenues and, in turn, the Net Available Increment, reduce the property tax rate, or broaden property tax exemptions. Future legislative reallocation of the 1% basic levy among the affected taxing entities could increase the taxes retained by certain taxing entities with a corresponding reduction in tax increment revenues and, in turn, the Net Available Increment. A reduction in Net Available Increment could result in the Trustee not receiving Revenues sufficient in amount to reimburse the Credit Bank for amounts drawn under the Letter of Credit, or, if the Credit Bank failed to honor a draw on the Letter of Credit, to pay the principal of, and interest on, the Bonds, when due.

The Agency does not have the independent power to levy and collect ad valorem property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the tax increment revenues, and, in turn, the Net Available Increment to implement the Financing Plan.

Property Tax Appeals. The amount of tax increment revenues can be reduced as a result of property tax appeals by taxpayers within the District to reduce the assessed value of a parcel. Any reduction of assessed valuations in the estimated or other amounts as a result of appeals of assessed valuation could result in a reduction of the tax increment revenues, and, in turn, the Net Available Increment to implement the Financing Plan.

NO CONTINUING DISCLOSURE

Neither the Agency nor the Landowner has covenanted to supply any continuing information to Bondowners or any secondary market disclosure regarding the Bonds, the Infrastructure or the Project, so long as the Bonds bear interest at a Variable Rate.

AVAILABILITY OF DOCUMENTS

Copies of the documents summarized in this Official Statement are on file and available for inspection at the office of the Agency at 770 Golden Gate Avenue, 3rd Floor, San Francisco, California.

TAX MATTERS

In the opinion of Quint & Thimmig LLP, San Francisco, California and Webster & Anderson, Oakland, California, Co-Bond Counsel, subject, however, to the qualifications set forth below, under existing law, until any Reset Date or the Conversion Date, the interest on the Bonds is excluded from the 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 purposes 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 Agency comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that such interest 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 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

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

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

The form of Co-Bond Counsel's opinion is set forth in APPENDIX E.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Bonds and with regard to the tax status of interest thereon under existing law are subject to the approving opinion of Quint & Thimmig LLP, San Francisco, California and Webster & Anderson, Oakland, California, Co-Bond Counsel.

Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Underwriters' Counsel, for the Credit Bank by Sheppard Mullin Richter & Hampton, for the Landowner by O'Melveny & Myers LLP, Los Angeles, California, and for the Agency by its General Counsel.

FINANCIAL INTERESTS

Payment of the fees and expenses of Co-Bond Counsel and Underwriters' Counsel is contingent upon the sale and delivery of the Bonds. From time to time, Underwriters' Counsel represents the Agency on matters unrelated to the Bonds.

ABSENCE OF LITIGATION

Based upon opinions and certifications of the Landowner and the Agency to be delivered on the Closing Date, there is no action, suit or proceeding pending or threatened which seeks to restrain or enjoin the execution or delivery of the Bonds or the Indenture, or in any way contesting or affecting the validity of the foregoing or the law pursuant to which the Bonds have been issued, or which seeks to enjoin or restrain or alter the development planned within the District.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee and the registered owners of the Bonds upon an event of default under the Indenture or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

RATINGS

Moody's Investors Service has given the Bonds the ratings shown on the cover page hereof, with the understanding that, upon delivery of the Bonds, the Letter of Credit will be issued by the Credit Bank securing the payment of principal and interest with respect to the Bonds as more fully described herein. Such ratings reflect only the view of such organization and explanation of the significance of the ratings may be obtained from it at 99 Church Street, New York, New York 10007, telephone (212) 553-0315. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. The Agency has no obligation to maintain any rating for the Bonds.

UNDERWRITING

The Bonds have been purchased by Salomon Smith Barney Inc. and Jackson Securities, as the Underwriters. Pursuant to a bond purchase agreement by and between the Underwriters and the Agency (the "Bond Purchase Agreement"), the Underwriters have agreed to purchase the Bonds from the Agency at a purchase price equal to the principal amount of the Bonds, and will charge an Underwriters' fee of \$95,060.80. In addition, the Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof and which do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, is intended as such and not as a representation of fact.

This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or Owners of any of the Bonds.

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

REDEVELOPMENT AGENCY OF THE CITY
AND COUNTY OF SAN FRANCISCO

By: /s/ Marcia Rosen

APPENDIX A

FORM OF LETTER OF CREDIT AND AMENDMENT

IRREVOCABLE LETTER OF CREDIT

Date: June 19, 2001

Letter of Credit No. 3038232

BENEFICIARY:

Wells Fargo Bank, N.A.
707 Wilshire Boulevard, 17th Floor
MAC E2818-176
Los Angeles, CA 90017
Attention: Corporate Trust Department

Ladies and Gentlemen:

We hereby establish in your favor at the request and for the account of Catellus Urban Development Corporation, a Delaware corporation (the "Account Party"), our irrevocable letter of credit (this "Letter of Credit") in the amount of Sixteen Million Seven Hundred Sixty-One Thousand Four Hundred Forty-Five and 00/100 United States Dollars (\$16,761,445.00) (the "Stated Amount") available with Bank of America, N.A. by sight payment against presentation of one or more (a) demands delivered by hand, by overnight delivery or by U.S. Mail, signed and dated by you and delivered to Bank of America, N.A., Trade Finance Services, Letter of Credit Department, Mail Code CA9-703-19-23, 333 South Beaudry Avenue, 19th Floor, Los Angeles, California 90017, Attention: Standby Letter of Credit Department (or such other address as we may provide to you from time to time) or (b) demands delivered by facsimile telecopy, signed and dated by you and addressed by you to Bank of America, N.A., Trade Finance Services, Letter of Credit Department, 333 South Beaudry Avenue, 19th Floor, Los Angeles, California, 90017, Attention: Standby Letter of Credit Department at (213) 345-6694 (or such other telecopier number as we may provide to you from time to time), each in the form of Annex A (an "A Drawing"), Annex B (a "B Drawing"), Annex C (a "C Drawing") or Annex D (a "D Drawing") attached to this Letter of Credit with all instructions in brackets therein being complied with.

This Letter of Credit shall expire at 5:00 p.m. local time in Los Angeles, California, on June 21, 2006, or if such date is not a Business Day (as hereinafter defined), then at 5:00 p.m., California time, on the first (1st) succeeding Business Day (the "Expiration Date"). As used herein, the term "Business Day" shall mean any day other than a Saturday, a Sunday, a legal holiday or a day on which banking institutions in San Francisco or Los Angeles, California, or New York, New York, is located are closed or are authorized to close or on which the New York Stock Exchange is closed.

The amount of any demand presented under this Letter of Credit will be the amount inserted in numbered paragraph 4 of said demand. By honoring any such demand we make no representation as to the correctness of the amount demanded.

We hereby agree with you that each demand presented under this Letter of Credit in full compliance with the terms of this Letter of Credit will be duly honored by our payment to you of the amount of such demand, in Bank of America, N.A.'s own immediately available funds as follows:

(A) In the case of each A Drawing, B Drawing and C Drawing:

1. not later than noon, California time, on the Business Day following the Business Day on which such demand is presented to us, if such presentation is made to us at or before Noon, California time,

or

2. not later than noon, California time, on the second Business Day following the Business Day on which such demand is presented to us, if such presentation is made to us after Noon, California time.

(B) In the case of each D Drawing:

1. not later than 1:00 p.m., California time, on the Business Day on which such demand is presented to us, if such presentation is made to us at or before 9:00 a.m., California time,

or

2. not later than noon, California time, on the Business Day following the Business Day on which such demand is presented to us, if such presentation is made to us after 9:00 a.m., California time.

If the remittance instructions included with any demand presented under this Letter of Credit require that payment is to be made by transfer to an account with us or with another bank, we and/or such other bank may rely solely on the account number specified in such instructions even if the account is in the name of a person or entity different from the intended payee.

With respect to any demand that is honored under this Letter of Credit, the Stated Amount shall be reduced as follows:

(A) With respect to any **A Drawing**, the Stated Amount shall be reduced, as to all demands subsequent to the applicable demand, by the amount of the applicable demand as of the date of our payment in full of such demand; provided, however, that such amount shall be automatically reinstated immediately following the date of our payment of such demand,

(B) With respect to any **B Drawing**, the Stated Amount shall be permanently reduced, as to all demands subsequent to the applicable demand, by the amount of the applicable demand as of the date of presentation and payment of such demand and shall not be reinstated.

(C) With respect to any **D Drawing**, the Stated Amount shall be reduced, as to all demands subsequent to the applicable demand, by the amount of the applicable demand as of the date of our payment in full of such demand; provided, however that all or a portion of such amount shall be reinstated if we are reimbursed for amount to be reinstated and we receive a written notice from you, referencing this Letter of Credit by its number (3038232) and stating (i) that all or a portion of the Bonds that were purchased with the proceeds of such demand have been remarketed or will be remarketed concurrently with such reinstatement, (ii) the principal amount of such Bonds that have been or will be remarketed, (iii) the amount of interest that would accrue over a period of 37 days on such principal amount at twelve (12%) per annum, and (iv) a request for such reinstatement setting forth the amount by which the Stated Amount shall be increased (which shall be sum of the amounts described in clauses (ii) and (iii)).

Upon presentation to us of a **C Drawing** in compliance with the terms of this Letter of Credit, no further demand whatsoever may be presented under this Letter of Credit.

An **A Drawing** shall not be presented to us (i) more than once in any calendar month, or (ii) with respect to any single **A Drawing**, for an amount more than \$201,445 less the sum (the "Aggregate Interest Coverage Reduction Amount") of (a) the interest that would accrue over a period of 37 days at twelve percent (12%) per annum on all amounts previously drawn in respect of principal of the Bonds pursuant to **B Drawings**, plus (b) the interest that would accrue over a period of 37 days at twelve percent (12%) per annum on all amounts previously drawn in respect of principal of the Bonds pursuant to **D Drawings** and not reimbursed. No **B Drawing**, **C Drawing**, or **D Drawing** shall be presented for an amount more than \$16,761,445. The portion of any **B Drawing**, **C Drawing** or **D Drawing** made in respect of the payment of accrued and unpaid interest on the Bonds (as that term is defined below) shall not be more than \$201,445, less the Aggregate Interest Coverage Reduction Amount. The portion of any **B Drawing**, **C Drawing** or **D Drawing** made in respect of the payment of principal of the Bonds shall not be more than \$16,560,000.

Except as otherwise provided herein, this Letter of Credit shall be governed by and construed in accordance with the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500 (the "UCP"), excluding therefrom Article 41 and sub-Articles 48 (d), (e), (f), (g), (h), (i) and (j). As to matters not covered by the UCP, and to the extent not inconsistent with the UCP or made inapplicable by this Letter of Credit, this Letter of Credit shall be governed by the Uniform Commercial Code as in effect in the State of California (the "UCC").

This Letter of Credit is transferable and may be transferred more than once, but in each case only in the amount of the full Stated Amount (or reduced pursuant to the terms hereof) to any single transferee who you shall have advised us pursuant to **Annex E** has succeeded Wells Fargo Bank, N.A., or a successor trustee, as trustee under the Indenture of Trust dated as of June 1, 2001 (the "Indenture") between Redevelopment Agency of the City and County of San Francisco, as Issuer, and Wells Fargo Bank, N.A., as trustee, pursuant to which Issuer issued its Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 4 (Mission Bay North Public Improvements) Variable Rate Revenue Bonds, Series 2001-North in an aggregate principal amount of up to Forty Million Dollars (\$40,000,000) (the "Bonds"). Transfers may be effected only through ourselves and only upon presentation to us of a (i) duly executed instrument of transfer in the form attached hereto as **Annex E** and (ii) payment by the Account Party of a transfer fee in the amount of \$1,000.00. Any transfer of this Letter of Credit as aforesaid must be endorsed by us on the reverse of this Letter of Credit and may not change the place of presentation of demands from our Letter of Credit Department in Los Angeles.

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to in this Letter of Credit (including, without limitation, the Bonds and the Indenture) except the UCP and (as to matters not covered by the UCP and to the extent not inconsistent with the UCP or made inapplicable by this Letter of Credit) the UCC, and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except the UCP and (to the extent provided above) the UCC.

BANK OF AMERICA, N.A.

By: _____
Vice President

By: _____
Assistant Vice President

Annex A to Bank of America, N.A.
Irrevocable Letter of Credit
No. 3038232

BANK OF AMERICA, N.A.
Trade Finance Services
Letter of Credit Department
Mail Code CA9-704-19-23
333 South Beaudry Avenue, 19th Floor
Los Angeles, California 90017
Attention: Standby Letter of Credit Department

FOR THE URGENT ATTENTION OF LETTER OF CREDIT MANAGER

[INSERT NAME OF BENEFICIARY] (THE “TRUSTEE”) HEREBY CERTIFIES TO BANK OF AMERICA, N.A. (THE “BANK”) WITH REFERENCE TO IRREVOCABLE LETTER OF CREDIT No. 3038232 (THE “LETTER OF CREDIT”; THE TERMS “BONDS,” “BUSINESS DAY” AND “INDENTURE” USED IN THIS CERTIFICATE SHALL HAVE THEIR RESPECTIVE MEANINGS SET FORTH IN THE LETTER OF CREDIT) THAT:

- (1) THE TRUSTEE IS THE TRUSTEE OR A SUCCESSOR TRUSTEE UNDER THE INDENTURE.
- (2) THE TRUSTEE IS MAKING A DEMAND FOR PAYMENT UNDER THE LETTER OF CREDIT IN ORDER TO PROVIDE FUNDS FOR THE PAYMENT, ON AN INTEREST PAYMENT DATE (IN THE MANNER AND AS DEFINED IN THE INDENTURE), OF ACCRUED AND UNPAID INTEREST WITH RESPECT TO THE BONDS.
- (3) THE AMOUNT OF THIS DEMAND FOR PAYMENT WAS COMPUTED IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE BONDS AND THE INDENTURE AND IS DEMANDED IN ACCORDANCE WITH SECTION 5.05(a) OF THE INDENTURE, WHICH AMOUNT PLEASE REMIT TO THE UNDERSIGNED AS FOLLOWS: **[INSERT REMITTANCE INSTRUCTIONS]**.
- (4) THE AMOUNT HEREBY DEMANDED UNDER THE LETTER OF CREDIT IS **[\$[INSERT AMOUNT]]**. THIS AMOUNT DOES NOT EXCEED THE MAXIMUM AMOUNT PERMITTED TO BE DRAWN UNDER THE LETTER OF CREDIT FOR AN “A DRAWING.”
- (5) IF THIS DEMAND IS RECEIVED BY YOU AT OR BEFORE NOON, CALIFORNIA TIME ON A BUSINESS DAY, YOU MUST MAKE PAYMENT ON THIS DEMAND AT OR BEFORE NOON, CALIFORNIA TIME, ON THE NEXT BUSINESS DAY. IF THIS DEMAND IS RECEIVED BY YOU AFTER NOON, CALIFORNIA TIME ON A BUSINESS DAY, YOU MUST MAKE PAYMENT ON THIS DEMAND AT OR BEFORE NOON, CALIFORNIA TIME, ON THE SECOND BUSINESS DAY FOLLOWING SUCH BUSINESS DAY.

[INSERT NAME OF BENEFICIARY]

[FOR SIGNED DEMANDS ONLY, INSERT SIGNATURE AND DATE]

Annex B to Bank of America, N.A.
Irrevocable Letter of Credit
No. 3038232

BANK OF AMERICA, N.A.
Trade Finance Services
Letter of Credit Department
Mail Code CA9-703-19-23
333 South Beaudry Avenue, 19th Floor
Los Angeles, California 90017
Attention: Standby Letter of Credit Department

FOR THE URGENT ATTENTION OF LETTER OF CREDIT MANAGER

[INSERT NAME OF BENEFICIARY] (THE “TRUSTEE”) HEREBY CERTIFIES TO BANK OF AMERICA, N.A. (THE “BANK”) WITH REFERENCE TO IRREVOCABLE LETTER OF CREDIT NO. 3038232 (THE “LETTER OF CREDIT”); THE TERMS “BONDS,” “BUSINESS DAY” AND “INDENTURE” USED IN THIS CERTIFICATE SHALL HAVE THEIR RESPECTIVE MEANINGS SET FORTH IN THE LETTER OF CREDIT) THAT:

- (1) THE TRUSTEE IS THE TRUSTEE OR A SUCCESSOR TRUSTEE UNDER THE INDENTURE.
- (2) THE TRUSTEE IS MAKING A DEMAND FOR PAYMENT UNDER THE LETTER OF CREDIT WITH RESPECT TO THE PAYMENT OF THE PRINCIPAL OF, AND ACCRUED AND UNPAID INTEREST ON, LESS THAN ALL OF THE BONDS CURRENTLY OUTSTANDING:
 - (A) UPON A REDEMPTION OF THOSE BONDS PURSUANT TO SECTION 4.01 OF THE INDENTURE, OR
 - (B) AT THE STATED MATURITY OF THOSE BONDS.
- (3) THE AMOUNT OF THIS DEMAND FOR PAYMENT WAS COMPUTED IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE BONDS AND THE INDENTURE AND IS DEMANDED IN ACCORDANCE WITH SECTION 5.05(b) or (d) OF THE INDENTURE, WHICH AMOUNT PLEASE REMIT TO THE UNDERSIGNED AS FOLLOWS: **[INSERT REMITTANCE INSTRUCTIONS]**.
- (4) THE AMOUNT HEREBY DEMANDED UNDER THE LETTER OF CREDIT IS **[\$[INSERT AMOUNT]]**. THIS AMOUNT DOES NOT EXCEED THE MAXIMUM AMOUNT PERMITTED TO BE DRAWN UNDER THE LETTER OF CREDIT FOR A “B” DRAWING.
- (5) THE AMOUNT OF THIS DEMAND IS EQUAL TO THE SUM OF (A) **[\$[INSERT AMOUNT]]** BEING DRAWN IN RESPECT OF THE PAYMENT OF UNPAID PRINCIPAL OF THE BONDS AND (B) **[\$[INSERT AMOUNT]]** BEING DRAWN IN RESPECT OF THE PAYMENT OF ACCRUED AND UNPAID INTEREST ON THE BONDS. THE PORTION OF THIS DEMAND DESCRIBED IN CLAUSE (B) OF THIS PARAGRAPH 5 DOES NOT EXCEED THE MAXIMUM AMOUNT OF THE PORTION OF A “B” DRAWING PERMITTED TO BE DRAWN UNDER THE LETTER OF CREDIT

IN RESPECT OF THE PAYMENT OF ACCRUED AND UNPAID INTEREST ON THE BONDS.

- (6) IF THIS DEMAND IS RECEIVED BY YOU AT OR BEFORE NOON, CALIFORNIA TIME ON A BUSINESS DAY, YOU MUST MAKE PAYMENT ON THIS DEMAND AT OR BEFORE NOON, CALIFORNIA TIME, ON THE NEXT BUSINESS DAY. IF THIS DEMAND IS RECEIVED BY YOU AFTER NOON, CALIFORNIA TIME ON A BUSINESS DAY, YOU MUST MAKE PAYMENT ON THIS DEMAND AT OR BEFORE NOON, CALIFORNIA TIME, ON THE SECOND BUSINESS DAY FOLLOWING SUCH BUSINESS DAY.

[INSERT NAME OF BENEFICIARY]

[FOR SIGNED DEMANDS ONLY, INSERT SIGNATURE AND DATE]

Annex D to Bank of America, N.A.
Irrevocable Letter of Credit
No. 3038232

BANK OF AMERICA, N.A.
Trade Finance Services
Letter of Credit Department
Mail Code CA9-703-19-23
333 South Beaudry Avenue, 19th Floor
Los Angeles, California 90017
Attention: Standby Letter of Credit Department

FOR THE URGENT ATTENTION OF LETTER OF CREDIT MANAGER

[INSERT NAME OF BENEFICIARY] (THE “TRUSTEE”) HEREBY CERTIFIES TO BANK OF AMERICA, N.A. (THE “BANK”) WITH REFERENCE TO IRREVOCABLE LETTER OF CREDIT NO. 3038232 (THE “LETTER OF CREDIT”); THE TERMS “BONDS,” “BUSINESS DAY” AND “INDENTURE” USED IN THIS CERTIFICATE SHALL HAVE THEIR RESPECTIVE MEANINGS SET FORTH IN THE LETTER OF CREDIT) THAT:

- (1) THE TRUSTEE IS THE TRUSTEE OR A SUCCESSOR TRUSTEE UNDER THE INDENTURE.
- (2) THE TRUSTEE IS MAKING A DEMAND FOR PAYMENT UNDER THE LETTER OF CREDIT WITH RESPECT TO THE PAYMENT OF THE PRINCIPAL OF, AND ACCRUED AND UNPAID INTEREST ON BONDS TENDERED PURSUANT TO SECTION 2.03 OF THE INDENTURE AND NOT REMARKETED PURSUANT TO SECTION 8.14 OF THE INDENTURE.
- (3) THE AMOUNT OF THIS DEMAND FOR PAYMENT WAS COMPUTED IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE BONDS AND THE INDENTURE AND IS DEMANDED IN ACCORDANCE WITH SECTION 5.05(c) OF THE INDENTURE, WHICH AMOUNT PLEASE REMIT TO THE UNDERSIGNED AS FOLLOWS: **[INSERT REMITTANCE INSTRUCTIONS]**.
- (4) THE AMOUNT HEREBY DEMANDED UNDER THE LETTER OF CREDIT IS **[\$[INSERT AMOUNT]]**. THIS AMOUNT DOES NOT EXCEED THE MAXIMUM AMOUNT PERMITTED TO BE DRAWN UNDER THE LETTER OF CREDIT FOR A “D” DRAWING.
- (5) THE AMOUNT OF THIS DEMAND IS EQUAL TO THE SUM OF (A) **[\$[INSERT AMOUNT]]** BEING DRAWN IN RESPECT OF THE PAYMENT OF UNPAID PRINCIPAL OF THE BONDS AND (B) **[\$[INSERT AMOUNT]]** BEING DRAWN IN RESPECT OF THE PAYMENT OF ACCRUED AND UNPAID INTEREST ON THE BONDS. THE PORTION OF THIS DEMAND DESCRIBED IN CLAUSE (B) OF THIS PARAGRAPH 5 DOES NOT EXCEED THE MAXIMUM AMOUNT OF THE PORTION OF A “D” DRAWING PERMITTED TO BE DRAWN UNDER THE LETTER OF CREDIT IN RESPECT OF THE PAYMENT OF ACCRUED AND UNPAID INTEREST ON THE BONDS.
- (6) *****URGENT: NOTE THIS IS A DRAWING REQUIRING “SAME DAY” PAYMENT!***** IF THIS DEMAND IS RECEIVED BY YOU AT OR BEFORE

9:00 A.M., CALIFORNIA TIME ON A BUSINESS DAY, YOU MUST MAKE PAYMENT ON THIS DEMAND AT OR BEFORE 1:00 P.M., CALIFORNIA TIME, ON THE SAME BUSINESS DAY. IF THIS DEMAND IS RECEIVED BY YOU AFTER 9:00 A.M., CALIFORNIA TIME ON A BUSINESS DAY, YOU MUST MAKE PAYMENT ON THIS DEMAND AT OR BEFORE NOON, CALIFORNIA TIME, ON THE BUSINESS DAY FOLLOWING SUCH BUSINESS DAY.

[INSERT NAME OF BENEFICIARY]

[FOR SIGNED DEMANDS ONLY, INSERT SIGNATURE AND DATE]

Annex E to Bank of America, N.A.
Irrevocable Letter of Credit
No. 3038232

BANK OF AMERICA, N.A.
Trade Finance Services
Letter of Credit Department
Mail Code CA9-703-19-23
333 South Beaudry Avenue, 19th Floor
Los Angeles, California 90017
Attention: Standby Letter of Credit Department

Subject: Your Letter of Credit No. 3038232

Ladies and Gentlemen:

For value received, we hereby irrevocably transfer all of our rights under the above-captioned Letter of Credit, as heretofore and hereafter amended, extended or increased, to:

[Name of Transferee]
[Address of Transferee]

By this transfer, all of our rights in the Letter of Credit are transferred to the transferee, and the transferee shall have sole rights as beneficiary under the Letter of Credit, including sole rights relating to any amendments, whether increases or extensions or other amendments, and whether now existing or hereafter made. You are hereby irrevocably instructed to advise the transferee of future amendment(s) of the Letter of Credit without our consent or notice to us.

The original Letter of Credit is returned with all amendments to this date. Please notify the transferee in such form as you deem advisable of this transfer and of the terms and conditions of this Letter of Credit, including amendments as transferred.

You are hereby advised that the transferee named above has succeeded Wells Fargo Bank, N.A., or a successor trustee, as Trustee under the Indenture of Trust dated as of June 1, 2001 (the "Indenture") between Redevelopment Agency of the City and County of San Francisco, as Issuer, and Wells Fargo Bank, N.A., pursuant to which were issued Issuer's Community Facilities District No. 4 (Mission Bay North Public Improvements) Variable Rate Revenue Bonds, Series 2001-North, in the aggregate principal amount of up to \$40,000,000.

Very truly yours,

[Insert Name of Transferor]

By: _____

[Insert Name and Title]

SIGNATURE OF [INSERT NAME OF TRANSFEROR] GUARANTEED.

[Insert Name of Bank]

By: _____

[Insert Name and Title]

By its signature below, the undersigned transferee acknowledges that it has duly succeeded Wells Fargo Bank, N.A., or a successor trustee, as Trustee under the Indenture.

[Insert Name of Transferee]

By: _____
[Insert Name and Title]

DATE:

AMENDMENT TO IRREVOCABLE STANDBY CREDIT NUMBER: 3038232

AMENDMENT NUMBER 1

BENEFICIARY
WELLS FARGO BANK, N.A.
707 WILSHIRE BOULEVARD, 17TH FLOOR
MAC E2818-176
LOS ANGELES, CA 90017
ATTN: CORPORATE TRUST DEPT.

APPLICANT
CATELLUS URBAN
DEVELOPMENT CORPORATION

THIS AMENDMENT IS TO BE CONSIDERED AN INTEGRAL PART OF THE ABOVE CREDIT AND MUST BE ATTACHED THERETO.

THE ABOVE MENTIONED LETTER OF CREDIT IS AMENDED AS FOLLOWS:

1. STATED AMOUNT INCREASED TO \$40,486,580.00.
2. PAGE 2 DELETE, “(B) IN THE CASE OF EACH D DRAWING:
 1. NOT LATER...,
OR
 2. NOT LATER THAN NOON....CALIFORNIA TIME.”

AND REPLACE WITH:

(B) IN THE CASE OF EACH D DRAWING:

- I. NOT LATER THAN 1:00 P.M., CALIFORNIA TIME, ON THE BUSINESS DAY ON WHICH SUCH DEMAND IS PRESENTED TO US, IF SUCH PRESENTATION IS MADE TO US AT OR BEFORE 10:00 A.M., CALIFORNIA TIME,
OR
 2. NOT LATER THAN NOON, CALIFORNIA TIME, ON THE BUSINESS DAY FOLLOWING THE BUSINESS DAY ON WHICH DEMAND IS PRESENTED TO US, IF SUCH PRESENTATION IS MADE TO US AFTER 10:00 A.M., CALIFORNIA TIME.
3. PAGE 2 LAST PARAGRAPH DELETED AND REPLACED WITH THE FOLLOWING:

AN **A DRAWING** SHALL NOT BE PRESENTED TO US (I) MORE THAN ONCE IN ANY CALENDAR MONTH, OR (II) WITH RESPECT TO ANY SINGLE **A DRAWING**, FOR AN AMOUNT MORE THAN \$486,580.00 LESS THE SUM (THE “AGGREGATE INTEREST COVERAGE REDUCTION AMOUNT”) OF (A) THE INTEREST THAT WOULD ACCRUE OVER A PERIOD OF 37 DAYS AT TWELVE PERCENT (12%) PER ANNUM ON ALL AMOUNTS PREVIOUSLY DRAWN IN RESPECT OF PRINCIPAL OF THE BONDS PURSUANT TO **B DRAWINGS**, PLUS (B) THE INTEREST THAT WOULD ACCRUE OVER A PERIOD OF 37 DAYS AT TWELVE PERCENT (12%) PER ANNUM ON ALL AMOUNTS PREVIOUSLY DRAWN IN RESPECT OF PRINCIPAL OF THE BONDS PURSUANT TO **D DRAWINGS** AND NOT REIMBURSED. NO **B DRAWING**, **C DRAWING**, OR **D DRAWING** SHALL BE PRESENTED FOR AN AMOUNT MORE THAN \$40,486,580.00. THE PORTION OF ANY **B DRAWING**, **C DRAWING** OR **D DRAWING** MADE IN RESPECT OF THE PAYMENT OF

ACCRUED AND UNPAID INTEREST ON THE BONDS (AS THAT TERM IS DEFINED BELOW) SHALL NOT BE MORE THAN \$486,580.00, LESS THE AGGREGATE INTEREST COVERAGE REDUCTION AMOUNT. THE PORTION OF ANY **B DRAWING, C DRAWING OR D DRAWING** MADE IN RESPECT OF THE PAYMENT OF PRINCIPAL OF THE BONDS SHALL NOT BE MORE THAN \$40,000,000.00.

4. PARAGRAPH 6 ON ANNEX D DELETED AND REPLACED WITH THE FOLLOWING:

*****URGENT: NOTE THIS IS A DRAWING REQUIRING “SAME DAY” PAYMENT!***** IF THIS DEMAND IS RECEIVED BY YOU AT OR BEFORE 10:00 A.M., CALIFORNIA TIME ON A BUSINESS DAY, YOU MUST MAKE PAYMENT ON THIS DEMAND AT OR BEFORE 1:00 P.M., CALIFORNIA TIME, ON THE SAME BUSINESS DAY. IF THIS DEMAND IS RECEIVED BY YOU AFTER 10:00 A.M., CALIFORNIA TIME ON A BUSINESS DAY, YOU MUST MAKE PAYMENT ON THIS DEMAND AT OR BEFORE NOON, CALIFORNIA TIME, ON THE BUSINESS DAY FOLLOWING SUCH BUSINESS DAY.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

IF YOU REQUIRE ANY ASSISTANCE OR HAVE ANY QUESTIONS REGARDING THIS AMENDMENT, PLEASE CALL 213-345-6630.

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE

APPENDIX B

SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST AND THE FIRST SUPPLEMENTAL INDENTURE OF TRUST

The following is a summary of certain provisions the Indenture and the First Supplemental Indenture of Trust and is not to be considered a complete statement of such document. Reference is made to the complete Indenture and the First Supplemental Indenture of Trust, copies of which are available at the office of the Agency, 770 Golden Gate Avenue, 3rd Floor, San Francisco, California 94102.

Definitions

The following are definitions of certain terms used in this Official Statement including the summaries of the Indenture and the First Supplemental Indenture of Trust.

The term “**Acquisition Agreement**” shall mean the Acquisition Agreement dated as of June 1, 2001, between Catellus and the Agency, as originally executed and as thereafter amended or supplemented in accordance with its terms, and any other such agreement permitted under the terms of the North OPA.

The term “**Act**” shall mean the Mello-Roos Community Facilities Act of 1982, being Sections 53311 et seq. of the California Government Code, as now in effect and as it may from time to time hereafter be amended or supplemented.

The term “**Act of Bankruptcy of the Bank**” shall mean the closing, liquidation or bankruptcy of the Credit Bank, or its failure to pay its debts generally as such debts become due or its admission in writing of its inability to pay any of its indebtedness or its consent to appointment of a receiver, liquidator, trustee or similar official for itself or for all or any substantial part of its properties or assets or the appointment of any such trustee, receiver, liquidator or similar official or the institution of insolvency, reorganization, arrangement or liquidation proceedings (or similar proceedings) by or against the Credit Bank.

The term “**Administrative Expenses**” shall mean costs directly related to the administration of the District consisting of the costs of computing the Special Taxes and preparing the annual Special Tax bills (whether by the Finance Director or designee thereof, or by the Trustee) and the costs of collecting the Special Taxes (whether by the Trustee, the County or otherwise); the costs of remitting the Special Taxes and Tax Increment to the Trustee; fees and costs of the Trustee and any of the Agents (including their respective legal counsel) in the discharge of the duties required of them under the Indenture and the Tax Increment Administration Agreement; fees and expenses of the Remarketing Agent under the Remarketing Agreement; the costs of the Agency or its designee of complying with the disclosure provisions of the Act, any Continuing Disclosure Agreement, the Tax Increment Administration Agreement and the Indenture, including those related to public inquiries regarding the Special Tax and disclosures to Bondowners and the original purchaser of the Bonds from the Agency; the costs of the Agency or its designee related to an appeal of the Special Tax; any amounts required to be rebated to the federal government in order for the Agency to comply with the Indenture; an allocable share of the salaries of the Agency staff directly related to the foregoing and a proportionate amount of Agency general administrative overhead related thereto; and costs related to the Letter of Credit including those fees described in the Credit Agreement chargeable to the District under the terms of the Financing Plan. Administrative Expenses shall also include amounts advanced by the Agency for any administrative purpose of the District, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure compliance with the rebate provisions of the Indenture, and the costs of commencing and prosecuting the foreclosure of delinquent Special Taxes.

The term “**Agency Costs**” shall have the meaning ascribed to such term in the Acquisition Agreement.

The term “**Available Amounts**” shall mean (i) moneys derived from drawings under the Letter of Credit; (ii) Special Tax Revenues; (iii) Tax Increment; (iv) proceeds of the Bonds deposited in the Capitalized Interest Account; (v) amounts for which the Trustee has received, at the time such amounts are deposited with the Trustee, an opinion of Bond Counsel or nationally-recognized counsel experienced in bankruptcy matters, to the effect that the use of such amounts to make payments on the Bonds would not be voidable as preferential payments under the United States Bankruptcy Code should the Agency, the account party under the Letter of Credit, or the guarantor of the obligations of the account party under the Letter of Credit, if any, become a debtor in proceedings commenced thereunder; (vi) moneys held by the Trustee in funds and accounts established under the Indenture for a period of at least 370 days and not commingled with any moneys so held for less than said period and during which period no petition in bankruptcy was filed by or against the account party under the Letter of Credit, any guarantor of the obligations of the account party under the Letter of Credit or the Agency under the United States Bankruptcy Code, unless such petition was dismissed and all applicable appeal periods have expired without an appeal having been filed; or (vii) investment income derived from the investment of moneys described in any of the preceding clauses (i) through (vi).

The term “**Bonds**” shall mean the Series 2001-North Bonds and the Series 2002 North Bonds issued under the Indenture.

The term “**CDIAC**” shall mean the California Debt and Investment Advisory Commission of the State Treasurer of the State of California or any successor agency or bureau thereof.

The term “**Catellus**” shall mean Catellus Development Corporation.

The term “**Code**” shall mean the Internal Revenue Code of 1986, as amended, and the Regulations thereunder, or any successor to the Internal Revenue Code of 1986, as amended.

The term “**Conversion**” shall mean establishment of the interest rate on the Bonds at the Fixed Rate, pursuant to the Indenture.

The term “**Conversion Date**” shall mean the date on which the Fixed Rate becomes effective.

The term “**Credit Agreement**” shall mean the Reimbursement Agreement, of even date with the Indenture, between Catellus Urban Development Corporation and the Credit Bank, as originally executed or as it may from time to time be supplemented or amended in accordance with its terms, providing for the issuance of the Letter of Credit, and any subsequent similar agreement pursuant to which a substitute Letter of Credit may be issued.

The term “**Credit Bank**” shall mean Bank of America, N.A., as issuer of the Letter of Credit, or any issuer of a substitute Letter of Credit as permitted under the Indenture, and the respective successors and assigns of the business thereof and any surviving, resulting or transferee banking association or corporation with or into which it may be consolidated or merged or to which it may transfer all or substantially all of its banking business.

The term “**Debt Service**” shall mean the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

The term “**District**” shall mean the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 4 (Mission Bay North Public Improvements), formed by the Commission of the Agency under the Act and the Resolution of Formation.

The term “**Finance Director**” shall mean the Deputy Executive Director, Finance and Administration, of the Agency or such other officer or employee of the Agency performing the functions of the chief financial officer of the Agency.

The term “**Financing Plan**” shall mean the Financing Plan which is Attachment E to the North OPA.

The term “**First Supplemental Indenture of Trust**” shall mean the First Supplemental Indenture of Trust, dated as of October 1, 2002, between the Agency, for and on behalf of the District and the Trustee.

The term “**Fixed Rate**” shall mean the interest rate borne by the Bonds after Conversion and until the maturity date of the Bonds, determined in accordance with the Indenture.

The term “**holder**” or “**Bondholder**” or “**owner**” or “**Bondowner**” shall mean the person in whose name any Bond is registered.

The term “**Indenture**” shall mean the Indenture of Trust, as supplemented and amended by the First Supplemental Indenture of Trust, and as it may from time to time be further supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions of the Indenture.

The term “**Interest Payment Date**” shall mean July 2, 2001, and (i) for interest accrued during any Variable Period, the first business day of each month thereafter, (ii) for interest accrued during any Reset Period, February 1 and August 1 of each year, commencing on the February 1 or August 1 next following the applicable Reset Date, and (iii) for interest accrued on and after the Conversion Date, February 1 and August 1 of each year, commencing on the February 1 or August 1 next following the Conversion Date.

The term “**Investment Securities**” shall mean any of the following obligations if and to the extent that, at the time of making the investment, they are permitted by law:

(i) Direct obligations of, or obligations the interest on and principal of which are unconditionally guaranteed by, 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 any receipt, certificate or any other evidence of an ownership interest in such an obligation or in specified portions thereof (which may consist of specified portions of interest thereon);

(ii) Obligations issued by the Resolution Funding Corporation, the Student Loan Marketing Association, Fannie Mae, the Federal Home Loan Bank Board, the Federal Farm Credit Bank or the Federal Home Loan Mortgage Association, or obligations, participations or other instruments or issued by, or fully guaranteed as to interest and principal by, the Government National Mortgage Association (excluding stripped mortgage backed securities which are valued at greater than par on the unpaid principal);

(iii) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase through a bank that is a member of the Federal Reserve System and which are drawn on any commercial bank the short-term obligations of which commercial bank are rated in the highest letter and numerical rating category as provided by the Rating Agency; provided, that eligible bankers’ acceptances may not exceed two hundred seventy (270) days’ maturity;

(iv) Commercial paper of “prime” quality of the highest rating category as provided by the Rating Agency, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and that have an “A-1” or “P-1”, or higher (or its equivalent), rating for the issuer’s unsecured debentures, other than commercial paper, as provided by the Rating Agency or

Moody's, as applicable; provided, that eligible commercial paper may not exceed one hundred eighty (180) days' maturity nor represent more than ten percent (10%) of the outstanding commercial paper of any issuing corporation;

(v) Medium-term notes with a maximum maturity of five (5) years which notes are limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and that have an "AA" or higher (or its equivalent), rating for the issuer's unsecured debentures, as provided by the Rating Agency;

(vi) Negotiable and non-negotiable certificates of deposit or bank notes issued by a state or national bank (including the Trustee and its affiliates) or a state-licensed branch of a foreign bank that have maturities of not more than three hundred sixty-five (365) days and that are fully insured by the Federal Deposit Insurance Corporation or the short term obligations of which state or national bank (including the Trustee and its affiliates) or state-licensed branch of a foreign bank are rated no lower "AA" (or the equivalent) by the Rating Agency;

(vii) Any repurchase agreement or reverse repurchase agreement of any securities enumerated in subdivisions (i) and (ii) of this definition with any state or national bank or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, and with respect to which repurchase agreement or reverse repurchase agreement, it is either: (a) with any institution which has debt rated no lower than "AA" (or the equivalent) by the Rating Agency or whose commercial paper is rated no lower than "A1+" (or the equivalent) by the Rating Agency; (b) with any corporation or other entity that falls under the jurisdiction of the Federal Bankruptcy Code; provided, that (1) the term of such repurchase agreement or reverse repurchase agreement is less than one (1) year or due on demand; (2) a third party acting solely as agent has possession of the collateral; (3) the market value of the collateral (as determined at least once every seven (7) days) exceeds the principal amount of the repurchase agreement or reverse repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to the Rating Agency; (4) failure to maintain the requisite collateral levels will require an immediate liquidation of collateral; and (5) the repurchase agreement or reverse repurchase agreement securities are free and clear of any third-party lien or claim; or (c) with financial institutions insured by the Federal Deposit Insurance Corporation or any broker-dealer with "retail customers" that falls under the jurisdiction of the Securities Investors Protection Corporation; provided, that (1) the market value of the collateral (as determined at least once every seven (7) days) exceeds the principal amount of the repurchase agreement or reverse repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to the Rating Agency; (2) a third party acting solely as agent has possession of the collateral; (3) the agent has a perfected first priority security interest in the collateral; (4) the collateral is free and clear of third-party liens and, in the case of a Securities Investors Protection Corporation broker, was not acquired pursuant to repurchase agreement or reverse repurchase agreement; and (5) failure to maintain the requisite collateral percentage will require an immediate liquidation of the collateral; and with respect to any reverse repurchase agreement, the investment is solely done to supplement the income normally received from such securities;

(viii) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State of California or any local agency therein which are rated in the highest short-term rating category or within one of the two highest long-term rating categories by the Rating Agency (excluding securities that do not have a fixed par value and/or the terms of which do not provide a fixed dollar amount at the maturity or call date);

(ix) Interest-bearing demand or time deposits (including certificates of deposit) in a state or national bank (including the Trustee and its affiliates) fully insured by the Federal Deposit

Insurance Corporation; provided, that not greater than one hundred thousand dollars (\$100,000) in the aggregate shall be deposited in any one such financial institution;

(x) Investments in a money-market fund registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by S&P of “AAAMG,” “AAAM” or “AAM” which fund may include a fund for which the Trustee, its affiliates or its subsidiaries provide investment, advisory or other services;

(xi) Investment agreements with entities that meet and maintain the following credit and collateral requirements: (a), they are initially rated “AA” or better (or its equivalent) by the Rating Agency; (b) if the credit quality reaches “AA-” or its equivalent by the Rating Agency the provider either (1) (A) will respond with adequate collateralization within ten (10) business days, (B) will value assets weekly, and (C) will present collateral at one hundred two percent (102%) on U.S. Government Treasury securities and one hundred five percent (105%) on U.S. Government Agency securities or (2) will substitute another entity as the provider so that the rating is AA or better; (c) the provider must maintain minimum credit quality of “A” or its equivalent by the Rating Agency; and (d) the investment agreement must be subject to termination at the option of the Trustee or the Agency if credit ratings reach “A-” or its equivalent by the Rating Agency; and

(xii) Other investments approved in writing by the Agency.

The term “**Issuance Costs**” shall mean all costs and expenses of issuance of the Bonds, including, but not limited to: (1) underwriter’s discount and fees; (ii) counsel fees, including bond counsel, underwriter’s counsel, Credit Bank counsel, Catellus’ counsel and Agency general counsel fees, as well as any other specialized counsel fees incurred in connection with the formation of the District, the Acquisition Agreement, the issuance of the Bonds or the provision of the Letter of Credit; (iii) the Agency’s fees and expenses incurred in connection with the formation of the District and issuance of the Bonds, including fees of any financial advisor to the Agency; (iv) rating agency fees; (v) Trustee’s fees and Trustee’s counsel fees, and initial fees of the Remarketing Agent and Tender Agent; (vi) paying agent’s and certifying and authenticating agent’s fees related to issuance of the Bonds; (vii) accountant’s fees related to issuance of the Bonds; (viii) printing costs of the Bonds and of the preliminary and final official statements; (ix) publication costs associated with the financing proceedings; and (x) costs of engineering and feasibility studies necessary to the issuance of the Bonds. “Issuance Costs” shall include reimbursable amounts described in the Acquisition Agreement.

The term “**Landowner**” means Catellus in its capacity as a party to the North OPA, and its permitted successors and assigns under the terms of the North OPA.

The term “**Letter of Credit**” shall mean that certain irrevocable, direct-pay letter of credit issued by the Credit Bank on or before the Closing Date, or any reissuance or extension thereof, or any substitute letter of credit or other credit instrument provided during any Variable Period, or provided during any Reset Period or provided in connection with or after Conversion, in each case meeting the applicable requirements of the Indenture. It is intended that there will only be one Letter of Credit held by the Trustee at any one time, and that the Letter of Credit will be amended, or a substitute Letter of Credit will be delivered, in connection with the issuance of any Parity Bonds as necessary to satisfy the requirements of the Indenture.

The term “**Market Risk Event**” shall mean (a) (i) legislation enacted by the Congress, or introduced in the Congress, or recommended to the Congress for passage by the President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the United States Congress, or favorably reported for passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or (ii) a decision rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (iii) an order, ruling, regulation or communication (including a press release) issued by the United States department of the Treasury or the Internal Revenue Service, or (iv) any action taken or statement made by or on behalf of the

President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the United States Congress which indicates or implies that legislation will be introduced in the current or next scheduled session of the United States Congress, in each case referred to in clauses (i), (ii), (iii) and (iv) above with the purpose or effect, directly or indirectly, of including interest on the Bonds in the gross income for federal income tax purposes of any owner of the Bonds; or (b) legislation enacted or any action taken by the Securities and Exchange Commission which, in the opinion of counsel to the Remarketing Agent, has the effect of requiring the remarketing of the Bonds to be registered under the Securities Act of 1933, as amended (the "Securities Act"), or any other "security," as defined in the Securities Act, issued in connection with or as part of the remarketing of the Bonds to be so registered or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as amended; or any event shall have occurred or shall exist which, in the reasonable judgment of the Remarketing Agent, makes or has made untrue or incorrect in any material respect any statement or information contained in the reoffering circular distributed in connection with the Conversion or is not or was not reflected in such reoffering circular but should be or should have been reflected therein in order to make the statements or information contained therein not misleading in any material respect; or (c) in the reasonable judgment of the Remarketing Agent, any event which makes it impractical or inadvisable for the Remarketing Agent to remarket or enforce agreements to remarket Bonds because (i) trading in securities generally shall have been suspended on the New York Stock Exchange, Inc., or a general banking moratorium shall have been established by federal, New York or State of California authorities, or (ii) the State of California shall have taken any action, whether administrative, legislative, judicial or otherwise which materially and adversely affects the Remarketing Agent's ability to remarket the Bonds, or (iii) a war or other national calamity involving the United States shall have occurred which materially and adversely affects the Remarketing Agent's ability to remarket the Bonds.

The term "**Moody's**" shall mean Moody's Investors Service, Inc., and any successor thereto.

The term "**North OPA**" shall mean the Mission Bay North Owner Participation Agreement, entered into as of November 16, 1998, between the Agency and the Landowner, as originally executed and thereafter amended or supplemented in accordance with its terms.

The term "**Parity Bonds**" shall mean any bonds issued by the Agency for the District on a parity with any then outstanding Bonds pursuant to the Indenture.

The term "**Payment Request**" has the meaning given such term in the Acquisition Agreement and shall be generally in the form of Exhibit A to the Acquisition Agreement.

The term "**Project**" shall mean the public improvements and facilities authorized to be financed by the District, as described in the Resolution of Formation.

The term "**Purchase Price**", with respect to any Bond required to be purchased pursuant to the Indenture, shall mean the principal amount of such Bond plus interest accrued thereon to the Demand Date.

The term "**Rating Agency**" shall mean S&P or Moody's, or their respective successors and assigns or, if either of such entities shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized rating agency designated by the Agency in replacement of the entity so liquidated or no longer performing such functions.

The term "**Remarketing Date**" shall mean the date by which the Remarketing Agent is required to notify the Trustee, the Tender Agent and the Credit Bank of the Bonds for which it has found purchasers pursuant to the Indenture.

The term "**Reset Date**" shall mean any date upon which the Bonds begin to bear interest at a Reset Rate for the succeeding Reset Period or at a Variable Rate following a Reset Period.

The term “**Reset Period**” shall mean each period during which the Bonds bear interest at a Reset Rate.

The term “**Reset Rate**” shall mean the rate of interest borne by the Bonds as determined in accordance with the reset provisions of the Indenture.

The term “**Resolution of Formation**” shall mean Resolution No. 213-99, adopted by the Commission of the Agency on December 21, 1999.

The term “**Revenues**” shall mean all amounts pledged under the Indenture to the payment of principal of, premium, if any, and interest on the Bonds, consisting of the following: (i) all moneys drawn by the Trustee under the Letter of Credit, (ii) Special Tax Revenues, (iii) Tax Increment, and (iv) any other amounts required by the Indenture to be deposited to the Revenue Fund or otherwise remitted by the Agency to the Trustee with written directions to deposit the same to the Revenue Fund; but such term shall not include amounts deposited to the Administrative Expense Fund or the Improvement Fund, or any earnings thereon.

The term “**S&P**” shall mean Standard & Poor’s, A Division of The McGraw-Hill Companies, and any successor thereto.

The term “**Series 2001 – North Bonds**” shall mean the Bonds so designated and authorized to be issued under the Indenture.

The term “**Series 2002 – North Bonds**” shall mean the Bonds so designated and authorized to be issued under the First Supplemental Indenture of Trust.

The term “**Special Tax Prepayments**” shall mean the proceeds of any Special Tax prepayments received by the Agency, as calculated pursuant to the Rate and Method of Apportionment of the Special Taxes for the District, less any administrative fees or penalties collected as part of any such prepayment.

The term “**Special Tax Revenues**” shall mean the proceeds of the Special Taxes received by the Agency or the Trustee, including any scheduled payments thereof and Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. “Special Tax Revenues” does not include any penalties collected in connection with delinquent Special Taxes, which amounts may be forgiven or disposed of by the Agency in its discretion and, if collected, shall be used in a manner consistent with the Act.

The term “**Special Taxes**” shall mean the special taxes levied within the District pursuant to the Act, the Ordinance and the Indenture.

The term “**supplemental indenture**” shall mean any indenture duly authorized and entered into between the Agency and the Trustee in accordance with the provisions of the Indenture.

The term “**Tax Increment**” shall mean Net Available Increment, as defined in the Financing Plan, but only to the extent remitted to the Trustee for deposit to the Revenue Fund under the terms of the Tax Increment Administration Agreement.

The term “**Tax Increment Administration Agreement**” shall mean Tax Increment Administration Agreement-Mission Bay North, dated as of June 1, 2001, between the Agency and the Trustee, as executed on the Closing Date and as thereafter amended or supplemented in accordance with its terms.

The term “**Tender Notice**” shall mean a notice of demand for purchase of Bonds given by any Bondholder pursuant to the Indenture.

The term “**Variable Interest Accrual Period**” shall mean, (i) during any Variable Period for the Series 2001 – North Bonds, a period beginning on any Thursday and ending on the following Wednesday, except that the first Variable Interest Accrual Period for any Variable Period for the Series 2001 – North Bonds, shall begin on the first day of such Variable Period and end on the following Wednesday and (ii) during any Variable Period for the Series 2002-North Bonds, a period beginning on any Wednesday and ending on the following Tuesday, except that the first Variable Interest Accrual Period for any Variable Period for the Series 2002-North Bonds shall begin on the first day of such Variable Period and end on the following Tuesday. Notwithstanding the foregoing, the Variable Interest Accrual Period shall be changed, upon at least two business days’ prior written notice by the Remarketing Agent to the Trustee, the Credit Bank and the Agency, to a period beginning on any day of the week specified by such Remarketing Agent in such notice and ending on the sixth day following such beginning day, and in the event of such a change the Variable Interest Accrual Period immediately preceding the effective date of such change shall end on the day immediately preceding such effective date.

The term “**Variable Interest Computation Date**” shall mean, with respect to any Variable Interest Accrual Period other than the first Variable Interest Accrual Period, the first business day immediately preceding the first day of such Variable Interest Accrual Period; provided, that in the event the Remarketing Agent shall change the Variable Interest Accrual Period as provided in the Indenture, the Variable Interest Computation Date shall be the day specified in a written notice provided by the Remarketing Agent.

The term “**Variable Period**” shall mean each period during which the Bonds bear interest at a Variable Rate.

The term “**Variable Rate**” shall mean, with respect to any specific series of the Bonds, the variable rate of interest borne by such series of Bonds as determined in accordance with the variable rate provisions of the Indenture.

The term “**Variable Rate Adjustment Date**” shall mean any date upon which the Bonds begin to bear interest at a Variable Rate for the succeeding Variable Period.

THE INDENTURE OF TRUST

Pledge of Revenues

The Bonds are secured by a first pledge of all of the Revenues and all moneys deposited in the Bond Fund (including the Capitalized Interest Account and the Special Tax Prepayments Account therein) and, until disbursed as provided in the Indenture, in the Revenue Fund.

Amounts in the Administrative Expense Fund, the Costs of Issuance Fund and the Improvement Fund (including the accounts established therein) are not pledged to the repayment of the Bonds. The facilities acquired with the proceeds of the Bonds are not in any way pledged to pay the Debt Service on the Bonds. Any proceeds of condemnation or destruction of any facilities financed with the proceeds of the Bonds are not pledged to pay the Debt Service on the Bonds and are free and clear of any lien or obligation imposed under the Indenture.

Funds and Accounts

The Indenture establishes the following funds and accounts:

Improvement Fund

- Bond Proceeds Account
- Tax Increment Proceeds Account
- Project Supervision Account

Costs of Issuance Fund

- Revenue Fund
- Administrative Expense Fund

Bond Fund

- Special Tax Prepayments Account
- Capitalized Interest Account

The First Supplemental Indenture of Trust also creates within the Bond Proceeds Account and the Project Supervision Account of the Improvement Fund separate subaccounts designated as the “2002 Subaccount” of the respective account, established for purposes of accounting for the use and disposition of the portion of the proceeds of the Series 2002-North Bonds deposited to such 2002 Subaccounts pursuant to the First Supplemental Indenture of Trust and, except upon receipt by the Trustee of a Payment Request, amounts in such subaccounts shall be part of the amounts on deposit in the respective accounts to which they pertain. In the event the Trustee receives a Payment Request, the proceeds of the Series 2001 – North Bonds deposited in the Bond Proceeds Account and the Project Supervision Account and any investment earnings thereon, respectively, shall be used prior to the proceeds of the Series 2002 – North Bonds deposited in the 2002 Subaccount of the respective account.

The First Supplemental Indenture of Trust also creates within the Administrative Expense Fund a separate subaccount designated as the “2002 Subaccount” established for purposes of accounting for the use and disposition of the portion of the proceeds of the Series 2002-North Bonds deposited to such 2002 Subaccount pursuant to the First Supplemental Indenture of Trust. Amounts in such subaccount shall be deemed to be part of the amounts on deposit in the Administrative Expense Fund; provided however, that amounts deposited in the Administrative Expenses Fund from proceeds of the Series 2002-North Bonds and any earnings thereon shall be drawn only after all amounts deposited to the Administrative Expense Fund from the proceeds of the Series 2001 – North Bonds and any investment earnings on such amounts have been expended for purposes of the Administrative Expense Fund under the Indenture.

The First Supplemental Indenture of Trust also creates within the Capitalized Interest Account of the Bond Fund a separate subaccount designated as the “2002 Subaccount” established for purposes of accounting for the disposition of the portion of the proceeds of the Series 2002-North Bonds deposited to such 2002 Subaccount pursuant to the First Supplemental Indenture of Trust. Amounts in such subaccount be deemed to be part of the amounts on deposit in the Capitalized Interest Account; provided, however, that amounts deposited to the Capitalized Interest Account from the proceeds of the Series 2001-North Bonds and any investment earnings thereon shall be used solely to make payments on the Series 2001-North Bonds and amounts deposited to the 2002 Subaccount of the Capitalized Interest Account and any investment earnings thereon shall be applied solely to make payments on the Series 2002-North Bonds.

Improvement Fund

Disbursements from the accounts within the Improvement Fund shall be made by the Trustee upon receipt of a certificate of the Agency. Amounts held in the Bond Proceeds Account and the Tax Increment Proceeds Account will be used to pay the costs of the Project pursuant to the terms of the Acquisition

Agreement or, if no Acquisition Agreement is then in effect, as permitted by the Act; provided that (i) unless otherwise directed by an authorized Agency representative in writing, amounts in the Bond Proceeds Account must be used prior to the use of amounts in the Tax Increment Proceeds Account for such purpose; and (ii) amounts in the Tax Increment Proceeds Account may not be used to pay costs of the Project for portions thereof which the Agency identifies to the Trustee as not within or of direct benefit to the North Plan Area (as defined in, and determined by the Agency consistent with the terms of, the North OPA). Amounts held in the Project Supervision Account will be used to pay costs of the Agency or the City incurred in connection with the acquisition of the Project under the Acquisition Agreement (including costs related to inspections, bid package and other reviews, cost verification and any other activities conducted by the City or the Agency or any consultants retained by either of them pursuant to the Acquisition Agreement), or to pay other Agency costs.

In the event that there are insufficient funds on deposit in the Bond Proceeds Account and/or the Tax Increment Proceeds Account to satisfy a draw on amounts in such accounts pursuant to a Certificate of the Agency, or a Payment Request, the Trustee shall notify the Agency in writing as to the amount of the shortfall. The Trustee shall then follow any Written Direction of the Agency received by the Trustee regarding the use of moneys under the Tax Increment Administration Agreement to satisfy all or a part of the insufficiency.

Upon the filing of a certificate of the Agency stating that the Project has been completed and that all costs of the Project and all Agency Costs have been paid, or that any such costs are not required to be paid from the Improvement Fund, the Trustee will transfer (i) the amount, if any, remaining in the Bond Proceeds Account within the Improvement Fund to the Bond Fund to be used (A) to pay debt service on the Bonds (if the amount so transferred is less than \$100,000, or with respect to any amount not used to redeem Bonds), or (B) to redeem Bonds on the next redemption date for which notice of redemption can timely be given under the related provisions of the Indenture (if the amount so transferred is in excess of \$100,000, but only in increments of \$100,000 or any \$5,000 multiple in excess thereof), and (ii) the amount, if any, remaining in the Tax Increment Proceeds Account and the Project Supervision Account within the Improvement Fund to the Agency for application as provided in the Tax Increment Administration Agreement or otherwise in accordance with the Financing Plan.

In addition to the foregoing, if (i) the Finance Director determines that work necessary to construct and complete the Project has ceased for a continuous period of over twelve months such that the construction of the Project effectively has been abandoned, or that for any reason (including but not limited to, termination of, or the occurrence of any event that would permit termination of, any Acquisition Agreement then in effect) all or any portion of the amounts then on deposit in the Bond Proceeds Account will not be expended for Project costs or Agency Costs, or (ii) the Finance Director receives a written certificate of an independent financial consultant to the effect that the Project has been abandoned or all or any portion of the amounts then on deposit in the Bond Proceeds Account will not be expended for Project costs or Agency Costs, the Finance Director is required to file a certificate of the Agency with the Trustee to that effect and which identifies the amounts then on deposit in the Bond Proceeds Account of the Improvement Fund that are not expected to be used for Project costs or Agency Costs due to such abandonment or other reason. The Trustee, upon receipt of such certificate, will transfer the amounts identified therein from the Bond Proceeds Account to the Bond Fund to be used (A) to pay debt service on the Bonds (if the amount so transferred is less than \$100,000, or with respect to any amount not used to redeem Bonds), or (B) to redeem Bonds on the next redemption date for which notice of redemption can timely be given under the Indenture (if the amount so transferred is in excess of \$100,000, but only in increments of \$100,000 or any \$5,000 multiple in excess thereof).

When all amounts in the Improvement Fund and the accounts therein have been disbursed, the Improvement Fund shall be closed.

Revenue Fund

Under the Indenture, the Trustee will deposit Revenues in the Revenue Fund; provided, however, that (i) any proceeds of draws on the Letter of Credit will be deposited directly to the Bond Fund, and (ii) any proceeds of Special Tax Prepayments to be used to pay the principal portion of any Bonds to be redeemed and any redemption premium due on such redemption will be transferred by an authorized Agency representative directly to the Trustee for deposit in the Special Tax Prepayments Account.

On the fifth business day before each Interest Payment Date, the Trustee will withdraw from the Revenue Fund and transfer to the Bond Fund all amounts then on deposit in the Revenue Fund. On each Interest Payment Date the Trustee will withdraw from the Revenue Fund and transfer to the Bond Fund any Special Tax Revenues received pursuant to a billing in respect of such Interest Payment Date. Amounts in the Revenue Fund will also be transferred from time to time by the Trustee to the Administrative Expense Fund as necessary to pay Administrative Expenses, upon receipt by the Trustee of a certificate of the Agency requesting such a transfer, but any such transfers shall not exceed, in any fiscal year, the aggregate of (i) the amount, if any, included in the Special Tax levy for such fiscal year for Administrative Expenses, and (ii) the amount of any Tax Increment transferred to the Trustee under the Tax Increment Administration Agreement for deposit in the Revenue Fund and identified by the Agency to be used to pay Administrative Expenses.

Administrative Expense Fund

Amounts in the Administrative Expense Fund will be used to pay Administrative Expenses or Issuance Costs. Annually, on the last day of each fiscal year commencing with the last day of fiscal year 2003-2004, the Trustee will withdraw any amounts then remaining in the Administrative Expense Fund that have not been allocated to pay Administrative Expenses incurred but not yet paid as directed pursuant to a certificate of the Agency, and transfer such amounts to the Revenue Fund.

Bond Fund

Under the Indenture the Trustee will deposit in the Bond Fund upon receipt thereof (i) all amounts drawn by the Trustee under the Letter of Credit; (ii) income received from the investment of moneys on deposit in the Bond Fund; and (iii) amounts transferred from the Revenue Fund, the Capitalized Interest Account, the Special Tax Prepayments Account, and from the Bond Proceeds Account. The Trustee will establish a separate subaccount in the Bond Fund for amounts drawn under the Letter of Credit, and such amounts will not be commingled with other moneys in the Bond Fund.

Except as provided in the Indenture with respect to certain unclaimed moneys, moneys in the Bond Fund will be used solely for the payment of the principal of and premium, if any, and interest on the Bonds as the same shall become due, whether at maturity or upon redemption or otherwise; provided that, (i) upon receipt by the Trustee of the proceeds of a draw on the Letter of Credit and payment of the interest and/or principal then due on the Bonds with such proceeds or other Available Amounts in the Bond Fund, the Trustee will remit to the Credit Bank, from amounts (if any) then on deposit in the Bond Fund, an amount equal to the proceeds of such draw received by the Trustee, and (ii) following the payment of amounts due on the Bonds and any transfer described in the preceding clause (i), any then remaining amounts in the Bond Fund will be transferred by the Trustee to the Revenue Fund. In making regularly scheduled payments of interest on or principal of the Bonds, the Trustee will (a) first use amounts drawn by the Trustee under the Letter of Credit; and (b) then use Available Amounts held in the Bond Fund, except proceeds of a draw under the Letter of Credit.

Moneys in the Special Tax Prepayments Account will be transferred by the Trustee to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under the Indenture and used to redeem Bonds on said redemption date.

Moneys in the Capitalized Interest Account are to be transferred by the Trustee to the Bond Fund on the fifth business day prior to each Interest Payment Date, so long as moneys are on deposit in the Capitalized Interest Account, in an amount equal to the lesser of (i) the interest due on the Bonds on the succeeding Interest Payment Date less any Tax Increment on deposit in the Revenue Fund that is transferred from the Revenue Fund to the Bond Fund in respect of such Interest Payment Date pursuant to the Indenture or (ii) the amount then on deposit in the Capitalized Interest Account. When no amounts remain on deposit in such account, the Capitalized Interest Account shall be closed.

Investment of Moneys in Funds and Accounts

Any moneys in any of the funds and accounts established pursuant to the Indenture will be invested by the Trustee, if and to the extent then permitted by law, in Investment Securities selected and directed in writing by the Agency, with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than the date on which it is estimated that such moneys will be required by the Trustee. In the absence of such directions, the Trustee will invest such moneys in Investment Securities described in clause (x) of the definition thereof. Amounts drawn under the Letter of Credit and proceeds received from the remarketing of the Bonds shall not be invested. Available Amounts held in the Bond Fund other than amounts drawn under the Letter of Credit shall be invested only in Investment Securities described in clauses (i) or (x) of the definition thereof maturing or subject to payment upon demand of the holder thereof within not more than 30 days after the acquisition of any such investment and in any event not later than the date on which it is estimated that such moneys will be required by the Trustee. For the purpose of determining the amount in any fund or account all Investment Securities credited to such fund or account are to be valued at the lower of cost or par (which will be measured exclusive of accrued interest after the first payment of interest following purchase).

Letters of Credit

The Indenture requires that there be provided at all times an irrevocable direct pay Letter of Credit (whether in the form of a letter of credit or any other credit instrument) meeting the requirements of the Indenture. The Agency and Catellus each has the right at any time, whether or not in connection with Conversion or any Reset Date or the pending expiration of any then-outstanding Letter of Credit, to provide to the Trustee a substitute Letter of Credit meeting the requirements of the Indenture. The Trustee will mail notice to the owners of the Bonds of the proposed substitution not less than 10 days prior to the effective date of the substitution. Each Letter of Credit must be issued by a national banking association organized under the National Banking Act, or any successor law, or a banking corporation organized under the laws of any state of the United States, or a savings and loan association or corporation or savings bank organized under the laws of the United States or any state thereof, or a branch or agency of a foreign banking corporation or association licensed in one of the States of the United States, or any other issuer acceptable to the Agency; provided that the long term unsecured debt obligations of any such association, organization or other organization are rated "A" or its equivalent or better by S&P or Moody's and whose letter of credit results in variable rate debt that is rated "A-1" or its equivalent or better by S&P or "P-1" or its equivalent by Moody's. Each Letter of Credit delivered to the Trustee in substitution for the then-outstanding Letter of Credit is required to be accompanied by a written statement, signed by an officer of the Rating Agency to the effect that the then rating (long-term rating in the case of Bonds in a Reset Period or upon or after Conversion) on the Bonds will not be lowered or withdrawn following the delivery of such Letter of Credit.

In addition, while the Bonds bear interest at a Variable Rate, each Letter of Credit must be issued in an amount not less than the sum of the aggregate principal amount of the Bonds then outstanding, plus an amount equal to interest on the Bonds for a period of thirty-seven (37) days (or such lesser or greater number of days as shall be necessary to obtain the required statement of the Rating Agency) calculated at an assumed rate of twelve percent (12%) per annum or such higher rate as may be determined in accordance with the provisions of the Indenture. While the Bonds are in a Reset Period or upon or after Conversion, each Letter of Credit must be issued in an amount not less than the sum of the aggregate principal amount of the Bonds then outstanding,

plus the maximum amount of premium due upon any redemption of the Bonds under the Indenture or any supplemental indenture, plus an amount equal to interest on the Bonds for a period of 180 days (or such lesser or greater number of days as shall be necessary to obtain the required statement of the Rating Agency).

Parity Bonds

The Indenture permits the Agency to issue Parity Bonds, if among others, the following conditions precedent are met: (i) the Agency is in compliance on the date of issuance of the Parity Bonds with all covenants set forth in the Indenture; (ii) the supplemental indenture providing for the issuance of such Parity Bonds provides that interest thereon will be payable on Interest Payment Dates and principal thereof will be payable on August 1 in any year in which principal is payable (in any event Parity Bonds may be structured as current interest bonds with interest payable on Interest Payment Dates, as compound interest bonds with interest payable at maturity or as convertible compound interest bonds with interest payable on Interest Payment Dates following a specified date); and (iii) the Agency or Catellus obtains a new Letter of Credit or an amendment to the Letter of Credit then in effect such that the Letter of Credit in effect following the date of issuance of the Parity Bonds will satisfy the applicable requirements of the Indenture.

Certain Covenants

Preservation of Revenues. The Agency covenants not to take any action to interfere with or impair the pledge and assignment under the Indenture of the Revenues. The Agency will not encumber, pledge or place any charge or lien upon any of the Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien created by the Indenture for the benefit of the Bonds, except as permitted by the Indenture.

Compliance with Indenture. The Agency agrees not to issue, or permit to be issued, any Bonds secured or payable in any manner out of Revenues in any manner other than in accordance with the provisions of the Indenture; it being understood that the Agency reserves the right to issue obligations payable from and secured by sources other than the Revenues and the assets assigned in the Indenture. The Agency covenants not to suffer or permit any default to occur under the Indenture, but to faithfully observe and perform all the covenants, conditions and requirements thereof.

Collection of Revenues. Six business days prior to each Interest Payment Date, the Trustee agrees to make a demand upon the trustee under the Tax Increment Administration Agreement for a withdrawal in an amount equal to the lesser of (i) the debt service due on the Bonds on the next Interest Payment Date, less any amounts then on deposit in the Bond Fund and available to make payments on the Bonds and any expected transfers from amounts then on deposit in the Bond Proceeds Account of the Improvement Fund, or the Revenue Fund to occur in respect of such Interest Payment Date; or (ii) the amount on deposit under the Tax Increment Administration Agreement is available for such purpose.

Five business days prior to each Interest Payment Date, and following any demand and/or transfers described in the preceding paragraph or from the Revenue Fund to occur in respect of such Interest Payment Date, the Trustee is required to determine the difference between the amount available in the Bond Fund to pay debt service due on the Bonds on such Interest Payment Date and the debt service so due and payable. In the event of a shortfall in amounts needed to pay debt service on such Interest Payment Date, the Trustee must on the fifth business day prior to such Interest Payment Date, send a Special Tax Bill to the applicable taxpayers in the District, allocating a portion of the amount so due to each parcel in the District according to the percentages in the report, as in effect from time to time, delivered by the Finance Director to the Trustee. Any Special Tax Revenues received during the period commencing on the date which is five business days prior to any Interest Payment Date and ending on such Interest Payment Date will be deposited to the Bond Fund.

In determining the debt service due on the Bonds for the purposes described in the preceding two paragraphs, if a new Variable Interest Accrual Period will commence at any time during the six business day

period prior to the applicable Interest Payment Date, the Trustee will assume that the Variable Rate in effect at the time such determinations are made will remain in effect until the applicable Interest Payment Date. If a Variable Interest Computation Date occurs during the period commencing six business days before any Interest Payment Date to such Interest Payment Date, and the Variable Rate increases on such Variable Interest Computation Date, the Indenture requires the Trustee on the Interest Payment Date to make a demand upon the trustee for a withdrawal from amounts on deposit under the Tax Increment Administration Agreement and available therefor for the increase in the amount of interest due on the Bonds on such Interest Payment Date as a consequence of such increase in the Variable Rate.

Covenant to Foreclose. Pursuant to Section 53356.1 of the Act, the Agency covenants that it will order, and cause to be commenced in accordance with the Indenture and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due. The Finance Director is required to notify the Agency's General Counsel of any such delinquency of which he or she is aware, and the Agency's General Counsel must commence, or cause to be commenced, such proceedings.

Under the Indenture, the Trustee agrees each month to compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the Trustee. If there is a delinquency in the payment of any Special Taxes as of the end of any month, then the Trustee will notify the Finance Director in writing of the delinquency and the Finance Director will send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 10 days of receipt of such notification by the Trustee, and (if the delinquency remains uncured) foreclosure proceedings are to be commenced by the Agency within 45 days of such determination to the extent permissible under applicable law. Notwithstanding the foregoing, under the Indenture, the Finance Director in his or her discretion may defer all or any of the actions described in the preceding sentence so long as there is no pending default in the payment of principal of and interest due on the Bonds.

State Reporting Requirements. The Indenture provides for the following reporting requirements:

(i) Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Finance Director will cause the following information to be supplied to CDIAC: (i) the principal amount of the Bonds outstanding, (ii) that there is no Reserve Fund for the Bonds; (iii) the balance, if any, in the Capitalized Interest Account; (iv) the number of parcels in the District which are delinquent in the payment of Special Taxes, the amount of each delinquency, the length of time delinquent and when foreclosure was commenced for each delinquent parcel; (v) the balances in the accounts within the Improvement Fund, and (vi) the assessed value of all parcels in the District subject to the levy of the Special Taxes as shown in most recent equalized roll.

(ii) If at any time the Trustee fails to pay principal and interest due on any scheduled payment date for the Bonds, the Trustee is required to notify the Finance Director of such failure or withdrawal in writing, and the Finance Director will notify CDIAC and the original purchaser of the Bonds from the Agency of such failure or withdrawal within 10 days of such failure or withdrawal.

(iii) The chief fiscal officer of the Agency must file a report with the Commission of the Agency no later than January 1, 2002 and at least once a year thereafter, which annual report shall contain: (i) the amount of Special Taxes collected and expended with respect to the District, (ii) the amount of Bond proceeds collected and expended with respect to the District, and (iii) the status of the Project. The Revenue Fund and the Special Tax Prepayments Account are the accounts into which Special Taxes collected on the District will be deposited for purposes of Section 50075.1(c) of the California Government Code, and the Capitalized Interest Account, the Costs of Issuance Fund, Bond Proceeds Account, Project Supervision Account and the Administrative Expense fund are the funds

and accounts into which Bond proceeds will be deposited for purposes of Section 53410(c) of the California Government Code.

(iv) The reporting requirements of the Indenture will be amended from time to time, without action by the Agency or the Trustee to reflect any amendments to the relevant provisions of the California Government Code.

The Finance Director will provide copies of any of such reports to any Bondowner upon the written request of a Bondowner and payment by the person requesting the information of the cost of the Agency to produce such information and pay any postage or other delivery cost to provide the same, as determined by the Finance Director.

Reduction of Special Taxes. The Agency covenants and agrees to not consent or conduct proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the District below an amount, for any fiscal year, equal to 110% of the aggregate of the debt service due on the Bonds in such fiscal year, plus a reasonable estimate of Administrative Expenses for such fiscal year.

Limits on Special Waivers and Bond Tenders. The Agency covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare a Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the owners of the Bonds and further covenants not to permit the tender of Bonds in payment of any Special Taxes except upon a determination by the Finance Director that to accept such tender will not result in the Agency having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and any Parity Bonds remaining outstanding following such tender.

Release of Property Subject to Special Tax Lien. The Agency may at anytime, without notice to or the consent of the Trustee or the Bondowners, release property in the District from the lien of Special Taxes to the extent that such property becomes "Exempt Land" as defined in accordance with the provisions of the Rate and Method of Apportionment of Special Taxes for the District.

Further Assurances. Whenever and so often as requested so to do by the Trustee, the Agency agrees promptly to execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Bondholders all of the rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Indenture and to perfect and maintain as perfected such rights, interests, powers, benefits, privileges and advantages.

Liability of the Agency

The Agency will not incur any responsibility in respect of the Bonds or the Indenture other than in connection with the duties or obligations explicitly therein or in the Bonds assigned to or imposed upon it. The Agency will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful default. The Agency will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions covenants or agreements of the Trustee under the Indenture or of any of the documents executed by the Trustee in connection with the Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the Agency and the Finance Director may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Agency and conforming to the requirements of the Indenture. The Agency, including the Finance Director, will not be liable for any error of judgment made in good faith unless it was negligent in ascertaining the pertinent facts.

No provision of the Indenture requires the Agency to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Revenues) in the performance of any of its obligations under the Indenture or in the exercise of any 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.

The Agency and the Finance Director may rely and will be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or proper parties.

Events of Default and Remedies

Under the Indenture, each of the following is an “Event of Default”:

- (i) failure to pay the principal of or premium (if any) on any Bond when and as the same shall become due and payable;
- (ii) failure to pay any installment of interest on any Bond when such interest installment shall become due and payable;
- (iii) failure to pay the Purchase Price of any Bond tendered in accordance with the provisions of the Indenture when such Purchase Price shall become due and payable; and
- (iv) failure by the Agency to perform or observe any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds, and the continuation of such failure for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Agency by the Trustee, or to the Agency and the Trustee by the holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time outstanding.

No default described in (iv) above will constitute an Event of Default unless the Agency shall have failed to correct such default within the applicable period; provided, however, that if the default is such that it cannot be corrected within such period, it will not constitute an Event of Default if corrective action is instituted by the Agency within the applicable period and diligently pursued until the default is corrected.

If one or more of the Events of Default shall occur and be continuing, the Trustee may, and upon the written request of the holders of a majority in principal amount of the Bonds then outstanding and upon being indemnified to its satisfaction therefor the Trustee shall, proceed to protect or enforce its rights or the rights of the holders of Bonds under the Act or under the Indenture and the Letter of Credit, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained therein, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee deems most effectual in support of any of its rights or duties under the Indenture; provided that any such request from the Bondholders must not be in conflict with any rule of law or with the Indenture, expose the Trustee to personal liability or be unduly prejudicial to Bondholders not joining therein.

Under the Indenture the Agency covenants that, upon the happening of any Event of Default, the Agency will pay to the Trustee upon demand, but only out of Revenues, the whole amount then due and payable thereon for interest or for principal and premium, or both, as the case may be, and all other sums which may be due under or secured by, the Indenture. In case the Agency shall fail to pay the same forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, and upon being indemnified to its satisfaction will be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to

recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of, Revenues and any other assets pledged, transferred or assigned to the Trustee under the Indenture.

No delay or omission of the Trustee or of any holder of Bonds to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the holders of Bonds may be exercised from time to time and as often as shall be deemed expedient. In case the Trustee shall have proceeded to enforce any right under the Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Agency, the Trustee, the Credit Bank and the holders of the Bonds, severally and respectively, shall be restored to their former positions and rights under the Indenture, in respect to the trust estate; and all remedies, rights and powers of the Agency, the Trustee and the holders of the Bonds shall continue as though no such proceeding had been taken.

Trustee and Tender Agent

The Indenture requires that there at all times be a trustee thereunder which must be (a) the same entity that is acting as "Trustee" under and as defined in the Tax Increment Administration Agreement, and (b) a corporation or banking association organized and doing business under the laws of the United States or of a state thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such corporation or banking association will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice delivered to the Agency and by giving written notice to the Bondholders by first class mail. Upon receiving such notice of resignation, the Agency is to promptly appoint a successor trustee by an instrument in writing. If no successor trustee shall have been so appointed and have accepted appointment within forty-five (45) days after the giving of such notice of resignation, the resigning trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Bondholder who has been a bona fide holder of a Bond for at least six months may, on behalf of itself and others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, appoint a successor trustee.

In case at any time either (1) the Trustee ceases to be eligible in accordance with the provisions of the Indenture and fails to resign after written request therefor by the Agency or by any Bondholder who has been a bona fide holder of a Bond for at least six (6) months, or (2) the Trustee becomes incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, the Agency must remove the Trustee and, upon such removal or upon any other removal, except as otherwise provided in the Indenture, shall appoint a successor trustee by an instrument in writing, or any such Bondholder may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, remove the Trustee and appoint a successor trustee.

The Agency or, but only if an Event of Default has occurred and is continuing, the holders of a majority in aggregate principal amount of the Bonds at the time outstanding, may at any time remove the Trustee and the Agency may appoint a successor trustee, in each case by an instrument or concurrent

instruments in writing signed by the Agency and delivered to the Trustee, the Tender Agent, the Agency, the Credit Bank and the Remarketing Agent.

Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of the Indenture shall become effective only upon acceptance of appointment and assumption of duties by the successor trustee and upon transfer of the Letter of Credit to the successor Trustee and assumption by the successor Trustee of the obligations of the Trustee under the Tax Increment Administration Agreement

Under the Indenture the Tender Agent is to be a commercial bank or trust company with an office or affiliate in New York, New York, having a capitalization of at least \$25,000,000 and authorized by law to perform all the duties imposed upon it by the Indenture; provided that, in any event, the Trustee may serve as the Tender Agent. The Tender Agent shall be the Trustee or an affiliate of the Trustee unless the Trustee has no affiliate meeting the requirements described in the first sentence of this paragraph, in which case the selection of the Tender Agent shall be subject to the approval of the Credit Bank. The Tender Agent may at any time resign and be discharged by giving at least sixty (60) days' notice to the Trustee, the Agency and the Credit Bank. The Tender Agent may be removed at any time by an instrument signed by the Trustee and filed with the Tender Agent, the Remarketing Agent and the Agency.

Remarketing Agent

The Remarketing Agent must be a national banking association or a member of the National Association of Securities Dealers, Inc., and authorized by law to perform all the duties imposed upon it by the Indenture and the Remarketing Agreement. The Remarketing Agent may at any time resign and be discharged of the duties and obligations under the Indenture by giving at least sixty (60) days' written notice to the Agency, the Credit Bank, the Trustee and the Tender Agent, but any such resignation shall not be effective until a successor is appointed and has accepted such appointment. The Remarketing Agent may be removed upon thirty days written notice, and a successor Remarketing Agent appointed by the Agency upon receipt by the Trustee of an instrument directing such removal and appointment, (i) signed by the Agency and filed with the Remarketing Agent, the Trustee and the Tender Agent, or (ii) signed by the Credit Bank and filed with the Agency, the Remarketing Agent, the Trustee and the Tender Agent, which the Credit Bank certifies that Bonds that have been tendered for purchase pursuant to the Indenture have not been remarketed within thirty (30) days of such tender. Within thirty (30) days after receipt of such filing, the Trustee will confirm in writing to the successor Remarketing Agent, the Credit Bank and the Agency that such removal has been approved and the successor Remarketing Agent has been appointed. No removal of the Remarketing Agent shall be effective until a successor is appointed and has accepted such appointment.

Remarketing of Bonds

Upon the receipt by the Remarketing Agent of any notice from the Tender Agent that any Bondholder (or Direct Participant, with respect to any Bonds in "book-entry only" form) has delivered a Tender Notice pursuant to the Indenture, or upon receipt of any notice from the Trustee of Bonds deemed to have been tendered in accordance with the provisions of the Indenture, the Remarketing Agent will offer for sale and use its best efforts to market the Bonds referred to in such Tender Notice at a price of par plus accrued interest to the Demand Date, in accordance with the Remarketing Agreement. The Remarketing Agent will give telephonic notice, promptly confirmed in writing, to the Trustee, the Tender Agent and the Credit Bank by 4:00 p.m., New York City time, on the day prior to each Demand Date, including any Reset Date or Conversion Date (each, a "Remarketing Date") of such Bonds, if any, for which it has found purchasers as of such Remarketing Date, the Purchase Price at which the Bonds are to be sold and the Demand Date. The Remarketing Agent shall instruct such purchasers to deliver to it, no later than 11:00 a.m., New York City time, on the Demand Date, in same day funds, the amount required to purchase such Bonds. If the Bonds are no longer held in book-entry only form pursuant to the Indenture, upon receipt by the Remarketing Agent of such amount from such purchasers, the Remarketing Agent will give written instructions to the Tender Agent,

as co-authenticating agent, to transfer the registered ownership of the Bonds to the respective purchasers, and to deliver such Bonds to such purchasers. The Remarketing Agent will remit the Purchase Price of such Bonds to the Tender Agent, no later than 11:30 a.m., New York City time, on the Demand Date, and the Tender Agent will remit the Purchase Price of such Bonds to the tendering Bondholder or Bondholders.

In the event that any purchaser which shall have been identified by the Remarketing Agent to the Trustee and the Tender Agent fails to pay the Purchase Price for any Bonds prior to 11:30 a.m., New York City time, on the Demand Date, the Remarketing Agent is not obligated to accept delivery of such amount after such time. The Remarketing Agent will immediately notify the Trustee, the Credit Bank and the Tender Agent of any such failure to receive the Purchase Price for such Bonds. One business day prior to the Demand Date and on the Demand Date (including any Reset Date or the Conversion Date), the Tender Agent will notify the Trustee, the Credit Bank and the Remarketing Agent of the amount of funds held by the Tender Agent as of 11:45 a.m., New York City time, on each such date constituting the Purchase Price of the Bonds remarketed by the Remarketing Agent.

In the event that the proceeds of remarketing of any Bond in respect of which a Tender Notice has been given have not been received by the Tender Agent on or prior to 8:45 a.m., California time, on the Demand Date, the Trustee will draw on the Letter of Credit in an amount sufficient to enable the Tender Agent to pay the Purchase Price of such Bond. On each Demand Date, the Trustee will pay to the Tender Agent, but only from amounts drawn under the Letter of Credit, the Purchase Price of any Bonds for which it has received a Tender Notice and which have not been remarketed or arrange to have such amounts drawn under the Letter of Credit to be paid directly to the Tender Agent. Upon receipt of such Purchase Price and upon receipt of the Bonds tendered for purchase, the Tender Agent will pay such Purchase Price to the registered owners thereof; provided that if the Purchase Price was theretofore paid from the proceeds of a draw on the Letter of Credit, the Tender Agent will pay such amount to the Credit Bank.

Modification of Indenture

The Agency and the Trustee, may, with the prior written consent of the Credit Bank, but without the consent of the owners, enter into an indenture or indentures supplemental to the Indenture, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Agency other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power therein reserved to or conferred upon the Agency; provided that no such covenant, agreement, assignment, pledge or surrender shall materially adversely affect the interests of the holders of the Bonds;

(ii) to evidence the succession of a new Trustee under the Indenture, or to provide for the appointment of a co-trustee or for a paying agent in addition to the Trustee;

(iii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing 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 not inconsistent with the Indenture and which shall not materially adversely affect the interests of the holders of the Bonds;

(iv) to provide for the issuance of coupon bonds; provided, however, that the Agency and the Trustee shall have received an opinion of Bond Counsel to the effect that issuance of the Bonds in coupon form complies with all applicable laws and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes;

(v) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar federal statute, and which shall not materially adversely affect the interests of the holders of the Bonds;

(vi) to make such additions, deletions or modifications as may be necessary to assure compliance with the Code, or otherwise to assure the exclusion from gross income under federal tax law of interest on the Bonds;

(vii) to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise required consent of the owners, if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least thirty (30) days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture; or

(viii) to make provisions for the issuance of Parity Bonds.

With the prior written consent of the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding, evidenced as provided in the Indenture, and the prior written consent of the Credit Bank, the Agency and the Trustee may enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture; however, that, except to the extent permitted as described in clause (vii) of the modifications permitted without the consent of the owners, no such supplemental indenture shall (a) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each Bond so affected, or (b) reduce the aforesaid percentage of holders of Bonds whose consent is required for the execution of such supplemental indentures, or permit the creation of any lien on the Revenues prior to or on a parity with the lien of the Indenture, except as permitted therein, or permit the creation of any preference of any Bondholder over any other Bondholder or deprive the holders of the Bonds of the lien created by the Indenture upon the Revenues, or impair the right of the owners of Bonds to demand purchase thereof under the Indenture, without in each case the consent of the holders of all the Bonds affected thereby.

Defeasance and Discharge

If all Bonds outstanding shall be paid and discharged in any one or more of the following ways: (i) by the payment of the principal of (including redemption premium, if any) and interest on all Bonds outstanding, or (ii) after Conversion, by the deposit or credit to the account of the Trustee, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem Bonds outstanding, whether by redemption or otherwise; or (iii) by the delivery to the Trustee, for cancellation by it, of all Bonds outstanding, and if all other sums payable under the Indenture by the Agency shall be paid and discharged, then and in that case the Indenture shall cease, terminate and become null and void, except only as provided with respect to rebate to the United States of America and certain fees and expenses, and thereupon the Trustee shall, upon written request of the Agency, and upon receipt by the Trustee of a certificate of the Agency and an Opinion of Counsel, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Indenture.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount to pay on redeem outstanding Bonds (whether upon or prior to their maturity or the redemption date of such Bonds) provided that, if such Bonds are to be redeemed prior to the maturity thereof,

notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, all liability of the Agency in respect of such Bonds shall cease, terminate and be completely discharged, except only that thereafter the holders thereof shall be entitled to payment by the Agency, and the Agency shall remain liable for such payment, but only out of the money or securities deposited with the Trustee for their payment. The money or securities so to be deposited or held must be Available Amounts constituting:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which there shall have been furnished to the Trustee proof satisfactory to it that notice of such redemption on a specified redemption date has been duly given or provision satisfactory to the Trustee shall be made for such notice, the amount so to be deposited or held will be the principal amount of such Bonds and interest thereon to the redemption date, together with the redemption premium, if any; or

(ii) noncallable direct obligations of the United States of America or noncallable direct obligations which as to principal and interest constitute full faith and credit obligations of the United States of America, in such amounts and maturing at such times that the proceeds of said obligations received upon their respective maturities and interest payment dates, without further reinvestment, will provide funds sufficient, in the opinion of a nationally recognized firm of certified public accountants, to pay the principal, premium, if any, and interest to maturity, or to the redemption date, as the case may be, with respect to all of the Bonds to be paid or redeemed, as such principal, premium and interest become due; provided that the Trustee shall have been irrevocably instructed by the Agency to apply the proceeds of said obligations to the payment of said principal, premium, if any, and interest with respect to such Bonds.

The Indenture provides that notwithstanding any other provision of the Indenture, any moneys deposited with the Trustee or any paying agent in trust for the payment of the principal of, or interest on premium on, any Bonds remaining unclaimed for two (2) years after the principal of all the outstanding Bonds has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in the Indenture), will then be paid to the Agency, and the holders of such Bonds will thereafter be entitled to look only to the Agency for payment thereof, and only to the extent of the amount so paid to the Agency. In the event of the payment of any such moneys to the Agency, the holders of the Bonds in respect of which such moneys were deposited will thereafter be deemed to be unsecured creditors of the Agency for amounts equivalent to the respective amounts deposited for the payment of such Bonds and so paid to the Agency (without interest thereon).

THE FIRST SUPPLEMENTAL INDENTURE OF TRUST

Definitions

The term “**2002 Costs of Issuance Fund**” means the fund by that name established and held by the Trustee pursuant to the Indenture.

The term “**2002 Issuance Costs**” means all costs and expenses of issuance of the Series 2002-North Bonds, including, but not limited to: (i) underwriter’s discount and fees; (ii) counsel fees, including bond counsel, underwriter’s counsel, Credit Bank counsel, Catellus’ counsel and Agency general counsel fees, as well as any other specialized counsel fees incurred in connection with any amendment to the Acquisition Agreement, the issuance of the Series 2002-North Bonds or the provision or amendment of the Letter of Credit in connection with the issuance of the Series 2002-North Bonds; (iii) the Agency’s fees and expenses incurred in connection with the formation of the District and issuance of the Series 2002-North Bonds, including fees of any financial advisor to the Agency; (iv) rating agency fees; (v) Trustee’s fees and Trustee’s counsel fees, and initial fees of the Remarketing Agent and Tender Agent; (vi) paying agent’s and certifying and authenticating agent’s fees related to issuance of the Series 2002-North Bonds; (vii) accountant’s fees related to issuance of the Series 2002-North Bonds; (viii) printing costs of the Bonds and of the preliminary and final official statements; (ix) publication costs associated with the financing proceedings; and (x) costs of engineering and feasibility studies necessary to the issuance of the Series 2002-North Bonds. “2002 Issuance Costs” shall include reimbursable amounts described in Section 2.4(a) of the Acquisition Agreement.

Terms of Series 2002-North Bonds

The First Supplemental Indenture of Trust sets forth the terms of the Series 2002-North Bonds, most of which terms are described earlier in the Official Statement under "THE BONDS"

Application of Proceeds of Sale of Series 2002-North Bonds

Upon the receipt of payment for the Series 2002-North Bonds on the delivery date the proceeds from the sale of the Series 2002-North Bonds will be deposited into certain of the funds and accounts as set forth in the Official Statement under "ESTIMATED SOURCES AND USES OF FUNDS."

2002 Costs of Issuance Fund

Moneys in the 2002 Costs of Issuance Fund will be held in trust by the Trustee and disbursed for the payment or reimbursement of 2002 Issuance Costs. The Trustee shall maintain the 2002 Costs of Issuance Fund for a period of 180 days from the date of delivery of the Series 2002 – North Bonds and then will transfer any moneys remaining therein, including any investment earnings thereon, to the Administrative Expense Fund. Following the disbursement of all amounts in the 2002 Costs of Issuance Fund, the 2002 Costs of Issuance Fund shall be closed.

Security for Series 2002-North Bonds

The Series 2002-North Bonds shall be secured in the manner set forth in the Indenture and as set forth in the Official Statement under "SOURCES OF PAYMENT FOR THE BONDS ."

Federal Tax Covenants

Private Activity Bond Limitation. The Agency will assure that the proceeds of the Series 2002-North Bonds are not so used as to cause the Series 2002-North Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Federal Guarantee Prohibition. The Agency will not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Series 2002-North Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

Rebate Requirement. The Agency will take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Series 2002-North Bonds.

No Arbitrage. The Agency will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Series 2002-North Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Series 2002-North Bonds would have caused the Series 2002-North Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

Maintenance of Tax-Exemption. The Agency will take all actions necessary to assure the exclusion of interest on the Series 2002-North Bonds from the gross income of the owners thereof to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Series 2002-North Bonds.

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APPENDIX C

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel of Taxable Property in the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 4 (Mission Bay North Public Improvements) (herein "CFD No. 4") shall be levied and collected according to the tax liability determined by the Administrator through the application of the procedures described below. All of the real property in CFD No. 4, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

The capitalized terms hereinafter set forth have the following meanings when used in this Rate and Method of Apportionment:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, or other parcel map recorded with the County Recorder. If the Acreage of a particular Parcel is unclear after reference to available maps, the Administrator shall determine the appropriate Acreage for a Parcel.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311), Part 1, Division 2, of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees and expenses of its counsel) employed in connection with any Bonds; any costs associated with the marketing or remarketing of the Bonds; the expenses of the Administrator and the Agency in carrying out their duties under any fiscal agent agreement, indenture or resolution with respect to the Bonds or CFD No. 4, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of legal counsel, charges levied by the County or any division or office thereof in connection with the levy and collection of Special Taxes, audits, continuing disclosure or other amounts needed to pay arbitrage rebate to the federal government with respect to Bonds; costs associated with complying with continuing disclosure requirements; costs associated with responding to public inquiries regarding Special Tax levies and appeals; attorneys' fees and other costs associated with commencement or pursuit of foreclosure for delinquent Special Taxes; and all other costs and expenses of the Agency, the Administrator, the County, and any fiscal agent, escrow agent or trustee related to the administration of CFD No. 4.

"Administrator" means the Deputy Executive Director, Finance and Administration of the Agency or such other person or entity designated by the Executive Director of the Agency to administer the Special Tax according to this Rate and Method of Apportionment of Special Tax.

"Agency" means the Redevelopment Agency of the City and County of San Francisco.

"Assessor's Parcel" or **"Parcel"** means a lot, parcel or airspace parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating Parcels by Assessor's Parcel number.

“**Bonds**” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by the Agency for CFD No. 4 under the Act.

“**City**” means the City and County of San Francisco.

“**Commission**” means the Commission of the Agency, being the legislative body of CFD No. 4.

“**County**” means the City and County of San Francisco.

“**Developed Property**” means, as of any date, all Taxable Property for which a building permit for new construction (excluding renovations to buildings that were built prior to the date the Resolution of Formation is adopted) was issued prior to the July 5 immediately preceding such date, excluding any Parcel of Taxable Property for which a building permit was issued prior to formation of CFD No. 4 but only until such time as a building permit is issued for any such Parcel following the formation of CFD No. 4. Notwithstanding the foregoing, the last Parcel of Taxable Property in CFD No. 4 for which a construction building permit is issued shall not be considered Developed Property and therefore categorized as Exempt Land until such time as all outstanding Bonds for CFD No. 4 have been paid in full or otherwise legally defeased. Once a Parcel becomes Developed Property, it shall always be Developed Property.

“**Exempt Land**” means any real property within the boundaries of CFD No. 4 (i) owned by a governmental agency as of the date of adoption of the Resolution of Formation (but not after the date, if any, such land is conveyed to a nongovernmental entity), (ii) from and after the date conveyed to a governmental agency under the terms of the Mission Bay North Owner Participation Agreement as in effect on the date the Resolution of Formation was adopted by the Commission, (iii) from and after the date conveyed to a governmental agency under the terms of the Land Transfer Agreements as in effect on the date the Resolution of Formation was adopted by the Commission, (iv) which is Agency Affordable Housing Parcels (as defined in the Mission Bay North Owner Participation Agreement as in effect on the date the Resolution of Formation was adopted by the Commission) from and after the date conveyed to the Agency or a Qualified Housing Developer (as defined in the Mission Bay North Owner Participation Agreement as in effect on the date the Resolution of Formation was adopted by the Commission), (v) which makes up the strip of land under Interstate 280 that: (1) is owned by Catellus Development Corporation, (2) has a separate Assessor’s Parcel number assigned to it, and (3) on the date the Resolution of Formation was adopted, was part of Assessor’s Parcel number 8703-01, (vi) which is the subject of a public trust or other permanent easement to a public agency making impractical its use for other than the purposes set forth in the easement, (vii) which is Developed Property, or (viii) which is Owner Association Property. Any land described in clauses (ii), (iii), (iv), (v), or (vii) which is or becomes Exempt Land shall thereafter always remain Exempt Land. The Administrator shall determine the extent to which any real property in CFD No. 4 is Exempt Land.

“**Fiscal Year**” means the period starting July 1 and ending on the following June 30.

“**Fixed Rate Bonds**” means any Bonds the interest rate with respect to which is then fixed and is not thereafter subject to variance throughout the term of the Bonds.

“**Infrastructure**” means the public improvements authorized to be financed by CFD No. 4 in accordance with the terms of the Act and the Resolution of Formation.

“**Interest Payment Date**” means the date on which an interest payment is due to Bond holders under the indenture, fiscal agent agreement or resolution authorizing the issuance of the Bonds.

“**Land Transfer Agreements**” means the Amended and Restated City Land Transfer Agreement, the Amended and Restated Port Land Transfer Agreement and the Amended and Restated Agreement Concerning the Public Trust, all as referenced in the Mission Bay North Owner Participation Agreement.

“**Letter of Credit**” means any letter of credit or other financial guaranty relating to Bonds which shall be issued on the closing date of the applicable Bonds, name the trustee or fiscal agent for the Bonds as beneficiary and contain such provisions as are required under the indenture or fiscal agent agreement for such Bonds. “Letter of Credit” shall also mean any substitute letter of credit that is issued in the future to replace all or a portion of any outstanding Letter of Credit.

“**Maximum Special Tax**” means, with respect to any Parcel of Taxable Property, the maximum Special Tax, determined in accordance with Section C, that can be levied in any Fiscal Year on such Parcel.

“**Mission Bay North Owner Participation Agreement**” means the agreement by that name, dated as of November 16, 1998, between the Agency and Catellus Development Corporation.

“**Net Available Increment**” means, as to each Fiscal Year, amounts the Agency has determined to contribute to CFD No. 4 in such Fiscal Year pursuant to the Mission Bay North Owner Participation Agreement.

“**Owner Association Property**” means any property within the boundaries of CFD No. 4 owned by a homeowner association or property owner association, including any master or sub-association.

“**Prior Interest Period**” means, as of any Interest Payment Date, the period beginning with the opening of business on the immediately previous Interest Payment Date and ending at the finish of the day immediately preceding such Interest Payment Date.

“**Redevelopment Law**” means the Community Redevelopment Law of the State of California.

“**Resolution of Formation**” means the Resolution of Formation of Community Facilities District No. 4, as adopted by the Commission.

“**Special Tax**” means the special tax to be levied pursuant to the Act in each Fiscal Year on Taxable Property within CFD No. 4.

“**Special Tax Requirement**” means the amount necessary as of any Interest Payment Date (i) to pay interest on the Bonds due for the Prior Interest Period, (ii) to pay principal of the Bonds due as of the Interest Payment Date, (iii) to replenish reserve funds, if any, established pursuant to the indenture or fiscal agent agreement authorizing the Bonds, (iv) to pay Administrative Expenses, (v) to pay costs of any credit enhancement for the Bonds, and (vi) to cure any delinquencies in the payment of principal or interest on indebtedness of CFD No. 4 which have occurred since the prior Interest Payment Date and which have not yet been cured from a draw on the Letter of Credit. The Special Tax Requirement shall be reduced by the following: (i) any credit from interest earnings on the reserve fund or other Bond funds the earnings on which are available to pay debt service on the Bonds, (ii) the collection of delinquent Special Taxes and associated penalties, (iii) Net Available Increment available to pay debt service on the Bonds, (iv) monies available in the capitalized interest fund that was established when Bonds were issued and (v) any other funds available to apply against the Special Tax Requirement as determined by the Administrator.

“**Taxable Property**” means all of the Assessor’s Parcels within the boundaries of CFD No. 4 which are not Exempt Land or exempt from the Special Tax pursuant to law.

“**Variable Rate Bonds**” means any Bonds which are sold on behalf of CFD No. 4 that are not Fixed Rate Bonds.

B. IDENTIFYING TAXABLE PROPERTY

Five days prior to each Interest Payment Date, the Administrator shall determine which Parcels in CFD No. 4 are Taxable Property. Taxable Property shall be subject to Special Taxes in accordance with the rate and method of apportionment described in Sections C and D below.

C. MAXIMUM SPECIAL TAX

As of any Interest Payment Date, the Maximum Special Tax for Taxable Property in CFD No. 4 shall be the greater of (1) \$2,320,000 per Acre or (2) the amount determined pursuant to the following steps:

Step 1: For Any Variable Rate Bonds Then Outstanding and Any Authorized but Unissued Bonds

Step 1a: Add to any then outstanding Variable Rate Bonds the estimated maximum principal amount of Bonds that will be sold in the future on behalf of CFD No. 4

Step 1b: Multiply the amount from Step 1a by one hundred twelve percent (112%);

Step 1c: Add estimated annual Administrative Expenses to the amount determined in Step 1b to determine the maximum potential Special Tax Requirement for Variable Rate Bonds;

Step 1d: Determine the Acreage of Taxable Property within the CFD;

Step 1e: Divide the amount from Step 1c by the Acreage from Step 1d to determine the "Maximum Variable Rate Special Tax" per Acre of Taxable Property in the CFD.

Step 2: For Any Fixed Rate Bonds Then Outstanding

Step 2a: Determine the maximum annual debt service on all outstanding Fixed Rate Bonds;

Step 2b: Multiply the total debt service determined in Step 2a by 1.10 and add estimated annual Administrative Expenses to determine the maximum potential Special Tax Requirement for Fixed Rate Bonds;

Step 2c: Determine the Acreage of Taxable Property within the CFD;

Step 2d: Divide the amount from Step 2b by the Acreage from Step 2c to determine the "Maximum Fixed Rate Special Tax" per Acre of Taxable Property in the CFD.

Step 3: Calculating the Maximum Special Tax

Add the Maximum Variable Rate Special Tax from Step 1e above to the Maximum Fixed Rate Special Tax from Step 2d above to determine the current Maximum Special Tax per Acre of Taxable Property in the CFD.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

At least three business days prior to an Interest Payment Date, the Administrator shall determine or cause to be determined the Special Tax Requirement for the Interest Payment Date. The Special Tax shall then be levied proportionately per Acre on each Assessor's Parcel of Taxable Property up to 100% of the Maximum Special Tax for Taxable Property, as determined by reference to Section C above, until the amount levied is equal to the Special Tax Requirement due on the Interest Payment Date.

E. LIMITATIONS

No Special Taxes shall be levied on any Parcel after such Parcel becomes Exempt Land. Notwithstanding the foregoing and pursuant to the definition of Developed Property in Section A above, the last Parcel of Taxable Property in CFD No. 4 for which a building permit for new construction is issued (which is not an Agency Affordable Housing Parcel, as defined in the Mission Bay North Owner Participation Agreement) shall not be classified as Developed Property and therefore categorized as Exempt Land until such time as all outstanding Bonds have been paid in full or otherwise legally defeased. Until such time, the Parcel shall continue to be categorized as Taxable Property and be subject to the levy of the Maximum Special Tax determined pursuant to Section C above.

The Special Tax may be levied and collected on Taxable Property until the later of (i) the date on which principal and interest on all outstanding Bonds have been paid in full or legally defeased, or (ii) the Infrastructure has been paid for or provision for payment has been made. Upon determination by the Administrator that these requirements have been met, the Special Tax lien shall be removed from all Parcels in the CFD.

F. MANNER OF COLLECTION

At least two business days prior to an Interest Payment Date, the Administrator shall send or cause to be sent a bill for Special Taxes due on that Interest Payment Date to the current property owners of Taxable Property reflected on the Assessor's tax roll unless the Administrator has more accurate ownership information that has been recorded at the County Recorder's Office but is not yet reflected on the Assessor's tax roll. Notwithstanding the above, the Administrator may collect Special Taxes at a different time or in a different manner if necessary to meet the financial obligations of CFD No. 4 or otherwise more convenient or efficient in the circumstances.

G. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct and requesting a refund may file a written notice of appeal with the Administrator not later than one calendar year after having paid the Special Tax that is disputed. The Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and decide the appeal. If the Administrator's decision requires the Special Tax to be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of the levy), but an adjustment shall be made to the next Special Tax levy. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any legal action by such owner.

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APPENDIX D

TAX INCREMENT

As a result of the adoption of the Mission Bay North Redevelopment Plan, the Agency is entitled under the Redevelopment Law to receive tax increment revenues for a period of up to 45 years after adoption, which is approximately October of 2043. Set forth below is a description of how tax increment revenues are measured and collected.

Creation of Tax Increment. Section 33670 of the Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll are allocated to the Agency and except for the portion of such taxes that, by statute, must be passed through by the Agency to other taxing agencies, are available to the Agency. The Agency has no independent power to levy *ad valorem* taxes.

As provided in the Redevelopment Plan for the Mission Bay North Redevelopment Project, and pursuant to Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the District each year by or for the benefit of the State of California, any city, county, city and county or other public corporation (the “taxing agencies”) for each fiscal year beginning after the effective date of Ordinance No. 327-98, first establishing and adopting the Redevelopment Plan for the Mission Bay North Project shall be divided as follows:

(a) The portion equal to the amount of taxes produced by the then current tax rate, applied to the assessed valuation of such property in the North Plan Area as shown on the applicable base year assessment roll as last equalized prior to the establishment of the North Plan Area (and, as described above, with respect to the inclusion of territory by amendment, the then current rate, applied to the assessed valuation of such property as so added to the North Plan Area by amendment, as shown on the applicable base year assessment roll last equalized prior to the effective date of the Ordinance approving such amendment), shall be, when collected, paid into the funds of those respective taxing agencies;

(b) Except for taxes which are attributable to a tax levy by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, which shall be allocated to and when collected shall be paid to the respective taxing agency, that portion of levied taxes each year in excess of such amount less amounts payable by the Agency under Section 33607.5 of the Redevelopment Law, including (to the extent permitted by law) all payments and reimbursements, if any, to the Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations, will be allocated to, and when collected, will be paid to the Agency to pay the principal of and interest on loans to, money advanced to, or indebtedness incurred by the Agency to finance projects under the Redevelopment Plan.

Ad Valorem property taxes generated as set forth above and allocated to the Agency are tax increment revenues. *Ad valorem* property taxes are levied and collected as set forth below under “*Ad Valorem* Property Tax Collection Procedures.”

Ad Valorem Property Tax Collection Procedures. *Ad valorem* property taxes are levied and collected by the Tax Assessor for the City and County of San Francisco in accordance with the procedures set forth below:

Classifications. In California, property which is subject to ad valorem taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the county becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the unsecured property, but may become a lien on certain other property owned by the taxpayer.

The valuation of property is determined as of January 1 each year and two equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1 and become delinquent on the succeeding August 31.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer (3) filing a certificate of delinquency for record in the county recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent.

Current tax payment practices by the City and County of San Francisco provide for payment to the Agency of tax increment revenues periodically throughout the fiscal year, with the majority of tax increment revenues paid to the Agency in mid-December and mid-April. A final reconciliation is made after the close of the fiscal year to incorporate all adjustments to previously reported current year taxable values. The difference between the final reconciliation and tax increment revenues previously allocated to the Agency is allocated in late July.

Penalties. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1½% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1½% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date (March 1 was used as the lien date as of the enactment of Chapter 498; however, as discussed below, the lien date was changed by legislation enacted in 1995) following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provides increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the lien date. To the extent such supplemental assessments occur within the District, tax increment revenues may increase. As a result of legislation enacted in 1995 (SB 327 and SB 722, chaptered as Chapter 499 and 497, respectively), commencing as of January 1, 1997, the lien date for locally assessed property tax has been changed from March 1 to January 1; the initial change was implemented by the use of

January 1, 1997 in place of March 1, 1997 as the lien date. The first day of January for each succeeding year is now the lien date.

Tax Collection Fees. Legislation enacted by the State Legislature authorizes county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities which are subject to a property tax administration charge.

Property Tax Limitations - Article XIII A. On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. On December 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*).

Article XIII A further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII A was adopted in June 1986 by initiative which exempts from the 1 percent limitation additional taxes levied to pay for any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property.

In the general election held on November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms “purchased” and “change of ownership,” for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children.

Proposition 60 amended Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in certain other minor or technical ways.

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A of \$4.00 per \$100 assessed valuation (based on the traditional practice in California of using 25% of full cash value as the assessed value for tax purposes).

The apportionment of property taxes in fiscal years after 1978-79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies.

Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Article XIII A instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief. Chapter 282 does not affect the derivation of the base levy (\$1.00 per \$100 taxable valuation) and the bonded debt tax rate.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization which is allocated by a different method discussed herein.

Proposition 87. Under State law prior to 1988, if a taxing entity increased its tax rate to obtain revenues to repay voter approved general obligation bonds, any redevelopment project area which included property affected by the tax rate increase would realize a proportionate increase in tax increment.

Proposition 87, approved by the voters of the State on November 8, 1988, requires that all revenues produced by a tax rate increase (approved by the voters on or after January 1, 1989) go directly to the taxing entity which increases the tax rate to repay the general obligation bonded indebtedness. As a result, redevelopment agencies no longer receive an increase in tax increment when taxes on property in the project area are increased to repay voter approved general obligation debt.

APPENDIX E

FORM OF OPINION OF CO-BOND COUNSEL

October __, 2002

Redevelopment Agency of the
City and County of San Francisco
770 Golden Gate Avenue, 3rd Floor
San Francisco, California 94102

OPINION: \$23,440,000 Redevelopment Agency of the City and County of San Francisco
Community Facilities District No. 4 (Mission Bay North Public Improvements)
Variable Rate Revenue Bonds, Series 2002-North

Members of the Commission:

We have acted as co-bond counsel in connection with the issuance by the Redevelopment Agency of the City and County of San Francisco (the "Agency") of its \$23,440,000 Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 4 (Mission Bay North Public Improvements) Variable Rate Revenue Bonds, Series 2002-North (the "Bonds") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq., of the California Government Code) (the "Act"), an Indenture of Trust, dated as of June 1, 2001, by and between the Agency, for and on behalf of Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 4 (Mission Bay North Public Improvements) (the "District"), and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as amended and supplemented by a First Supplemental Indenture of Trust, dated as of October 1, 2002, between the Agency, for and on behalf of the District, and the Trustee (collectively, the "Indenture"), and a Resolution adopted by the Agency on October 8, 2002 (the "Resolution"). We have examined the law and such certified proceedings and other documents 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 Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. In addition, we have assumed the genuineness of such documents and proceedings, including the signatures thereon, the accuracy of the facts represented therein and the due execution thereof by, and validity against, any parties other than the Agency, without undertaking to verify the same by independent investigation. We undertake no responsibility in this opinion letter for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion herein relating thereto.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this opinion letter.

Certain agreements, requirements and procedures contained or referred to in the Resolution, the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion

herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

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

1. The Agency is a public body, corporate and politic, duly organized and existing under the laws of the State of California with the power to adopt the Resolution, enter into the Indenture and perform the agreements on its part contained therein and issue the Bonds.
2. The Indenture has been duly approved by the Agency and constitutes a valid and binding obligation of the Agency enforceable upon the Agency.
3. Pursuant to the Act, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, on a parity with the Series 2001-North Bonds issued under, and as such term is defined in, the Indenture.
4. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding limited obligations of the Agency, payable solely from the sources provided therefor in the Indenture.
5. Until any Reset Date or the Conversion Date, the interest on the 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 sentence are subject to the condition that the Agency comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that the 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 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.
6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

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

Respectfully submitted,

Respectfully submitted,

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

General Description

As noted above, DTC will act as securities depository for the Bonds. So long as the Bonds are in book entry only form, all references in this Official Statement to the Bondowners, the Bondowners or the Owners or Holders of the Bonds mean DTC and not the beneficial owners of the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

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

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.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on an Interest Payment Date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on an Interest Payment Date. 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, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services or securities depository with respect to the 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, Bonds are required to be printed and delivered to the Beneficial Owners.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered and will be governed by the provisions of the Trust Agreement with respect to payment of principal and interest and rights of exchange and transfer.

The Agency cannot and does not give any assurances that DTC Participants or others will distribute payments with respect to the Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement.

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 neither the Agency nor the Underwriter take any responsibility for the accuracy thereof.

Discontinuation of Book-Entry-Only System; Payments to Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the principal of the Bonds is payable upon surrender thereof at the Principal Corporate Trust Office of the Trustee. Interest on the Bonds is payable on each Interest Payment Date to the registered owner thereof as of the close of business on the Record Date immediately preceding each Interest Payment Date, such interest to be paid by check of the Trustee, mailed by first-class mail to the registered owner at his address as it appears on the Register (or at such other address as is furnished to the Trustee in writing by the registered owner). A registered owner of \$1,000,000 or more in principal amount of Bonds may be paid interest by wire transfer in immediately available funds to an account in the United States if the registered owner makes a written request of the Trustee no later than the applicable Record Date.

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