REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO		CERTIFICATE NUMBER (FOR AUDITOR'S USE ONLY)
TO: CITY COUNCIL	FROM (ORIGINATING DEPARTMENT): City Attorney	DATE: 2/26/2014
SUBJECT: Public Facilities Financing Authority of the City of San Diego Approval of Issuance of the Authority's Lease Revenue Bonds, Series 2014A and Approving Certain Documents and Actions in Connection Therewith		
PRIMARY CONTACT (NAME, PHONE): Brant Will, 619-533-5684	SECONDARY CONTACT (NAME, PHONE): ,	

COMPLETE FOR ACCOUNTING PURPOSES

FUND						
FUNCTIONAL AREA						
COST CENTER						
GENERAL LEDGER ACCT						
WBS OR INTERNAL ORDER						
CAPITAL PROJECT No.						
AMOUNT	0.00	0.00	0.00	0.00	0.00	0.00
FUND						
FUNCTIONAL AREA						
COST CENTER						
GENERAL LEDGER ACCT						
WBS OR INTERNAL ORDER						
CAPITAL PROJECT No.						
AMOUNT	0.00	0.00	0.00	0.00	0.00	0.00

COST SUMMARY (IF APPLICABLE):

ROUTING AND APPROVALS

CONTRIBUTORS/REVIEWERS:		APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
Pantulu, Jyothi Debt Management		ORIG DEPT.	Lanzafame, Mary Jo	02/26/2014
		CFO		
		COO		
		CITY ATTORNEY		
		COUNCIL PRESIDENTS OFFICE	Jurado-Sainz, Diana	02/28/2014

PREPARATION OF:	☒ RESOLUTIONS	☐ ORDINANCE(S)	☐ AGREEMENT(S)	☐ DEED(S)

A resolution of the Public Facilities Financing Authority of the City of San Diego authorizing the issuance of its Lease Revenue Bonds, Series 2014A ("Bonds") in a principal amount not to exceed $71,000,000, authorizing the form and content of all related legal documents, authorizing the form and approving the distribution of the Preliminary Official Statement and Official Statement and approving all actions heretofore taken by any officers, employees, agents or directors of the Authority taken in connection with the issuance, delivery or sale of the Bonds.	
STAFF RECOMMENDATIONS: Approve the resolution.	
SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)	
COUNCIL DISTRICT(S):	All
COMMUNITY AREA(S):	
ENVIRONMENTAL IMPACT:	
CITY CLERK INSTRUCTIONS:	

COUNCIL ACTION
EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE: 2/26/2014
ORIGINATING DEPARTMENT: City Attorney
SUBJECT: Public Facilities Financing Authority of the City of San Diego Approval of Issuance of the Authority's Lease Revenue Bonds, Series 2014A and Approving Certain Documents and Actions in Connection Therewith
COUNCIL DISTRICT(S): All
CONTACT/PHONE NUMBER: Brant Will/619-533-5684

REQUESTED ACTION:
Approve the resolution authorizing the issuance of the Authority's 2014A Bonds.
STAFF RECOMMENDATION:
Approve the resolution.
EXECUTIVE SUMMARY OF ITEM BACKGROUND:
The City of San Diego has authorized and approved the issuance by the Public Facilities Financing Authority of the Authority's Lease Revenue Bonds, Series 2014A ("Bonds") and has requested that the Authority authorize and approve the issuance of the Bonds.

FISCAL CONSIDERATIONS: N/A

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE):

PREVIOUS COUNCIL and/or COMMITTEE ACTION (describe any changes made to the item from what was presented at committee):
This action was approved by the City Council by Ordinance No. O-20350, effective February 12, 2014.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Lanzafame, Mary Jo
Originating Department

THE CITY OF SAN DIEGO

REPORT TO THE CITY COUNCIL

DATE ISSUED: December 20, 2013 REPORT NO: 14-01

ATTENTION: Council President and City Council

SUBJECT: 2014 Capital Improvement Program Lease Revenue Bonds

REFERENCE: 2014 Capital Improvement Program Bond Authorization, Infrastructure Committee (Report No. 13-087) October 21, 2013

REQUESTED ACTIONS:

1. Authorize the issuance of the Public Facilities Financing Authority of the City of San Diego (the "Authority") Lease Revenue Bonds ("Phase 3 CIP Bonds") in a principal amount not to exceed $130 million to provide for $120 million in multiple series for various General Fund Capital Improvements;

2. Authorize the execution of related financing documents including the form of Second Amendment to the Site Lease, the form of Second Amendment to the Facilities Lease, the form of Second Supplemental Indenture with Wells Fargo Bank, National Association as the Indenture Trustee, the form of the Notice Inviting Bids, the form of the Bond Purchase Agreement, and the Continuing Disclosure Certificate;

3. Authorize the City Attorney to appoint Stradling Yocca Carlson & Rauth as Bond and Disclosure Counsel for the Phase 3 CIP Bonds and pay an amount not to exceed $65,000, for the first series and an amount not to exceed $60,000 for the second series, plus reasonable out of pocket expenses not to exceed $1,500 per issuance. The fees payable to Bond and Disclosure Counsel shall be contingent upon the closing of the bonds; and,

4. Authorize the Chief Financial Officer to establish one or more special interest-bearing account(s) for the bond proceeds of the $120 million Lease Revenue Bonds.

STAFF RECOMMENDATION:

Approve the requested actions.

SUMMARY:

I. Background

Since March 2009, the City has issued three series of Capital Improvement Projects ("CIP") General Fund-backed lease revenue bonds – 2009A Bonds, 2012A Bonds, and 2013A Bonds. The proceeds totaling approximately $213 million have provided funding for various capital needs. As of November 2013, Public Works has utilized (spent or encumbered) approximately 50% of the proceeds of the 2012A Bonds. In order to continue funding the General Fund infrastructure needs through the lease revenue bond program, the Phase 3 CIP Bonds are expected to be issued concurrent with approximately 80% utilization of the 2012A Bonds.

On October 28, 2013, the Infrastructure Committee unanimously approved the Phase 3 CIP Bonds Authorization. A summary of projects and amounts totaling $120 million can be found in Attachment 1. $48.6 million is allocated to Facilities, $44.1 million to Streets, $1.0 million to Sidewalks, $4.3 million to ADA improvements, and $22.0 million to Storm Drains.

II. Discussion

A. Summary of Phase 3 CIP Bonds

- ***Issuer:*** Public Facilities Financing Authority of the City of San Diego.

- ***Not to Exceed Amount***: $130 million, with flexibility to sell bonds in one or more series.

  Based on the review of the projected encumbrance trends, the Phase 3 CIP Bonds will be issued in two series. As discussed above, Series 1, 2014A Bonds, is estimated to be issued in April 2014, and will generate $66.4 million in net proceeds meeting the projected encumbrance needs for approximately 12 months, from May 2014 through April 2015. Series 2 will be programmed to be issued based on the spend-down of the bonds proceeds from Series 1 2014A Bonds. Based on current draw-down projections, Series 2 will be issued in April 2015 generating the remaining amount, approximating $53.6 million in construction proceeds. A final determination on size of each series will be made closer to the issuance of the bonds.

- ***Method of Sale:*** Public Offering, Competitive Sale.

  The Series 1 2014A Bond offering is expected to be conducted as a competitive sale, whereby the bonds will be advertised for sale and any interested investment bank may bid on the bonds at the designated date and time. The bidder offering the lowest interest cost will be awarded the bonds. Due to the City's name recognition in the markets, the well established master lease structure and overall favorable market conditions for large credits, it would be more straight forward and advantageous for the Series 1 2014A Bonds to be sold on a competitive basis. Based on market conditions and the advice of the Financial Advisor ("FA"), if it is determined that a competitive sale is no longer favorable, the City and FA will identify an Underwriting Syndicate and the bond offering will be conducted as a negotiated sale.

- ***Tax Status:*** The Phase 3 CIP Bonds will be issued as tax-exempt issuances. The financed projects under each of the categories are capital in nature, have long useful life, and uses are limited to governmental purpose. Consistent with the IRS regulations for tax-exempt bonds, the weighted average life of the bonds will not exceed 120% of the weighted average remaining aggregate useful life of all the projects funded by the bonds.

- ***Structure****:* One or more series to be issued under supplements to the Master Indenture and Master Site and Facilities Lease established with the 2012 Deferred Capital Improvement Bonds (see Legal Structure).

- ***Repayment Source***: Payable from General Fund.

- ***Final Maturity:*** 30-year term per Series.

B. Legal Structure

The Public Facilities Financing Authority of the City of San Diego (the "Authority") is the issuer of the Phase 3 CIP Bonds. In 2012, the City issued 2012A&B Bonds under a Master Site Lease and a Master Facilities Lease (together the "Master Lease"), and a Master Indenture. Under this structure, the documents allow for future bonds to be issued through supplements to each of the documents. The 2013 Bonds issued in July 2013 were under supplements to the Master Indenture and the Master Lease. The proposed Phase 3 CIP Bonds, Series 1 and Series 2 will also be issued under supplements to the Master Indenture and the Master Lease.

Leased Properties

The Lease involves lease agreements between the City and the Authority of existing City-owned General Fund properties (the "Leased Properties"). The Phase 3 CIP Bonds are structured as an asset transfer bond offering which is a lease transaction where the financed assets are substituted with other essential assets of the City. Additional assets commensurate with the Phase 3 CIP Bonds will be added to the existing pool of assets pledged for the 2012 and 2013 Bonds. Pooling assets in a common Lease helps strengthen the Indenture and adds diversity and value to bond holders. Essential properties such as libraries, police stations and fire stations, necessary for core operations of the City or revenue generating ground leases, are generally considered as strong assets by the rating agencies and investors in a lease revenue bond offering.

As with prior lease revenue bond issuances, Debt Management staff worked closely with the Real Estate Assets Department ("READ") to identify additional unencumbered assets to be included in the Leased Properties for the proposed Phase 3 CIP Bonds with the capacity to generate $120 million in total proceeds. Below is a preliminary list of the proposed properties identified:

- Central Police Vehicle Maintenance Facility
- Fire Station 16 (Mt. Soledad)
- City Operations Building & Parkade
- Carmel Valley Community Park Town Recreation Center

- Fire Station 24 (Carmel Valley)
- Scripps Ranch Library
- North University Community Library & Recreation Center

To establish the annual fair rental value, a legal requirement to issuing lease revenue bonds, the properties are currently being appraised by the independent appraisal companies retained by READ. As required under the lease financing structure, the maximum annual debt service payable by the City on the lease revenue bonds will not be in excess of the combined annual fair rental value of the Leased Properties. The City properties are leased until the final maturity of the Phase 3 CIP Bonds, unless modified under conditions set forth in the legal documents. The combined preliminary value of the City owned properties is estimated $122 million. Given that the Phase 3 CIP Bonds are being issued in two series, only assets required for Series 1 2014A Bonds will be pledged initially, followed by the pledge of additional assets when the Series 2 bonds are issued.

A final list, with any additions to or removals from proposed properties will be determined and reported based on the final appraisals and estimated annual debt service concurrent with the request for approval of the Preliminary Official Statement. Further, if final appraised value of assets pledged is in excess of what is required for the annual debt service, soon after the bonds are priced, properties will be dropped from the initial pledge. Title reports are being obtained for all the properties in order to establish that the assets are not already encumbered and are free and clear of liens.

Are there sufficient suitable properties for future Lease Revenue Bond issuances?

Also see Attachment 2 (Lease Revenue Bonds – Pledge of Properties).

The IBA Report, 13-54, dated December 6, 2013, described several key limitations with the sole reliance on the lease revenue bond model for addressing the large infrastructure needs over the long term. Availability of leasable properties was listed as one of the considerations and recommended that Debt Management and READ review properties that may be suitable for future lease revenue bonds.

Based on the detailed review of the General Fund properties recorded in the Comptroller's system and applying prevailing credit standards for the sale of lease revenue bonds, it is safe to conclude there are needed suitable properties (similar to those used in the previous deferred capital bond series) to accomplish the remaining bond issues during Fiscal Years 2015-2017 at a combined total of approximately $260 million. Please see Attachment 2 for additional detail on the evolving trends for pledge of properties within the Lease Revenue Bond credit space. Attachment 2 also provides historical use of properties and relevant metrics on additional suitable properties for future uses.

To the extent there are additional proposals beyond the funding envisioned under the Enhanced Option B infrastructure plan for the lease revenue bonds using current General Fund revenue for repayment, as needed, specific properties will be identified and applied to the future financing plans. And/or, depending on the nature of the infrastructure improvements and flexibility, alternate financing plans for the bonds utilizing capitalized interest feature can be applied which does not require pledge of existing properties.

C. City Council Authorization

The City Council is requested to (i) authorize the issuance of the Phase 3 CIP Bonds, in one or more series; (ii) approve the financing legal documents; (iii) authorize the City Attorney to appoint the Bond and Disclosure Counsel; and (iv) authorize the Chief Financial Officer to establish one or more Special Interest-bearing accounts for the bond proceeds contingent upon approval of the bond documents and contingent upon the issuance of the bonds. Certain of the financing legal documents, including the leases, the second supplemental indenture, and a continuing disclosure certificate must be approved via ordinance, and are subject to a 30 day referendum period. Staff will be docketing the Preliminary Official Statement (POS) for the 2014A Bonds (Series 1) separately to be authorized via resolution in March 2014, closer to the distribution of the POS to potential investors.

Financing & Legal Documents

The financing Ordinance approves and authorizes the execution of the one of more of the following financing documents:

1. Form of the Second Amendment to Master Site Lease (Site Lease) – The Site Lease is the agreement between the City and the Authority under which the City leases the City owned Leased Properties to the Authority.

2. Form of the Second Amendment to Master Facilities Lease (Facilities Lease) – The Facilities Lease is the agreement between the City and the Authority under which the City leases the Leased Properties back from the Authority. The lease payments made by the City are equal to the principal and interest payments on the bonds issued by the Authority. The Facilities Lease contains certain covenants of the City, including that it will take the necessary action to include all lease payments due under the lease in the City's operating budget each year.

3. Form of the Second Supplemental Master Indenture (Indenture) – The Indenture is an agreement between the Authority and the Trustee for the bonds. The Indenture provides for the issuance of the bonds, and includes information regarding the amount of the bonds, the maturities and interest rates on the bonds, the use of bond proceeds, and the nature of the security for the bonds (i.e., that the bonds are limited obligations of the Authority payable from lease payments. The Indenture also sets forth terms, including the specific rights, responsibilities, and obligations of each party with respect to the issuance of the bonds. Under the Indenture, the Authority assigns its rights to receive lease payments under the Facilities Lease to the Trustee to make debt service payments to bondholders.

4. Form of the Continuing Disclosure Certificate – The Continuing Disclosure Certificate ("CDC") details the City's ongoing obligation to file annual reports and material events with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system for the benefit of the bondholders.

5. Form of the Notice Inviting Bids – As stated earlier, the financing plan currently envisions that the 2014A Bonds (Series 1) will be sold on a competitive basis. In a competitive sale, the Notice Inviting bids is a notice published for the investment community describing the bonds, the sale date and bidding instructions. The bids are accepted until a specified date and time when the winning bidder is selected.

6. Form of the Bond Purchase Agreement – Staff is also seeking authorization of the form of the Bond Purchase Agreement ("BPA"), in the event that the Phase 3 CIP Bonds, Series 1 or Series 2, were to be sold on a negotiated basis. The BPA is an agreement among the City, the Authority, and the Underwriters for the transaction pursuant to which the Authority agrees to sell, and the Underwriters agree to buy the bonds. It specifies the purchase price of the bonds, and certain terms of the bonds, such as interest rates and maturities. The agreement also specifies documents that the parties must receive prior to bond closing, including the Bond Counsel opinion regarding the validity and tax exempt nature of the bonds as well as certain opinions and certificates of the City Attorney and other City and Authority officials. Such opinions and certificates would confirm, among other things, that all steps necessary to authorize the execution of the financing documents and the issuance of the bonds have been properly taken.

D. Financing Time Line

Following are the critical milestones related to the execution of the Phase 3 CIP Bonds, including the authorization of the financing ordinance for Phase 3 CIP Bonds and the disclosure document for the 2014A Bonds (Series 1). The exact timing of the sale of Series 2 will be determined based on the actual project draw down trends of the 2014A Bonds (Series 1) and the projected draw down needs of the Series 2 funds. The Preliminary Official Statement for Series 2 will be brought forward for City Council approval when the Series 2 Bonds are to be sold.

January 2014	Introduction & approval (2 readings) of the Financing Ordinance authorizing the issuance of the Phase 3 CIP Bonds and approval of the financing documents. 30 Day Referendum Period after the City Council approval of the financing ordinance.
March 2014	City Council approval of the disclosure document (Preliminary Official Statement) for 2014A Bonds (Series 1)
	Authority approval of the 2014A Bonds (Series 1)
Week of March 24, 2014	Bond Sale (Series 1)
April 2014	Bond Closing and delivery of proceeds for 2014A Bonds (Series 1)

E. Financing Team

The City's Financing Team for the Phase 3 CIP Bonds consists of staff of the Department of Finance, including the Chief Financial Officer and staff of the Debt Management Department, the Comptroller's Office, the Treasurer's Office, the Risk Management Department, and the Financial Management Department. The Financing Team also includes staff of the Real Estate Assets Department, the City Attorney's Office, the Department of Public Works, Engineering & Capital Projects, and the Department of Transportation & Storm Water. External members include: Public Financial Management, Inc. ("PFM") as the financial advisor; Stradling Yocca Carlson & Rauth ("SYCR"), as Bond and Disclosure Counsel; Wells Fargo Bank, National Association as Trustee; Chicago Title Company as title insurance provider; and DF Davis Real Estate, Inc., Hilco Real Estate Appraisal, James Naughton Jr., MAI, and Jean C. Catling Company as appraisers.

Financial Advisor: PFM is selected to provide financial advisory services for this transaction from the City's As-needed Financial Advisors List established through RFP process based on the firm's experience in General Fund lease revenue bond financings, competitive method of sale, and the fee proposal. The fee to PFM for this issuance, which is contingent upon the successful closing of the Phase 3 CIP Bonds, is for an amount not to exceed $80,000 ($50,000 for Series 1 and $30,000 for Series 2), plus out of pocket expenses not to exceed $3,000 for each issuance.

Bond and Disclosure Counsel: The City Attorney's Office has identified via RFP process Stradling Yocca Carlson & Rauth ("SYCR") to serve as Bond and Disclosure Counsel for the Phase 3 CIP Bonds and pay an amount not to exceed $65,000 for Series 1 and $60,000 for Series 2, plus reasonable out of pocket expenses not to exceed $1,500 for each issuance. The fees payable to Bond and Disclosure Counsel shall be contingent upon the closing of the bonds and paid out of bond proceeds.

Trustee: Wells Fargo Bank, the existing trustee for the Master Lease parity obligations, will continue to serve as the Trustee for this new parity issuance. Compensation for the Trustee includes $5,000 for the transaction and ongoing estimated annual fees of $2,000 per series.

FISCAL CONSIDERATIONS:

A. Phase 3 CIP Bond Proceeds, Interest Rate and Projected Debt Service

Based upon current market conditions, the total proceeds from the 2014A Bonds Series 1 is approximately $67 million, providing funding to establish the $66.4 million Construction Fund for CIP expenditures and pay for financing costs of issuance.

2014A Bonds Series 1 Estimated Sources and Uses of Funds

Estimated Sources	
2014A Bonds Series 1	
Total Proceeds	**$ 66,989,000**
Estimated Uses	
2014A Bonds Series 1	
Deposit to Construction Fund	$ 66,400,000
Costs of Issuance and additional proceeds due to rounding [(1)]	589,000
Total Uses of Funds	**$ 66,989,000**

[(1)] Costs of Issuance include underwriter's discount, bond and disclosure counsel fees, financial advisory fees, trustee fees, title insurance costs, appraisal fees, auction platform fees, rating agency fees, Preliminary Official Statement and Official Statement electronic printing/posting costs, and City staff costs. Additional proceeds due to rounding are $5,000.

Below is a summary of fiscal impact at current market rates (estimates, subject to change).

- All-in True Interest Cost for the 2014 CIP Bonds (Series 1): 4.66%
- Average annual debt service: $4.2 million (Fiscal Year 2015 - 2044)
- Budgeted in the Citywide Program Expenditures Department

Assuming the same cost of borrowing for Series 2, the average annual debt service is estimated to be $3.3 million, commencing Fiscal Year 2016. Below is the estimated annual debt service for the entire $120 million:

FY 2015:	$4.2 million
FY 2016 – FY 2044:	$7.5 million
FY 2045:	$3.3 million

A drop in effective interest rates in recent months has resulted in a lower TIC of 4.66% (compared to 5.1% in mid-October 2013). The actual cost of borrowing will depend on the market coniditions at the time the bonds are sold.

The maximum effective interest rate established under the Financing Ordinance is 7.00%. Under the current market conditions, it is not expected that the actual pricing for the Series 1 2014A Bonds will result in an effective interest rate of 7.00%; should that occur, the average annual debt service would be approximately $5.4 million.

In accordance with the City's Debt Policy, Section 4.2, an analysis of the impact of additional General Fund backed bonds was conducted, specifically for the impact of the Phase 3 CIP Bonds (Series 1 and 2). Section 4.2 of the Debt Policy recommends that debt service as a percentage of General Fund revenues be below 10% (this does not take into account other long term fixed obligations such as pension and OPEB costs). Under the current lease revenue bond levels, the debt service as a percentage of General Fund revenues is at 4.46% for Fiscal Year 2014. The Series 1 2014 Bonds debt service commences in Fiscal Year 2015 and would increase the debt service as a percentage of General Fund revenues from 4.40% to 4.72% in Fiscal Year 2015 (no impact in Fiscal Year 2014). Subsequent to the issuance of Series 2 as currently planned, the

debt service as a percentage of General Fund revenues would increase from 3.57% to 4.12% in Fiscal Year 2016.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

- Infrastructure Committee Report Number 13-087 – 2014 Capital Improvement Program Bond Authorization (October 28, 2013)
- Infrastructure Committee Report Number 13-088 – Deferred Capital Bond Funded Program Update (October 23, 2013)
- FY 2015-2019 Five Year Financial Outlook (November 14, 2013)

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:
Community outreach and public participation is handled on a project basis through the Department of Public Works. Also see above.

KEY STAKEHOLDERS:
Business entities included in the financing: Stradling Yocca Carlson & Rauth (Bond and Disclosure Counsel); Wells Fargo Bank, National Association (Trustee); Public Financial Management, Inc. (Financial Advisor); Standard & Poor's (Rating Agency); Fitch Ratings (Rating Agency); Chicago Title Company (title insurance); D.F. Davis Real Estate, Inc., Hilco Real Estate Appraisal, James Naughton Jr., MAI and Jean C. Catling Company (appraisals); and the Printer (Electronic Printing of POS and OS).

Lakshmi Kommi
Debt Management Director

Mary Lewis
Chief Financial Officer

Attachment:

1. Phase 3 CIP Bonds – Project List
2. Lease Revenue Bonds – Pledge of Properties

Attachment 1

Phase 3 CIP Bonds – Project List

Project #	Project Name/Description	Total DC3 Need
	Total Infrastructure Bond 3	**$120,000,000**
L- 14004	Mission Beach Brdwalk Bulkhead Phased	$600,000
S-12005	Midway Street Bluff Repair	$100,000
AID00005	**Resurfacing of City Streets Annual Allocation**	$43,460,000
	Streets Total	**$44,160,000**
S-00787	Fire Station 22 - Point	$2,600,000
S-00791	South Mission Beach Station	$2,100,000
S-00692	Skyline Library	$2,800,000
S-00792	L.J. Cove Life Guard Station - Construction	$250,000
S-00788	Fire Station #05 (Hillcrest)	$8,200,000
S-00783	Mid-City Fire Station 17	$11,200,000
S-13022	Mission Hills/Hillcrest Branch Library	$4,000,000
S-00802	San Ysidro Library	$3,000,000
S-13005	University Village Tot Lot	$150,000
S-00800	San Carlos Library	$1,000,000
S-14017	FS51 Skyline Hills	$1,000,000
S-14018	Home Avenue Fire Station	$2,000,000
S-11011	Tierrasanta Sports Field Lighting	$400,000
ABT00001	**Facilities Annual Allocation***	$9,880,000
	Facilities TOTAL	**$48,580,000**
AIK00003	**Sidewalks TOTAL**	**$1,000,000**
ABE00001	**ADA Improvements TOTAL**	**$4,300,000**
ACA00001	**Storm Drain Annual Allocation TOTAL**	**$21,960,000**

*** Includes funding for: North Park Recreation Center and Balboa Park Chess Club**

Lease Revenue Bonds – Pledge of Properties

Background

Lease Revenue Bonds ("LRBs") are lease obligations secured by an installment sale or by a lease-back arrangement between the City and the issuing Joint Powers Authority ("JPA"). Under the lease-back arrangement, the City leases certain properties to the JPA for a nominal rent and in turn leases the properties back from the JPA. The City would make rental payments to the JPA annually for leasing the properties; the annual payments made by the City would be equivalent to the annual debt service on the bonds issued by the JPA. The JPA receives the annual rental payments from the City and assigns the payments to the trustee for the transaction to make principal and interest payments to the bondholders. Hence identification of *Leased Properties* is a critical component of each lease revenue bond transaction.

City's existing Lease Revenue Bonds and Leased Properties

Generally, the Lease Revenue Bonds are issued using two options: 1. by pledging upfront the facilities that will be built with the proceeds of the bonds being proposed to be issued; and, 2. by pledging preexisting facilities already owned by the agency for a bond offering that provides funding for a different set of capital improvements. This second option is more commonly known as the asset transfer option. Historically, City has utilized both options.

The second option, asset transfer, offers two primary advantages: First, as with the deferred capital bonds where a significant portion of the proceeds are spent on improving existing streets and storm drains, which are right of ways, i.e., not pledgeable assets, City could rely on a separate pool of assets to encumber instead of pledging the streets or storm drains. Second, if the City were to pledge an existing facility using asset transfer, during the construction period of the capital improvements, City does not have to capitalize interest payments for the bonds during that period. This lowers the bond issue amount and resulting in lower debt service and thus overall lower borrowing costs.

Examples of the first option, where the financed asset was used as leased property include the 1998 LRBs issued to finance the expansion of the Convention Center (refunded in 2012) and the 2002 LRBs issued to finance Petco Park construction (refunded in 2007). These examples are situations where a new project is built and it is possible to use the new project as the asset being used as collateral. However, this requires the issuance of bond proceeds sufficient to capitalize the interest due on the bonds for the construction period, since the City would not have use and occupancy of the leased property until after construction. Upon completion of the asset, it would serve as the leased property. The use of capitalized interest increases both the size of the bonds issued and the repayment over the life of the bonds.

More frequently, the City's LRBs have been structured as an asset transfer bond offerings; this is the second option. These are lease transactions where the leased properties are existing essential assets of the City rather than the assets financed with the proceeds of the bonds. This structure is typically utilized when the assets to be financed with the bond proceeds are not eligible to be used as leased properties. Examples include streets, sidewalks, and storm drains. The City's

recent LRBs issued in 2009, 2012, and 2013 to finance capital improvement projects utilized the asset transfer structure.

In 2012, the City established a Master Lease with the issuance of the 2012 LRBs, which allows for future CIP bonds to be issued under the same lease agreement by including additional properties to the existing pool of leased properties. Using a Master Lease structure provides for lower costs, stronger credit, and desired diversity in the Leased Properties. This also allows the City to potentially include some less essential assets in the pool, while still maintaining a strong overall quality of leased properties.

Identification of Leased Properties and evaluation criteria

Evaluation of leased properties for the bond pledge is based on financial, legal, credit and essentiality considerations.

Financial: The leased properties for a LRB transaction would need to have sufficient value, i.e., the total appraised value of the properties would need to be approximately equal to the value of the bonds being issued. More specifically, based on the appraised value of the properties the annual market fair rental value is determined, which should be at least equal to the annual debt service of the bonds.

Legal: The properties selected for a transaction should have no prior liens – should not be pledged for prior bonds or other obligations (unencumbered properties). Also, there should be no restrictions to pledge the property for the life of the bonds (typically 30 years). Some City properties, like pueblo lands, may have certain Charter restrictions that do not allow the city to pledge the property for more than 15 years. Many City properties like museums in Balboa Park, parking garages, or recreation centers may be used and occupied by third parties. Prior to pledging such properties the City would need to ensure it is permissible under existing use or operating agreements with the third parties. Similarly, the City has many long term operating leases with hotels or other operators, where it owns the underlying land. This land could be used as leased property but is subject to review of the operating lease agreements. Finally, the City should expect to have use of the property for the life of the bonds.

Credit: The "quality" of leased property is one of the many factors considered by the investors and the rating agencies in determining whether the lease is an essential lease or not. And, the credit rating of a lease revenue bond takes into account this expectation. Typical remedies in an event of default by the issuer include the Bond Trustee's ability to take possession and re-let the leased properties. Since an issuer is less likely to default on the annual debt service payments when assets pledged are essential to its core operations, such assets are viewed by the market and the rating agencies as stronger security. Assets typically considered essential to the operations of the City, include police and fire facilities, libraries, or city operations and administration buildings. Facilities like stadiums, recreation centers, golf courses, parking garages, are considered less essential. When multiple assets are pledged for a bond issue, diversity within the essential assets is also considered a positive credit factor for rating agencies and mitigates concentration risk for investors. *In recent years, City has successfully argued that revenue generating assets such as the City's long term ground leases hold as much value to the City as the traditional assets essential for core operations. Due to this, City was able to innovatively tap more ground leases with no change to the credit rating and the same level of bond pricing as the traditional essential properties. In addition, for the proposed bond issue, select community

recreation centers are added to the preliminary list of properties. Although, these community centers are not traditionally viewed as essential assets for a lease obligation, staff would like to present certain unique credit strengths of these properties including their desirable location, high real estate value, and improvements required for master housing development. Generally, a pledge of non essential properties results in lower credit ratings and higher spreads in interest rates.

Historically, while Lease Revenue Bonds are a highly successful bond category in California and in the nation, the essential purpose of the lease is currently going through an extremely close scrutiny by the investors and the rating agencies. Several major institutional investors are opting not to purchase the bonds due to the risk of non appropriation of debt service by the issuers under financial distress including Chapter 9 bankruptcy filings by San Bernardino, Stockton, and the budgetary decisions made by issuers such as Stockton with respect to lease revenue bond payments.

Property categories that fall within the essential lease properties:

- Police Facilities
- Fire Facilities
- Libraries
- Core Operations facilities
- Long term ground leases *(see above)

The following categories are deemed non essential lease properties:

- Golf Courses
- Parking Garages
- Recreation areas
- Sports Facilities
- Meeting/Convention Facilities
- Open Space
- Property used or rented for non essential/non-core operations

City Property Encumbrances:

Following is the listing of number of General Fund properties pledged for various bond issuances and a listing of suitable property categories that remain unencumbered:

I. Lease Revenue Bonds other than Deferred Capital Bonds

• Ballpark Refunding Bonds	1 (Ballpark) [1]
• Qualcomm Refunding Bonds and Balboa Park Refunding COPs	3
• Fire and Life Safety Refunding Bonds	4
• Convention Center Refunding Bonds [2]	1 (Convention Center)
• MTDB Bonds and Balboa Park COPs [2]	3

1. Excludes portions owned by Padres L.P.
2. Properties pledged for Convention Center Bonds and MTDB Bonds are not owned by the City.

Total No. of Properties: 12 (10 City owned properties)

Source: Debt Management Department.

II. Deferred Capital/CIP Bond Issuances:

• 2009A CIP Bonds ($103 million)	3
• 2012 A CIP Bonds ($75 million)	4
• 2013 A CIP Bonds ($35 million)	2
• ***2014 CIP Bonds ($120 million proposed)***	***7***

Total No. of Properties: 16

Source: Debt Management Department.

Note: Each of the CIP Bond series was part of a larger Lease Revenue Bond issuance and properties pledged were based on the total bond issue size. The number of properties associated with each bond series is an approximation based on the pro-rata share.

III. Unencumbered Properties:

Relying on the essential lease criteria described above, the following categories and approximate number of properties were researched and earmarked as potentially available to pledge for future lease revenue bonding needs subject to appraisal studies to establish market value; title report search to ensure property has clear liens; there are no exclusions, limitations for pledge due to federal/state funding for specific properties; and there are no tideland or pueblo land restrictions. The identified property categories also assume that the facilities are at least in an *average* condition and repair to establish a fair rental value for the property by the appraisers and properties are moderate to large in physical size and/or in original acquisition value.

• Police Facilities	9
• Fire & Lifeguard Facilities	40
• Central Library and Branch Libraries	33
• Core Operations Facilities[1]	6
• Long term ground leases[2]	26

1. City Administration Building and San Diego Community Concourse facilities are not included
2. Reflects long term General Fund leases that collect an annual rent of $100,000 or more

Total No. of Properties: 114

Property Data Source: Office of the City Comptroller and Real Estate Assets Department.

Looking Ahead – Future Infrastructure Needs

The future infrastructure needs identified within the Enhanced Option B funding plan include storm drains, streets and sidewalks, improvements to existing buildings and other facilities, ADA improvements, park and open space improvements, and construction of new facilities (fire stations, libraries, etc.). With the exception of new facilities, where the financed asset itself could be used as leased property, lease revenue bonds for improvements to existing facilities and the other assets types listed above, would require the use of asset transfer structure, and therefore identification of sufficient eligible unencumbered assets.

NEW ISSUE — FULL BOOK-ENTRY-ONLY

Fitch: "__"
S&P: "__"
[Include Outlook]
See "RATINGS"

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Series 2014A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Series 2014A Bonds is exempt from State of California personal income tax. See "LEGAL MATTERS — Tax Matters" herein.

$[AMOUNT]
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS
SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)

Dated: Date of Delivery Due: October 15, as shown on the inside cover

This cover contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, to obtain information essential to making an informed investment decision.

The Public Facilities Financing Authority of the City of San Diego (the "Authority") is issuing $[AMOUNT] aggregate principal amount of its Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds") pursuant to the Indenture, dated as of July 1, 2012, as amended and supplemented by the First Supplemental Indenture, dated as of July 1, 2013 (together, the "Master Indenture"), as amended and supplemented by the Second Supplemental Indenture, dated as of April 1, 2014 (the "Second Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

The Series 2014A Bonds are being issued to (i) finance the costs of the acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects of the City of San Diego (the "City"); and (ii) pay costs of issuance incurred in connection with the issuance of the Series 2014A Bonds. See "PLAN OF FINANCE."

The Series 2014A Bonds are being issued as fully registered bonds, without coupons, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Series 2014A Bonds will be made in book-entry form only, in the principal amount of $5,000 or any multiple thereof. Interest on the Series 2014A Bonds will be payable on April 15 and October 15 of each year, commencing October 15, 2014.

The Series 2014A Bonds are payable from revenues derived from Base Rental Payments paid by the City for the use and occupancy of the Leased Property (each as defined in the Lease (defined below)) as long as the City has such use and occupancy of the Leased Property, and amounts on deposit in the Revenue Fund and the Redemption Fund established under the Indenture, all as set forth in the Indenture. The Authority has leased the Leased Property to the City pursuant to the Facilities Lease, dated as of July 1, 2012, as amended and supplemented by the First Amendment to Facilities Lease, dated as of July 1, 2013 (together, the "Master Facilities Lease"), as amended and supplemented by the Second Amendment to Facilities Lease, dated as of April 1, 2014 (the "Second Amendment to Facilities Lease" and together with the Master Facilities Lease, the "Lease"). The Series 2014A Bonds are also payable from insurance or condemnation awards, if any, arising under the Lease. The Series 2014A Bonds are payable on a parity with four series of bonds currently outstanding under the Master Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS" and "CERTAIN RISK FACTORS."

The Series 2014A Bonds are subject to optional, mandatory sinking fund, and special mandatory redemption, as more fully set forth herein. See "THE SERIES 2014A BONDS – Redemption Provisions."

THE SERIES 2014A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY SECURED SOLELY BY THE BASE RENTAL PAYMENTS OF THE CITY PAYABLE UNDER THE LEASE AND CERTAIN FUNDS HELD UNDER THE INDENTURE, AND ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE FAITH AND CREDIT OF THE CITY NOR THE STATE ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2014A BONDS. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2014A BONDS DO NOT CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION WITH RESPECT TO THE CITY OR ANY OTHER POLITICAL SUBDIVISION OR GOVERNMENTAL ENTITY.

The Series 2014A Bonds will be sold by competitive sale on or about _____, 2014 pursuant to the Official Notice Inviting Bids dated _____, 2014. See APPENDIX G — "OFFICIAL NOTICE INVITING BIDS." For additional information concerning the competitive sale of the Series 2014A Bonds, contact the City's financial advisor, Public Financial Management, Inc., Los Angeles, California. The Series 2014A Bonds are offered when, as and if issued, subject to the opinion on certain legal matters relating to their issuance by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Bond Counsel and Disclosure Counsel to the City. Certain additional legal matters will be passed upon for the City and the Authority by the City Attorney. It is anticipated that the Series 2014A Bonds will be available for delivery through the facilities of DTC in book-entry form on or about _____, 2014.

Dated: _____

MATURITY SCHEDULE

$[AMOUNT]
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS
SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)
(BASE CUSIP NUMBER: 797299)[1]

Maturity Date (October 15)	*Principal Amount*	*Interest Rate*	*Yield[2]*	*Price[2]*	*CUSIP[1]*

$_____ ____% Term Bond due October 15, 20__, Yield: ____%; Price: _____; CUSIP1 797299__

$_____ ____% Term Bond due October 15, 20__, Yield: ____%; Price: _____; CUSIP1 797299__

$_____ ____% Term Bond due October 15, 20__, Yield: _____%; Price: _____; CUSIP1 797299__

[1] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2014 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for CGS. CUSIP® numbers are provided for convenience of reference only. None of the City, the Authority, Bond Counsel, Disclosure Counsel, the Underwriter or the Financial Advisor assume any responsibility for the accuracy of such numbers.

[2] Reoffering yields/prices are furnished by the Underwriter. Neither the Authority nor the City takes any responsibility for the accuracy thereof.

CITY OF SAN DIEGO

MAYOR
Kevin Faulconer

CITY COUNCIL

Serving as the Board of Commissioners of the
Public Facilities Financing Authority of the City of San Diego

[UPDATE]

Sherri S. Lightner, City Council President Pro Tem *(District 1)*
Vacant *(District 2)*
Todd Gloria, City Council President *(District 3)*
Myrtle Cole *(District 4)*
Mark Kersey *(District 5)*
Lorie Zapf *(District 6)*
Scott Sherman *(District 7)*
David Alvarez *(District 8)*
Marti Emerald *(District 9)*

CITY ATTORNEY

Jan I. Goldsmith

CITY OFFICIALS

Scott Chadwick, *Chief Operating Officer*
Mary Lewis, *Chief Financial Officer*
Gail R. Granewich, *City Treasurer*
Eduardo Luna, *City Auditor*
Rolando Charvel, *Interim City Comptroller*
Andrea Tevlin, *Independent Budget Analyst*
Elizabeth Maland, *City Clerk*

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation

FINANCIAL ADVISOR

Public Financial Management, Inc.

TRUSTEE

Wells Fargo Bank, National Association

No dealer, broker, salesperson or other person has been authorized by the Authority or the City to give any information or to make any representations 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 Authority or the City. 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 Series 2014A Bonds by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2014A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

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

The information in APPENDIX E — "DTC AND THE BOOK-ENTRY-ONLY SYSTEM" attached hereto has been furnished by The Depository Trust Company and no representation has been made by the Authority, the City or the Underwriter as to the accuracy or completeness of such information.

The information set forth herein other than that provided by the City, although obtained from sources which are believed by the City to be reliable, is not guaranteed by the City or the Authority as to accuracy or completeness. 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 City since the date thereof. This Official Statement is submitted with respect to the sale of the Series 2014A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Series 2014A Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2014A Bonds to certain dealers, institutional investors and others at prices lower or yields higher than the public offering prices or yields stated on the inside front cover hereof, and said public offering prices may be changed from time to time by the Underwriter.

A wide variety of other information, including financial information, concerning the City, is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

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OFFICIAL STATEMENT

$[AMOUNT]
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS
SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)

INTRODUCTION

This Introduction contains only a brief summary of certain of the terms of the Series 2014A Bonds being offered hereby, and a brief description of the Official Statement. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement, including the Appendices. References to, and summaries of, provisions of the City Charter, the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

General

This Official Statement, which includes the cover page, inside cover page, and appendices hereto (the "Official Statement"), is provided for the purpose of setting forth information concerning the issuance and sale by the Public Facilities Financing Authority of the City of San Diego (the "Authority") of $[AMOUNT] aggregate principal amount of its Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds"). Capitalized terms not otherwise defined herein have the meanings given in the Indenture and the Lease (hereinafter defined) or in APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS."

Authority; Purpose for Issuance

The Series 2014A Bonds are authorized under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") and the laws of the State of California. The Series 2014A Bonds are being issued pursuant to the Indenture, dated as of July 1, 2012 as amended and supplemented by the First Supplemental Indenture, dated as of July 1, 2013 (together, the "Master Indenture"), as amended and supplemented by the Second Supplemental Indenture, dated as of April 1, 2014 (the "Second Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

The Series 2014A Bonds are being issued to (i) finance the costs of the acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects of the City of San Diego (the "City"); and (ii) pay costs of issuance incurred in connection with the issuance of the Series 2014A Bonds. See "PLAN OF FINANCE."

Pursuant to the Master Indenture, the Authority previously issued $72,000,000 aggregate principal amount of its Lease Revenue Bonds, Series 2012A (Capital Improvement Projects) (the "Series 2012A Bonds"), to finance certain capital projects, $18,745,000 aggregate principal amount of its Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding) (the "Series 2012B Bonds"), $43,245,000 aggregate principal amount of its Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013A (Capital Improvement Projects and Old Town Light Rail Extension Refunding) (the "Series 2013A Bonds") and $6,285,000 aggregate principal amount of its Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding) (the "Series 2013B Bonds" and, together with the Series 2012A Bonds, the Series 2012B Bonds, the Series 2013A Bonds and the Series 2013B Bonds, the "Prior

Bonds"). The Prior Bonds, the Series 2014A Bonds and any Additional Bonds (hereinafter defined) issued pursuant to a Supplemental Indenture are collectively referred to herein as the "Bonds." The Prior Bonds are payable on a parity with the Series 2014A Bonds from Base Rental Payments made by the City under the Lease for the use and occupancy of the Leased Property. The Prior Bonds are currently outstanding in the amount of $136,310,000.

The Lease Payments and the Leased Property

The City, exercising its powers under the City Charter (the "Charter") to convey and lease property, has leased certain real property (including land, buildings and other improvements thereon) owned by the City, and will lease additional real property including land, buildings and other improvements thereon) owned by the City (collectively, the "City Property") to the Authority pursuant to the Site Lease, dated as of July 1, 2012 as amended and supplemented by the First Amendment to Site Lease, dated as of July 1, 2013 (together, the "Master Site Lease"), as amended and supplemented by the Second Amendment to Site Lease, dated as of April 1, 2014 (the "Second Amendment to Site Lease" and together with the Master Site Lease, the "Site Lease"), each by and between the City and the Authority. The Authority has previously leased from the San Diego Metropolitan Transit System ("MTS") certain interests in real property of MTS (the "MTS Property") pursuant to and as described in the MTS Site Lease, dated as of July 1, 2013 (the "MTS Site Lease"), by and between MTS and the Authority. The Authority will lease the City Property and the MTS Property (collectively, the "Leased Property") to the City pursuant to the Facilities Lease, dated as of July 1, 2012 as amended and supplemented by the First Amendment to Facilities Lease, dated as of July 1, 2013 (together, the "Master Facilities Lease"), as amended and supplemented by the Second Amendment to Facilities Lease, dated as of April 1, 2014 (the "Second Amendment to Facilities Lease" and together with the Master Facilities Lease, the "Lease"), each by and between the Authority and the City. It is expected that the MTS Property will be released from the provisions of the Lease and MTS Facility Lease on October 15, 2022. Additionally, there may be substitutions, removal and additions to the Leased Property under the Lease, the Site Lease and the MTS Site Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS — Substitution, Removal or Addition of Leased Property."

On or before each Lease Payment Date (occurring on April 10 and October 10 of each year) during the term of the Lease, the City is required to pay to the Trustee the Base Rental Payments ("Base Rental Payments") due on such Lease Payment Date from the City's General Fund, or from other legally available sources. The Trustee, as assignee of the Authority, will receive the Base Rental Payments for the benefit of the Owners of the Bonds and credit such Base Rental Payments to the Revenue Fund established pursuant to the Indenture. Under the Lease, the City covenants to take such action as may be necessary to include all Base Rental Payments payable under the Lease in its operating budget for each fiscal year and make the necessary annual appropriations therefor. The Lease provides that such covenants of the City are deemed by the City to be and will be construed to be ministerial duties imposed by law. The Bonds, including the Series 2014A Bonds, are not secured by any security interest in or mortgage on the Leased Property or any other property.

During any period in which material damage, destruction, title defect or condemnation of all or a portion of the Leased Property or other event results in substantial interference with the use and occupancy of the Leased Property or any portion thereof, such that the fair rental value of the Leased Property available for use and occupancy by the City is less than the Base Rental Payments due under the Lease, all or a portion of such Base Rental Payments will be abated such that the remaining Base Rental Payments due under the Lease represent fair rental value for the use of the portion of the Leased Property not affected.

In the event of any such interruption of use and occupancy, the Lease will continue in full force and effect and proceeds of use and occupancy insurance, if any, will be used to pay Base Rental Payments that would otherwise be abated. Abatement of Base Rental Payments under such circumstances is not an event of default under the Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Abatement of Lease Payments," "CERTAIN RISK FACTORS — Abatement" and APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE LEASE – Rental Payments – Rental Abatement."

Indenture and Security for the Bonds

The Bonds, including the Series 2014A Bonds, are secured under the Indenture solely by a pledge of revenues (the "Revenues") and moneys held in the Revenue Fund and the Redemption Fund under the Indenture that are pledged to the payment of all of the Bonds which are secured on a parity. The Revenues consist of (a) all Base Rental Payments, prepayments, insurance proceeds and condemnation proceeds with respect to the Leased Property and (b) the Revenue Fund and all interest and other income deposited, pursuant to the Indenture, in the Revenue Fund. There is no debt service reserve fund for the Bonds.

Additional Bonds

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture, payable from the Revenues as provided in the Indenture and secured by a pledge of and charge and lien upon the Revenues as provided in the Indenture equal to the pledge, charge and lien securing the Bonds, subject to the conditions precedent set forth in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Additional Bonds."

Bondholders' Risks

There are a number of risks associated with the purchase of the Series 2014A Bonds. See "CERTAIN RISK FACTORS" for a discussion of some of these risks.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "projected" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are believed by the City to be reasonable, there can be no assurance that such expectations will prove to be correct in whole or in part. Neither the Authority nor the City is obligated to issue any updates or revisions to the forward-looking statements if or when expectations, events, conditions or circumstances on which such statements are based do or do not occur.

The presentation of information in APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION," including tables of receipt of revenues, is intended to show recent historical information (except as otherwise indicated), and the City disclaims any representation that any of such information may indicate future or continuing trends in the financial condition, results of operations or any other affairs of the City. No representation is made that past experience, results of operations or financial condition, as it might be shown by such financial and other information, will continue or be repeated in the future. References in this Official Statement to any particular fiscal year (e.g., Fiscal Year 2013) shall mean the fiscal year ending on June 30 of the referenced year.

Other Information in This Official Statement

For important information regarding the City's budget and finances, see APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION." In addition, certain demographic, financial and other information with respect to or affecting the City is contained elsewhere in APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION," in APPENDIX B — "DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY" and in the City's Comprehensive Annual Financial Report ("CAFR") for Fiscal Year 2013, which includes the City's audited basic financial statements as of and

for the fiscal year ended June 30, 2013. The CAFR is made available through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") at http://emma.msrb.org/EA512713-EA399724-EA796781.pdf.

Brief descriptions of the Series 2014A Bonds, the Indenture, the Lease, the Site Lease, the MTS Site Lease and other documents and information are included in this Official Statement, including the Appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to statutes and to the documents summarized, copies of which may be obtained upon request to Wells Fargo Bank, National Association, 707 Wilshire Blvd, 17th Floor, Los Angeles, CA 90017, Attention: Corporate Trust Department, Phone: (213) 614-3353, Fax: (213) 614-3355.

THE SERIES 2014A BONDS

General Terms

The Series 2014A Bonds will be dated, and accrue interest from, the date of their delivery and will bear interest at the rates per annum and mature in the amounts and on the dates shown on the page immediately following the cover page of this Official Statement. The Series 2014A Bonds will be issued as fully registered bonds, without coupons, registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Series 2014A Bonds will be made in book-entry form only in the principal amount of $5,000 or any multiple thereof. Interest on the Series 2014A Bonds will be payable on April 15 and October 15 of each year (each, an "Interest Payment Date"), commencing October 15, 2014. The Trustee will make payments of the principal of and interest on the Series 2014A Bonds directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co., or other affiliate or nominee of DTC, is the registered owner of the Series 2014A Bonds. See APPENDIX E — "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Except as otherwise provided in the Indenture, interest on the Series 2014A Bonds will be payable semiannually on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date (which will be DTC, so long as the book-entry system with DTC is in effect) immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed on such Interest Payment Date by first class mail to the Owners at the respective addresses of such Owners as they appear on the Registration Books; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Series 2014A Bonds in the aggregate principal amount of $1,000,000 or more who furnishes written wire instructions to the Trustee at least five (5) days before the applicable Record Date. Principal of the Series 2014A Bonds upon maturity or earlier redemption of such Series 2014A Bonds will be paid by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee. Principal of and interest and premium (if any) on the Bonds will be payable in lawful money of the United States of America. See APPENDIX E — "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions

Optional Redemption of Series 2014A Bonds. The Series 2014A Bonds maturing on or before October 15, 20__ are not subject to optional redemption prior to their respective stated maturities. The Series 2014A Bonds maturing on or after October 15, 20__, shall be subject to optional redemption, in whole or in part, on any date on or after October 15, 20__, from any available source of funds of the City, at a redemption price equal to the principal amount of the Series 2014A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. Any such redemption will be in such order of maturity as the City will designate in a written notice (and, if no specific order of redemption is designated by the City, *pro rata* among maturities).

Mandatory Sinking Fund Redemption of Series 2014A Bonds. The Series 2014A Bonds maturing on October 15, 20__ are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments derived from scheduled Base Rental Payments made by the City and deposited in the Series 2014A Bonds Sinking Account, on each sinking fund redemption date commencing October 15, 20__, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Sinking Fund Redemption Date	***Principal Amount to be Redeemed or Purchased***
20__*	

* Maturity date.

The Series 2014A Bonds maturing on October 15, 20__ are subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments derived from scheduled Base Rental Payments made by the City and deposited in the Series 2014A Bonds Sinking Account, on each sinking fund redemption date commencing October 15, 20__, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Sinking Fund Redemption Date	***Principal Amount to be Redeemed or Purchased***
20__*	

* Maturity date.

The Series 2014A Bonds maturing on October 15, 20__ are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments derived from scheduled Base Rental Payments made by the City and deposited in the Series 2014A Bonds Sinking Account, on each sinking fund redemption date commencing October 15, 20__, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Sinking Fund Redemption Date	***Principal Amount to be Redeemed or Purchased***
20__*	

* Maturity date.

Provided, however, that if some but not all of the Series 2014A Bonds maturing on October 15, 20__, October 15, 20__ or October 15, 20__ (collectively, the "2014A Term Bonds") have been optionally redeemed

as described above, the total amount of all future sinking account payments with respect to such redeemed 2014A Term Bonds will be reduced by the aggregate principal amount of such 2014A Term Bonds so redeemed, to be allocated among the sinking account payments for such 2014A Term Bonds as are thereafter payable on a *pro rata* basis in integral multiples of $5,000 to the extent possible and in inverse order thereafter.

Special Mandatory Redemption. The Series 2014A Bonds will be subject to redemption as a whole or in part on any date, to the extent the Trustee has received hazard or title insurance proceeds or condemnation proceeds not used to repair or replace any portion of the Leased Property damaged, destroyed or taken and elected by the City to be used for such purpose as provided in the Indenture, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

Selection for Redemption. If less than all of the Series 2014A Bonds of a particular maturity are to be redeemed, the Trustee will select the Series 2014A Bonds to be redeemed from all Series 2014A Bonds of such maturity or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion will deem appropriate. For purposes of such selection, the Trustee will treat each Series 2014 Bond as consisting of separate $5,000 portions and each such portion will be subject to redemption as if such portion were a separate Series 2014 Bond. If less than all Outstanding Bonds are called for redemption from proceeds of eminent domain or insurance at any one time, the Authority will designate a principal amount in each maturity to be redeemed, which, to the extent practicable, results in approximately equal annual debt service on the Bonds Outstanding following such redemption.

Notice of Redemption. Notice of redemption will be mailed by the Trustee by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Series 2014A Bonds designated for redemption at their addresses appearing on the Registration Books, and to the Securities Depositories by means acceptable to such institutions. Each notice of redemption will state the name of the Series 2014A Bonds (including series) to be redeemed, the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Series 2014A Bonds (or all Series 2014A Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Series 2014A Bonds within a maturity are called for redemption) bond numbers of the Series 2014A Bonds to be redeemed, the maturity or maturities of the Series 2014A Bonds to be redeemed and in the case of Series 2014A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said Series 2014A Bonds the redemption price thereof, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2014A Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date.

Notwithstanding the foregoing, in the case of any optional redemption of the Series 2014A Bonds, the notice of redemption will state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Series 2014A Bonds on the anticipated redemption date, and that the optional redemption will not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Series 2014A Bonds have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Series 2014A Bonds, such event will not constitute an Event of Default, the Trustee will send written notice to the Owners and to the Securities Depositories to the effect that the redemption did not occur as anticipated, and the Series 2014A Bonds for which notice of optional redemption was given will remain Outstanding.

The City will have the right to rescind any optional or special mandatory redemption by written notice to the Trustee on or prior to the date fixed for redemption. The Trustee will mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Purchase in Lieu of Optional Redemption. Purchase in lieu of redemption will be available to all Series 2014A Bonds called for optional redemption or for such lesser portion of such Series 2014A Bonds as constitute authorized denominations. The City may direct the Trustee (or another agent appointed by the City to make such purchase on behalf of the City) to purchase all or such lesser portion of the Series 2014A Bonds called for optional redemption. Any such direction to the Trustee must: (i) be in writing; (ii) state either that all the Series 2014A Bonds called for redemption therein identified are to be purchased or, if less than all of the Series 2014A Bonds called for redemption are to be purchased, identify those Series 2014A Bonds to be purchased by maturity date and outstanding principal amount in authorized denominations; and (iii) be received by the Trustee no later than 12:00 noon one Business Day prior to the scheduled redemption date thereof.

If so directed, the Trustee will purchase such Series 2014A Bonds on the date which otherwise would be the redemption date of such Series 2014A Bonds. Any of the Series 2014A Bonds called for redemption that are not purchased in lieu of redemption will be redeemed as otherwise required by the Indenture on such redemption date.

On or prior to the scheduled redemption date, any direction given to the Trustee as described above may be withdrawn by the City by delivering a written certificate to the Trustee. Subject generally to the terms of the Indenture, should a direction to purchase be withdrawn, the scheduled redemption of such Series 2014A Bonds will occur.

If the purchase is directed by the City, the purchase will be made for the account of the City or its designee. The purchase price of the Series 2014A Bonds purchased in lieu of redemption will be equal to the outstanding principal of, accrued and unpaid interest on and the redemption premium, if any, which would have been payable on such Series 2014A Bonds on the scheduled redemption date for such redemption. To pay the purchase price of such Series 2014A Bonds, the Trustee will use money deposited by the City with the Trustee for such purpose. The Trustee will not purchase the Series 2014A Bonds in lieu of optional redemption if, by no later than the redemption date, sufficient moneys have not been deposited with the Trustee or such moneys are deposited, but are not available.

No notice of the purchase in lieu of optional redemption is required to be given to the Owners (other than the notice of redemption otherwise described above under the subcaption "– *Notice of Redemption*").

Purchase in Lieu of Redemption of Term Bonds. The City will have the option, in lieu of sinking fund redemption of any 2014A Term Bonds, to direct the Trustee to use and withdraw amounts on deposit as sinking account payments for the 2014A Term Bonds, at any time for the purchase by the City (or the Trustee on behalf of the City) of 2014A Term Bonds otherwise required to be redeemed on the following sinking fund redemption date, at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the City may in its discretion determine. The par amount of any of 2014A Term Bonds so purchased by the City and surrendered to the Trustee for cancellation in any twelve-month period ending on the sinking fund redemption date will be credited towards and will reduce the par amount of such 2014A Term Bonds otherwise required to be redeemed on such sinking fund redemption date pursuant to mandatory sinking account payment (and corresponding mandatory redemption obligation), as set forth in the Indenture.

The City will also have the option to deliver for cancellation to the Trustee 2014A Term Bonds in any aggregate principal amount, and to receive a credit therefore against the mandatory sinking account payment (and corresponding mandatory redemption obligation) set forth above. This option will be exercised by the City on or before the 35th day preceding the applicable mandatory sinking fund redemption date, by furnishing to the Trustee a written certificate setting forth the extent of the credit to be applied with respect to the mandatory sinking account payment for the specified 2014A Term Bonds. If the written certificate is not furnished timely to the Trustee, no credit will be made against that mandatory sinking account payment (and

corresponding mandatory redemption obligation), although credits may be available against subsequent mandatory sinking account payments.

To the extent not applied theretofore as a credit against any mandatory sinking account payment (and corresponding mandatory redemption obligation) described in the preceding paragraph, such a credit will also be received by the City for any 2014A Term Bonds which prior thereto have been purchased or redeemed other than through the operation of the mandatory sinking account payment or have been purchased for cancellation and cancelled by the Trustee.

Each Term Bond so delivered, redeemed previously, or purchased and cancelled, will be credited by the Trustee at 100% of the principal amount thereof against the mandatory sinking account payment, subject to the completion of the procedures described above. Any excess of that amount over the then current mandatory sinking account payment will be credited against subsequent mandatory sinking account payments starting with the next subsequent such payment, unless otherwise directed by the City in a written certificate.

DTC and the Book-Entry Only System

DTC will act as securities depository for the Series 2014A Bonds. The Series 2014A Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee), and will be available to ultimate purchasers only under the book-entry system maintained by DTC in the denomination of $5,000 or any integral multiple thereof. Ultimate purchasers of Series 2014A Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Series 2014A Bonds. So long as the Series 2014A Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners of the Series 2014A Bonds will mean Cede & Co., and will not mean the ultimate purchasers of the Series 2014A Bonds. Payments by the Trustee of the principal of and interest on the Series 2014A Bonds and any notice with respect to any Series 2014 Bond will be sent directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Series 2014A Bonds. Disbursements of such payments and delivery of such notices to DTC's Participants are the responsibility of DTC and disbursements of such payments and delivery of such notices to the Beneficial Owners are the responsibility of DTC's Participants and Indirect Participants. See APPENDIX E — "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

PLAN OF FINANCE

The City will apply approximately $66.4 million of the proceeds of the Series 2014A Bonds to finance all or portions of the acquisition, design, construction, installation and equipping of various capital improvement projects of the City, including: new facilities, improvements to various existing facilities, street resurfacing, storm drain replacements and other capital projects.

ESTIMATED SOURCES AND USES OF FUNDS

The sources of funds to be received from the sale of the Series 2014A Bonds and the proposed uses of the Series 2014A Bond proceeds are estimated to be in the amounts shown below.

SOURCES OF FUNDS
Principal Amount
[Plus Net Original Issue Premium/Less Net
Original Issue Discount]
Total Sources

USES OF FUNDS
Deposit to the Series 2014A Construction Fund
Costs of Issuance[1]
Underwriter Discount
Total Uses

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(1) Includes fees and costs associated with the issuance of the Series 2014A Bonds, including, but not limited to, trustee fees, financial advisor fees and expenses, bond counsel fees and expenses, disclosure counsel fees and expenses, rating agency fees, title insurance costs, and appraisal fees.

DEBT SERVICE SCHEDULE

The following table summarizes the debt service requirements of the Authority's outstanding Prior Bonds and the Series 2014A Bonds payable from Base Rental Payments made by the City pursuant to the Lease.

Date	Debt Service on Outstanding Prior Bonds[2]	Series 2014A Principal	Series 2014A Interest	Total Series 2014A Debt Service	Aggregate Parity Debt Service[1]
04/15/2014	$ 4,089,762.51				
10/15/2014	5,865,362.51				
04/15/2015	4,061,462.51				
10/15/2015	5,892,587.51				
04/15/2016	4,040,412.51				
10/15/2016	5,925,637.51				
04/15/2017	4,002,337.51				
10/15/2017	5,971,712.51				
04/15/2018	3,952,962.51				
10/15/2018	6,032,637.51				
04/15/2019	3,903,362.51				
10/15/2019	6,091,862.51				
04/15/2020	3,843,837.51				
10/15/2020	6,146,287.51				
04/15/2021	3,791,662.51				
10/15/2021	6,205,662.51				
04/15/2022	3,730,787.51				
10/15/2022	6,267,837.51				
04/15/2023	3,668,562.51				
10/15/2023	5,251,912.51				
04/15/2024	3,629,987.51				
10/15/2024	4,541,812.51				
04/15/2025	3,605,112.53				
10/15/2025	4,560,412.51				
04/15/2026	3,584,806.26				
10/15/2026	4,577,037.51				
04/15/2027	3,568,512.51				
10/15/2027	4,613,800.01				
04/15/2028	3,537,056.26				
10/15/2028	4,630,500.01				
04/15/2029	3,514,331.26				
10/15/2029	4,665,325.01				
04/15/2030	3,493,059.38				
10/15/2030	4,693,315.63				
04/15/2031	3,462,146.88				
10/15/2031	4,724,853.13				
04/15/2032	3,433,046.88				
10/15/2032	4,038,490.63				
04/15/2033	2,703,253.13				
10/15/2033	4,071,503.13				
04/15/2034	2,672,187.50				
10/15/2034	4,108,562.50				
04/15/2035	2,639,856.25				
10/15/2035	4,139,231.25				
04/15/2036	2,601,981.25				
10/15/2036	4,179,356.25				
04/15/2037	2,568,200.00				
10/15/2037	4,218,325.00				
04/15/2038	2,527,737.50				
10/15/2038	4,260,437.50				
04/15/2039	2,485,356.25				
10/15/2039	4,306,143.75				
04/15/2040	2,441,981.25				
10/15/2040	4,350,743.75				
04/15/2041	2,397,381.25				
10/15/2041	4,399,006.25				
04/15/2042	2,346,212.50				
10/15/2042	2,150,700.00				
TOTAL	$237,178,412.88				

(1) Represents total debt service on the Prior Bonds and the Series 2014A Bonds, but does not include any payments on any other outstanding bonds or outstanding lease obligations of the City or the Authority, which, like the Bonds, are payable from lease payments by the City made from its General Fund. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – BONDED AND OTHER INDEBTEDNESS – Long-Term Obligations" and "– Other Obligations" for a description of City's other outstanding lease obligations.

(2) As of March 1, 2014.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS

General

The Series 2014A Bonds will be secured solely by a pledge of Revenues and certain moneys, funds and accounts pledged to the payment of the Bonds under the Indenture. The Revenues consist of (a) all Base Rental Payments (described below), prepayments, insurance proceeds, and condemnation proceeds with respect to the Leased Property and (b) the Revenue Fund and all interest and other income deposited in the Revenue Fund.

The Base Rental Payments will be paid by the City, from the City's General Fund or from other legally available sources, to the Trustee in an amount sufficient to pay the principal of and interest on the Bonds, including the Series 2014A Bonds, on each Interest Payment Date and redemption date. The Authority may, from time to time, enter into supplemental indentures without the consent of the owners of the Outstanding Bonds for the purpose of issuing Additional Bonds, payable from Revenues as provided in the Indenture and secured by a pledge of such Revenues equal to the pledge securing the Outstanding Bonds, subject to certain specific conditions set forth in the Indenture. See "– Additional Bonds."

Base Rental Payments; Additional Payments

On or before each Lease Payment Date (occurring on April 10 and October 10 of each year) during the term of the Lease, the City is required to pay to the Trustee the Base Rental Payments due on such date from the City's General Fund, or from other legally available sources, subject to abatement as discussed under "Abatement of Lease Payments" below. The Trustee, as assignee of the Authority, will receive the Base Rental Payments for the benefit of the Owners of the Bonds and credit such Base Rental Payments to the Revenue Fund established pursuant to the Indenture. The Trustee will apply the Revenues held in the Revenue Fund on each Interest Payment Date to pay principal and interest due on such date on the Bonds.

Under the Lease, in addition to the Base Rental Payments payable thereunder, the City has agreed to pay Additional Payments consisting of such amounts, if any, in each year as will be required for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Site Lease or the Lease, including but not limited to all fees, costs and expenses and all administrative costs of the Authority relating to the Leased Property and indemnification of the Trustee. The Base Rental Payments and Additional Payments, collectively, constitute the "Lease Payments."

Under the Lease, such payments of Base Rental Payments and Additional Payments for each Lease Year or portion thereof during the term of the Lease will constitute the total rental for such Lease Year or portion thereof and will be paid or payable by the City from funds of the City lawfully available therefor for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Leased Property by the City for and during such Lease Year.

Covenant to Budget

The City has covenanted in the Lease to take such action as may be necessary to include all Lease Payments payable by the City thereunder in its operating budget for each Fiscal Year and to make the necessary annual appropriations for all such Lease Payments. The Lease provides that such covenants on the part of the City are deemed to be and will be construed to be ministerial duties imposed by law, and it will be the duty of the applicable officials of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants and agreements in the Lease.

As required by the Charter, the City Council must approve the annual budget no later than June 15 of each fiscal year. The annual budget is enacted by the City Council with the adoption of the annual

Appropriation Ordinance in July. The Charter provides for continuing appropriation of the prior year's appropriations until a new Appropriation Ordinance is adopted. This would allow the Chief Financial Officer to continue to make Base Rental Payments once such payments have been budgeted and appropriated in the event that the City Council fails to timely adopt the Appropriation Ordinance. For a discussion of financial and budgetary information relating to the City's General Fund, see APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION."

Limited Obligation

The obligation of the City to make Base Rental Payments under the Lease does not constitute an obligation to levy or pledge, or for which the City has levied or pledged, any form of taxation. Neither the Series 2014A Bonds nor the obligation of the City to make Base Rental Payments or Additional Payments constitutes indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See "CERTAIN RISK FACTORS – Limited Obligations of the City.

Abatement of Lease Payments

Except to the extent of (i) amounts held by the Trustee under the Indenture in the Interest Account and Principal Account of the Revenue Fund, (ii) amounts received in respect of use and occupancy insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect or condemnation, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, rental payments due under the Lease with respect to the Leased Property will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Payments, in which case rental payments will be abated only by an amount equal to the difference.

In the case of abatement relating to the Leased Property, the amount of annual rental abatement will be such that the resulting Base Rental Payments in any Lease Year during which such interference continues, excluding any amounts described in clauses (i), (ii), (iii) above, do not exceed the annual fair rental value for each Lease Year of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of an Authorized Representative of the City. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of title defect or substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned. See "CERTAIN RISK FACTORS – Abatement," and APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE LEASE – Rental Payments – *Rental Abatement*."

In order to help mitigate the risk that an abatement event will cause a disruption in payment of Lease Payments, the Lease requires the City to maintain, or cause to be maintained, use and occupancy insurance against loss of use caused by hazards covered by property insurance (see "— Fire and Extended Coverage Insurance" below) (excluding the Ground Lease Sites) in an amount sufficient to pay the Base Rental Payments attributable to the Leased Property at the maximum annual debt service for any ensuing twenty-four month period; provided, that the amount of such insurance need not exceed the total remaining Base Rental Payments. See "– Use and Occupancy Insurance" below.

During any period of abatement with respect to all or any part of the Leased Property, the Trustee is required to use the proceeds of the use and occupancy insurance to make payments of principal of and interest on the Bonds. In the event that such funds are insufficient to make all payments with respect to the Series 2014A Bonds during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the

Lease or Indenture for nonpayment under such circumstances. **Failure to pay principal, premium, if any, or interest on to the Series 2014A Bonds as a result of abatement of the City's obligation to make Rental Payments under the Lease is not an event of default under the Indenture or the Lease**. In the event that Base Rental Payments are abated due to damage caused by earthquake or flood, such abatement may continue indefinitely, as no insurance for such damages is required under the Lease and the City cannot be compelled to repair or replace the damaged Leased Property or to redeem the Bonds. In lieu of abatement of Lease Payments, the City in its sole discretion may elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to the substitution provisions of the Lease. See "– Substitution, Removal or Addition of Leased Property" below.

The City participates in the joint purchase of insurance through the CSAC-EIA Pool (as defined below), which includes flood insurance and use and occupancy insurance for all of the City Property (excluding the Ground Lease Sites) but does not include earthquake insurance or use and occupancy insurance in the event of an earthquake. MTS also participates in the joint purchase of insurance through the CSAC-EIA Pool, which includes flood insurance for the MTS Property and use and occupancy insurance, but does not include any earthquake coverage or use and occupancy insurance in the event of an earthquake. See "– CSAC-EIA Pool" below and APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – RISK MANAGEMENT – Property and Flood Insurance" and "– Earthquake Insurance." **None of the Leased Property is covered by earthquake insurance. The City is not required to obtain flood insurance for the Leased Property pursuant to the Lease, and MTS is not required to obtain flood insurance for the MTS Property pursuant to the MTS Site Lease. The City, in its discretion, may elect at any time to modify the designation of covered properties in the future, in which case it is possible that none of the Leased Property will be covered by flood insurance, and in which case in the event of loss of use from flood, no such insurance funds will be available to make Base Rental Payments.**

No Debt Service Reserve Fund

The City will not establish or maintain a debt service reserve fund for the Series 2014A Bonds nor is there a debt service reserve fund for the Prior Bonds. Amounts held or to be held in a debt service reserve fund or account established for any other obligations payable from the City's General Fund may not be used or drawn upon to pay principal of or interest on the Prior Bonds or the Series 2014A Bonds.

Parity Bonds

As of March 1, 2014, the Authority had $136,310,000 aggregate principal amount of Prior Bonds outstanding under the Indenture. Currently, the Prior Bonds are the only Bonds outstanding under the Indenture. See "DEBT SERVICE SCHEDULE." See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – BONDED AND OTHER INDEBTEDNESS" for a discussion of the Authority's other outstanding bonds and the City's general fund obligations.

Additional Bonds

The Indenture provides that the Authority and the City may, at any time, determine to issue and deliver Additional Bonds without the consent of the Owners of Outstanding Bonds, payable from and secured by a pledge of the Revenues as provided in the Indenture equal to the pledge securing the Outstanding Bonds (including the Prior Bonds and the Series 2014A Bonds), subject to satisfying certain terms and conditions set forth in the Indenture. The conditions for the issuance of Additional Bonds include:

(1) No Event of Default will be continuing under the Indenture after giving effect to the issuance of the Additional Bonds and the application of the proceeds thereof.

(2) The Supplemental Indenture will require that the proceeds of such Additional Bonds will be applied to finance or refinance capital improvements, or for the refunding or repayment of any Outstanding

Bonds or other obligations of the City issued to finance or refinance capital improvements, including payment of the interest to become due on said Additional Bonds during the estimated period of any construction and for a period of not to exceed 12 months thereafter.

(3) The Lease will be amended, if necessary, so that the Base Rental Payments payable by the City thereunder in each Fiscal Year will at least equal projected Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year.

(4) If the additional facilities, if any, to be leased are not situated on Leased Property described in the Lease and the Site Lease, then the Lease and Site Lease will be amended to add such additional Leased Property. See APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE INDENTURE – Issuance of Bonds – *Conditions for the Issuance of Additional Bonds*."

Nothing in the Indenture prevents payment of Debt Service on any Series of Additional Bonds from being secured and payable from sources, or by property, instruments or documents, not available to pay or secure the Series 2014A Bonds or any one or more Series of Additional Bonds. See "CERTAIN RISK FACTORS – No Limitation on Incurring Additional Obligations."

Repair and Maintenance; Taxes and Assessments; Insurance; Modification of the Leased Property

During the term of the Lease, the City with respect to the City Property, and MTS with respect to the MTS Property (pursuant to the MTS Site Lease) will, at its own cost and expense, maintain, preserve and keep its portion of the Leased Property in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. In addition, the City and MTS will provide, or cause to be provided, each at its own expense, all power, gas, telephone, light, heating and water, and other public utility services for the Leased Property. The Authority will have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

The City and the Authority will not create, or suffer to be created, any mortgage, pledge, lien, charge or other encumbrance upon the Leased Property, except Permitted Encumbrances. The City and the Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as provided in the Lease. During the term of the MTS Site Lease, MTS will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the MTS Property, other than the Permitted Encumbrances.

Notwithstanding anything to the contrary contained in the Lease, but subject to the rights of the City described above, the City may assign, transfer or sublease any and all of the Leased Property or its other rights under the Lease, provided that: (i) the rights of any assignee, transferee or sublessee will be subordinate to all rights of the Authority and the Trustee under the Lease; (ii) no such assignment, transfer or sublease will relieve the City of any of its obligations under the Lease; (iii) the assignment, transfer or sublease will not result in a breach of any covenant of the City contained in the Lease; (iv) any such assignment, transfer or sublease will by its terms expressly provide that the fair rental value of the Leased Property for all purposes shall be first allocated to the Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease; and (v) no such assignment, transfer or sublease will confer upon the parties thereto (other than the City) any remedy which allows re-entry upon the Leased Property and such right of re-entry will be subordinated to the remedies available under the Lease.

In the event that the use, possession or acquisition by the City or the Authority of the Leased Property is found to be subject to taxation in any form, the City will pay or cause to be paid during the term of the Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air

conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; provided, however, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City will be obligated to pay only such installments as are accrued during such time as the Lease is in effect.

During the term of the MTS Site Lease, MTS will pay, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the MTS Property, as well as all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the MTS Property; provided that, with respect to any governmental charges that may lawfully be paid in installments over a period of years, MTS shall be obligated to pay only such installments as have accrued during the time the MTS Site Lease is in effect.

Fire and Extended Coverage Insurance

The City, with respect to the City Property pursuant to the Lease, and MTS, with respect to the MTS Property pursuant to the MTS Site Lease, are each required to procure and maintain, or cause to be procured and maintained, throughout the term of the Lease, insurance against loss or damage to their respective portions of the Leased Property (excluding the Ground Lease Sites (as defined below)) caused by fire and lightning, but exclusive of flood and earthquake, with an extended coverage endorsement covering the risk of vandalism and malicious mischief, sprinkler system leakage and boiler loss. Such insurance will be in an amount equal to the lesser of (A) the replacement cost (without deduction for depreciation) of improvements located or to be located on the Leased Property; or (B) the remaining unpaid principal amount of their allocated portion of Bonds Outstanding, plus the amount of use and occupancy coverage (described below), except that such insurance may be subject to deductible clauses of not to exceed the first $100,000 of the total amount of any one loss. Fire and extended coverage insurance and use and occupancy insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property insured by the City or MTS, respectively; provided that the amount of coverage available thereunder will be at least equal to the cumulative replacement values of their respective portions of the Leased Property and any other such property which is the subject of a lease, installment purchase or other financing arrangement ("Financed Property") for which bonds, certificates of participation or other obligations have been issued ("Obligations") plus the amount of use and occupancy coverage required by the Lease; in the event the City or MTS elects to obtain insurance for the Leased Property and one or more additional parcels of real property and the amount of the insurance proceeds available to pay all claims thereunder is not sufficient to cover the replacement values of all such properties, then any such proceeds will be used first to rebuild or repair the Leased Property or to repay the Bonds. Such insurance may be part of a joint-purchase insurance program. The provider of such insurance will be rated at least "A-" by A.M. Best & Company. As an alternative to providing the fire and extended coverage insurance required by the Lease, or any portion thereof, the City or MTS may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection will afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. See APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE LEASE – Maintenance; Taxes; Insurance and Other Charges."

Use and Occupancy Insurance

The City, with respect to the City Property pursuant to the Lease, and MTS, with respect to the MTS Property pursuant to the MTS Site Lease, are each required to procure and maintain, or to cause to be procured and maintained, use and occupancy insurance against loss, total or partial, of the use and occupancy of the Leased Property (excluding the Ground Lease Sites) against loss of use caused by hazards covered by property insurance required by the Lease (see "– Fire and Extended Coverage Insurance" above), in an amount sufficient to pay the Base Rental Payments attributable to their respective portions of the Leased Property for a twenty-four month period; provided, that the amount of such insurance need not exceed the total remaining Base Rental Payments; provided further, that such insurance may be part of a policy of fire and extended

coverage insurance permitted by the Lease; provided further, the City or MTS may obtain use and occupancy insurance covering the Leased Property as well as other parcels of property owned by the City or MTS, provided that the cumulative amount thereof is at least equal to the cumulative amount of use and occupancy insurance required by the Lease with respect to their respective portions of the Leased Property and any agreements relating to Financed Property in respect of which Obligations are outstanding; in the event the City or MTS elects to obtain insurance for the Leased Property and one or more additional parcels of real property and the amount of the insurance proceeds available to pay all claims thereunder is not sufficient to cover the replacement values of all such properties, then any such proceeds will be used first to rebuild or repair the Leased Property or to repay the Bonds. Any proceeds of such insurance will be payable to and used by the Trustee as provided in the Indenture to pay principal of and interest on the Bonds for a period of time during which the payment of rental under the Lease is abated. Such insurance may be subject to a deductible clause of not to exceed $50,000. Such insurance may be part of a joint-purchase insurance program. The provider of such insurance will be rated at least "A-" by A.M. Best & Company. Pursuant to the Lease, use and occupancy insurance cannot be provided by self-insurance.

CSAC-EIA Pool

The City and MTS each participate in the joint purchase of insurance through the California State Association of Counties-Excess Insurance Authority pool (the "CSAC-EIA Pool"), a statewide joint powers authority risk pool. Flood coverage for all components of the City Property (except the Ground Lease Sites) and the MTS Property is currently provided to the City and MTS through their participation in the CSAC-EIA Pool. The CSAC-EIA Pool provides earthquake coverage in limited amounts for certain designated buildings and structures and certain City lease financed locations. None of the City Property or the MTS Property has any earthquake coverage. See "– Abatement of Lease Payments" above and APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – RISK MANAGEMENT – Property and Flood Insurance" and "– Earthquake Insurance." The City is not required to obtain flood or earthquake insurance for the Leased Property pursuant to the Lease, and MTS is not required to obtain flood or earthquake insurance for the MTS Property pursuant to the MTS Site Lease. The City, in its discretion, may elect at any time to modify the designation of covered properties in the future, in which case it is possible that none of the Leased Property will be covered by flood or earthquake insurance, and in which case in the event of loss of use from flood or earthquake no such insurance funds will be available to make Base Rental Payments.

Title Insurance

The Lease provides that the City will have or obtain, on or before the Closing Date for the Series 2014A Bonds, a California Land Title Association (CLTA) leasehold policy or policies, or a commitment for such policy or policies, with respect to all of the Leased Property with liability in the aggregate amount equal to the principal amount represented by the Outstanding Bonds. Such policy or policies, when issued, will name the Trustee as the insured and will insure the leasehold estate of the Authority under the Site Lease and the MTS Site Lease in the Leased Property, subject only to Permitted Encumbrances.

Substitution, Removal or Addition of Leased Property

Pursuant to the Lease, the City and the Authority may amend the Lease and the Site Lease to (i) substitute real property and/or improvements (the "Substitution") for all or a portion of the existing Leased Property; (ii) remove all or a portion of real property (including undivided interests therein) or improvements ("Removal") from the definition of Leased Property; or (iii) to add real property and/or improvements (the "Additional Leased Property") to the Leased Property, upon compliance with all of the applicable conditions set forth in the Lease. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected will be released from the leasehold under the Lease and under the Site Lease. See APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE LEASE – The Leased Property – Substitution, Removal or Addition of Leased Property."

Pursuant to the MTS Site Lease, MTS may request the Authority to substitute or remove property for all or part of the MTS Property subject to the MTS Site Lease, but only upon compliance by MTS, at its sole expense, with all requirements for the substitution of property by the City under the Lease. The City may consent to such substitution, such consent not to be unreasonably withheld. A portion of the proceeds of the Series 2013A Bonds was used to refund certain outstanding bonds of the Authority. When all debt service payments on the Series 2013A Bonds relating to these refunded bonds have been paid, which is expected to occur on October 15, 2022, the MTS Property will be released from the provisions of the Lease and the MTS Site Lease and will no longer be part of the Leased Property. See APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – MTS SITE LEASE – Retained Rights and Obligations of MTS – *Substitution of MTS Property*."

Eminent Domain

If title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the City or the Authority in the Leased Property or any portion thereof is taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority will cause the Net Proceeds of any condemnation award to be transferred to the Trustee for deposit in the Insurance and Condemnation Fund and applied as described in the Indenture. See "THE SERIES 2014A BONDS – Redemption Provisions" and APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE LEASE – Damage, Destruction, Title Defect and Condemnation."

Investment of Funds under the Indenture

Money held by the Trustee under any fund or account held under the Indenture will be invested by the Trustee at the direction of the City solely in Permitted Investments, pending application as provided in the Indenture. Unless otherwise provided in a Supplemental Indenture, all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture (except any Rebate Fund) will be deposited, at the City's direction, in the Construction Fund or the Revenue Fund.

THE LEASED PROPERTY

General

The City is leasing the City Property to the Authority pursuant to the Site Lease. MTS is leasing the MTS Property to the Authority pursuant to the MTS Site Lease. The Authority is leasing the Leased Property (comprised of the City Property and the MTS Property) to the City pursuant to the Lease. Pursuant to the Lease, the City's rights to the MTS Property are subject to the retained rights (e.g., use, possession, control) of MTS as described in the MTS Site Lease. The Leased Property includes several sites located in the City and (other than with respect to the Ground Lease Sites (as defined below)) the buildings and other improvements thereon owned by the City and MTS. When all debt service payments on the Series 2013A Bonds relating to the refunded 2003 Old Town Light Rail Refunding Bonds have been paid, which is expected to occur on October 15, 2022, the MTS Property will be released from the provisions of the Lease and the MTS Site Lease and will no longer be part of the Leased Property.

The Leased Property is comprised of properties that have been appraised in either 2012, 2013 or 2014 at an aggregate value of approximately $____ million. [To Be Updated Upon Posting of POS.] The City will certify on the Closing Date to the effect that the total Base Rental Payments required to be paid by the City pursuant to the Lease in each Lease Year is not in excess of the total fair rental value of the Leased Property in any Lease Year. However, the Leased Property itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners.

Upon the issuance of the Series 2014A Bonds, the Leased Property will consist of 16 leased properties which are described below and summarized in the table that follows. The properties comprising the Leased Property are geographically dispersed throughout the City. All Bonds outstanding under the Indenture are secured by all of the properties comprising the Leased Property and none of the properties are assigned to secure any specific series of Bonds.

Public Safety Facilities

Fire Communications Center consists of a two-story combination wood and steel frame building with a stucco exterior and includes a satellite communication tower. The Fire Communications Center is staffed 24 hours a day, seven days a week with dispatchers and administrative personnel. The Center is responsible for all citywide medical, fire, and rescue operations and is also contracted to dispatch for the Cities of Poway and Chula Vista in the region.

Fire Station #9 consists of a single story wood frame building with a stucco exterior. Fire Station #9 houses one fire engine and one paramedic unit, and primarily serves La Jolla and its surrounding areas in the City. Engine #9's district is 4.72 square miles. The City personnel at Station #9 are all Firefighter/Paramedics and are responsible for orientation and continued training of field paramedics as well as maintenance of emergency medical equipment. Fire Station #9 also handles department medical forms and other administrative projects.

Fire Station #11 consists of a two-story combination steel and wood frame building with a stucco exterior. Fire Station #11 houses one fire engine, one aerial fire truck, and one paramedic unit; and serves Golden Hill and its surrounding areas in the City. Engine #11's district is 2.85 square miles.

Fire Station #16 consists of a single story wood frame with concrete building. Fire Station #16 houses one fire engine; and serves La Jolla and its surrounding areas in the City. Engine #9's district is 3.45 square miles.

Fire Station #37 consists of a two-story combination steel and wood frame building with a stucco exterior. Fire Station #37 houses one fire engine, one fire brush engine, and one paramedic unit; and serves Scripps Ranch and its surrounding areas in the City. Engine #37's district is 11.28 square miles.

Fire Station #44 consists of a single-story concrete tilt-up building with a partial mezzanine area. Fire Station #44 houses one battalion chief's vehicle, one fire engine, one aerial fire truck, and two primary hazardous materials response units. Fire Station #44 is the only Hazardous Material ("HazMat") station in the City. HazMat is responsible for identifying, containing and removing hazardous materials. Fire Station #44 serves Eastern Mira Mesa and its surrounding areas in the City. Engine #44's district is 6.58 square miles.

Central Police Vehicle Maintenance Facility consists of a single story concrete tilt-up building with a partial second story office area. The facility serves the San Diego Police Department with 14 automotive service bays for heavy vehicle maintenance, general repair, body repair, scooter repair, smog and alignment shops, paint booth, and metal fabrication, with an elevator to the second floor administrative offices, conference and training rooms. Other improvements include a freestanding car wash building, a fuel island with canopy, and a small storage building. The fuel island has one 20,000 gallon underground fuel tank. See "CERTAIN RISK FACTORS — Underground Fuel Tanks" herein. The Central Police Vehicle Maintenance Facility services all City owned "light" vehicles, primarily police vehicles, and has the capacity to service light trucks, street sweepers, fire and lifeguard vehicles as well.

This property is located just south of downtown San Diego at the northeast corner of Federal Boulevard and Home Avenue, just north of the State Highway 94 freeway. The property is within half a mile of both the I-805 and State Highway 15 freeways, providing easy access to all areas of town.

Northeastern Police Station consists of a single story concrete police station and a separate single story concrete vehicle maintenance building. Within the vehicle maintenance building is a car wash, and below the roof area is a fuel island with two 10,000 gallon underground fuel storage tanks. See "CERTAIN RISK FACTORS — Underground Fuel Tanks" herein. The Northeastern Police Station serves the northern portions of the City, including the neighborhoods of Carmel Mountain, Miramar, Miramar Ranch North, Mira Mesa, Rancho Bernardo, Rancho Encantada, Rancho Penasquitos, Sabre Springs and Scripps Ranch. The Northeastern Police Station's district encompasses 103.8 square miles.

Ground Lease Sites

A portion of the Leased Property consists of ground leases at four locations (collectively, the "Ground Lease Sites") each consisting of the City's interest in the land underlying the respective sites. The buildings and improvements on each of the Ground Lease Sites are not owned by the City, are not part of the Leased Property and are not insured by the City. The Lease does not require the City to maintain hazard or use and occupancy insurance on property not owned by the City, and the City has confirmed that such insurance is not available for the City's interest in the Ground Lease Sites. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Fire and Extended Coverage Insurance" and "– Use and Occupancy Insurance."

The City has not pledged rental income it receives from tenants under any of the leases entered into or to be entered into by the City on portions of the Leased Property (including, without limitation, leases entered into by the City with respect to the Ground Lease Sites (the "Existing Leases")) to pay the Base Rental Payments securing the Bonds, including the Series 2014A Bonds. However, in the event of default under the Lease, the Trustee may bring an action to collect and receive rent and other income derived by the City from the Existing Leases in an amount not to exceed the lesser of (i) Base Rental Payments attributable to each Ground Lease Site as set forth in the Lease, and (ii) the rent and other income from the Existing Leases actually received by the City. In Fiscal Year 2013, the rent received by the City under the Existing Leases for each Ground Lease Site exceeded the anticipated Base Rental Payments attributable to each Ground Lease Site. The City can give no assurance that this will be the case in future years.

Hilton San Diego Resort Site is located on Mission Bay Drive in the Mission Beach neighborhood, a popular recreational area in the City. This area lies west of Interstate 5, along Mission Bay Drive. The site is located on tidelands of Mission Bay that have been granted to the City from the State for the purpose of creating San Diego Mission Bay Park.

The lease site consists of approximately 18 acres of land area and 1 acre of water area (improved with a boat dock). The City has leased the site to LHO Mission Bay Rosie Hotel, LP, for a 50-year term that commenced on January 1, 1996. A 357 room resort hotel, along with a restaurant, spa, swimming pool, tennis court and boat dock, are located at the Hilton San Diego Resort Site, which improvements are not owned by the City and are not part of the Leased Property. The City collects monthly rent installments (the greater of annual minimum rent, percentage rent consisting of percentages of the gross income resulting from the uses of the premises for various business activities, or the annual guaranteed minimum rent on a calendar month basis, under the terms of the ground lease) which comprises a recurring annual rental revenue source to the City's General Fund.

The Lodge at Torrey Pines Site is located on North Torrey Pines Road in La Jolla, approximately 2 miles north of the University of California, San Diego campus. This site is located adjacent to the Torrey Pines golf course, which is an internationally known golf destination. The site location generally area lies west of Interstate 5, along the west side of Torrey Pines Road.

The site is leased to Lodge at Torrey Pines Partnership for a 66-year term that commenced on June 5, 1995. A 170 room resort hotel consisting of three, 4-story structures, and one 3- story structure, along with one, 2-story parking garage are located at the Lodge, which improvements are not owned by the City and are

not part of the Leased Property. The City collects monthly rent installments (the greater of annual minimum rent, percentage rent consisting of percentages of the gross income resulting from the uses of the premises for various business activities, or the annual guaranteed minimum rent on a calendar month basis under the terms of the ground lease) which comprise a recurring annual rental revenue source to the City's General Fund.

Scripps Health Site is located on North Torrey Pines Road, San Diego. The site is located in the southwesterly portion of the University of California San Diego campus, between Torrey Pines to the north and La Jolla Shores and La Jolla, to the south. To the east is the community of University Towne Centre.

The site is leased to Scripps Health from the City of San Diego for a 55-year term that commenced August 1, 1988. A sports center consisting a two-story 27,500 square foot building and related site improvements (surface parking area, walking-jogging track surrounding two sand volleyball courts and a swimming pool) are located at the Scripps Health Site, which improvements are not owned by the City and are not part of the Leased Property. The City collects monthly rent installments (fixed rent, subject to adjustments, under the terms of the ground lease) which comprise a recurring annual rental revenue source to the City's General Fund.

University of California San Diego Site is located at located on North Torrey Pines Road in San Diego. The site is leased to Regents of the University of California from the City of San Diego for a 55-year term that commenced February 1, 1985. A 2-story 140,000 square foot university administration building and related site improvements over two levels of subterranean parking are located at the University of California San Diego Site, which improvements are not owned by the City and are not part of the Leased Property. The City collects monthly rent installments (fixed rent, under the terms of the ground lease) which comprise a recurring annual rental revenue source to the City's General Fund.

Operations Facilities

City Operations Building Complex is located in downtown San Diego on First Avenue. The Complex consists of the City Operations Building, Fire Station #1, City Emergency Operations Center, and the City Parkade. The main structure is a five-story reinforced concrete multipurpose building with a basement. Approximately three and one-half floors are office space occupied by Development Services Department, the City's central building permit department.

Fire Station #1 occupies the entire first floor (excluding the entrance lobby) of the City Operations Building Complex. Fire Station #1 houses one battalion chief's vehicle, two fire engines, one chemical pickup rig used to fight car fires or fires in underground and multi-story parking structures, one light and air specialized rig, one paramedic unit, one mobile canteen, one aerial fire truck, and one explosive device x-ray unit. Fire Station #1 is the Metro Arson Strike Team headquarters. Fire Station #1 serves downtown San Diego and its surrounding areas in the City. Engine #1's district is 0.78 square miles, and Engine #2's district is 0.54 square miles.

The City Emergency Operations Center is located in the basement floor of the City Operations Building.

The Parkade is an above-grade parking structure that provides weekday parking for City employees and the general public. The Parkade consists of 12 levels of parking for approximately 1,100 cars. The Parkade includes all parking levels, plus the entrance and exit ramps continuous from street grade. There are also 50 bike lockers on Terrace Level. The Parkade is has direct access to the City Operations Building and to City Hall by a terrace walkway.

About 90 percent of the available spaces are used by City employees on a monthly basis. Parking rates and charges are set by the City. The Parkade is also open to the general public, and draws demand from the occupants in the adjacent Civic Center Plaza office building and from the San Diego Civic Theater/Community

Concourse events. The City obtains parking management services through a competitive bid process. The parking facility is currently operated by Ace Parking Management through a Memorandum of Agreement. The City collects gross revenues daily which comprise an ongoing revenue source to the City's General Fund.

Library Facility

Mission Valley Library is located in the southwest corner of a large retail center, Fenton Marketplace, on City-owned land. The Mission Valley Library consists of a 2-story wood framed, steel and masonry public library building and 85 paved open surface parking spaces on the site. Qualcomm Stadium is located less than one-mile to the east. The library is staffed and operated by the City's Library Department.

Other Facilities

Mingei International Museum and Art Institute Building (House of Charm) consists of a four level special purpose building, with the lower level and basement level below grade. The House of Charm is located adjacent to one of the two main entrances to Balboa Park. Represented on the National Register of Historical Places, the House of Charm is home to the Mingei International Museum of Folk Art; the San Diego Art Institute, featuring art produced by local artists; and three full-scale rehearsal spaces for the Old Globe Theater. These three non-profit organizations have long terms leases through 2021. The City anticipates renewing the leases with these organizations.

Light Rail Transit System Maintenance Yard (the "MTS Property") located on Newton Avenue in San Diego. The MTS Property totals approximately 4.17 acres and is owned by San Diego Metropolitan Transit Development Board. The MTS Property includes the MTS maintenance yard, trolley tracks and staging yard, and a single story maintenance facility building, converted from an existing precast concrete, high-bay warehouse building. The building consists of administrative offices, showers and lockers, classrooms, security offices, and repair and maintenance shops. The building also includes parts storage, laydown areas, bridge and 5-ton overhead cranes and washdown areas. The building has capacity for 25 light rail vehicles and includes maintenance offices and pit. It is expected that the MTS Property will be released from the provisions of the Lease and Site Lease on October 15, 2022.

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SUMMARY OF LEASED PROPERTY

Site	*Address*[1]	*General Description*	*Original Completion Date*	*Approx. Acreage of Site*	*Approx. Building Square Footage*
Fire Communications Center	3750 Kearny Villa Rd.	Fire communications building and related facilities	1990	1.47	11,738
Fire Station #9	7870 Ardath Lane	Fire station	1979	1.15	6,482
Fire Station #11	945 25th St.	Fire station	1995	0.29	11,050
Fire Station #16	2110 Via Casa Alta	Fire station	1982	0.82	21,700
Fire Station #37	11640 Spring Canyon	Fire station	2001	1.09	8,400
Fire Station #44	10011 Black Mountain Rd.	Fire station	2000	1.64	9,430
Central Police Vehicle Maintenance Facility	3940 Federal Blvd.	Police vehicle maintenance facility	2007	2.15	37,000
Northeastern Police Station	13396 Salmon River Rd.	Police station and police vehicle maintenance facility	1989	3.22	22,558
Hilton San Diego Resort (Ground Lease)[2]	1775 E. Mission Bay Dr.	Ground Lease under a resort hotel	Not applicable	17.74	Not applicable
The Lodge at Torrey Pines (Ground Lease)[2]	11480 N. Torrey Pines Rd.	Ground Lease under a resort hotel	Not applicable	6.05	Not applicable
Scripps Health Land (Ground Lease)[2]	10820 N. Torrey Pines Rd.	Ground Lease under a sports center that is part of the Scripps Health Clinic campus	Not applicable	3.50	Not applicable
University of California San Diego (Ground Lease)[2]	10280 N. Torrey Pines Rd.	Ground Lease under a university administrative building	Not applicable	2.87	Not applicable
City Operations Building Complex	1222 First Ave. & 1265 First Ave.	City building with fire station and emergency command center, and 12-story above ground parking structure with basement print shop	1970 (City Operations Building), 1964 (Parkade)	2.76	[194,011]
Mission Valley Library	2123 Fenton Parkway	Public library and parking	2002	2.00	18,930
Mingei International Museum and Art Institute Building (House of Charm)	1439 El Prado, Balboa Park	Two museums and three theater rehearsal spaces	1996	1.01	69,865
Light Rail Transit System Maintenance Yard Portion[3]	1535 Newton Ave.	Rail yard and maintenance facility for light rail transit system	1993	4.17	92,000

(1) All properties are located in San Diego, California.
(2) Only the underlying ground is owned by the City and is part of the Leased Property. The site includes improvements that are not owned by the City, are not part of the Leased Property and are not insured by the City. See "– Ground Lease Sites" below.
(3) San Diego Metropolitan Transit Development Board Property.
Source: City of San Diego.

Existing Encumbrances on Leased Property

Pursuant to the Site Lease, the MTS Site Lease and the Lease, the Authority acknowledges existing encumbrances on the Leased Property, including, but not limited to, with respect to the Ground Lease Sites, the Existing Leases and restrictions relating to the grant of the Hilton Resort Site to the City by the State in trust for the uses and purposes and upon the express conditions as provided in an act of legislature approved April 27, 1945 Statutes of California Chapter 143 and the rights therein reserved to the people of the State. Upon the issuance of the Series 2014A Bonds, the City will certify that these existing encumbrances do not interfere with the City's beneficial use and occupancy of the Leased Property. See APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE SITE LEASE – Lease of the Leased Property."

THE AUTHORITY

The Authority is a California joint exercise of powers authority established pursuant to the Third Amended and Restated Joint Exercise of Powers Agreement, dated as of January 1, 2013, by and among the City, the City in its capacity as the designated successor agency (the "Successor Agency") to the former Redevelopment Agency of the City of San Diego (the "Former RDA") and the Housing Authority of the City of San Diego (the "Housing Authority"). The Authority is organized, in part, to finance certain public capital improvements of the City, the Successor Agency or the Housing Authority.

Except as provided by the Indenture, the Authority has no liability to the owners or Beneficial Owners of any Series 2014A Bonds and has pledged none of its moneys, funds or assets toward the payment of any amount due in connection with the Series 2014A Bonds. The Authority is governed by its own Board of Commissioners. The Authority is dependent upon the officers and employees of the City to administer its program.

THE CITY

APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION" and APPENDIX B — "DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY" set forth important information prepared by the City for inclusion in this Official Statement regarding its finances and operations. *Investors are advised to carefully consider the information presented in Appendix A and Appendix B to make an informed investment decision.*

CERTAIN RISK FACTORS

The following risk factors should be considered by potential investors, along with all other information in this Official Statement, in evaluating the risks inherent in the purchase of the Series 2014A Bonds. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Series 2014A Bonds. The order in which this information is presented does not necessarily reflect the relative importance of the various issues. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the liquidity of the Series 2014A Bonds or default by the City in paying Base Rental Payments. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Limited Obligations of the City

THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE, OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED, ANY FORM OF TAXATION. THE SERIES 2014A BONDS AND THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS

POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

The Series 2014A Bonds are special, limited obligations of the Authority and are payable solely from Base Rental Payments made by the City pursuant to the Lease and certain funds held under the Indenture, subject to the provisions of the Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. Neither the City nor any of its officers will incur any liability or any other obligation with respect to the payment of the Series 2014A Bonds other than the obligation of the City to make Base Rental Payments under the Lease.

Nothing within this Official Statement is intended to imply that there exists any cross-application or cross-collateralization, including, without limitation, any cross-defaults between the Indenture or any other indenture related to bonds issued by the City or the Authority.

Abatement

Except to the extent of (i) amounts held by the Trustee under the Indenture in the Interest Account and Principal Account of the Revenue Fund, (ii) amounts received in respect of use and occupancy insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect or condemnation, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, rental payments due under the Lease with respect to the Leased Property will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Payments, in which case rental payments will be abated only by an amount equal to the difference.

In the case of abatement relating to the Leased Property, the amount of annual rental abatement will be such that the resulting Base Rental Payments in any Lease Year during which such interference continues, excluding any amounts described in clauses (i), (ii), (iii) above, do not exceed the annual fair rental value for each Lease Year of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of an Authorized Representative of the City. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of title defect or substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Use and Occupancy Insurance" and APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE LEASE – Damage, Destruction, Title Defect and Condemnation."

The obligation of the City under the Lease to make Base Rental Payments is in consideration for the right to use and occupy the Leased Property, and is absolute and unconditional without any right of set-off or counterclaim, except as to amounts which may be credited to such payment under the Lease, and except as such obligation may be abated as described herein.

It is not possible to predict the circumstances under which an abatement of Base Rental Payments may occur. In addition, there is no statute, judicial decision or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Lease or at the time of the abatement or may be adjusted during an event of abatement. Upon abatement, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of execution and delivery of the Series 2014A Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2014A Bonds.

During any period in which material damage, destruction, title defect or condemnation of all or a portion of the Leased Property or other event results in substantial interference with the use and occupancy of

the Leased Property or any portion thereof, all or a portion of the Base Rental Payments due under the Lease will be abated to the extent described above, the Lease will continue in full force and effect and the proceeds of use and occupancy insurance, if any, will be used to pay Base Rental Payments that would otherwise be abated. In the event that such funds are insufficient to make all payments with respect to the Series 2014A Bonds during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Lease or Indenture for nonpayment under such circumstances. **Failure to pay principal, premium, if any, or interest on to the Series 2014A Bonds as a result of abatement of the City's obligation to make Rental Payments under the Lease is not an event of default under the Indenture or the Lease**. In the event that Base Rental Payments are abated due to damage caused by earthquake or flood, such abatement may continue indefinitely, as no insurance for such damages is required under the Lease and the City cannot be compelled to repair or replace the damaged Leased Property or to redeem the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Abatement of Lease Payments"

Notwithstanding the provisions of the Lease and the Indenture specifying the extent of abatement of Base Rental and the application of other funds in the event of the City's failure to have use and occupancy of the Leased Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental Payments of the City may not be sufficient to pay all of the remaining principal and interest represented by the Series 2014A Bonds.

No Limitation on Incurring Additional Obligations

Neither the Lease nor the Indenture contains any legal limitations on the ability of the City to enter into other obligations, without the consent of the Owners of the Outstanding Bonds, which may constitute additional obligations payable from its General Fund. To the extent that the City incurs such additional obligations, the City's funds available to make Base Rental Payments may be decreased. The City is currently liable on other obligations payable from General Fund revenues and is currently contemplating entering into other such obligations. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – BONDED AND OTHER INDEBTEDNESS."

Earthquake and Seismic Conditions

According to the County of San Diego Office of Emergency Services, every year approximately 500 earthquakes occur in the state of California that are large enough to be felt. San Diego County, in comparison to other southern California areas, has sparse seismicity. However, since 1984, earthquake activity in San Diego County has doubled over that of the preceding 50 years. The City Operations Building, Parkade, Mission Valley Library and the Light Rail Transit System Maintenance Yard, which comprise a portion of the Leased Property, are located in areas thought to have a greater risk of a seismic event.

A major earthquake could cause widespread destruction and significant loss of life in a populated area such as the City. If an earthquake were to substantially damage or destroy taxable property within the City, a reduction in taxable values of property in the City and a reduction in revenues available to the General Fund to make Lease Payments would be likely to occur. Seismic activity may also affect the use and occupancy of the Leased Property.

There is no assurance that, in the event of a natural disaster, sufficient City reserves or Federal Emergency Management Agency assistance would be available for the repair or replacement of any Leased Property. The Lease does not require the City to maintain earthquake insurance coverage or to repair or restore the Leased Property if damaged by earthquake where there are no insurance proceeds. The City participates in the joint purchase of insurance through the CSAC-EIA pool, which includes earthquake coverage in limited amounts for certain scheduled locations. None of the Leased Property is currently covered by such earthquake insurance. See "THE LEASED PROPERTY" and APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – RISK MANAGEMENT – Property and Flood Insurance." The City is not

required to obtain earthquake insurance for the Leased Property pursuant to the Lease, and MTS is not required to obtain earthquake insurance for the MTS Property pursuant to the MTS Site Lease.

The Lease provides that, in the event that rent is abated, in whole or in part, pursuant due to damage, destruction, title defect or condemnation of any part of the Leased Property and the City is unable to repair, replace or rebuild the Leased Property from the Net Proceeds, if any, of insurance or eminent domain, the City will apply for and use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Risks of Flood

The Lease does not require the City to maintain insurance coverage against loss or damage due to flood. However, flood coverage for all components of the City Property is currently provided to the City through its participation in the CSAC-EIA Pool. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – CSAC-EIA Pool" above and APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – RISK MANAGEMENT – Property and Flood Insurance." The City in its discretion may elect at any time to modify the designation of covered properties in the future, in which case it is possible that none of the City Property will be covered for flood damage.

The MTS Site Lease does not require MTS to maintain insurance coverage insuring against loss or damage due to flood. However, flood coverage for all components of the MTS Property is currently provided to MTS through its participation in the CSAC-EIA Pool. MTS in its discretion may elect at any time to modify the designation of covered properties in the future, in which case it is possible that none of the MTS Property will be covered for flood damage.

Constitutional and Statutory Limitations on Increase of Revenues

Article XIII A (Limitation on Ad Valorem Tax), Article XIII B (Government Spending Limitation), Article XIII C (Voter Approval for Local Tax Levies) and Article XIII D (Assessment and Property Related Fee Reform) of the Constitution of the State of California were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, other initiative measures may be adopted, which may affect the City's revenues and its ability to expend said revenues. The above mentioned measures and any future measures could restrict the City's ability to raise additional funds for its General Fund. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – LIMITATIONS ON TAXES AND APPROPRIATIONS."

Limited Recourse on Default; Re-Letting of Leased Property

In the event of non-payment by the City of the Lease Payments, or other default by the City under the Lease, the enforcement of any remedies provided in the Indenture and in the Lease by or on behalf of Owners of the Series 2014A Bonds could prove both expensive and time consuming. Although the Indenture and the Lease provide that if there is a default by the City under the Lease the Trustee may terminate the Lease and re-let the Leased Property (other than the Ground Lease Sites), such Leased Property may not be easily re-leased and any re-letting of the Leased Property could result in lease payments that would be substantially less than the Lease Payments payable by the City under the Lease. Furthermore, due to the essential nature of the governmental function of certain of the Leased Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect to any or all of such Leased Property. The Trustee may exercise any and all remedies available pursuant to the City Charter and other applicable law or the Lease, but the Lease provides that there will be no right under any circumstances to accelerate the Lease Payments not then in default to be immediately due and payable. The Lease also provides that, notwithstanding anything to the contrary contained in the Lease, the Trustee will not re-enter or re-let the Leased Property upon an Event of Default unless the Trustee or its sublessee agrees to perform the City's

obligations under any then Existing Leases, sublease, license, management contract, or other agreement substantially relating to the Leased Property.

The Trustee will not re-enter or re-let the Ground Lease Sites. The Ground Lease Sites are subject to the Existing Leases, which the Trustee cannot terminate, and the Trustee's rights with respect to such sites are expressly subject to the Existing Leases and the rights of the tenants thereunder. **Notwithstanding anything to the contrary in the Lease or the Indenture, neither the Authority nor the Trustee can disturb the peaceful possession of the tenants and their successors and assigns to which they are entitled under the Existing Leases.** However, in the event of default under the Lease, the Trustee may bring an action to collect and receive rent and other income derived by the City from the Existing Leases in an amount not to exceed the lesser of (i) Base Rental Payments attributable to each Ground Lease Site as set forth in the Lease, and (ii) the rent and other income from the Existing Leases actually received by the City. The City can give no assurance that the rent received by the City under the Existing Leases for each Ground Lease Site will equal or exceed the anticipated Base Rental Payments attributable to each Ground Lease Site.

Enforcement of Remedies

The enforcement of any remedies provided in the Lease and the Indenture could prove both expensive and time consuming. The rights and remedies provided in the Lease and the Indenture may be limited by and are subject to the limitations on legal remedies against cities, including State constitutional limits on expenditures, and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect (see "– Bankruptcy of the City" below); equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose; and the limitations on remedies against municipal entities in the State. Bankruptcy proceedings or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Series 2014A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The legal opinions to be delivered concurrently with the delivery of the Series 2014A Bonds (including Bond Counsel's legal opinion) will be qualified, as to the enforceability of the Series 2014A Bonds, the Indenture, the Site Lease, the Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitation on legal remedies against charter cities and counties in the State. See "– Bankruptcy of the City" below.

No Acceleration on Default

In the event of a default under the Indenture or the Lease, there is no remedy of acceleration of the Base Rental Payments. Owners of the Series 2014A Bonds would have to sue for payment of unpaid Base Rental Payments in each rental period as and when it becomes due. Any suit for money damages would be subject to the legal limitations on remedies against cities and joint exercise of powers authorities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Risk Management and Insurance

The Lease obligates the City to maintain and keep, or cause to be maintained or kept, in force various forms of insurance, subject to deductibles, on the Leased Property for repair or replacement in the event of damage or destruction to the Leased Property caused by certain hazards. The City is also required to maintain, or cause to be maintained, use and occupancy insurance. MTS is required to maintain, or cause to be maintained, the same policies of insurance with respect to the MTS Property as the policies of insurance required to be maintained with respect to the Leased Property under the Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS — Use and Occupancy Insurance" and "– Insurance for the MTS Property" above. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy required under the Lease or the MTS Site Lease and no assurance can be given as to adequacy of any such insurance to fund necessary repair or replacement or to pay principal and interest with respect to the Series 2014A Bonds.

The Lease allows the City to self-insure against any or all risks, except use and occupancy and title defects. The MTS Site Lease allows MTS to self-insure against any or all risks, except use and occupancy and title defects. See APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE LEASE – Maintenance; Taxes; Insurance and Other Charges."

Environmental Concerns

Owners or operators of real property, including the City and MTS, may be required by law to remedy conditions of a property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response Compensation and Liability Act of 1980 or the "Superfund Act" is the most widely applicable of these laws, but California laws with regard to hazardous substances are also stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition on the property whether or not the owner or operator created the hazardous substance condition.

Underground Fuel Tanks

Certain of the Leased Property sites contain underground storage tanks for the storage of unleaded gasoline, diesel fuel, motor oils and related materials. See "THE LEASED PROPERTY" herein. The fuels used on such sites and any compressed gas storage are inherently hazardous and subject to risks, including risks of fire, explosion, leaks and spills. The City uses such sites pursuant to environmental permits issued by various local, State and federal authorities, and is in compliance with all permits, laws and regulations governing the City's use of such sites. The County of San Diego Department of Environmental Health operates and maintains the underground storage tanks on the Mission Bay Sites and is responsible for ensuring that those tanks comply with all applicable codes and regulations (water and air regulations, Health & Safety Code, Fire Code, etc.) governing their operation and maintenance. The City's Fleet Services Division operates and maintains the underground storage tanks on the Leased Property other than the Mission Bay Sites to ensure compliance with all applicable codes and regulations governing their operation and maintenance. Despite such measures, however, it is possible that loss or damage to the Leased Property or adjacent property, or injury to persons on or near the sites, could result from the City's use of these sites.

Change in Law

No assurance may be given that the State or the City electorate will not at some future time adopt initiatives or Charter amendments or that the State Legislature or the City Council will not enact legislation that will amend the laws of the State Constitution or the City's municipal code, respectively, in a manner that could result in a reduction of the City's General Fund revenues and therefore a reduction of the funds legally available to the City to make Base Rental Payments.

Bankruptcy of the City

In addition to the limitations on remedies contained in the Indenture and the Lease, the rights and remedies in the Lease may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs bankruptcy proceedings of public entities such as the City, no involuntary bankruptcy petition may be filed against a public entity. However, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the City. The filing of a bankruptcy petition results in a stay against enforcement of certain remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the City could thus limit remedies under the Lease. A bankruptcy debtor may choose to assume or reject executory contracts and leases, such as the Lease. However, a debtor may not assume or reject executory contracts to loan money or to make a financial accommodation, such as the Indenture. In the event of rejection of a lease by debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages.

Under the Indenture, the Trustee holds a security interest in the Revenues, including Base Rental Payments, for the benefit of the Owners of the Bonds, but such security interest arises only when the Base Rental Payments are actually received by the Trustee following payment by the City. The Leased Property itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners. In the event of a bankruptcy filed by the City and the subsequent rejection of the Lease by the City, the Authority would recover possession of the Leased Property and the Trustee, as assignee of the Authority, would have a claim for damages against the City. The Trustee's claim would constitute a secured claim only to the extent of Revenues in the possession of the Trustee; the balance of such claim would be unsecured.

In a bankruptcy of the City, if a material unpaid liability is owed to the San Diego City Employees' Retirement System ("SDCERS") or any other pension system (collectively the "Pension Systems") on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the City's ability to make Base Rental Payments or other Lease Payments. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state and/or city law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a City bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a City bankruptcy would rule on these matters. In addition, this area of law is presently very unsettled because issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) are presently the subject of litigation in the Chapter 9 cases of several California municipalities, including Stockton and San Bernardino.

Former Redevelopment Agency

The Former RDA was dissolved as of February 1, 2012 pursuant to State legislation that dissolved all such redevelopment agencies statewide and the City is serving as the Successor Agency and as the successor housing entity to the Former RDA. The Former RDA had agreements with the City pursuant to which it contributed to debt service otherwise payable from the General Fund for certain projects. The Former RDA had additional agreements with and obligations to the City and other parties. As part of the dissolution process, the State Department of Finance has taken the position that a number of these agreements are invalid resulting in liability to the General Fund for amounts that would otherwise be paid from tax increment levied and collected in redevelopment areas. The liabilities arising from the City's role as the Successor Agency and the successor housing entity to the Former RDA could result in a negative, material impact to the General fund

individually or in the aggregate. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – CITY BUDGET AND RELATED MATTERS – Former Redevelopment Agency."

State of California Financial Condition

Although improving, the State is still facing continuing financial challenges and unfunded long-term liabilities, which could result in future reductions or deferrals in amounts payable to the City. The State's financial condition and budget policies affect local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. State budget policies can also impact conditions in the local economy and could have an adverse effect on the local economy and the City's major revenue sources. For more information regarding the State's financial condition, see APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – STATE BUDGET INFORMATION."

Impact of Military Spending

Military and related defense spending are significant factors in the San Diego County (the "County") economy. Military installations include Marine Corps Base Camp Joseph H. Pendleton; the Marine Corps Recruit Depot; Marine Corps Air Station at Miramar; Naval Air Station North Island; Naval Station San Diego; and Naval Submarine Base, San Diego.

The San Diego Military Economic Impact Study (the "Military Study") released in September 2013 by the San Diego Military Advisory Council estimates that approximately 22% of the jobs in the County for the federal fiscal year ending September 30, 2013 were directly and indirectly related to the military. According to the Military Study, as of September 30, 2013, there were approximately 109,000 active duty and reserve military personnel and 30,000 full-time civilian workers directly employed by the military throughout the County. The Military Study concludes that overall spending in the County related to the military in the federal fiscal year ended September 30, 2013 represented approximately 17% of the County's total gross regional product. See "APPENDIX B—DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF SAN DIEGO—Military."

Given the significant role that the military plays in the local economy significant reductions in defense spending or the relocation of military bases out of the area could negatively impact the local economy and, in turn, reduce revenues to the City from such major sources as property taxes, sales taxes and transient occupancy taxes. Any direct impact on the City operations or finances is uncertain and the City is unable to predict the extent of any negative impact on the area economy as a result of reduced military spending.

Impact of Current Economic Conditions on the City

The United States economy is now recovering after experiencing a severe economic recession. The City cannot predict the extent to which fiscal problems will be encountered in this and in any future fiscal years, and it is not clear what additional measures, if any, will be taken by the State or federal government to address the economic recession and budgetary deficits. Accordingly, the City cannot predict the final outcome of future State or federal actions or the impact that such actions will have on the City's finances and operations. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION."

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS" herein, interest on the Series 2014A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2014A Bonds were issued, as a result of future acts or omissions of the Authority or the City in violation of covenants in the Indenture and the Lease. Legislative changes have been proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or

local obligations, such as the Series 2014A Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Series 2014A Bonds. Should such an event of taxability occur, the Series 2014A Bonds are not subject to a special redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

Current or future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2014A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislative changes have been proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Series 2014A Bonds. The introduction or enactment of any of the pending or future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2014A Bonds. Prospective purchasers of the Series 2014A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is possible that subsequent to the issuance of the Series 2014A Bonds there might be federal, State, or local statutory changes (or judicial or regulatory interpretations of federal, State, or local law) that affect the federal, State, or local tax treatment of the Series 2014A Bonds or the market value of the Series 2014A Bonds. No assurance can be given that subsequent to the issuance of the Series 2014A Bonds such changes or interpretations will not occur. See "TAX MATTERS" below.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate of the City (the "Disclosure Certificate"), the City has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board in the manner prescribed by the Securities Exchange Commission (the "SEC") certain annual financial information and operating data and notice of certain Notice Events (as described in the Continuing Disclosure Certificate). The form of the Disclosure Certificate is attached hereto as APPENDIX F — "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The City's covenants in the Continuing Disclosure Certificate have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934 (the "Rule"). A failure by the City to comply with any of the covenants therein is not an event of default under the Indenture or the Lease.

The City is party to a number of continuing disclosure undertakings with respect to securities secured by the City's General Fund, the Sewer Utility Fund, and the Water Utility Fund pursuant to the Rule. During the last five years, there was one instance where the City failed to comply in all material respects with certain of its previous undertakings with regard to the Rule. The City filed on time that portion of its annual reports regarding the specified operating data. However, the reports filed for Fiscal Year 2010 were incomplete due to the unavailability of the City's financial statements as of the date that the City was required to file the annual report. The delay in releasing the audited financial statements for Fiscal Year 2010 was principally due to the implementation of a new accounting reporting system for the City. The City subsequently filed its audited financial statements for Fiscal Year 2010 on October 20, 2011, and provided its annual reports in November 2011, approximately seven months following its respective annual reporting dates under its continuing disclosure undertakings. The City timely filed its audited financial statements and annual reports for Fiscal Years 2011, 2012 [and 2013] in compliance with its continuing disclosure undertakings.

FINANCIAL STATEMENTS FOR FISCAL YEAR 2013

The City's CAFR for Fiscal Year 2013, which includes the City's audited basic financial statements as of and for the fiscal year ended June 30, 2013, is made available through EMMA at http://emma.msrb.org/EA512713-EA399724-EA796781.pdf.

The City's basic financial statements as of June 30, 2013 and for the year then ended have been audited by Macias Gini & O'Connell LLP as stated in its report dated December 6, 2013, which is included with the financial statements. Macias Gini & O'Connell LLP as the independent auditors did not review this Official Statement. The City did not request the consent of the independent auditors to incorporate the City's financial statements to this Official Statement. Accordingly, the independent auditors did not perform any procedures relating to any of the information in this Official Statement.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Series 2014A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Series 2014A Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Series 2014A Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

In the opinion of Bond Counsel, the difference between the issue price of a Series 2014A Bond (the first price at which a substantial amount of the Series 2014A Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series 2014A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series 2014A Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Series 2014A Bond Owner will increase the Series 2014A Bond Owner's basis in the Series 2014A Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of a Series 2014A Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Series 2014A Bonds is based upon certain representations of fact and certifications made by the Authority, the City and others and is subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2014A Bonds to assure that interest (and original issue discount) on the Series 2014A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Series 2014A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2014A Bonds. The Authority and the City will each covenant to comply with all such requirements.

The amount by which a Series 2014A Bond Owner's original basis for determining loss on sale or exchange in the applicable Series 2014A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Series 2014A Bond premium, which must be amortized under Section 171 of the Code; such amortizable Series 2014A Bond premium reduces the Series 2014A Bond Owner's basis in the applicable Series 2014A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Series 2014A Bond premium may result in a Series 2014A Bond Owner realizing a taxable gain when a Series 2014A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2014A Bond to the Owner. Purchasers of the Series 2014A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Series 2014A Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2014A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2014A Bonds might be affected as a result of such an audit of the Series 2014A Bonds (or by an audit of other similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2014A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Series 2014A Bonds or their market value.

SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE SERIES 2014A BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE SERIES 2014A BONDS OR THE MARKET VALUE OF THE SERIES 2014A BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES 2014A BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2014A BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE SERIES 2014A BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE SERIES 2014A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES 2014A BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2014A Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Series 2014A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the exclusion from gross income of interest (and original issue discount) on the Series 2014A Bonds for federal income tax purposes with respect to any Series 2014A Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Series 2014A Bonds is excluded from gross income for federal income tax purposes provided that the Authority and the City continue to comply with certain requirements of the Code, the ownership of the Series 2014A Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Series 2014A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series 2014A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2014A Bonds.

Should interest on the Series 2014A Bonds (including any original issue discount) become includable in gross income for federal income tax purposes, the Series 2014A Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

See APPENDIX D — "FORM OF BOND COUNSEL OPINION" for a form of the opinion to be provided by Bond Counsel on the date of issuance of the Series 2014A Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Series 2014A Bonds and with regard to the tax-exempt status of the interest on the Series 2014A Bonds (see "TAX MATTERS") are subject to the legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the City. The signed legal opinion of Bond Counsel will be delivered to the initial purchasers of the Series 2014A Bonds at the time of original delivery of the Series 2014A Bonds. The proposed form of the legal opinion of Bond Counsel is set forth in APPENDIX D — "FORM OF BOND COUNSEL OPINIONS."

Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed on for the City and the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, and the City Attorney. Bond Counsel and Disclosure Counsel will receive compensation contingent upon the sale and delivery of the Series 2014A Bonds.

LITIGATION

There is no controversy of any nature now pending against the City or the Authority or, to the knowledge of their respective responsible officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2014A Bonds or financing documents, or in any way contesting or affecting the validity of the Series 2014A Bonds or any proceedings of the City or the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2014A Bonds or the use of the Bond proceeds.

There are no pending lawsuits which in the opinion of the City Attorney challenge the validity of the Series 2014A Bonds or financing documents, the corporate existence of the City or the Authority, or the title of the executive officers thereof to their respective offices. See APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – LITIGATION POTENTIALLY ADVERSELY AFFECTING THE GENERAL FUND."

RATINGS

Fitch Ratings ("Fitch") and Standard & Poor's Ratings Services ("S&P"), a Standard and Poor's Financial Services LLC business, have assigned the ratings of "__" with stable outlook and "__" with stable outlook, respectively, to the Series 2014A Bonds. Such credit ratings and outlooks reflect only the views of such organizations and any desired explanation of the significance of such credit ratings and outlooks should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004, and Standard & Poor's, 55 Water Street, New York, New York 10041.

The City furnished to the rating agencies certain information, including information that may not be included herein. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. The City undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the ratings obtained, or other actions by a rating agency relating to its rating, may have an adverse effect on the market price and marketability of the Series 2014A Bonds.

UNDERWRITING

The Series 2014A Bonds were sold by competitive bid on _____, 2014 and awarded by the Authority on that day to _____ (the "Underwriter") as the successful bidder, in

accordance with the Official Notice of Sale attached hereto as Appendix G. The Underwriter has agreed to purchase the Series 2014A Bonds at the initial purchase price of $_____, which represents the aggregate principal amount of the Series 2014A Bonds, plus original issue premium of $_____, less Underwriter's discount of $_____). The Official Notice of Sale provides that the Underwriter will purchase all of the Series 2014A Bonds. The obligation to make such purchase is subject to certain terms and conditions set forth in the Official Notice of Sale.

FINANCIAL ADVISOR

Public Financial Management, Inc. has acted as Financial Advisor to the City in conjunction with the issuance of the Series 2014A Bonds. The Financial Advisor has assisted the City in preparation of this Official Statement and in other matters related to the planning, structuring, execution and delivery of the Series 2014A Bonds. The Financial Advisor will receive compensation contingent upon the sale and delivery of the Series 2014A Bonds.

The Financial Advisor has not audited, authenticated or otherwise independently verified the information set forth in the Official Statement, or any other information related to the City with respect to the accuracy or completeness of disclosure of such information. The Financial Advisor makes no guaranty, warranty or other representation respecting the accuracy or completeness of this Official Statement or any other matter related to this Official Statement.

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MISCELLANEOUS

This Official Statement has been duly executed and delivered by the Authority and has been duly approved, executed and delivered by the City.

There are appended to this Official Statement a summary of certain provisions of the principal legal documents, the proposed form of opinion of Bond Counsel, a general description of the City and a description of DTC's Book-Entry Only System. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series 2014A Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the financial condition, results of operations or any other affairs of the City or the Authority since the date hereof.

PUBLIC FACILITIES FINANCING AUTHORITY OF
THE CITY OF SAN DIEGO

By: /s/_____
Chair

THE CITY OF SAN DIEGO

By: /s/_____
Chief Financial Officer

APPENDIX A

CITY GOVERNMENT AND FINANCIAL INFORMATION

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APPENDIX A

CITY GOVERNMENT AND FINANCIAL INFORMATION

This Appendix A to the Official Statement covers general information about the City of San Diego's (the "City") governance structure, budget processes, property taxation system and other tax and revenue sources, City expenditures, including labor relations, employment benefits and retirement costs, and investments, bonds and other long-term obligations. The information and data within this Appendix A are the latest data available to the City; however, events or circumstances may have changed since the dates of the data presented.

As explained under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS" in the front part of this Official Statement, the Series 2014A Bonds (as defined in this Official Statement) are payable solely from the Base Rental Payments (as defined in this Official Statement) to be made by the City under the Lease and certain other money held by the Trustee under the Indenture. The Series 2014A Bonds are not a debt of the City, the State of California ('the "State"), or any of its political subdivisions, and none of the City, the State or any of its political subdivisions is liable thereon.

GENERAL

Profile of the City of San Diego

The City was incorporated in 1850. The City is comprised of 324 square miles and, as of January 1, 2013, the California Department of Finance estimates the population to be 1,326,238. The City, with approximately 10,026 employees as of June 30, 2013, provides a full range of governmental services, which include police and fire protection, sanitation and health services, construction and maintenance of streets and infrastructure, recreational activities and cultural events, and maintenance and operation of the water and sewer utilities.

The General Fund is the principal operating fund of the City. Departments within the General Fund provide core community services, such as public safety (including police and fire protection), parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal and human resources. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees.

Governing Structure

The City operates under and is governed by the laws of the State and the City Charter (the "Charter"), as periodically amended since its adoption by the electorate in 1931. The City operates under a "Strong Mayor" form of government. Under the Strong Mayor form of government, the Mayor, who is elected to a four-year term and may serve up to two consecutive terms, is the Chief Executive Officer of the City and has direct oversight over all City functions and services, except for the City Council, Personnel, City Clerk, Independent Budget Analyst, Ethics Commission, City Attorney and City Auditor departments.

The City Council is composed of nine members who are elected to staggered four-year terms and who are limited to two consecutive terms. The City Council is presided over in open meetings by the City Council President, who is selected by a majority vote of the City Council. The Mayor presides over City Council in closed session meetings of the City Council. The City Council retains its legislative authority; however, all City Council resolutions and ordinances are subject to a veto of the Mayor except for certain ordinances including emergency declarations and the City's annual Salary and Appropriation Ordinances. The City Council may override a Mayoral veto with six votes. The City Attorney, who is elected for a four-year term, serves as the chief legal advisor of and attorney for the City and all departments. The City Attorney is also limited to two consecutive terms in office.

Accounting Practices

The City's accounting policies conform to generally accepted accounting principles applicable to governmental entities. The City's Governmental Funds, including the General Fund, use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both available and measurable. Certain fines and forfeitures, however, are recorded when received, as they are not susceptible to accrual. Expenditures are recognized when the related liability is incurred except for (1) principal of and interest on general long-term debt, which are recognized when due, and (2) employee annual leave and claims and judgments for litigation and self-insurance, which are recorded in the period due and payable. Proprietary and Pension Trust Funds use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred. Agency Funds described in the City's Comprehensive Annual Financial Report ("CAFR") also use the accrual basis of accounting to recognize receivables and payables.

The City prepares financial statements annually in conformity with generally accepted accounting principles for governmental entities, which are audited by an independent auditing firm. The City's most recent financial statements for the Fiscal Year ended June 30, 2013 were audited by Macias Gini & O'Connell LLP, CPAs. (For ease of reference, references in this APPENDIX A to any particular Fiscal Year (e.g., Fiscal Year 2013) shall mean the Fiscal Year ending June 30 of the referenced year.)

CITY BUDGET AND RELATED MATTERS

Budget Process

Budget Development

The City's budgetary process begins with the development of a Five-Year Financial Outlook, which serves as a guiding document for long-range fiscal planning and provides the framework for the development of the City's annual budget. The City's most recently published outlook is the FY 2015-2019 Five-Year Financial Outlook (the "Five Year Outlook"), which was released on November 14, 2013 and will be the basis for the Fiscal Year 2015 budget. See "—Five Year Financial Outlook" below.

General Fund revenues and expenditures are established and balanced through the budgeting process and any remaining changes to the non-general funds and capital improvement projects are made, resulting in the Mayor's proposed budget. The budget document is created, presented by the Mayor to the City Council, and made public by April 15 in compliance with the Charter. Set forth in the Mayor's proposed budget are the anticipated revenues and expenditures of the General Fund, certain special revenue funds, enterprise funds, and certain debt service funds for the ensuing Fiscal Year. Additionally, project-length financial plans are presented to and adopted by the City Council for the capital projects funds. Budgets are prepared on the modified accrual basis of accounting, except that (1) encumbrances outstanding at year-end are considered expenditures, and (2) the increase/decrease in reserve for advances and deposits to other funds and agencies are considered as additions/deductions of expenditures. The City budget is prepared excluding unrealized gains or losses resulting from the change in fair market value of investments, proceeds from capital leases and net income from joint ventures.

Budget Review

The proposed budget is reviewed by City Council and available for review by the public upon its presentation by the Mayor, no later than April 15th. During the month of May, the City Council holds a series of public budget hearings to obtain input from City residents on spending priorities. The Mayor then releases in May revisions to the proposed budget, which contains the Mayor's recommended changes to the budget based on updated policy related issues, revised current Fiscal Year-end expenditure and revenue projections, and revised projections of revenues and expenditures in the next fiscal year.

Budget Adoption

As required by the Charter, the City Council adopts the annual budget by June 15 of each Fiscal Year. The City is not aware of the City Council ever having failed to adopt an annual budget by June 15. Within five business days of City Council's approval, the Mayor has the discretion to line-item veto any budget modifications approved by the City Council. In turn, the City Council has five business days within which to override the Mayor's veto. The Appropriation Ordinance that enacts the budget into law (the "Appropriation Ordinance") is prepared by the Chief Financial Officer and the City Attorney based on the approved budget and the adopted Salary Ordinance. The Appropriation Ordinance is presented to the City Council for review and adoption in July, following two noticed public hearings as required by the Charter. Amendments to the adopted budget require City Council approval, except as delegated in the annual Appropriation Ordinance.

Budget Monitoring

The City's Financial Management Department and Comptroller's Office monitor fund balances, as well as revenue and expenditure projections, throughout the Fiscal Year. The Comptroller's Office prepares monthly and periodic reports to the City Council that serve as a summary of the year-to-date financial activity of the General Fund and certain other budgeted funds. The Financial Management Department prepares an analysis of actual and projected financial activity for the entire fiscal year on a quarterly basis by issuing three budget monitoring reports during the year (First Quarter, Mid-Year, and Year-End Budget Monitoring Reports). The First Quarter Budget Monitoring Report includes three months of actual budgetary data. In accordance with Municipal Code Section 22.0229, after six months of actual budgetary data, the Mayor recommends to the City Council mid-year budget adjustments for any projected deficit or surplus. The Year-End Budget Monitoring Report is prepared incorporating nine months of actual results. The Year-End Budget Monitoring Report is typically released at the same time as the City Council's first public hearing on final budget decisions for the upcoming fiscal year. This allows the City Council to have the most current budget information available for the current fiscal year prior to making decisions on the budget for the upcoming fiscal year.

If revenues decline and/or expenditures increase, various alternatives are considered, including alternative funding sources, budget reductions or reallocations of funds between departments to support the ongoing activities of the City. The City also maintains a variety of reserves that are available for expenditure subject to City Council approval and in accordance with the City's Reserve Policy. See "-Reserves" below.

Five Year Summary of Financial Results

Tables A-1 and A-2 present the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance of the City's General Fund, respectively, for Fiscal Years 2009 through 2013.

TABLE A-1
CITY OF SAN DIEGO
BALANCE SHEET FOR THE GENERAL FUND
Fiscal Years 2009 through 2013
(in thousands)
(audited)

ASSETS	***2009***	***2010***	***2011***	***2012***	***2013***
Cash and Investments[1]	$ 86,667	$ 101,059	$ 222,352	$ 236,030	$ 242,330
Receivables:					
Taxes – Net[2]	69,438	67,070	66,170	84,110	66,132
Accounts – Net	13,891	8,569	12,359	9,846	10,676
Claims	130	214	214	214	214
Notes and Loans – Net[3]	--	--	--	21,094	--
Accrued Interest	906	493	498	477	593
Grants	--	--	1	--	--
From Other Funds[4]	1,500	1,000	6,510	1,600	--
Investment in Joint Venture	1,824	1,688	2,055	--	--
Advances to Other Funds	--	--	--	--	1,693
Advances to Other Agencies	--	--	45	44	1,083
Land Held for Resale[5]	--	--	9,403	7,769	--
Prepaid Items	886	--	--	1,707	--
Total Assets	$ 175,242	$ 180,093	$ 319,607	$ 362,891	$ 322,721
LIABILITIES					
Accounts Payable[6]	$ 3,789	$ 15,446	$ 16,765	$ 18,172	$ 36,622
Accrued Wages and Benefits[1]	27,642	27,469	36,475	40,838	43,564
Due to Other Funds[7]	2,095	220	--	7,769	--
Due to Other Agencies	--	17	26	34	1,025
Unearned Revenue	663	--	2,563	--	--
Deferred Revenue	26,661	21,558	17,661	17,005	18,673
Contract Deposits	--	360	369	523	339
Total Liabilities	$ 60,850	$ 65,070	$ 73,859	$ 84,341	$ 100,223
FUND BALANCE					
Post-GASB 54[1]					
Nonspendable[8]			--	$ 22,140	$ --
Restricted[9]			$ 145,880	102,104	60,507
Committed[10]			1,183	44,831	40,953
Assigned[11]			38,153	--	8,717
Unassigned			60,532	109,475	112,321
Total Fund Balance			$ 245,748	$ 278,550	$ 222,498
Total Liabilities & Fund Balance			$ 319,607	$ 362,891	$ 322,721
Pre-GASB 54					
Reserves:					
Reserved for Encumbrances[10]	$ 32,071	$ 6,307			
Reserved for Advances & Deposits	--	--			
Reserved for Investment in Joint Venture	1,824	1,689			
Unreserved:					
Designated for Unrealized Gains	1,943	1,816			
Designated for Subsequent Years' Expenditures	207	197			
Undesignated[12]	78,347	105,014			
Total Fund Balance	$ 114,392	$ 115,023			
Total Liabilities & Fund Balance	$ 175,242	$ 180,093			

(footnotes (unaudited) to Table A-1 appear on next page)

(1) Government Accounting Standards Board Statement No. 54 ("GASB 54") was implemented in Fiscal Year 2011, causing certain variances between the reporting of Fiscal Year 2010 and Fiscal Year 2011.

(2) The increase in Fiscal Year 2012 is a result of a residual balance of property tax from the dissolution of the Former RDA (as defined herein).

(3) The increase in Fiscal Year 2012 was due to the recording of a receivable due from the Successor Agency Trust Fund, as a result of the dissolution of the Former RDA. This receivable was reduced to $0 in Fiscal Year 2013 to reflect the legal uncertainty regarding its collectability.

(4) Due From Other Funds increased in Fiscal Year 2011 resulting from a loan to the TransNet Fund. The loan was repaid in Fiscal Year 2012 and was executed to cover a negative cash balance resulting from the timing of TransNet receipts.

(5) Land Held for Resale related to housing projects was reported in the General Fund as part of GASB 54 implementation. These assets were transferred in Fiscal Year 2013 to the Low-Moderate Housing Fund.

(6) The increase in Accounts Payable beginning Fiscal Year 2010 is due to the implementation of an Enterprise Resource Planning ("ERP") financial system, which automated the accounts payable accrual process. Accounts Payable increased in Fiscal Year 2013 as a result of a Memorandum of Understanding for administration of the Downtown Community Parking District.

(7) The increase in Fiscal Year 2012 was due to the recording of a payable due to the Successor Agency Trust Fund, as a result of the dissolution of the Former RDA.

(8) In Fiscal Year 2012, Nonspendable fund balance increased due to the dissolution of the Former RDA.

(9) Restricted Fund Equity decreased as a result of the Redevelopment Cooperation Agreement assets and liabilities being transferred out of the General Fund in Fiscal Year 2013.

(10) A clarification in the implementation guidance of GASB 54 was issued between fiscal years 2011 and 2012. The clarification resulted in the Assigned fund balance being reclassified as Committed.

(11) In Fiscal Years 2009 and 2010, encumbrances decreased as a result of a new financial policy which required encumbrances greater than two years old to be released. Additionally, encumbrances which are carried forward from a prior Fiscal Year do not carry forward with budget appropriations; instead the current year budget is appropriated and expended.

(12) The increase in Fiscal Years 2010 Undesignated Fund Balance results from a one-time decrease in encumbrances resulting from the implementation of the new financial policy concerning encumbrances. See also footnote 10.

Source: Table: Fiscal Years 2009 - 2013 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.
Footnotes: Comptroller's Office, City of San Diego.

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TABLE A-2
CITY OF SAN DIEGO
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE FOR THE GENERAL FUND
Fiscal Years Ended June 30, 2009 through 2013
(in thousands)
(audited)

	2009	*2010*	*2011*	*2012*	*2013*
REVENUES[1]					
Property Taxes[2]	$ 398,743	$ 391,382	$ 384,023	$ 408,776	$ 412,204
Sales Taxes[3]	212,918	192,650	215,873	227,650	240,922
Transient Occupancy Taxes[4]	73,765	65,222	73,399	78,268	83,904
Other Local Taxes	72,432	73,260	70,994	74,818	74,691
Licenses and Permits	31,249	28,024	28,621	31,117	32,772
Fines, Forfeitures and Penalties[5]	32,467	30,179	31,598	62,976	29,656
Revenues from Federal Agencies	4,268	2,859	1,431	1,608	1,341
Revenues from Other Agencies[6]	8,915	6,007	8,773	969	7,645
Revenues from Private Sources	--	14	1,016	--	84
Revenues from Use of Money and Property	41,461	40,615	49,923	51,679	56,263
Charges for Current Services[13]	133,117	127,536	181,006	181,682	155,389
Other Revenue	5,296	7,859	4,505	6,239	8,686
Total Revenues	$1,014,631	$ 965,607	$ 1,051,162	$ 1,125,782	$ 1,103,557
EXPENDITURES[1]					
Current:					
General Government and Other Support Services	$ 243,057	$ 230,270	$ 259,782	$ 233,122	$ 247,644
Neighborhood Services[7]	17,255	15,845	25,767	60,255	40,601
Public Safety	584,986	563,475	574,248	586,663	599,333
Parks, Recreation and Culture	116,391	121,269	114,375	112,569	119,226
Transportation	72,635	62,884	42,704	58,772	58,813
Sanitation and Health	67,867	73,461	66,320	62,874	63,270
Capital Outlay	--	--	776	894	1,351
Debt Service:					
Principal Retirement	818	2,640	10,391	11,580	11,688
Interest	3,106	2,888	5,030	3,580	4,905
Total Expenditures	$1,106,115	$ 1,072,732	$ 1,099,393	$ 1,130,309	$ 1,146,831
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(91,484)	(107,125)	(48,231)	(4,527)	(43,274)
OTHER FINANCING SOURCES (USES)[1]					
Transfers from Proprietary Funds[8]	6,267	5,723	1,983	17,013	20,127
Transfers from Other Funds[9]	105,059	140,595	158,874	74,273	85,228
Transfers to Proprietary Funds[10]	(4,043)	(10,157)	(2,852)	(30,234)	(13,013)
Transfers to Other Funds[14]	(26,031)	(28,426)	(22,601)	(36,390)	(61,665)
Net Income (Loss) from Joint Venture	(157)	--	--	--	--
Proceeds from the Sale of Capital Assets	--	21	--	3	--
Capital Leases	--	--	--	--	2,824
TOTAL OTHER FINANCING SOURCES (USES)	$ 81,095	$ 107,756	$ 135,404	$ 24,665	$ 33,501
Extraordinary Gain/Loss[11]	--	--	--	12,664	(46,279)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(10,389)	631	87,173	32,802	(56,052)
FUND BALANCE AT JULY 1[12]	124,781	114,392	158,575	245,748	278,550
FUND BALANCE AT FOLLOWING JUNE 30	$ 114,392	$ 115,023	$ 245,748	$ 278,550	$ 222,498

(footnotes (unaudited) to Table A-2 appear on next page)

(1) GASB 54 was implemented in Fiscal Year 2011 causing certain variances between the reporting of Fiscal Year 2010 and Fiscal Year 2011.

(2) Does not include sales tax triple flip or vehicle license fees. For a discussion of sales tax triple flip, see "– Major Revenue Sources – Sales Tax" below. Property Tax revenue increased in Fiscal Year 2012 mainly due to the dissolution of Redevelopment Agency.

(3) Includes Proposition 172 safety sales tax revenues and sales tax triple flip.

(4) Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy) only; the balance (5.0% of the 10.5% levy) is allocated to Special Promotional Programs. Of this 5% balance, approximately 1% may be budgeted in the General Fund as discretionary revenue and for Special Promotional Programs in the General Fund.

(5) In Fiscal Year 2012, Fines, Forfeitures, and Penalties increased primarily due to the $27 million settlement awarded to the City of San Diego from SDG&E for the San Diego Wildfires.

(6) In Fiscal Year 2012, the decrease in Revenues from Other Agencies was primarily due to the State of California elimination of motor vehicle license fee revenue. The increase in Fiscal Year 2013 was due to one-time revenues and reimbursement to the City from the Successor Agency for administrative costs.

(7) In Fiscal Year 2012, Neighborhood Services expenditures increased due to the 3rd Amendment to the Cooperation Agreement (R-04618) authorizing the City to transfer assets from Redevelopment Cooperation Agreement funds to the Successor Agency. The Cooperation Agreement funds were closed out in Fiscal Year 2013.

(8) In Fiscal Year 2012, the Transfers from Proprietary Funds increased due to investments in the Customer Care Solutions application by Public Utilities.

(9) In Fiscal Year 2012, the decrease in Transfers From Other Funds was due to the dissolution of the Former RDA.

(10) In Fiscal Year 2012, the increase in Transfers to Proprietary Funds was due to a $27M cash transfer received from SDG&E for the San Diego wildfires. Capital expenditures (comprised of equipment purchased by several different departments) are shown separately from other operational expenditures in Fiscal Year 2011.

(11) In Fiscal Year 2012, the extraordinary gain was due to the dissolution of the Former RDA. In Fiscal Year 2013, the extraordinary loss was due to the establishment of an allowance for uncollectible interfund loans from the Successor Agency.

(12) The beginning fund balance for Fiscal Year 2011 increased from the ending fund balance for Fiscal Year 2010 due to the consolidation of previously reported special revenue funds with the General Fund, pursuant to GASB 54.

(13) Charges for Services decreased in Fiscal Year 2013 primarily due to the reclassification of Gas Tax revenues to Transfers from Other Funds.

(14) In Fiscal Year 2013, transfers from the General Fund to CIP increased by approximately $9 million, and a transfer of housing related balances of approximately $14 million was made from the General Fund to the Low-Moderate Income Housing Fund.

Source: Table: Fiscal Years 2009 - 2013 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.
Footnotes: Comptroller's Office, City of San Diego.

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General Fund Operating Budget Summary

Set forth in Table A-3 below are the City's actual results on a budgetary basis for Fiscal Year 2012 and Fiscal Year 2013 and the City's Fiscal Year 2014 Adopted Budget for the General Fund. The Fiscal Year 2014 General Fund revenue budget is approximately $1.20 billion and the General Fund expenditure budget is approximately $1.23 billion. For information on the Fiscal Year 2014 Adopted Budget, see "– Fiscal Year 2014 Budget" herein.

TABLE A-3
CITY OF SAN DIEGO
GENERAL FUND
OPERATING BUDGET SUMMARY
Fiscal Years 2012 through 2014
(in thousands)

	Fiscal Year 2012	*Fiscal Year 2013*	*Fiscal Year 2014*
	Actuals on a Budgetary Basis[1]	*Actuals on a Budgetary Basis*[1]	*Adopted Budget*[2]
REVENUE SOURCES:			
Property Tax	$ 408,776	$ 412,204	$ 408,003
Sales Tax[2]	220,277	232,939	248,139
Property Transfer Tax	5,747	6,968	7,027
Transient Occupancy Tax[3]	78,268	83,904	87,858
Licenses and Permits	31,117	32,772	31,827
Fines, Forfeitures, and Penalties	62,976	29,656	29,350
Interest Earnings	930	4,379	859
Franchises	69,071	67,723	68,431
Other Rents and Concessions	45,912	49,036	44,079
Motor Vehicle License Fees[4]	--	--	--
Revenue from Other Agencies	2,573	8,670	4,234
Charges for Current Services	177,447	155,102	177,117
Transfers from Other Funds	80,785	91,739	87,150
Other Revenue	5,297	8,946	8,976
Total General Fund Revenues and Transfers[5]	$ 1,189,176	$ 1,184,038	$ 1,203,048
EXPENDITURES:			
Public Safety	$ 584,151	$ 596,847	$ 632,888
Parks, Recreation, Culture and Leisure	114,098	122,008	131,180
Sanitation and Health	63,896	63,553	72,795
Transportation	60,872	59,371	66,637
Neighborhood Services	16,554	22,992	24,512
General Government and Support	212,483	215,601	233,025
Capital Projects	772	1,183	2,883
Debt Service	6,199	7,632	19,118
Transfers to Other Funds[5]	88,209	91,276	42,455
Total General Fund Expenditures and Transfers[6]	$ 1,147,234	$ 1,180,463	$ 1,225,491

(footnotes to Table A-3 appear on next page)

(1) Actuals on a budgetary basis are prepared using the modified accrual basis of accounting except that (1) encumbrances outstanding at year-end are considered expenditures, (2) the increase/decrease in reserve for advances and deposits are considered as additions/deductions of expenditures, and (3) unrealized gains/losses resulting from the change in fair value of investments, proceeds from capital leases, and net income from joint ventures are excluded.

(2) Fiscal Year 2012 includes Proposition 172 safety sales tax revenue of $5.0 million. Starting in Fiscal Year 2013, Proposition 172 General Fund portion of safety sales tax revenue was budgeted in the Transfers from Other Funds category.

(3) Consists of the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy) only. For Fiscal Year 2014, the remaining 5%, or $79.9 million, is budgeted in the Transient Occupancy Tax Fund, of which $34.4 million is budgeted as a transfer to the General Fund in the "Transfers from Other Funds" category.

(4) The City does not budget Motor Vehicle License Fees ("MVLF") revenues due to elimination of MVLF allocations to cities as the result of the adoption of Senate Bill 89 passed in June 2011. The revenue previously allocated to cities has been redirected to fund State public safety grants. The City received an allocation of $0.7 million in MVLF excess revenue from the State in Fiscal Year 2013, however, it is unknown if the City will receive this revenue in future years.

(5) The variance in Transfers to other Funds in Fiscal Year 2014 is due to a difference in classification within the Adopted Budget in comparison with actual expenditures. Examples of actual expenditures that are captured under Transfers to Other Funds in Fiscal Years 2012 and 2013, but not reflected in the Transfers to Other Funds in the Adopted Budget for Fiscal Year 2014, include annual debt service payments that are classified under the Debt Service expenditure category, interdepartmental support payments that are spread among departments, and other citywide expenditure items of similar nature.

(6) The Fiscal Year 2014 Adopted General Fund expenditures budget does not match the General Fund revenue budget primarily due to the use of a portion of the General Fund balance which resulted from Fiscal Year 2013 savings and the use of fund balance for non-pensionable compensation increases.

Source: Table: Fiscal Year 2012 and Fiscal Year 2013: Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego; Fiscal Year 2014: Financial Management, City of San Diego.
Footnotes: Comptroller's Office, City of San Diego; and Financial Management, City of San Diego.

Fiscal Year 2014 Budget

The City's budget for Fiscal Year 2014 (the "Fiscal Year 2014 Adopted Budget") reflects General Fund expenditures of $1.23 billion or approximately 43.9 percent of the City's total Fiscal Year 2014 Adopted Budget of $2.80 billion. The Fiscal Year 2014 Adopted Budget includes an increase in General Fund expenditures of $45 million, or 3.8 percent over the Fiscal Year 2013 actuals for the General Fund. The increase in General Fund expenditures is primarily due to an increase of $33 million in the Annual Retirement Contribution ("ARC")[1] payment to the City's retirement system and $9.8 million for non-pensionable compensation increases, and includes modest service enhancements focused on neighborhood services and public safety needs. The Fiscal Year 2014 Adopted Budget General Fund expenditures do not match the General Fund revenues primarily due to the use of fund balance for non-pensionable compensation increases and the use of Fiscal Year 2013 budgetary surplus. The Fiscal Year 2014 Adopted Budget reflects a net increase of 115.35 full-time equivalent ("FTE") positions or 1.6% from the Fiscal Year 2013 Adopted Budget, and includes the net use of $28.7 million in one-time resources to balance the General Fund budget.

The Fiscal Year 2014 Adopted Budget projects that General Fund revenues will increase by $19 million or 1.6 percent over the Fiscal Year 2013 actuals. The General Fund's four largest revenue sources - property tax (33.9%), sales tax (20.6%), transient occupancy tax ("TOT") (7.3%), and franchise fees (5.7%) - account for approximately $812.4 million or 67.5% of the total General Fund revenues.

(1) Beginning in Fiscal Year 2015, in accordance with Government Accounting Standard Board accounting rules, the ARC will be replaced by the Actuarially Determined Contribution. See Footnote 2 under the caption "SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM—General."

Fiscal Year 2014 Mid-Year Results and Year-End Projections

The following table sets forth the projected changes in the four major revenues sources to the General Fund for Fiscal Year 2014 that were included in the Fiscal Year 2014 Adopted Budget and that are projected for the end of Fiscal Year 2014, based on actual receipts for the first two quarters of Fiscal Year 2014. See "Major Revenue Sources" below.

Projected Changes in General Fund Major Revenue Sources
($ in millions)

	Fiscal Year 2014 Adopted Budget	*Fiscal Year 2014 Year-End Projections*	*Over/(Under) Budget*	*Variance*
Property Tax	$396.8[1]	$407.7[2]	$10.9	2.7%
Sales Tax[3]	248.1	243.9	(4.2)	-1.7
Transient Occupancy Tax	87.9	86.8	(1.1)	-1.2
Franchise Fees[4]	67.0	68.6	1.5	2.2

(1) Does not include revenues from redevelopment related payments (RPTTF Tax Sharing Pass-Through Payments of $3.0 million and RPTTF Residual Property Tax amounts of $8.2 million). Including revenue from redevelopment payments, the total Fiscal Year 2014 budgeted Property Tax is $408.0 million.

(2) Does not include revenues from redevelopment related payments (RPTTF Tax Sharing Pass-Through Payments of $4.3 million and RPTTF Residual Property Tax amounts of $45.9 million). Including revenue from redevelopment payments, the total Fiscal Year 2014 budgeted Property Tax is $457.9 million.

(3) The sales tax change does not include Proposition 172 safety sales tax revenue.

(4) Does not include the Police Department's towing franchise fees.

Source: Financial Management, City of San Diego.

Five Year Financial Outlook

The FY 2015-2019 Five-Year Financial Outlook (the "Five Year Outlook") incorporates a variety of economic assumptions and expenditure requirements that will likely influence projected revenues and appropriation needs over the next five years. The Five Year Outlook incorporates the City's projections as of November, 2013 for the next five years for the General Fund's ongoing revenues and expenditures. It also includes projected operational expenditures identified by City departments and resulting projected net annual budgetary impacts on the General Fund. This multi-year planning effort allows the City to prioritize the finite budgetary resources to meet the key expenditure priorities. Typically, the City updates its Five Year Outlook annually in the second quarter of the fiscal year in time to begin evaluating budgetary options and developing the operating budget for the next fiscal year starting on July 1. The Five Year Outlook was released on November 14, 2013 and has not been updated to reflect any new or revised data. As a result, the Five Year Outlook does not reflect the mid-year results described above, nor does it include any revisions to projected expenditures. The Five Year Outlook provides a snapshot of the City's financial outlook at a specific point in time and certain of the budgetary information provided herein is more current than the information in the Five Year Outlook.

The Five Year Outlook projects an estimated $19 million deficit for Fiscal Year 2015 for the City's General Fund baseline budget with a projected surplus of $104 million by Fiscal Year 2019. This projection takes into account key adjustments necessary to fund service levels at the current level. The Five Year Outlook is also adjusted by removing any one-time revenues and expenditures from the current Fiscal Year 2014 Adopted Budget level and includes updated revenue and expenditure projections for Fiscal Year 2015 and beyond. The Five Year Outlook projects that all four major revenue sources (property tax, sales tax, transient occupancy tax ("TOT"), and franchise fees) will increase in Fiscal Year 2015; however, the rate of increase in outer years is expected to be lower as a result of an over correction from the economic downturn coming to an end and returning to more normal levels of growth. In addition to the major revenue projections,

some increases for other General Fund's revenue sources are projected based on various economic assumptions, anticipated events, and historical trend analysis. The Fiscal Year 2015 General Fund expenditures are also projected to increase from Fiscal Year 2014 Adopted Budget levels primarily due to non-pensionable compensation increases approved by City Council and increases in other expenditure categories. Expenditures are projected to increase in outer years due to increases in non-pensionable compensation through Fiscal Year 2018 consistent with the terms of the multiyear labor agreements, increases in pension ADC payments to the City's retirement system, and increases in other expenditure categories, such as contracts or energy costs.

For the Five Year Outlook projections, City departments also submitted a total of $750 million in expenditure needs in various categories over the next five fiscal years. These expenditures include requests that have been previously discussed by the City Council, increases to reduce potential risks to the City, and expenditures to enhance current service levels. If these requests were to be included in the budget, the projected deficit (i.e., projected funding gap) for the baseline budget scenario increases from $19 million to $78 million for Fiscal Year 2015 and gradually decreases to $19 million by Fiscal Year 2019. All of these expenditure requests will not be met within the timeframe of the Five Year Outlook and the projected funding gap is used by the City as a tool for evaluating and prioritizing the City's various General Fund expenditure needs. Two of the more significant expenditure needs are discussed under the captions "General Fund Infrastructure and Deferred Capital Program" and "Storm Water Program." The departmental requests and expenditure projections from the Outlook are being evaluated in conjunction with the annual budget development process and will be prioritized based on the revenue sources projected to be available in Fiscal Year 2015. As required by the City Charter, the Fiscal Year 2015 Proposed Budget will be balanced when the Mayor releases it on April 15, 2014.

Reserves

City Reserve Policy

The City Charter Section 91 requires the City to create and maintain a "General Reserve Fund" to meet cash obligations for the first four months or other necessary period of each Fiscal Year prior to the collection of taxes. The City fulfills this requirement through City's pooled investment fund and if necessary through the sale of tax and revenue anticipation notes.

In 2008, the City Council established a "City Reserve Policy", which sets forth the City's approach to establishing and maintaining adequate reserves across the spectrum of City operations, including the General Fund (the "General Fund Reserves") and Risk Management (the "Risk Management Reserves"). The City Reserve Policy is reviewed biennially, with any updates and changes approved by the City Council. An updated City Reserve Policy for 2014 ("Revised Reserve Policy") was reviewed and approved by the City Council on February 10, 2014. The two significant updates to the current Reserve Policy are, (i) the total General Fund Reserve level is increased to 14% from the previous 8% General Fund reserve level target and, (ii) the City Workers' Compensation Fund Reserve target was lowered from 50% to 25% of the value of outstanding workers' compensation claims in the Workers' Compensation Fund Reserve. See additional description below.

General Fund Reserves

As of June 30, 2013, the total General Fund Reserves were approximately $179.5 million, which represents 16.5% of the General Fund's revenues in Fiscal Year 2013 exceeding the City's existing Reserve Policy target level of 8%. General Fund Reserves consisted of the Emergency Reserve in the Restricted General Fund Balance of approximately $58.5 million and a combination of Assigned and Unassigned General Fund Balance of approximately $121 million.

The Revised Reserve Policy updated in February 2014 restructures the General Fund reserve levels into two primary categories: the Emergency Reserve and the Stability Reserve. The Emergency Reserve target is set at 8% and the Stability Reserve makes up the remaining 6.0% of the overall 14.0% goal under the Revised Policy. Any funds above 14.0% are considered to be Excess Equity which are spendable and unrestricted General Fund fund balance that is not assigned to General Fund Reserves.

Emergency Reserve. The Emergency Reserve is maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other unforeseen catastrophic event. The Emergency Reserve is not to be accessed to meet operating shortfalls or to fund new programs or personnel. This reserve may be expended only if an event is determined to be a public emergency by a two-thirds vote of the City Council, when such expenditures are necessary to ensure the safety of the City's residents and their property.

Stability Reserve. The Stability Reserve is maintained to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. The purpose of this reserve is to provide budgetary stabilization and not serve as an alternative funding source for new programs. Recommendations to appropriate from the Stability Reserve will be brought forward by the Mayor and require approval by a majority of the City Council. In the event this reserve is reduced below the amount established by the policy, pursuant to the policy the Mayor is required to prepare a plan as promptly as conditions warrant to replenish the Stability Reserve balance to policy levels.

The Fiscal Year 2014 projected ending unrestricted fund balance is $186.9 million or 17.5% of revenues. Of this amount, $149.8 million, or 14.0% of revenues, meets the targets for the Emergency and Stability Reserves and the remaining $37.0 million is Excess Equity. Per the Revised Reserve Policy, the Excess Equity is spendable and is available for budgeting and appropriation. [The Fiscal Year 2014 Mid-Year Report recommends the appropriation of $20.9 million of the $37.0 million in Excess Equity for Fiscal Year 2014 which leaves $16.1 million in unappropriated Excess Equity.] [To Be Updated Upon Posting of POS]

Risk Management Reserves

Additionally, the City maintains separate Risk Management Reserves in order to provide funding for claims made against the City. The Risk Management Reserves are the Workers' Compensation Fund Reserve, the Long-Term Disability Fund Reserve, and the Public Liability Fund Reserve. See "RISK MANAGEMENT – Self Insurance – Workers' Compensation and Long-Term Disability" and "– Public Liability Insurance" herein.

All operating funds including General Fund and the enterprise funds contribute a pro rata amount equal to a specified rate based on the gross employee salaries paid from all the operating funds, to both the Workers' Compensation Fund Reserve and the Long-Term Disability Fund Reserve. These contributions consist of the funding for current expenditures and for the annual reserve contributions as specified in the Revised Reserve Policy.

Workers' Compensation Fund Reserve. The Workers' Compensation Fund Reserve is maintained as a contingency in the event the annual expense for claims exceeds the annual "pay-go" budgeted amount. Consistent with the Revised Reserve Policy, year to year fluctuations in the City's outstanding liability are factored into the City's Workers' Compensation Fund contributions to achieve a target reserve level equal to 25% of the average outstanding liability for the three most recent fiscal years.

This target is expected to be achieved in Fiscal Year 2014 with the outstanding balance on the Workers' Compensation Reserve projected at $43 million or 25% of the average of the outstanding liability reported in the actuarial valuations for Fiscal Year 2011 through Fiscal Year 2013.

Long-Term Disability Fund Reserve. The Long-Term Disability Fund Reserve is maintained to fund self-insured claims in the event the annual expense for a claim exceeds the annual "pay-go" budgeted amount. The outstanding balance in the Long Term Disability Reserve is projected to be approximately $13.8 million in Fiscal Year 2014. The target level, based on the current value of outstanding liability, is $17 million by the end of Fiscal Year 2016. [The City intends to make an additional $1.6 million contribution in Fiscal Year 2014 and a contribution of $1.6 million in Fiscal Year 2016 to meet the target level.] [To Be Updated Upon Posting of POS] The City is evaluating the feasibility of purchasing a commercial insurance policy to cover this benefit as an alternative to the current practice of self-insurance.

Public Liability Fund Reserve. The Public Liability Fund Reserve is maintained as a contingency in the event the annual expense for claims exceeds the "pay-go" budgeted amount. Consistent with the Revised Reserve Policy, year to year fluctuations in the City's outstanding liability are factored into the City's Public Liability Fund contributions to achieve certain incremental reserve targets annually and achieve a final target reserve level equal to 50% of current estimated outstanding public liability obligations by Fiscal Year 2019.

The Public Liability Fund Reserve receives an annual allocation solely funded from the City General Fund, as approved by City Council in the annual budget ordinance. The allocation includes funding for current expenditures and for the annual reserve contribution as specified in the Revised Reserve Policy.

The outstanding balance in the Public Liability Fund Reserve is projected to be $32.2 million in Fiscal Year 2014. Based on the annual actuarial valuation for Fiscal Years 2011 through 2013, an annual contribution of $3.2 million is projected for Fiscal Years 2015 through Fiscal Year 2019, in order to meet the 50% target level of the average value of outstanding liability for the three most recent fiscal years by Fiscal Year 2019. [The City intends to contribute $3.2 million to this reserve in Fiscal Year 2014 to prefund the contribution that would have been made in Fiscal Year 2015. The next contribution is expected to be made in Fiscal Year 2016.] [To Be Updated Upon Posting of POS]

Potential Impacts from Federal and State Budget

Federal fiscal policies and State budget actions can impact the General Fund adversely. Direct funding contributed by federal and state governments for the General Fund for Fiscal Year 2014 is projected to be less than one percent (1%) of revenues. Although federal and state contributions are not a major revenue source to the General Fund, federal and State budget decisions can negatively impact the local economy which, in turn, can result in lower revenues to the General Fund from the major sources such as property taxes, sales taxes and TOT revenues.

Given the current uncertainty regarding federal fiscal policy and its impact on the State, and the inherent volatility in the State's revenue system, the City cannot fully anticipate the impacts on the revenues or expenditures of the City. The City cannot predict the extent of any fiscal problems that will be encountered in this or in any future Fiscal Years, and it is not clear what measures will be taken by the State or federal government to address current or future economic conditions. Future federal and State budgets will be affected by national economic conditions and other factors over which the City will have no control. Also, the City cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's budget challenges, or the impact that such actions will have on the City's finances and operations. To the extent that the State budget process results in reduced revenues or increased expenses to the City, the City will be required to make adjustments to its budget. See "STATE BUDGET INFORMATION" herein.

Major Revenue Sources

Property Taxes

Property tax revenue is the City's largest revenue source, representing 33.9% of the total General Fund revenue for the Fiscal Year 2014 Adopted Budget. The County of San Diego (the "County") assesses

and collects secured and unsecured property taxes for the cities, school districts, and special districts within the County, including the City. The delinquency dates for property tax payment are December 10 for the first installment and April 10 for the second installment. Once the property taxes are collected, the County conducts its internal reconciliation for accounting purposes and distributes the City's share of such taxes to the City, periodically and typically pursuant to a published schedule. Prior to distribution, the moneys are deposited in an account established on behalf of the City in the County Treasurer's Investment Pool (the "Pool"). If the County or the Pool were at any time to become subject to bankruptcy proceedings, it is possible that City property taxes held in the Pool, if any, could be temporarily unavailable to the City. In the event of such an occurrence, the City believes that General Fund revenue requirements could be met through the use of other City funds [for a limited period of time]. Ad valorem taxes are subject to constitutional limits as discussed under the section "LIMITATIONS ON TAXES AND APPROPRIATIONS." The City does not participate in a Teeter Plan, which is an alternate method for allocating property taxes by counties. A Teeter Plan allows counties to allocate 100% of property taxes billed to a city in exchange for retaining future delinquent tax payments, penalties and interest. Since the City does not participate in the Teeter Plan, it receives taxes, penalties and interest on delinquent taxes as collected by the County.

Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing the taxes on which there is a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the Fiscal Year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. If not paid, the property is subject to default. Such property may be redeemed by payment of the delinquent taxes and the delinquent penalty, plus a redemption penalty of 1.5% per month from July 1 of the following year to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due following the January 1 lien date and become delinquent, if unpaid, on August 31 of the Fiscal Year. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the Fiscal Year. The taxing authority has four ways of collecting unsecured personal property taxes: (a) commencing a civil action against the taxpayer; (b) 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; (c) 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 (d) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee.

A supplemental assessment occurs upon a change of ownership of existing property and for new construction upon completion. A supplemental tax bill is issued for the difference in property value resulting from the increase or decrease in assessed value prorated for the remainder of the year.

Effective July 1, 1988, Assembly Bill 454, Chapter 921, eliminated the reporting of the unitary valuations pertaining to public utilities such as San Diego Gas and Electric. In lieu of the property tax on these previously included assessed valuations, the City now receives from the State (through the County) an amount of unitary revenue based upon the unitary property tax received in the prior year.

Property taxes allocated to the City include an amount to compensate cities for the loss of motor vehicle license fees. Motor Vehicle License Fees ("MVLF" or "VLF") are levied as a percentage of an automobile's purchase price, subject to depreciation, and are paid annually to the California Department of Motor Vehicles at the time of registration. The fees are then forwarded to the State Controller's Office, which

allocates the funds to local governments per capita on a monthly basis. Beginning in 1999, the MVLF underwent a series of offsets, first initiated by the State legislature as part of the 1998-1999 Budget agreement. These offsets ultimately resulted in a 67.0% reduction in the effective MVLF rate, from 2.0% of a vehicle's value to 0.65%. To compensate cities and counties for the tax offset, the State began providing State General Fund revenue to cities and counties on a dollar-for-dollar basis, known as the MVLF backfill. As part of the Fiscal Year 2005 State Budget agreement, the MVLF rate was statutorily reduced to 0.65%, thereby eliminating the MVLF backfill. Cities were compensated for the loss in MVLF revenue with increased property tax revenues. Although the MVLF rate has subsequently increased, the City does not share in this increase.

Property taxes allocated to the City also include a special tax levy of $0.005 per $100 of assessed value, authorized by the Charter for the maintenance of zoological exhibits in Balboa Park. These funds are remitted to the San Diego Zoological Society, a not-for-profit corporation independent from the City that manages the zoo, in accordance with a contractual agreement with such society. As required by the Charter, these revenues are collected in the Zoological Exhibits Fund, a special revenue fund.

Fiscal Year 2014 Property Tax Budget. The total Fiscal Year 2014 property tax budget is $408.0 million, which includes additional property tax distributions from the Former RDA (defined below). See "—Former Redevelopment Agency" below. The Fiscal Year 2014 Adopted Budget for property tax revenue, excluding property tax revenue from the Former RDA, is $396.8 million, consisting of $290.4 million of 1% property tax levy and $106.4 million of "in-lieu of VLF" property tax revenue. The property tax budget was developed assuming strong home sales, increases in median home price, a positive California CPI in calendar year 2012 and a projected decrease in property tax refunds related to an anticipated reduction in the number of property value reassessments during Fiscal Year 2014. In addition, the Fiscal Year 2014 Adopted Budget includes $3.0 million in tax sharing pass-through payment from the Former RDA as part of the Recognized Obligations Payment Schedule ("ROPS"), and $8.2 million in anticipated residual property tax payments. The residual property tax payments are the City's proportionate share of funds remaining in the Redevelopment Property Tax Trust Fund ("RPTTF") after ROPS requirements have been met. The total Fiscal Year 2014 Year-End projection for property tax is $457.9 million, an increase of $49.9 million from the Fiscal Year 2014 Adopted Budget, which is primarily due to the higher RPTTF tax sharing pass-through and residual payments than that which was assumed in the Fiscal Year 2014 Adopted Budget. The 1% property tax levy and "in-lieu of VLF" portion of the property tax budget has increased by $10.9 million primarily due to higher than anticipated assessed valuation growth in Fiscal Year 2014.

Table A-4 presents the assessed valuation within the City for each of the last ten Fiscal Years.

TABLE A-4
CITY OF SAN DIEGO
ASSESSED VALUATION [(1)(2)(3)]
Fiscal Years Ended June 30, 2005 through 2014
(in thousands except for percentages)
(unaudited)

Fiscal Year	*Secured Property*	*Unsecured Property*	*Gross Total*	*Less Exemptions[(4)]*	*Net Assessed Valuation[(5)]*	*Annual Assessed Valuation % Change*
2005	$115,305,637	$6,724,787	$122,030,424	$4,872,423	$117,158,002	8.76%
2006	128,935,155	7,067,580	136,002,735	5,684,279	130,318,456	11.23
2007	142,036,802	7,629,006	149,665,808	5,867,546	143,798,261	10.34
2008	154,653,913	7,410,589	162,064,502	6,329,714	155,734,787	8.30
2009	162,580,727	7,880,341	170,461,068	6,795,274	163,665,794	5.09
2010	161,637,831	8,164,394	169,802,225	7,157,357	162,644,869	-0.62
2011	158,803,280	7,873,095	166,676,375	7,411,231	159,265,145	-2.08
2012	160,568,112	7,614,792	168,182,903	7,713,035	160,469,868	0.76
2013	159,731,138	7,784,851	167,515,989	7,883,818	159,632,171	-0.52
2014	166,492,182	8,229,813	174,721,995	8,321,763	166,440,232	4.24

(1) The official date of assessment is the first day of January preceding the Fiscal Year during which taxes are levied. For example, January 1, 2013 is the official assessment date for property taxes due during Fiscal Year 2014.
(2) Does not include state assessed utility property.
(3) Does not reflect incremental value allocated to former redevelopment project areas ($17.5 billion for Fiscal Year 2014).
(4) Reflects homeowners' exemptions, which provide for a reduction of $7,000 off the assessed value of a qualifying residence. The result is an annual property tax reduction of approximately $70 for a qualifying homeowner.
(5) Net assessed valuation for tax purposes. Net assessed valuation reflects a reduction for homeowners exemptions (see footnote 4 above).

Source: Fiscal Years 2005 – 2013: Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego
Fiscal Year 2014: MuniServices, LLC

Table A-5 shows the City's secured tax collections for each of the ten Fiscal Years shown.

TABLE A-5
SECURED TAX LEVIES AND COLLECTIONS[1]
Fiscal Years 2004 through 2013
(in thousands except for percentages)
(unaudited)

Fiscal Year	*Tax Levy*	*Current Year Collections*	*Current Year Collections as Percentage of Current Tax Levy*	*Total Tax Collections[2]*	*Total Collections as Percentage of Current Tax Levy*
2004	$199,630	$191,224	95.79%	$197,708	99.04%
2005	227,422	213,173	93.73	221,126	97.23
2006	255,211	240,895	94.39	249,047	97.58
2007	272,983	257,034	94.16	266,172	97.50
2008	289,235	271,657	93.92	281,842	97.44
2009	299,935	284,212	94.76	299,200	99.75
2010	297,208	284,600	95.76	298,538	100.45
2011	293,617	283,978	96.72	297,049	101.17
2012	295,977	289,500	97.81	298,151	100.73
2013	299,311	293,557	98.08	301,487	100.73

(1) Property Tax Levies and Collections for the General Fund and Zoological Exhibits Fund. Current Year Collections as Percentage of Current Tax Levy column reflects combined collection rate for secured and unsecured property taxes collected in General Fund and unsecured property taxes collected in Zoological Exhibits Fund.

(2) Total Collections include unpaid taxes and penalties from previous years' tax levies collected in the current Fiscal Year, which is why Total Collections can be in excess of Tax Levy.

Source: Fiscal Year 2013 Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller's Office, City of San Diego.

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Table A-6 below indicates the ten largest secured and unsecured property taxpayers in the City for the tax roll of Fiscal Year 2014. For the Fiscal Year 2013 Tax Roll, refer to the Unaudited Statistical Section, Table 7 "Principal Property Tax Payers," in the Fiscal Year 2013 CAFR.

TABLE A-6
PRINCIPAL PROPERTY TAXPAYERS IN CITY OF SAN DIEGO[(1)(2)]
Tax Roll for Fiscal Year 2014
(in thousands, except for percentages)
(unaudited)

Taxpayers	*Type of Business*	*Assessed Valuation[(3)]*	*Percentage of Net Assessed Valuation[(4)]*	*Amount of Tax[(5)]*
Irvine Co.	Real Estate	$ 1,618,629	0.88%	$ 19,145
Qualcomm, Inc	Electronics	1,434,626	0.78	16,968
Kilroy Realty, LP	Real Estate	1,428,488	0.78	16,896
Are SD Region Exchange LLC	Real Estate	853,654	0.46	10,097
Host Hotels Resorts LP	Hotel Management	781,415	0.42	9,242
One Park Boulevard LLC	Hotel Management	612,551	0.33	7,245
OCSD Holdings	Real Estate	488,798	0.27	5,781
Fashion Valley Mall, LLC	Developer	476,580	0.26	5,637
Arden Realty LTD. Partnership	Real Estate	455,245	0.25	5,385
SeaWorld Parks	Entertainment	436,958	0.24	5,168
TOTAL		$ 8,586,944	4.67%	$ 101,564

(1) The official date of assessment is the first day of January preceding the Fiscal Year during which taxes are levied. For example, January 1, 2013 is the official assessment date for property taxes due during Fiscal Year 2014.
(2) Utility Companies excluded.
(3) Total assessed valuation includes both secured and unsecured property; does not include supplemental assessments.
(4) Using total Net Assessed Valuation of $184 billion (includes incremental value for redevelopment project areas) for Fiscal Year 2014.
(5) A number of the top 10 property taxpayers have filed various assessment appeals that could result in refunds of prior year taxes paid. The amount of any such refunds is unknown.
Source: MuniServices, LLC.

Sales Tax

Sales tax is collected and distributed by the State Board of Equalization. The sales tax rate is established by the State Legislature. Sales tax is the City's second largest revenue source representing 20.6% for the Fiscal Year 2014 Adopted Budget.

The City's sales tax revenues shown in Table A-3 include a reimbursement from property taxes that the City will receive as a result of the "triple flip." Triple flip is the shift enacted by the State in Fiscal Year 2005 whereby local governments shift one-quarter of a cent of their Bradley-Burns Sales and Use Tax to the State in exchange for an equivalent amount of property tax. Once the State's Economic Recovery Bonds are repaid in full, local governments will no longer receive the property tax reimbursement, but will instead regain the one-quarter-cent sales tax that was diverted to the State by the triple-flip. This shift is different from the MVLF property tax swap which is considered to be a permanent shift of revenues from MVLF to property tax. The proposed Economic Recovery Bonds mature in 2023, however the Governor's proposed budget for the State for Fiscal Year 2015 calls for an early retirement of the Economic Recovery Bonds by June 30, 2015. The City does not expect that the termination of the triple flip will result in any ongoing reduction in revenues to the General Fund and projects that the termination will result in a one-time increase in revenues.

Collected at the point of sale, sales tax receipts are remitted to the State Board of Equalization, which allocates tax revenue owed to the City in the form of monthly payments. According to the Bradley-Burns Sales and Use Tax law, cities are to receive one cent of the total 7.50 cent statewide sales tax levied on each dollar of taxable sales (one-fourth of which is now received as property tax). In addition to the Bradley-Burns sales tax, San Diego County voters approved a half-cent supplemental sales tax in 1987 to fund the San Diego Transportation Improvement Program ("TransNet"), resulting in a total countywide sales tax of 8.0%. The TransNet sales tax was renewed in 2008 for an additional 40-year term. TransNet sales tax revenues are not City General Fund revenues, are restricted to transportation projects and are not available to pay the City's General Fund lease obligations. Sales tax also includes a half-cent sales tax known as the Proposition 172 safety sales tax, which the California voters approved in 1993 for the purpose of funding local public safety expenditures, and a quarter-cent sales tax increase effective January 1, 2013, which the California voters approved at the November 2012 election. The new quarter-cent sales tax revenues are not available to pay the City's General Fund lease obligations.

Fiscal Year 2014 Sales Tax Budget. The Fiscal Year 2014 Adopted Budget for sales tax revenues is $248.1 million (excluding Proposition 172 safety sales tax), consisting of $182.2 million in sales tax revenue and $65.9 million in triple-flip reimbursements. Based on economic reports during budget development, it was assumed in the Fiscal Year 2014 sales tax budget that the unemployment rate will continue to drop and the consumer spending experienced in Fiscal Year 2013 will continue into Fiscal Year 2014 with taxable sales increasing in the areas of department store retail, automobile sales, and service stations. The Fiscal Year 2014 Year-End projection for sales tax revenue is $243.9 million, a decrease of $4.2 million from the Fiscal Year 2014 Adopted Budget. This decrease is primarily attributable to weaker than expected consumer spending including lower gas prices during the first quarter of Fiscal Year 2014.

The City can provide no assurance that actual sales tax receipts will not be materially less than projected. See Official Statement, APPENDIX B—"DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY – Table B-4" for historic taxable transactions in the City.

Transient Occupancy Tax

The City's TOT is levied at 10.5 cents per dollar of the daily room price in hotels and motels used by visitors staying in San Diego for fewer than 30 consecutive days. The TOT is allocated pursuant to the City Municipal Code, with guidelines provided by the City Council Policy 100-3. Of the 10.5 cents of collected TOT, 5.5 cents is allocated toward general government purposes; 4.0 cents is allocated to special programs to promote the City's cultural amenities and natural attractions and to support the City's General Fund departments that provide services related to promoting local tourism; and the remaining 1.0 cent is allocated for any purposes approved by the City Council.

San Diego's local attractions, natural amenities, and proximity to other popular tourist sites continue to make the area a top destination. According to estimates from the San Diego Tourism Authority (the "Tourism Authority"), there will be 33.3 million visitors in calendar year 2014 in San Diego, which is a 1.8% increase than in calendar year 2013. The average hotel occupancy is expected to increase by 1.5% to be at 72.5% in calendar year 2014. Although the region remains a popular spot for vacations and conventions, future economic weakness and other factors could have an adverse impact on tourism in San Diego and, in turn, could result in a reduction in TOT. One such factor is the ability of the City to complete the planned expansion of its Convention Center in a timely manner. Delays in the planned expansion could result in fewer bookings of large conventions in the future. See "BONDED AND OTHER INDEBTEDNESS—Future Financing Plans."

Fiscal Year 2014 Transient Occupancy Tax Budget. The Fiscal Year 2014 Adopted Budget is $167.7 million in total TOT revenues. Of the total budgeted amount, $87.9 million in TOT revenue are allocated to the General Fund, which comprises 7.3% of the General Fund revenue budget. The remaining funds are allocated to Special Promotional Programs, which includes the one-cent City Council discretionary TOT

funding budgeted to be transferred to the General Fund and TOT allocated for reimbursement of General Fund tourism related expenditures. The City has experienced growth in receipts over the past two calendar years, and growth in tourism activity is expected to continue through calendar year 2014. The Fiscal Year 2014 Year-End projection growth for total TOT is $165.7 million. Of this amount, $86.8 million is projected for the General Fund. This projection is a decrease of $1.1 million from the Fiscal Year 2014 Adopter Budget, which is primarily attributable to lower than expected growth in year-to-date receipts.

For further discussion of tourism in the City and County, see APPENDIX B — "DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY – Tourism."

Franchise Fees

Franchise fees revenue results from agreements with private utility companies in exchange for the City's rights-of-way. Currently, San Diego Gas and Electric ("SDG&E"), Cox Communications, Time Warner Cable, and AT&T are the primary sources of franchise fee revenue to the City. In addition, the City collects franchise fees from private refuse haulers that conduct business within its borders. The revenue received from such agreements is based on a percentage of gross sales.

SDG&E, the single largest contributor of franchise fee revenue, is charged 3.0% of the gross sales of gas and electricity within the City. In addition, the City receives a 3.5% surcharge on SDG&E's electricity sales for the undergrounding of electric utility lines that was approved by the California Public Utilities Commission in December 2002. The City also generates franchise fee revenue by collecting 5.0% of gross revenues from Cox Communications, Time Warner Cable, and AT&T. Refuse hauler fees are imposed on private refuse haulers depending on tonnage per year: Class I haulers (less than 75,000 tons per year) or Class II haulers (more than 75,000 tons per year).

Fiscal Year 2014 Franchise Fees Budget. The Fiscal Year 2014 Fund Budget includes $68.4 million in franchise fee revenue, which comprises 5.7% of the General Fund revenue budget. The Fiscal Year 2014 Year-End projection is $69.9 million primarily due to an increase in revenue from SDG&E and refuse haulers which is partially offset by a decrease in revenue from cable companies.

San Diego Gas & Electric. The Fiscal Year 2014 Fund Budget for SDG&E franchise fee revenue of $35.6 million. The budget is based on the average growth of actual receipts in previous years. The Fiscal Year 2014 Year-End projection is $39.0 million, an increase of $3.4 million.

Cable Companies. The majority of cable franchise fees are from Cox Communications and Time Warner Cable. Franchise fee revenue from AT&T, which the City began receiving in Fiscal Year 2008 when the company started providing services, has grown steadily for the past two years and continued growth is expected as the company expands in the San Diego market. The Fiscal Year 2014 Adopted Budget includes cable franchise fee revenue of $19.4 million. The budget is based on the average growth of actual receipts in previous years. The Fiscal Year 2014 Year-End projection is $17.2 million, a decrease of $2.2 million.

Refuse Haulers and Other Franchises. Revenue from private refuse haulers is based on the total amount of refuse hauled annually. The Fiscal Year 2014 Adopted Budget for refuse hauler franchise fee revenue from private refuse haulers is $9.1 million, a decrease of $0.9 million over the Fiscal Year 2013 year-end revenue projection which is due to the removal of a one-time penalty payment that was received during Fiscal Year 2013. The Fiscal Year 2014 Year-End projection is $9.4 million, an increase of $0.3 million.

Former Redevelopment Agency

The Redevelopment Agency of the City of San Diego (the "Former RDA") was dissolved as of February 1, 2012. The City is serving as the Successor Agency to the Former RDA and as the successor housing entity to the Former RDA. The Successor Agency is a separate and distinct legal entity from the City,

whereas the successor housing entity is the City, not a separate legal entity. The role of the Successor Agency is to wind down the activities of the Former RDA. As described below, there are certain liabilities to the City's General Fund arising from agreements between the City and the Former RDA and other liabilities arising from the City's role as the Successor Agency and the successor housing entity to the Former RDA, any of which could result in a negative, material impact to the General Fund individually or in the aggregate. While uncertainty remains regarding the obligations of the Former RDA, much of the impact to the General Fund has already been absorbed, as described below.

A large part of winding down the activities of the Former RDA includes making payments on enforceable obligations of the Former RDA, including payments owed to the City's General Fund. Under the terms of the dissolution laws, the State Department of Finance ("DOF") has invalidated several agreements between the City and the Former RDA under which the City will no longer receive payment. In addition, the dissolution laws provide for so-called due diligence reviews ("DDRs") which are intended to identify unobligated funds of the Former RDA that are available for remittance to the County Auditor-Controller ("Auditor-Controller") for distribution to the various taxing entities, including the City. Two separate DDRs were conducted, one for the Former RDA's low and moderate income housing funds ("Housing DDR") and one for the Former RDA's non-housing funds ("Non-Housing DDR").

The Non-Housing DDR resulted in a payment to the Auditor-Controller of approximately $167.3 million in November 2013, approximately $21.1 million of which included payments made to the City's General Fund and subsequently invalidated. An additional amount of approximately $23.7 million in payments were made to the General Fund under agreements that were subsequently invalidated but were not within the timeframe covered by the Non-Housing DDR (January 1, 2011 to January 31, 2012). The $23.7 million will likely be clawed back by the State at a later date.

As noted above, the City is one of the taxing entities that receives distributions from the Auditor-Controller and typically receives approximately 21% of remittances made to the Auditor-Controller as property tax distributions. Thus, the City received approximately $34.9 million of the $167.3 million remitted as a result of the Non-Housing DDR. The City also received approximately $2.3 million of the $13.3 million remitted as a result of the Housing DDR. The Housing DDR payment was made to the Auditor-Controller in May 2013. Currently, the City expects total impacts to the General Fund, including amounts already clawed back, of approximately $48 million which could be higher or lower depending on the outcome of the various ongoing dissolution processes and litigation where the City is challenging certain determinations made by the DOF. Property tax distributions received as a result of funds clawed back by the State may mitigate these impacts in whole or in part.

It is also possible that the DOF or other State agencies may require payments from the Successor Agency in excess of the Successor Agency's resources. The City loaned the Successor Agency approximately $21.1 million to allow for the payment of the Non-Housing DDR remittance and $2.3 million to allow for the payment of the Housing DDR remittance. While the City will seek repayment of these loans as enforceable obligations, there is no certainty that DOF will allow repayment of any current or future loans. Similarly, if the administrative costs of the Successor Agency exceed the allowance provided for in the dissolution laws the City could loan money to cover administrative costs to the Successor Agency and, again, seek repayment for such loans.

The City has also assumed certain obligations as the successor housing entity of the Former RDA, particularly with respect to affordable housing. A nonprofit organization, known as the Affordable Housing Coalition of San Diego County ("Coalition"), has initiated litigation, now pending in Sacramento County Superior Court, alleging that all successor agencies in San Diego County must fulfill any historical, unmet obligations related to the production of affordable housing units under the Redevelopment Law despite the dissolution of all redevelopment agencies and the elimination of tax increment revenue. If the Coalition prevails on the merits in this lawsuit, and if the court does not allow the Successor Agency to receive any new source of funds to fulfill any historical, unmet affordable housing obligations, then the City's General Fund

could be exposed to substantial liability in an undetermined amount in excess of the $48 million referenced above.

General Fund Infrastructure and Deferred Capital Program

The City owns and maintains a wide array of public assets, including police stations, fire stations, library facilities, operational facilities, parks, recreation centers, streets, and bridges. Over the years, under the pressure of competing financial priorities, the City has deferred maintenance and capital expenditures on many of these assets resulting in deteriorated structures, including parts of the City's core infrastructure. Between 2007 and 2011 the City undertook a program to assess the condition of its infrastructure assets. The City began to address the deferred capital needs through the General Fund bond program and supplemented the bond program by cash funding from various sources including the City General Fund. As of March 2011, the City estimated a backlog of approximately $898 million in deferred capital projects, which included $478 million for streets, $185 million for General Fund buildings, and $235 million for storm drain infrastructure (see "Storm Water Program" herein); this estimated backlog does not include the separate infrastructure program needs of the City's water and sewer systems, and other enterprises. This estimate is likely significantly higher since it was based on a dated and partial assessment of the condition of the City's buildings and facilities and excludes certain asset classes. The City is further evaluating deferred maintenance and capital expenditure needs through additional assessment studies: sidewalk assessments are anticipated to be substantially complete by the end of calendar year 2014; facilities condition assessments are expected to continue through Fiscal Year 2019; and an assessment of the condition of the City's streets is anticipated to be conducted in Fiscal Year 2015.

In 2012, the City Council approved a multi-year deferred capital program funding plan that provides bond funding for approximately $420 million over a five-year period from Fiscal Years 2013 through 2017, and an increase in annual cash funding for maintenance and repair and capital expenditures from $50 million in Fiscal Year 2014 to $79 million by Fiscal Year 2017. So far, an estimated $213 million in bond proceeds has been applied to Capital Improvement Program (CIP) projects for planning, design, and construction for the capital repair, expansion, and/or replacement of streets, sidewalks, facilities, and storm water infrastructure. This includes proceeds from the City's 2009A Lease Revenue Bonds (subsequently refunded with the 2010A Lease Revenue Bonds), the 2012A Lease Revenue Bonds, and the 2013A Lease Revenue Bonds. To continue to implement the program, as of January 2014, the City Council approved lease revenue bonds to fund infrastructure projects in an amount up to $120 million. The proceeds of the 2014A Bonds being issued under this authorization in an amount of $66.4 million will finance all or portions of the acquisition, design, construction, installation and equipping of various capital improvement projects of the City, including new facilities, improvements to various existing facilities, street resurfacing, storm drain replacements and other capital projects. Lease Revenue Bonds for the remaining $53.6 million of proceeds under this authorization, are expected to be issued based on the rate of spend down of the Series 2014A bond proceeds. See "BONDED AND OTHER INDEBTEDNESS – Future Financing Plans" herein.

In addition to deferred capital, the City's infrastructure needs include annual maintenance and repair costs for existing assets as well as needed new assets to provide essential services. The City has identified significant storm water capital projects in the Watershed Asset Management Plan needed to comply with more stringent water quality regulations (see "Storm Water Program" herein), fire stations, libraries, parks, and other needed public facilities in community.

Storm Water Program

The City has over 48,000 storm drain structures, 700 miles of drainage pipe, and 15 storm water pump stations. The City has adopted a Storm Water Program to maintain and keep facilities in good repair to reduce pollutants in urban runoff and storm water and comply with all local, State, and Federal environmental regulations. The City's storm water program is currently funded primarily from the General Fund and partially

from property-related storm water fees, revenue from parking enforcement related to street sweeping, and bond proceeds.

On May 8, 2013, the Regional Water Quality Control Board (RWQCB), the State agency charged with implementing the federal Clean Water Act, adopted a new a National Pollution Discharge Elimination System Permit ("NPDES Permit"), which became effective in July 2013. The NPDES Permit covers the City, the County and other municipalities within the County ("Co-Permittees"). A significant change to this permit is that it incorporates the Dissolved Metals and Bacteria Total Maximum Daily Loads ("TMDLs") and Areas of Special Biological Significance ("ASBA") requirements, thereby making violations of these regulations subject to fines and penalties. Because these standards are not currently being met in many areas, it is possible that the RWQCB could levy fines and penalties on the City of $10,000 per day per violation and the federal Environmental Protection Agency could levy penalties of $27,000 per day per violation. See Note 17 of the City's CAFR for Fiscal Year 2013. Even if the RWQCB or the federal government does not take a compliance action against the City, a third party could file an action against the City or other Co-Permittees seeking damages or seeking an order from the court that the City make certain expenditures related to storm water improvements.

The new NPDES Permit requires all Co-Permittees to come into compliance by calendar year 2018. To begin developing a compliance plan, the City submitted a Comprehensive Load Reduction Plan ("CLRP") to the Regional Water Quality Control Board in 2012. The CLRP identified ways that the City could comply with the TMDLs and ASBA requirements, and included a preliminary cost estimate of $1.5 to $2.7 billion over 20 years for compliance. The City developed an updated compliance cost estimate in 2013 as part of a Watershed Asset Management Plan which considers CLRP, NPDES Permit and flood risk management needs. The updated near term (fiscal years 2014 through 2018) compliance cost estimate is approximately $710 million. The updated compliance cost estimate for the remainder of the compliance period (fiscal years 2019 through 2031) is approximately $3.25 billion of which an estimated $2.17 billion is for projected capital expenditures and $1.08 billion is for projected operating expenditures. Because this is a new regulation that relies on new and developing technologies, this cost estimate is expected to change over time.

The Five Year Outlook concludes that given the 2018 deadline for compliance with the new permit standards, significant increases in funding for both operating and capital expenses will be required. The Fiscal Year 2014 Adopted Budget includes approximately $35.1 million for operations and maintenance and $27.0 million for capital improvements related to storm water compliance. The Five Year Outlook projects that the expenditures for operations and maintenance could increase to $52.1 million in Fiscal Year 2019 and that the capital improvements expenditures could increase to $182 million.

The City is working on developing a plan for funding the increased expenditures related to compliance with the storm water permit requirements. Currently, the available funding sources are storm water fees, general City revenues and bond proceeds. The City's storm water fees, which have not been increased since 1996, generated approximately $5.7 million in revenue in Fiscal Year 2013 and currently cover only a small portion of the City's annual storm water costs. The City's ability to increase these fees could be limited by objections by property owners or voters. For a discussion of Articles XIIIC and XIIID of the California Constitution, see "LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIIC and XIIID (Proposition 218) of the California Constitution – Article XIIIC." If the storm water fees are not substantially increased, most of the costs associated with the Watershed Asset Management Plan will be paid from general City revenues. Any increase in General Fund moneys budgeted for storm water management purposes would reduce funds available for other General Fund purposes. Absent new or increased funding sources, the City's storm water liabilities represent an ongoing, multi-year fiscal challenge for the City's General Fund.

Since 2009, approximately $31 million from previously issued bond proceeds has been allocated to the Storm Water Division's Capital Improvements Program, including storm drain maintenance and watershed projects. Approximately $9.6 million of the proceeds of the Series 2014A Bonds will be applied to finance

storm drain replacement. The City expects to continue to utilize proceeds from future capital improvements bond sales to finance storm water program deferred capital costs and water quality capital projects.

In addition to the current compliance cost estimates described above, there may be additional operational storm water needs on various City land and facilities (including approximately 26,000 acres of open space, 9,000 acres of community parks, fire stations, police stations and libraries) that could affect the City's General Fund. The City intends to evaluate these operational needs, related costs and budget resources following condition assessment and data gathering for these properties.

STATE BUDGET INFORMATION

The following information concerning the State's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. The following information is provided as supplementary information only, and it should not be inferred from inclusion of this information that the Series 2014A Bonds are payable from State revenues. The Series 2014A Bonds are payable solely from Base Rental Payments to be made by the City under the Lease and certain other moneys held under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS" in the front part of this Official Statement. The Series 2014A Bonds are not a debt of the City, the State, or any of its political subdivisions, and none of the City, the State or any of its political subdivisions is liable thereon.

State Budgeting Process

According to the State Constitution, the Governor is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a majority vote of each house of the State Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, www.govbud.dof.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer at www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

Fiscal Year 2014 State Budget

On June 14, 2013, the State Legislature adopted the State's Fiscal Year 2014 Budget. After line-item vetoes of $40 million, the State's Fiscal Year 2014 Budget was signed by Governor Brown on June 27, 2013. For the first time in several years, corrective measures were not necessary to avoid a year-end deficit in the fiscal year just ended. The State's Fiscal Year 2014 Budget provides for $97.1 billion in General Fund revenues and transfers and $96.3 billion in General Fund expenditures.

The Fiscal Year 2014 Budget also forecasted an approximate $1.1 billion surplus at the end of Fiscal Year 2014, to be used as a reserve for future Fiscal Years. The Fiscal Year 2014 Budget reflects a transition from several years of budget deficits to a budget in which expenditures and revenues are generally in balance.

Governor's Proposed Fiscal Year 2015 State Budget

The 2014-15 Governor's Budget, which was released in January 2015, projects that the State will end Fiscal Year 2013-14 with a positive reserve of $3.257 billion. Based on a variety of assumption and expenditure estimates, the 2014-15 Governor's Budget projects that the state's budget will remain balanced through Fiscal Year 2017-18. This is due, in part, to temporary tax increases that were approved by the voters in 2012 and expire between 2016 and 2018.

In the 2014-15 Governor's Budget, State General Fund revenues and transfers for Fiscal Year 2014-15 are projected at $104.5 billion, an increase of $4.4 billion or 4.3 percent compared with revised estimates for Fiscal Year 2013-14, including a $1.6 billion transfer to the Budget Stabilization Account (for "Rainy Day" purposes) that reduces total State General Fund revenues and transfers.

State General Fund expenditures for Fiscal Year 2014-15 are projected at $106.8 billion in the 2014-15 Governor's Budget, an increase of $8.3 billion or 8.5 percent compared with revised estimates for Fiscal Year 2013-14, including an increase of $1.6 billion in State General Fund expenditures due to the $1.6 billion early repayment of the Economic Revenue Bonds.

The 2014-15 Governor's Budget notes that it is based on a variety of estimates and assumptions, that if actual results differ from those assumptions the State's financial condition could be adversely or positively affected and that there can be no assurance that the financial condition of the State will not be materially and adversely affected by actual conditions or circumstances in fiscal year 2014-15 and beyond.

The 2014-15 Governor's Budget identifies a number of risks with potential significant State General Fund impact for Fiscal Year 2014-15 including the threat of a future recession, a shifting of costs from the federal government to the State, a decline in the stock market given the State's reliance on capital gains as a source of revenue, costs related to ongoing litigation over the State prison population, litigation arising from the dissolution of redevelopment agencies, costs of implementing federal health care reforms and costs associated with the State's substantial unfunded liabilities for pensions and post-employment health care costs.

Effect of State Budget on General Fund Revenues

Between 2008 and 2012, the State experienced significant financial and budgetary stress. State budgets are affected by national and State economic conditions and other factors over which the City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. The City is monitoring fiscal measures taken by the State for their potential effects on the City's General Fund revenues and expected cash flows. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget.

LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

Section 1(a) of Article XIIIA of the California Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIIIA), to be collected by each county and apportioned among the county and other public agencies and funds according to law. Section 1(b) of Article XIIIA, as enacted in 1978 by Proposition 13, provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on indebtedness approved by the voters prior to July 1, 1978. On June 3, 1986, California voters approved an amendment to Article XIIIA, which allows for an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire bonds approved on or after July 1, 1978, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used

exclusively to purchase or improve real property. Later amendments allow for property tax increases to pay for certain school district general obligation bonds approved by 55% of those voting in a local election.

Section 2 of Article III A defines "full cash value" 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 to reflect a reduction in the consumer price index or comparable data for the area under the taxing jurisdiction, or reduced in the event of declining property values caused by substantial damage, destruction, or other factors. Legislation enacted by the State Legislature to implement Article XIIIA provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

In addition, legislation enacted by the California Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value.

In the June 1990 election, the voters of the State approved amendments to Article XIIIA permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for a replacement dwelling purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of "newly constructed" improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 2010 election, the voters of the State approved an amendment of Article XIIIA to exclude from the definition of "newly constructed" seismic retrofitting improvements to existing structures. Voters have approved several other minor exemptions from the reassessment provisions of Article XIIIA.

Article XIIIB of the California Constitution

Article XIIIB of the California Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior Fiscal Year, as adjusted annually for changes in the cost of living, population, and services for which the fiscal responsibility is shifted to or from the governmental entity (the "Gann Limit"). The "base year" for establishing this appropriations limit is the 1978-1979 fiscal year.

Appropriations subject to Article XIIIB generally include any authorizations to expend during a Fiscal Year the proceeds of taxes levied by or for the entity, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of Taxes" include, but are not limited to, all tax revenues, most State subventions and the proceeds to the local government entity from (a) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost reasonably borne by such entity) and (b) the investment of tax revenues. Article XIIIB provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two years.

Article XIIIB does not limit the appropriation of money to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose. Article XIIIB allows voters to approve a temporary waiver of a government's Article XIIIB limit.

In the June 1990 election, the voters of the State approved Proposition 111, which amended the method of calculating State and local appropriations limits. Proposition 111 made several changes to Article XIIIB, three of which are reflected in the City's annual computation of its appropriation limit. First, the term "change in the cost of living" was redefined as the change in the California per capita personal income

("CPCPI") from the preceding year. Previously the lower of the CPCPI or the United States Consumer Price Index was used. Second, the appropriations limit for the Fiscal Year was recomputed by adjusting the Fiscal Year 1987 limit by the CPCPI for the three subsequent years. Third, Proposition 111 excluded from the appropriations limit "all qualified capital outlay projects, as defined by the Legislature."

The City's appropriations limit for Fiscal Year 2014 has been established at $1.72 billion. Using the Fiscal Year 2014 Budget, the appropriations subject to the limit (i.e., proceeds of taxes, excluding debt service on voter-approved debt and qualified capital outlays) have been calculated to be $826.4 million, which is $896.6 million lower than the Gann Limit. The impact of the appropriations limit on the City's financial needs in the future is unknown.

Articles XIIIC and XIIID (Proposition 218) of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIIIC and XIIID to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes and assessments, fees and charges.

Article XIIIC

Section 2 of Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and requires two thirds voter approval for the imposition, extension or increase of special taxes. These voter approval requirements of Article XIIIC reduce the flexibility of the City to raise revenues by the levy of general or special taxes and, given such voter approval requirements, no assurance can be given that the City will be able to enact, impose, extend or increase any such taxes in the future to meet increased expenditure requirements.

Although a portion of the City's General Fund revenues are derived from general taxes purported to be governed by Proposition 218, all of such taxes were either imposed, extended or increased prior to the effective date of Proposition 218 or in accordance with the requirements of Proposition 218. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges, such as the TOT, Proposition 172 revenues, or storm water fees which support the City's General Fund. TOT and other local taxes, assessments, fees and charges, could be subject to reduction or repeal by initiative under Proposition 218.

Section 3 of Article XIIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges that had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIIC to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996.

"Fees" and "charges" are not expressly defined in Article XIIIC or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIIC and Article XIIID ("SB 919"). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the "Bighorn Decision") that charges for ongoing water delivery are fees and charges within the meaning Section 3 of Article XIIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIIC. The Bighorn Decision has

been interpreted to mean that ongoing water delivery charges are also property-related fees and charges within the meaning of Article XIIID.

In the *Bighorn Decision*, the Supreme Court stated that nothing in Section 3 of Article XIIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the *Bighorn Decision* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water and wastewater service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution.

Article XIIIC also removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. "Assessments," "fees" and "charges" are not defined in Article XIIIC, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIIIC as for Article XIIID described below. If not, the scope of the initiative power under Article XIIIC potentially could include any General Fund local tax, assessment, or fee not received from or imposed by the federal or State government or derived from investment income.

If the City is unable to continue to collect assessment revenues for a particular program, the program might have to be curtailed and/or funded by the City's General Fund. Given the approval requirements imposed by Article XIIID, the City is unable to predict whether it will be able to continue to collect assessment revenues for these programs. If the City chose to fund any such programs from the General Fund instead, the General Fund budget would be affected.

Article XIIID

Article XIIID defines a "fee" or "charge" as any levy other than an ad valorem tax, special tax, or assessment imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A "property-related service" is defined as "a public service having a direct relationship to a property ownership" herein. Article XIIID further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership. In the *Bighorn Decision*, the Supreme Court stated that ongoing water delivery charges are also property-related fees and charges within the meaning of Article XIIID.

Article XIIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a "fee" or "charge" as defined in Article XIIID, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIIID also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Depending on the interpretation of what constitutes a "property-related fee" under Article XIIID, there could be future restrictions on the ability of the City's General Fund to charge its enterprise funds for various services provided. In the event that fees and charges of enterprise funds cannot be appropriately increased or are reduced pursuant to exercise of the initiative power, the City may have to decide whether to supplement any deficiencies in these enterprise funds with moneys from the General Fund or to curtail service, or both.

The City believes its current water and wastewater rates materially comply with the notice and substantive provisions of Article XIIID.

The interpretation and application of Proposition 218 will ultimately be determined by the courts or through implementing legislation with respect to a number of the matters described above, and it is not possible at this time to predict with certainty the outcome of such determination or the nature or scope of any such legislation.

Both Articles XIIIA and XIIIB, as well as Articles XIIIC and XIIID described above, were adopted as measures that qualified for the ballot pursuant to California's constitutional initiative process. From time to time other initiative measures could be adopted, affecting the ability of the City to increase revenues and to increase appropriations.

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature, or (iv) decrease Vehicle License Fees revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

The State legislature suspended the requirements of Proposition 1A in an effort to balance the State's Fiscal Year 2010 budget. In Fiscal Year 2010, the State borrowed approximately $1.9 billion in property tax revenue from local jurisdictions to help balance the State budget; the City's share of this is approximately $35.8 million. However, the City recovered this property tax revenue during Fiscal Year 2010 through a securitization program of the California Statewide Communities Development Authority. As discussed below, subsequent to the enactment of Proposition 22, Proposition 1A can no longer be suspended.

Proposition 1A may, in some circumstances, result in decreased resources being available for State programs. The decreased resources in turn, could affect actions taken by the State to resolve budget difficulties. Such actions have recently included increasing State taxes, and could include decreasing spending on other state programs or other actions, some of which could be adverse to the City. While Proposition 1A provides some protection to the City from the State taking of property tax, sales tax and vehicle license fees, there are certain significant issues that relate to sources of funds not covered by Proposition 1A and to the statutory relationships between the State and San Diego County. Impacts to the City's budget that are

controlled by the State and County include property tax administration fees, booking fees and the SB 172 allocation.

Proposition 22

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the California Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government's control over local revenues. The City cannot predict whether Proposition 22 will have a beneficial effect on the City's financial condition. See "CITY BUDGET AND RELATED MATTERS – Former Redevelopment Agency" above for a discussion of the dissolution of redevelopment agencies.

Proposition 26

On November 2, 2010, the voters of the State approved Proposition 26, known as the "Supermajority Vote to Pass New Taxes and Fees Act" ("Proposition 26"). Proposition 26, among other things, amends Article XIIIC to the California Constitution principally to define what constitutes a "tax" under the limitations and requirements of that provision. Article XIIIC imposes limitations on local governments like the City when imposing certain taxes, including a requirement that the local government submit certain taxes to the electorate for its approval. Before Proposition 26, Article XIIIC did not define the term "tax." Proposition 26 broadly defines a tax under Article XIIIC to include "any levy, charge, or exaction of any kind imposed by a local government." Proposition 26 lists several exceptions to the definition of "tax," which include (a) a charge for a specific benefit or privilege, which does not exceed the reasonable costs of providing the benefit or privilege, (b) a charge for a government service or product, which does not exceed the reasonable costs of providing the service or product, (c) a charge for the reasonable regulatory costs of issuing licenses and permits, performing investigations, inspections, and audits, and the administrative enforcement thereof, (d) a charge for entrance to or use of local government property, or the purchase, rental, or lease of local government property, (e) a fine, penalty, or other monetary charge imposed as a result of a violation of law, (f) a charge imposed as a condition of property development, and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

It appears that Proposition 26 does not apply retroactively to local government. Thus, even if a fee enacted by the City prior to November 3, 2010 does not fit within any of Proposition 26's exceptions, it will nonetheless remain valid provided that the legislation authorizing it is not amended so as to extend or increase the fee. The City does not believe that it has enacted, extended or increased any fees since passage of Proposition 26 that would not be exempt from Proposition 26 or that would require voter approval pursuant to Proposition 26.

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 1A, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State and the

City to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

LABOR RELATIONS

General

The City has five recognized employee organizations which represent classified employees. They are the San Diego Municipal Employees' Association ("MEA"), the American Federation of State, County, and Municipal Employees, Local 127 ("AFSCME Local 127"), the San Diego Police Officers Association ("POA"), the San Diego City Firefighters, International Association of Firefighters, Local 145 ("IAFF Local 145"), and the California Teamsters Local 911 ("Teamsters Local 911"), which represents lifeguards. A sixth recognized employee organization, the Deputy City Attorneys Association ("DCAA"), represents unclassified deputy city attorneys. Certain classified and unclassified City employees are unrepresented.

As of December 31, 2013, the City has approximately 4,812 MEA-represented employees; 1,727 AFSCME Local 127-represented employees; 1,858 POA-represented employees; 828 IAFF Local 145-represented employees; 297 Teamsters Local 911-represented employees; 135 DCAA-represented employees; and 758 unrepresented employees.

Labor Contracts

Beginning in Fiscal Year 2010, the City negotiated or imposed a general salary freeze and 6 percent reduction in overall compensation for all employee organizations and for unrepresented employees, which continued through Fiscal Year 2013. Effective on July 1, 2013, the City entered into New Labor Agreements with each of its employee organizations pursuant to the terms of Proposition B, which was approved by voters on June 5, 2012. For a period of up to five years, there will be no cost-of-living or general pensionable pay increases for the represented employees covered by the New Labor Agreements. However, individual employees may still receive merit increases or promotions within the parameters of the Fiscal Year 2011 salary schedules.

The New Labor Agreements maintain the salary schedules and tables from Fiscal Year 2011 Salary Ordinance for a five-year period, which is consistent with San Diego Charter Section 70.2. In exchange for the agreement to limit pensionable pay of employees during this five-year period, the City agreed to increases in non-pensionable pay through reductions or eliminations of mandatory furlough hours and increases to the annual flexible benefit allotments paid by the City to employees. Each of the New Labor Agreements includes a partial restoration of the 6 percent compensation reduction in the first three fiscal years, Fiscal Years 2014 through 2016, with reopeners in Fiscal Years 2017 and 2018 to meet and confer solely regarding increases to non-pensionable compensation. Each employee organization receives the partial restoration of the 6 percent compensation reduction through different non-pensionable pay components, as discussed below.

MEA: Most MEA-represented employees will have their mandatory furlough hours reduced from 52 to 26 hours in Fiscal Year 2014 and these hours will be eliminated in Fiscal Year 2015. 52 hours of mandatory furlough is eliminated entirely in Fiscal Year 2014 for employees in specified public safety support-related classifications. Annual flexible benefit allotment was increased in Fiscal Year 2014 for MEA-represented employees. The remaining retirement offset contribution of 0.4 percent for MEA-represented employees was eliminated in Fiscal Year 2014. The pay reduction for hourly MEA-represented employees was reduced from 3 percent to 1.25 percent in Fiscal Year 2014 and, in Fiscal Year 2015, the remaining reduction of 1.25 percent will be eliminated. In Fiscal Years 2015 and 2016, the annual flexible benefit allotments will also be increased. The employee organization will have the option to reopen negotiations solely for the purpose to meet and confer on non-pensionable compensation increases in Fiscal Years 2017 and 2018.

AFSCME Local 127: In Fiscal Years 2014 through 2016, employees represented by AFSCME Local 127 will receive non-pensionable increases to their annual flexible benefit allotments, totaling a 5.25 percent increase in overall compensation. The employee organization will have the option to reopen negotiations solely for the purpose to meet and confer on non-pensionable compensation increases in Fiscal Years 2017 and 2018.

POA: In Fiscal Years 2014 through 2016, employees represented by POA will have 5 percent of their 6 percent reduction in compensation from Fiscal Year 2010 restored through non-pensionable increases to their annual flexible benefit allotments. POA will have the option to reopen negotiations solely for the purpose to meet and confer on non-pensionable compensation increases in Fiscal Years 2017 and 2018 with a minimum of 1 percent for each Fiscal Year upon the POA's exercise of the reopener.

IAFF Local 145: In Fiscal Years 2014 through 2016, employees represented by IAFF Local 145 will have 5.25 percent of their 6 percent reduction in compensation from Fiscal Year 2010 restored through non-pensionable increases to their annual flexible benefit allotments. IAFF Local 145 will have the option to reopen negotiations solely for the purpose to meet and confer upon non-pensionable compensation increases in Fiscal Years 2017 and 2018.

Teamsters Local 911: 52 hours of mandatory furlough for employees represented by Teamsters Local 911 was entirely eliminated in Fiscal Year 2014. The remaining retirement offset contribution of 2.3 percent for Teamster Local 911 represented employees was eliminated in Fiscal Year 2014. Teamsters Local 911-represented employees will receive increases to their annual flexible benefit allotments in Fiscal Years 2014 through 2016. The pay reduction for hourly represented employees will be reduced from 3 percent to 0.75 percent. The 6 percent reduction in compensation the employees represented by Teamsters Local 911 took in Fiscal Year 2010 is being restored by 5.25 percent, with the option to reopen negotiations solely for the purpose to meet and confer over further increases to non-pensionable compensation in Fiscal Years 2017 and 2018.

DCAA: 32 hours of mandatory furlough for employees represented by the DCAA was eliminated in Fiscal Year 2014. In Fiscal Years 2014 through 2016, DCAA-represented employees will receive an increase in their annual flexible benefit allotments. From Fiscal Years 2014 through 2016, DCAA-represented employees will have 5.25 percent of their compensation restored, from the 6 percent reduction taken in Fiscal Year 2010. The employee organization will have the option to reopen negotiations solely for the purpose to meet and confer upon non-pensionable compensation increases in Fiscal Years 2017 and 2018.

Unrepresented: Unrepresented employees had their 6.4 percent reduction in compensation, which was taken through elimination of retirement offset contributions and a salary reduction, modified in Fiscal Year 2014. The salary reduction of 3 percent was lowered to 1.25 percent for unrepresented, non-safety and lifeguard employees in Fiscal Year 2014. The salary reduction of 1.9 percent was lowered to 0.15 percent for unrepresented, police safety employees and the salary reduction of 1.7 percent was eliminated for unrepresented, fire safety employees in Fiscal Year 2014. The unrepresented employees are not parties to the New Labor Agreements and compensation for unrepresented employees can change year to year.

See also sections on "CITY BUDGET AND RELATED MATTERS" and "SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM" for impacts of labor contracts on the City's Fiscal Year 2014 Budget and pension contributions.

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM

The City faces significant financial challenges in addressing an unfunded pension liability of approximately $2.24 billion as of June 30, 2013. The challenges posed by the unfunded pension liability are significant and pose a threat to the future financial health of the City.

General

SDCERS is a public employee retirement system established in Fiscal Year 1927 by the City. SDCERS administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the San Diego Unified Port District (the "Port") and the San Diego County Regional Airport Authority (the "Airport"). The assets of the three separate plans and trusts are pooled in the SDCERS Group Trust for investment purposes. These plans are administered by the SDCERS Board to provide retirement, disability, death and survivor benefits for its members. Amendments to the City's benefit provisions require City Council approval and amendments to retirement benefits require a majority vote by those SDCERS members who are also eligible City employees or retirees. Benefit increases also require a majority vote of the public. All approved benefit changes are codified in the City's Municipal Code. The plans cover all eligible employees of the City, the Port, and the Airport. All City employees initially hired before July 20, 2012 working half-time or greater, all sworn police officers of the City irrespective of hire date, and full-time employees of the Port and the Airport are eligible for membership and are required to join SDCERS. Due to the implementation of Proposition B, discussed below, as of July 20, 2012, SDCERS is closed to new City employees, except for the Police plan, which will remain open. SDCERS is considered part of the City's financial reporting entity and is included in the City's CAFR as a pension system trust fund. See Note 12, "Pension Plans," in the City's Fiscal Year 2013 Comprehensive Annual Financial Report. SDCERS also prepares its own CAFR, the most recent of which is for Fiscal Year 2013.

The amounts and percentages set forth under this caption relating to SDCERS, including, for example, actuarial accrued liabilities and funded ratios, are based upon numerous demographic and economic assumptions, including investment return rates, inflation rates, salary increase rates, cost of living adjustments, postemployment mortality, active member mortality, and rates of retirement. Prospective purchasers of the Series 2014A Bonds are cautioned to review and carefully assess the reasonableness of the assumptions set forth in the documents that are cited as the sources for the information under this caption. In addition, the prospective purchasers of the Series 2014A Bonds are cautioned that such sources and the underlying assumptions speak as of their respective dates, and are subject to change. Prospective purchasers of the Series 2014A Bonds should also be aware that some of the information presented under this caption contains forward-looking statements and the actual results of the pension system may differ materially from the information presented herein.

The information disclosed herein relates solely to the City's participation in SDCERS. City employment classes participating in the City's defined benefit plan are elected officers, general employees and safety employees (including police, fire and lifeguard members). These classes are represented by various unions depending on the type and nature of work performed, except for elected officials, unclassified and unrepresented employees.

TABLE A-7
CITY OF SAN DIEGO PLAN MEMBERSHIP
As of June 30, 2013 (actual member count)

	General	*Safety*	*Total by Classification*
Active Members	5,337	2,228	7,565
Inactive Members	2,410	562	2,972
Retirees, Disabled and Beneficiaries	4,571	2,899	7,470
DROP Participants[(1)]	546	438	984
Total Members, as of June 30, 2013	12,864	6,127	18,991

[(1)] Participants in the Deferred Retirement Option Plan ("DROP") no longer accrue service credits and do not make contributions to SDCERS. They continue to work for the City and contribute 3.05% of their salary, with an employer match, into a personal DROP account. Their service retirement benefit is also deposited into their DROP account and they must retire within five years of entering DROP. Employees hired after June 30, 2005 are ineligible for DROP.

Source: SDCERS Comprehensive Annual Financial Report 2013.

The City is required to make contributions to the pension system as determined by the SDCERS Board. Pension contributions are authorized and appropriated annually in accordance with the adoption of the City's annual budget. The City's Actuarially Determined Contribution ("ADC")[2] is calculated by the SDCERS' actuary, Cheiron, Inc. ("Cheiron") and approved by the SDCERS Board. Cheiron conducts an actuarial analysis for SDCERS annually, the most recent of which is the June 30, 2013 Annual Actuarial Valuation of SDCERS, dated December 27, 2013 (the "2013 Valuation"). The 2013 Valuation will serve as the basis for the City's pension contribution for Fiscal Year 2015. The City's actual annual pension contribution may differ from the ADC based on a number of factors discussed below, but the pension contribution is not expected to be less than the ADC.

Actuarial Assumptions and Methods

Funding Method

Cheiron calculates the City's contribution using the Entry Age Normal ("EAN") method. Under EAN, there are two components to the total contribution: the normal cost and an amortization payment on any unfunded actuarially accrued liability ("UAAL"). The normal cost (associated with active employees only) is the present value of the benefits that SDCERS expects to become payable in the future attributable to the current year's employment. Normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each member's date of hire and assumed retirement. The difference between the EAN actuarial liability and the actuarial value of assets is the UAAL.

Amortization Periods and Methodology

The UAAL as of June 30, 2013 for the Police portion of SDCERS is amortized over several different closed periods as follows: changes in the UAAL due to assumption changes are amortized over 30 years, changes in the UAAL due to benefit changes are amortized over five years, the outstanding balance of the Fiscal Year 2007 UAAL is amortized over a closed 20 year period (such that, as of Fiscal Year 2014, 14 years of amortization remain), and subsequent yearly experience gains and losses are amortized over 15 years. As a result of Proposition B and in compliance with current GASB standards, the non-Police portion of UAAL is amortized over 15 years. Finally, if necessary, there is an additional UAAL cost component to ensure that there is no negative amortization in any year. As of the 2013 Valuation, this resulted in an equivalent single amortization period for the UAAL of 15.233 years. Also as a result of Proposition B, the non-Police portion of the UAAL is amortized using the level dollar method while the Police portion is amortized using the level percentage of payroll method. Level dollar amortization generally results in decreasing inflation-adjusted payments over time whereas level percentage of payroll amortization generally results in level inflation-adjusted payments over time.

Actuarial Assumptions

The following are the principal actuarial assumptions used by Cheiron in preparing the 2013 Valuation. The actuarial assumptions reflect recommendations approved by the SDCERS Board in November 2013.

1. Investment Return Rate: 7.25% per year, net of both administrative and investment expenses (7.5% in the Fiscal Year 2011 and 2012 Valuations).

2. Inflation Rate: 3.3% per year, compounded annually (3.75% in the Fiscal Year 2011 and 2012 Valuations).

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[2] Actuarially Determined Contribution has replaced the Annual Required Contribution ("ARC") as the funding policy for SDCERS. This change, in accordance with GASB 67, was approved by the SDCERS Board in November 2013. This action formalized a funding policy that is based on the existing practices formerly used to develop the ARC, which are described above under the caption "Funding Method."

3. Interest Credited to Member Contributions: 7.25% compounded annually (7.5% in the Fiscal Year 2011 and 2012 Valuations).

4. Projected Salary Increases Due to Inflation: 0% in Fiscal Years 2015-2018, 3.3% thereafter (0% in Fiscal Years 2013 and 2014 and 3.75% thereafter in the Fiscal Year 2011 and 2012 Valuations).

5. Cost-of-Living Adjustments: 2.00% per year, compounded annually.

6. Additional Assumptions: Additional assumptions were used regarding rates of separation from active membership, post-retirement mortality, active member mortality, and rates of retirement.

Actuarial Value of Assets (Asset Smoothing Method)

SDCERS uses an actuarial value of assets to calculate the City's pension contribution each year, using an asset smoothing method to dampen the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process. The actuarial value of assets each year is equal to 100% of the expected actuarial value of assets[(3)] plus 25% of the difference between the current market value of assets and the expected actuarial value of assets. The market value of assets represents, as of the valuation date, the value of the assets as if they were liquidated on that date. This means that changes in the market value of assets are factored into the actuarial value of assets roughly over a four year period. The actuarial value of assets will also be adjusted, if necessary, to ensure that the actuarial value of assets will never be less than 80% of the market value of assets, nor greater than 120% of the market value of assets. The consequence of the smoothing methodology is that the actuarial value of assets increased by 6.7%, while the market value of assets increased by 12.4% from June 30, 2012 to June 30, 2013. As of June 30, 2013, the market value of plan assets was approximately $5.395 billion, and the actuarial value was approximately $5.318 billion.

Implementation of GASB Statements No. 67 and 68

In Fiscal Year 2014, GASB 67, which applies to pension plans, replaced GASB 25, and in Fiscal Year 2015, GASB 68, which applies to plan sponsors, will replace the current GASB 27. GASB 67 is intended to enhance note disclosures and schedules of required supplementary information that will be presented by pension plans in their audited financial statements. GASB 67 will be implemented by SDCERS in Fiscal Year 2014. Additionally, the 2013 Valuation reflects SDCERS formal adoption of a funding policy based on the ADC, as indicated above, because GASB 67 and GASB 68 do not include the concept of an ARC. As a practical matter, however, both ADC and ARC are calculated in the same manner (see "Funding Method" above). GASB 68, which will be implemented by the City in Fiscal Year 2015, requires the City to recognize its long-term obligation for pension benefits as a liability for the first time and to measure more comprehensively and comparably the annual costs of those pension benefits. GASB 68 also is intended to enhance accountability and transparency through revised and new note disclosures and required supplementary information in the City's audited financial statements.

Funding Status

According to the 2013 Valuation, at June 30, 2013, the City had a UAAL of $2.237 billion and a funded ratio of 70.4%. The UAAL decreased by $41.6 million over the UAAL at the 2012 Valuation, which was $2.279 billion, and the funded ratio increased by 1.8%. The primary causes for the decrease in the UAAL were an assumed freeze in across the board (inflationary) pay increases based on negotiated labor agreements related to Proposition B and investment experience greater than projected. These two factors decreased the

(3) The expected actuarial value of assets is equal to the prior year's actuarial value of assets increased by actual contributions made, decreased by actual disbursements made, all items further adjusted with the expected investment returns for the year.

UAAL by $194.9 million and $25.0 million, respectively. Partially offsetting these factors were a reduction in the discount rate and a loss on actuarial liabilities, both of which increased the UAAL by an amount of $146.9 million and $40.6 million, respectively.

Table A-8 below sets forth the City's portion of SDCERS' historical funding progress for Fiscal Years 2004 through 2013.

TABLE A-8
CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS
Fiscal Years 2004 through 2013
($ in thousands)
(unaudited)

Valuation Date (June 30)	*Actuarial Value of Assets*	*Market Value of Assets*	*AAL*	*Funded Ratio (Actuarial)*	*Funded Ratio (Market)*	*UAAL (Actuarial)*	*AAL less Market Value of Assets*	*Covered Payroll* [5]	*UAAL to Covered Payroll*
2004[1]	$2,628,680	$2,847,479	$3,997,328	65.8%	71.2%	$1,368,648	$1,149,849	$540,181	253.4%
2005	2,983,080	3,205,722	4,377,093	68.2	73.2	1,394,013	1,171,371	557,631	250.0
2006[2]	3,981,932	3,981,932	4,982,699	79.9	79.9	1,000,767	1,000,767	534,103	187.4
2007[3]	4,413,411	4,641,341	5,597,653	78.8	82.9	1,184,242	956,312	512,440	231.1
2008[1]	4,660,346	4,408,719	5,963,549	78.1	73.9	1,303,203	1,554,831	535,774	243.2
2009	4,175,229	3,479,357	6,281,636	66.5	55.4	2,106,407	2,802,279	536,591	392.6
2010	4,382,047	3,900,537	6,527,224	67.1	59.8	2,145,177	2,626,687	530,238	404.6
2011[4]	4,739,399	4,848,059	6,917,175	68.5	70.1	2,177,776	2,069,116	514,265	423.5
2012	4,982,442	4,799,827	7,261,731	68.6	66.1	2,279,289	2,461,904	511,091	446.0
2013[6]	5,317,778	5,395,158	7,555,527	70.4	71.4	2,237,749	2,160,369	499,463	448.0

(1) Reflects revised actuarial assumptions.
(2) Reflects revised actuarial methodologies.
(3) Reflects revised actuarial assumptions, including the return to EAN actuarial funding method.
(4) Reflects revised actuarial methodologies and assumptions.
(5) Covered payroll includes all elements of compensation paid to active City employees on which contributions to the pension plan are based.
(6) Reflects revised assumptions. Current year methodologies and assumptions are discussed above.

Source: SDCERS Comprehensive Annual Financial Reports for 2004 through 2012; Cheiron Actuarial Valuations; Comptroller's Office, City of San Diego.

Preservation of Benefits Plan [will be updated in March]

The Preservation of Benefits ("POB") Plan is a qualified governmental excess benefit arrangement ("QEBA") under Internal Revenue Code ("IRC") section 415(m). The POB Plan allows for the payment of promised benefits that exceed IRC section 415(b) limits and therefore cannot be paid from SDCERS assets. The POB Plan is unfunded within the meaning of federal tax law and the City may not prefund the POB Plan to cover future liabilities. Pursuant to GASB 27, Cheiron prepares an annual actuarial valuation ("POB Valuation") for the POB Plan. This valuation is separate from the actuarial valuation for the pension plan, and the POB ADC included in the POB Valuation is not used to calculate the City's POB contribution. Contributions to the POB Plan are funded annually on a pay-go basis by the City and the payments are calculated by Cheiron based on the amount of pension benefits earned in excess of the IRC Section 415(b) limit in any particular fiscal year. See "Table A-9" below. The actuarial liability for the POB Plan as of June 30, 2012, the most recent year for which the City has data, was $7.4 million, and this entire amount is unfunded.

Citywide and General Fund Pension Contributions

The City's total budgeted projected pension contribution for Fiscal Year 2015 is $__ million. This includes a pension plan contribution of $263.6 million, which is equal to the pension plan ADC, and an estimated POB plan contribution of $___ million. For Fiscal Year 2015, the City General Fund's proportionate share of the City's total budgeted pension contribution is ____% or $____ million. The City's pension plan payment is typically made on July 1 of each fiscal year. POB Plan contributions are made on a monthly basis as payments are owed to beneficiaries.

The City's total budgeted pension contribution for Fiscal Year 2014 is $277.1 million. This includes a pension plan contribution of $275.4 million, which is equal to the pension plan ADC, and an estimated POB plan contribution of $1.7 million. For Fiscal Year 2014, the City General Fund's proportionate share of the City's total budgeted pension contribution is 77.4% or $214.4 million.

Table A-9 sets forth the City's pension contributions and the General Fund's share for Fiscal Years 2011 through 2015. Prior to Fiscal Year 2014, in addition to the City contributions set forth in Table A-9 below, the City made certain pension contributions on behalf of certain employee groups. See "LABOR RELATIONS—Labor Contracts."

TABLE A-9
CITY OF SAN DIEGO
PENSION CONTRIBUTION
Fiscal Years 2011 through 2015
($ In Thousands)

Fiscal Year ended (June 30)	*Pension Plan ARC/ADC*	*POB Plan ARC/ADC*	*Total Plan ARC/ADC*	*Pension Plan Contribution*	*POB Plan Contribution*	*Total Pension Contribution*[1]	*General Fund Pension Contribution*
2011	$229,100	$1,817	$230,917	$229,100	$1,323	$230,423	$182,913
2012	231,200	1,269	232,469	231,200	1,687	232,828	181,363
2013	231,100	1,314	232,414	231,100	1,572	232,672	181,883
2014[2]	275,400	708	276,108	275,401	1,700	277,101	214,401
2015[3]	263,600						

(1) Comprised of the pension plan contribution and the POB Plan contribution; may not sum due to rounding.
(2) Fiscal Year 2014 figures are budgeted amounts.
(3) Fiscal Year 2015 figures are projected.
Source: SDCERS Comprehensive Annual Financial Reports; Cheiron Actuarial Valuations; Comptroller's Office, City of San Diego; Financial Management, City of San Diego.

Prospective Funding Status

As part of its actuarial valuations for SDCERS, Cheiron prepares projected financial trends to show the City's expected cost progression. The following table uses the actuarial assumptions and methodologies discussed above and further assumes the validity of Proposition B, which is discussed below. It is important to note that the table also assumes investment returns will average 7.25% per year and the projections are calculated as if the returns were to be 7.25% each and every year, which is unlikely to occur given historical variability in annual investment returns. The City expects investment returns will vary, and may vary significantly from year to year, which will potentially result in greater volatility and higher (or lower) ADC payments than presented in the table.

TABLE A-10
CITY OF SAN DIEGO ACTUARIAL FUNDING PROJECTIONS
Fiscal Years 2015 through 2024
(earnings as assumed)

Fiscal Year Ending June 30	*Investment Return Rate*	*Actuarially Determined Contribution (millions)*	*UAAL (billions)*
2015	7.25%	$263.6	$2.24
2016	7.25	261.0	2.14
2017	7.25	259.1	2.04
2018	7.25	258.1	1.94
2019	7.25	258.2	1.84
2020	7.25	258.6	1.73
2021	7.25	259.3	1.61
2022	7.25	260.2	1.48
2023	7.25	261.3	1.35
2024	7.25	262.6	1.20

Source: Cheiron Actuarial Valuation as of June 30, 2013.

Supplemental COLA

On August 5, 2013, the City Council amended the San Diego Municipal Code to provide a method for funding for a supplemental cost-of-living benefit (the "Supplemental COLA") previously given to a closed group of retirees who retired on or before June 30, 1982. The Supplemental COLA was established in 2000 to increase retirement benefits up to a determined amount according to a formula in the Municipal Code. Prior funding of the benefit was from a Supplemental COLA reserve held by SDCERS. The Municipal Code amendment changed the funding for this benefit to an annual appropriation by the City; however, the City is not required to pay the benefit. The total benefit in Fiscal Year 2014 is $2.4 million, of which $1.8 million was paid by the City (with $1.4 million being paid from the General Fund) and the remaining amount from the Supplemental COLA reserve. The Supplemental COLA reserve has been depleted and all further contributions will be paid in cash. SDCERS maintains Supplemental COLA funding separate from SDCERS assets and no other system assets can be used to pay the benefit.

Proposition B

Proposition B was approved by voters on June 5, 2012 and implemented by the City in Fiscal Year 2013. Generally, the measure amends the City Charter to provide all new City employees hired on or after July 20, 2012, except sworn police officers, with a 401(k)-style defined contribution plan instead of a defined benefit plan. The initiative contains other provisions intended to limit pension costs for existing employees by directing the City to seek, through labor negotiations, to limit City employees' compensation used to calculate pension benefits. Effective in Fiscal Year 2014, the City reached agreements with each employee organization that will freeze pensionable pay and cost of living increases for Fiscal Years 2014 through 2018. See "LABOR RELATIONS" below. This had the effect of reducing the City's UAAL and ADC, as discussed above. The labor agreements may be reopened at the option of employee organizations in Fiscal Years 2017 and 2018.

Proposition B is the subject of ongoing litigation before the California Public Employment Relations Board ("PERB"). On February 11, 2013, a PERB administrative law judge issued a proposed decision finding that the City violated state labor laws by failing to meet and confer with City labor organizations prior to placing Proposition B on the ballot. The City has filed exceptions to the proposed decision, which will be

reviewed by the full PERB board. There is currently no hearing date set for this review. The decision of the PERB board may also be appealed to the Fourth District Court of Appeal. The litigation could potentially repeal or unwind the implementation of some or all of the requirements of Proposition B. The City is unable to quantify the cost impact of any repeal or unwind of Proposition B. Notwithstanding the PERB litigation, the 2013 Valuation assumes the validity of Proposition B, the City has fully implemented its requirements and the City intends to comply with those requirements under the terms specified in the initiative.

POSTEMPLOYMENT HEALTHCARE BENEFITS

General

The City provides retiree healthcare benefits, also known as other postemployment benefits ("OPEB"), to certain health-eligible retirees and employees through a variety of defined benefit and defined contribution plans. Plan determination is based on several factors including hire date, termination date and individual employee election. Effective April 1, 2012, pursuant to the memoranda of understanding described below ("Healthcare MOU"), OPEB offerings were modified and a significant group of participants opted out of the defined benefit plan and into a defined contribution plan. Accordingly, those participants have been removed from the GASB 45 valuation information below because they no longer represent a GASB 45 liability. The City's defined benefit OPEB plan ("DB OPEB Plan") includes approximately 6,162 retirees, and 1,715 active employees as of June 30, 2013. All other health-eligible employees, former employees and retirees are now participating in the defined contribution retiree healthcare plan ("DC Plan"). All City OPEB plans are closed to employees hired on or after July 1, 2005.

The City initiated actuarial funding of its DB OPEB Plan in 2008 and has entered into an agreement with the California Public Employees Retirement System ("CalPERS") as a participating employer in the CalPERS Employers Retirement Benefits Trust ("CERBT") to pre-fund future DB OPEB Plan expenses.

See Note 13, "Other Postemployment Benefits," in the City's Fiscal Year 2013 Comprehensive Annual Financial Report for information regarding the City's OPEB plans.

Actuarial Assumptions and Methods

The City commissions an annual actuarial valuation of its DB OPEB Plan liability for the purpose of determining the City's annual cost in accordance with GASB 45. The valuation as of June 30, 2013 ("2013 OPEB Valuation"), dated November 13, 2013, was performed by Buck Consultants ("Buck"). CalPERS has established minimum valuation assumptions for CERBT participants. The following are the major actuarial assumptions and methods employed by Buck in performing the 2013 OPEB Valuation:

1. Actuarial Cost Method: Entry Age Normal (see description under San Diego Employees' Retirement System for more information).

2. Amortization Rate: Level Dollar.

3. Remaining Amortization Period: 23 years, closed (previously 30 years, open).

4. Actuarial Asset Valuation Method: Fair Value.

5. Discount Rate: 6.81% (7.06% in Fiscal Year 2012).

6. Inflation Rate: N/A (benefits are determined based on Health Care Cost Trend Rate, below).

7. Projected Payroll Increase: N/A (benefits are determined based on Health Care Cost Trend Rate, below).

8. Health Care Cost Trend: 8.5% for Fiscal Year 2013, grading down 0.5% each year to 4.5%.

Buck is also required to use the actuarial assumptions adopted by the SDCERS Board with respect to assumptions such as expected turnover rates, retirement rates and mortality rates because the health-eligible employee and retiree population is very similar to the City's SDCERS membership.

Funding Status

According to the 2013 OPEB Valuation, at June 30, 2013, the City had a DB OPEB Plan UAAL of $444.1 million and a funded ratio of 20.34%. The DB OPEB Plan UAAL decreased by approximately $4.9 million over the OPEB UAAL at the 2012 OPEB Valuation, which was $449.1 million, and the funded ratio increased from 18.85%.

The following table shows the City's DB OPEB Plan funding progress for Fiscal Years 2008 through 2013:

TABLE A-11
CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS (DB OPEB PLAN)
Fiscal Years 2008 through 2013[1]
($ in thousands except for percentages)
(unaudited)

Fiscal Year ending June 30	*Actuarial Value of Assets*	*Actuarial Accrued Liability*	*Unfunded Actuarial Liability*	*Funded Ratio*	*Covered Payroll*	*UAAL as % of Covered Payroll[2]*
2008	$ 29,637	$1,235,707	$1,206,070	2.40%	$556,857	216.6%
2009	41,497	1,359,377	1,317,880	3.05	549,012	240.0
2010	72,720	1,200,910	1,128,190	6.06	472,561	238.7
2011	116,608	1,248,151	1,131,543	9.34	455,537	248.4
2012	104,304	553,432	449,128	18.85	124,675	360.2
2013	113,404	557,551	444,147	20.34	112,782	393.8

(1) The City began prefunding its DB OPEB Plan in 2008. An actuarial valuation was not performed prior to Fiscal Year 2008.
(2) Represents DB OPEB Plan participation only.
Source: Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.

Citywide and General Fund OPEB Contributions

As noted above, in Fiscal Year 2012, the City entered into the Healthcare MOU, which significantly reduced its OPEB liabilities and created the DC Plan for certain health-eligible employees and former employees. Pursuant to the Healthcare MOU, the City's total retiree healthcare payment is not anticipated to be more than $57.8 million annually for Fiscal Years 2013-15. The City's payment will increase by up to 2.5% annually thereafter and the terms of the Healthcare MOU may not be renegotiated until Fiscal Year 2015 at the earliest. The City's $57.8 million payment is distributed first among the City's DB OPEB Paygo (payments for benefits made in the current fiscal year) and DC Plan contributions and any excess is contributed to the CERBT.

In addition to the retiree healthcare plans discussed above, the City created a Retiree Medical Trust for certain City employees hired on or after July 1, 2009. The Retiree Medical Trust contributions are separate from and in addition to the $57.8 million required by the Healthcare MOU and the City's obligation is limited to an employer match of 0.25% of the salary of eligible employees.

For Fiscal Year 2014, the total retiree healthcare contribution is budgeted at $57.9 million with a General Fund proportionate share budgeted at $41.2 million. In Fiscal Year 2015, the City's assumed total retiree healthcare contribution is expected to be $___ million with a General Fund contribution of $____ million or ____%.

TABLE A-12
CITY OF SAN DIEGO
RETIREE HEALTH CONTRIBUTIONS (ALL PLANS)
Fiscal Years 2010 through 2015[1]
(in thousands)

		Defined Benefit Plans (DB)		*Defined Contribution Plans (DC)*			
Fiscal Year	***DB OPEB ARC***	***City CERBT Contribution***	***City DB OPEB Paygo***	***Retiree Medical Trust Contribution***	***DC Plan Contribution***	***Total City Retiree Health Contribution***	***General Fund Retiree Health Contribution***
2010	$113,426	$25,000	$31,689	$33	N/A	$56,689	$39,640
2011	120,324	25,000	33,868	30	N/A	58,868	42,065
2012[2]	49,061	0	23,857	52	$34,424	58,333	38,474
2013	35,348	1,820	36,764	90	19,679	57,872	40,981
2014[3]	38,096	--	--	84	--	57,883	41,183
2015[4]	38,067						

(1) Data for Fiscal Year 2014 is budgeted. Data for Fiscal Year 2015 is projected. All other data is actual.
(2) In Fiscal Year 2012, in addition to the City's paygo payment of $23.8 million, $13.8 million was drawn from the CERBT for a total City paygo payment of $37.5 million.
(3) Actual distribution of amounts among City CERBT Contribution, City DB OPEB Paygo, and DC Plan Contribution will be determined at the end of Fiscal Year 2014.
(4) Projected.
Source: Risk Management, Financial Management, Comptroller's Office, City of San Diego.

RISK MANAGEMENT

Self-Insurance

The City is self-insured for Workers' Compensation, Long-Term Disability ("LTD") and Public Liability claims. Public Liability, Workers' Compensation, and LTD estimated liabilities as of June 30, 2013 were determined based on results of independent actuarial evaluations and include amounts for claims incurred but not reported and the loss adjustment expenses. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Estimated liabilities for public liability claims have been recorded in the Self Insurance Fund, Sewer Utility Fund, and Water Utility Fund. Table A-13 presents both the liability expense and the liability premium payments of the City for all three funds for the years presented. Amounts charged to the General Fund for claims and premiums vary from year to year based on a variety of factors, including distribution of claims among responsible funds.

TABLE A-13
CITY OF SAN DIEGO
LIABILITY CLAIMS AND PREMIUMS
Fiscal Years 2009 through 2013

Fiscal Year	*Liability Claims Payments and Settlement Costs*[1]	*Liability Premium Payments*
2009	$25,588,000	$5,491,130
2010	20,498,000	5,826,611
2011	26,797,000	4,938,794
2012	18,495,000	3,850,819
2013	24,186,000	5,589,849

(1) The City's portion of settlement and investigation expenses for third party public liability claims, and other litigation expenses.

Source: Information under tabular heading "Liability Claims Payments and Settlement costs"- Fiscal Years 2009 - 2013: Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.
Information under tabular heading "Liability Premium Payments" - Risk Management Department, City of San Diego.

During Fiscal Year 2013 and to date in Fiscal Year 2014, there were no significant reductions in insurance coverage from the prior year. For each of the past three full Fiscal Years, the settlements have not exceeded insurance coverage. The City can give no assurance that particular losses will be covered or that providers will be able to pay covered losses.

Workers' Compensation and Long-Term Disability

All operating funds of the City participate in both workers' compensation and LTD programs and make payments to the Self Insurance Fund. Each fund contributes an amount equal to a specified rate multiplied by the gross salaries payable from such fund. These payments are treated as operating expenditures in the contributing funds and operating revenues in the Self Insurance Fund. The Five Year Outlook addresses reserves for the Workers' Compensation Fund. See "Reserves" herein.

Public Liability Insurance

The City's self-insured retention for public liability is $3,000,000 per occurrence. The City maintains excess public liability insurance policies in collaboration with a statewide joint powers authority risk pool, the California State Association of Counties-Excess Insurance Authority (CSAC-EIA) for amounts up to $50,000,000 per occurrence (inclusive of the $3,000,000 self-insured retention for public liability). The Five Year Outlook addresses reserves for the Public Liability Fund. See "Reserves" herein.

Employee Group Health Insurance

The City currently offers a cafeteria-style flexible benefits plan. For MEA, Teamsters 911, and Local 127 represented employees, this plan requires employees to choose a health plan unless covered elsewhere, and also a life insurance plan. It also gives employees the option of obtaining dental and/or vision insurance. For all other employees, the benefits plan is the same, with the exception that $50 of City-paid life insurance is automatically provided outside of the flexible benefit credit. Employees receive flexible benefit dollars as taxable earnings and may use those dollars for medical/dental/vision and childcare reimbursement accounts.

The City is currently assessing the impact of the Affordable Care Act (ACA) on employee health benefits and the changes to flexible benefits will be provided. Negotiations with all Bargaining Units will need to occur prior to determining the impact on City benefit plans. It is anticipated that compliance with the ACA legislation will be implemented in the current and next fiscal years.

Property and Flood Insurance

The City participates in the joint purchase of property insurance and flood insurance through the CSAC-EIA pool (policy term March 31, 2013 through March 31, 2014), which includes flood coverage for all components of the City Property. For a discussion of fire and other property insurance for the City Property (except the Ground Lease Sites), see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS" in the front part of this Official Statement. The City is not required to provide flood insurance for the Leased Property pursuant to the Lease, and in its discretion, may elect to modify the designation of covered properties in the future, in which case it is possible that none of the Leased Property will be covered.

This joint purchase of the City's "all risk" property insurance through the CSAC-EIA pool insures approximately $2.78 billion of City property and provides coverage for loss to City property under the primary policy up to approximately $25 million per occurrence, with a $25,000 deductible. This limit of insurance includes coverage for rental interruption for designated lease financed locations. There is no sharing of limits among the City and member counties of the CSAC-EIA pool, unless the City and member counties are mutually subject to losses due to the same occurrence. Limits and coverage may be adjusted periodically in response to requirements of bond financed projects, acquisitions, and in response to changes in the insurance marketplace. The City can give no assurance that any future losses will be covered or that its insurance provider will be able to cover any such losses.

Earthquake Insurance

The City has access up to $327.5 million of coverage limits, including coverage for rental interruption, for earthquake for designated buildings/structures and certain designated City lease financed locations. Currently, none of the Leased Property is covered by such earthquake insurance. See "SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2014A BONDS – Abatement of Lease Payments" and "– CSAC-EIA Pool" in the front part of this Official Statement. The City is not required to provide earthquake insurance for the Leased Property pursuant to the Lease, and the City, in its discretion, may elect to modify the designation of covered properties in the future. Depending upon the availability and affordability of such earthquake insurance, the City may continue to elect not to purchase such coverage for the Leased Property, or, if the City elects to purchase earthquake insurance for any of the Leased Property, the City may elect to increase the deductible or reduce the coverage at any time. The earthquake coverage is subject to a 5% of total values deductible per unit per occurrence, subject to a minimum of $100,000, effective through March 31, 2014. The City's earthquake coverage is purchased jointly and shared with the member counties in the CSAC-EIA pool. Due to the potential for geographically concentrated earthquake losses, the CSAC-EIA pool is geographically diverse to minimize any potential sharing of coverage in the case of an earthquake. The City can give no assurance that any future losses will be covered by its insurance or that its insurance will be able to pay any covered losses.

Employee Dishonesty and Faithful Performance Insurance

The City is a public agency subject to liability for the dishonest acts, and negligent acts or omissions of its officers and employees acting within the scope of their duty ("employee dishonesty" and "faithful performance"). The City participates in the joint purchase of insurance covering employee dishonesty and faithful performance through the CSAC-EIA pool. Coverage is provided in the amount of $10 million per occurrence subject to a $25,000 deductible.

LITIGATION POTENTIALLY ADVERSELY AFFECTING THE GENERAL FUND

No Pending Litigation Regarding the Series 2014A Bonds

There is no litigation against the City pending or, to the knowledge of the executive officers of the City, threatened in any court or other tribunal of competent jurisdiction, state or federal, in any way (i) restraining or enjoining the issuance, sale or delivery of any of the Series 2014A Bonds; (ii) questioning or affecting the validity of the Series 2014A Bonds; or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Series 2014A Bonds. There are, however, lawsuits and claims pending against the City arising in the ordinary course of the City's activities which, taken individually or in the aggregate, could materially affect the City's finances. Please see note 18 of the City's CAFR for Fiscal Year 2013 for additional information.

Litigation and Regulatory Actions

The City is a defendant in lawsuits pertaining to various matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contracts; alleged violations of law; and condemnation proceedings. The City received approximately 1,966 notices of claims in Fiscal Year 2012 and approximately 1,425 notices of claim in Fiscal Year 2013.

The Office of the City Attorney has prepared the following summary of certain pending claims and lawsuits for which, as of the date of the Official Statement, the City Attorney believes, in the event of an unfavorable outcome for the City, the potential loss could exceed $10 million. All figures provided in this section are preliminary and subject to change. Nothing disclosed herein should be considered an admission by the City. In the event of an adverse ruling, certain pending lawsuits, including those disclosed individually herein, may potentially result in an additional material liability to the City. See Notes 18 and 24 of the City's CAFR for Fiscal Year 2013 for additional information regarding the City's contingent liabilities related to litigation. Please note that the information presented in the CAFR includes citywide liabilities and is not limited to the General Fund. Additionally, the City maintains a Public Liability Fund Reserve to pay, in part, claims against the General Fund. See subsection "Public Liability Fund Reserve" under "Reserves" herein.

Belinda Martinez v. City of San Diego, et al.

This case involves a cyclist who was hit by the driver of a motor vehicle while riding on a City street. The plaintiff alleges that the roadway and bike lane were improperly and negligently designed and maintained, creating a dangerous condition. Plaintiff is alleging damages for significant brain injuries and various cognitive and psychological disorders as well as a fractured back and leg. She is claiming damages, including loss of income and earning potential, in excess of $15 million. The City has also filed a cross complaint against the driver.

San Diegans for Open Government v. City of San Diego

San Diegans for Open Government ("SDOG") has filed a lawsuit challenging the renewal of and assessments levied in the City's Tourism Marketing District ("TMD"). If the TMD levy is invalidated and the assessments ordered refunded the total cost would be approximately $32 million. The City has begun to set aside a portion of the assessments collected in a reserve which will be used first to pay refunds in the event of an unfavorable outcome in the lawsuit. There is currently approximately $4.0 million in the reserve and the City plans to increase the balance in the reserve each fiscal year with a target of a $30 million reserve in Fiscal Year 2017 should the case still be unresolved at that point. To the extent that any refunds exceed the amount in the TMD reserve, such refunds will be payable from other City funds.

Border Business Park, Inc. (aka De La Fuente Business Park, Inc.) v. City of San Diego

Starting in 1995, an Otay Mesa developer filed the first of five lawsuits against the City concerning alleged breaches of a 1986 development agreement and inverse condemnation. The developer, Roque De La Fuente, controls all of the plaintiff entities. In the first lawsuit, *Border Business Park, Inc. III*, a jury returned a verdict of $94.5 million in plaintiff's favor. On appeal, however, the Court of Appeal overturned the jury's verdict and ordered a new trial on the breach of contract claim only. Two other lawsuits, *National Enterprises, Inc.* and *Otay Acquisitions, LLC*, were stayed during the pendency of the *Border Business Park* appeal. Upon remand, the City successfully demurred in each of the three cases, and each was dismissed. Plaintiff subsequently filed appeals in these matters. On June 7, 2010, the California Court of Appeal, Fourth Appellate District, Division Two, reversed the judgments entered in favor of the City on the breach of contract causes of action only. The dismissal of the inverse condemnation causes of action was affirmed. A fourth lawsuit, *Otay Truck Parking, L.P.*, setting forth substantially similar allegations, including an inverse condemnation claim, was filed in August 2009. The fifth lawsuit, Border Business Park, Inc. IV, was filed in April 2011. These matters are currently awaiting the assignment of a new trial date. The possible aggregate exposure of these cases ranges between $0 and $30 million.

De Anza Cove Homeowners Association, Inc. et al. v. City of San Diego et al.

This case, along with other cases based on the same facts, involves residents of the De Anza Mobilehome Park who have filed suit alleging violations by the City of the California Mobilehome Residency laws. The court found the City liable for failing to prepare a tenant impact report when the City sought to close the mobilehome park in 2003. The tenant impact report is being finalized and the range of cost to the City is between $10 and $50 million depending on the length of relocation assistance provided to the mobilehome park residents. A related claim, *Joseph Aglio et al. v. City of San Diego, et al.*, involves residents excluded from the *Homeowners* action either because they had entered into settlement agreements or were evicted from the park. The *Aglio* case involves potential costs to the City of up to $10 million. In both De Anza cases, the City has insurance policies that may cover some or all of the City's costs.

Regional Water Quality Control Board San Diego Region Cleanup and Abatement Order

This action involves the cleanup of San Diego Bay in the area around the National Steel and Shipbuilding Company (NASSCO) shipyard. The action was brought under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 U.S.C. § 9601 *et seq*., and stems from San Diego Regional Water Quality Control Board Cleanup and Abatement Order No. R9-2012-0024. The City has liability under CERCLA as the former owner and lessor of the shipyard sites and as operator of the City's stormwater system, which discharges to the bay near the shipyards. A preliminary engineering estimate indicates a cleanup cost of approximately $74 million, plus $10 million in additional costs related to regulatory oversight and environmental studies. Actual costs could be higher. The City's share of this cost is expected to be approximately $20 million. The City has tendered claims on insurance policies which, collectively, may cover approximately half of the City's cost. Notwithstanding, this estimate of coverage could be significantly higher or lower.

INVESTMENT OF FUNDS

Investment of Funds

Amounts in the funds and accounts of the General Fund are invested by the City Treasurer in the City Treasurer's Pooled Investment Fund (the "City Pool") described below and the City accounts for such amounts separately from other funds of the City.

City Pool

In accordance with the Charter of the City and authority granted by the City Council, the City Treasurer is responsible for investing the unexpended cash in the City Pool. Responsibility for the daily investment of funds in the City Pool is delegated to the City's Chief Investment Officer. The City and certain related entities are the only participants in the City Pool; there are no other participants either voluntary or involuntary in the City Pool. The investment objectives of the City Pool are preservation of capital, liquidity and return.

Oversight and Reporting Requirements

The City Treasurer provides both a monthly and quarterly investment report to the Chief Financial Officer, the City Comptroller and the City Council and annually presents the City Treasurer's Investment Policy to the Chief Financial Officer, the City Treasurer's Investment Advisory Committee (the "IAC"), the Budget and Finance Committee, and the City Council. The IAC is comprised of two City employees, currently the Chief Financial Officer and the Director of Debt Management, and three outside investment professionals and is charged with overseeing the review of the City Treasurer's Investment Policy and practices of the City Treasurer and recommending changes thereto. Investments in the City Pool are audited annually by an independent firm of certified public accountants as part of the overall audit of the City's financial statements.

The City's Investments division uses outside services to provide investment portfolio valuations and accounting and reporting services. These services provide monthly portfolio valuation, investment performance statistics, and other portfolio reports that are distributed to the Office of the City Treasurer accounting section and the Office of the Comptroller of the City for review and reconciliation. The Office of the City Treasurer's accounting section prepares a series of monthly reports, including the portfolio market valuation, and distributes these to the Mayor, City Council, Chief Financial Officer, and other officials.

Authorized Investments

Investments in the City Pool are governed by State law and further restricted by the City Treasurer's Investment Policy. The Investment Policy is prepared with safety of principal being the foremost objective. Permitted investments include U.S. Treasury securities, U.S. Agency securities, U.S. Agency mortgage backed securities, corporate medium term notes, money market instruments, non-negotiable Federal Deposit Insurance Corporation-insured certificates of deposit and the Local Agency Investment Fund (California State Pool). Reverse repurchase agreements ("reverse repos") are restricted to 20% of the base value of the portfolio and are governed by various maturity restrictions as well. The main operating funds of the City are managed in two separate portfolios, the Liquidity and Core portfolios. In its management of the "Liquidity" portfolio, comprising approximately 35% of total funds, the City invests in a variety of debt securities with maturities typically ranging from one day to one year. The remaining 65% of funds are managed in a separate "Core" portfolio that consists of a variety of debt securities ranging from one day to five years; performance is measured against the Bank of America Merrill Lynch one- to three-year U.S. Treasury Index. The 35% Liquidity/65% Core portfolio split serves as a guideline. The actual split may vary due to market conditions or other factors. Safety of principal and liquidity are paramount considerations in the management of both portfolios.

Pool Liquidity and Other Characteristics

The City Treasurer's Pooled Investment Fund (including both the "Liquidity" and the "Core" portfolios) is highly liquid. Based on unaudited month-end data as of December 31, 2013, approximately 10% of the pool investments mature within 62 days, 13% within 92 days, 27% within 184 days, 44% within 1 year, 75% within 2 years, 97% within 3 years, and 100% within 5 years (on a cumulative basis). As of December 31, 2013, the City Treasurer's Pooled Investment Fund had a weighted average maturity of 1.31 years (478 days) and its weighted average yield was 0.41%. For purposes of calculating weighted average

maturity, the City Treasurer treats investments in the State-wide Local Agency Investment Fund (California State Pool) as maturing within one day. The Liquidity portfolio had a duration of 0.37 years and the Core portfolio had a duration of 1.70 years as of December 31, 2013. Duration is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. Accordingly, the Liquidity portfolio should decrease in market value by 0.37% for every 1% increase in market interest rates while the Core portfolio should decrease in market value by 1.70% for every 1% increase in market interest rates. The City Treasurer's Pooled Investment Fund composition is designed with a goal of having sufficient liquid funds available to meet disbursement requirements. The composition and value of investments under management in the City Treasurer's Pooled Investment Fund will vary from time to time depending on cash flow needs of the City, maturity or sale of investments, purchase of new securities, and fluctuations in interest rates.

Table A-14 sets forth information concerning the City Pool at December 31, 2013.

TABLE A-14
CITY OF SAN DIEGO POOLED INVESTMENT FUND
At December 31, 2013
(in thousands)
(unaudited)

Investment Instrument	*Book Value*	*Fair Value*	*Percent of Total*[1]
U.S. Treasury Notes	$ 949,237	$ 949,863	48.71%
Agency Discount Notes	59,948	59,965	3.08
Agency Notes & Bonds	493,466	493,042	25.32
Commercial Paper	149,778	149,823	7.69
Corporate Notes & Bonds	107,880	107,432	5.54
Local Agency Investment Fund	49,701	49,701	2.55
Repurchase Agreement	22,500	22,500	1.14
Negotiable Certificates of Deposit	50,000	50,006	2.57
Municipal Securities	10,148	10,148	0.52
Asset Backed Securities	56,029	56,050	2.88
TOTAL INVESTMENTS	$ 1,948,685	$ 1,948,529	100.00%

(1) Based on book value.
Source: Office of the City Treasurer, City of San Diego.

The City Pool is not invested in any structured investment vehicles or mortgage-backed securities. In addition, the City has no outstanding swap arrangements or liquidity facilities.

BONDED AND OTHER INDEBTEDNESS

Long-Term Obligations

As of June 30, 2013, the City had $533,235,000 aggregate principal amount of long-term General Fund lease obligations outstanding, and $28,638,000 of other obligations outstanding.

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Table A-15 provides a schedule, by years, of principal and interest payments required to be made by the City or its oversight entities with respect to future obligations, as of June 30, 2013.

TABLE A-15
CITY OF SAN DIEGO
GENERAL FUND LEASE OBLIGATIONS AND OTHER GENERAL FUND OBLIGATIONS[1]
As of June 30, 2013
(in thousands)

Fiscal Year	*General Fund Lease Obligations*	*Other[2][3]*	*Total Principal and Interest Payable*
2014	$ 44,745	$ 10,484	$ 55,229
2015	44,748	10,455	55,203
2016	44,754	1,431	46,185
2017	44,760	1,400	46,160
2018	44,746	1,369	46,115
Thereafter	631,535	9,740	641,275
Subtotal	$ 855,288	$ 34,879	$ 890,167
Less Interest Portion	(322,053)	(6,241)	(328,294)
Total Principal Portion	$ 533,235	$ 28,638	$ 561,873

(1) Unaudited

(2) Includes lease payments related to Qualified Energy Conservation Bonds ("QECBs"), which are partially offset by direct cash subsidy payments from the federal government annually over the life of the bonds. For example, the Fiscal Year 2014 subsidy is $405,911 resulting in a net lease payment of $1,084,149 after accounting for the subsidy. The amounts above reflect total lease payments.

(3) Includes the payment on the Sale of McGuigan Judgment concerning the court-approved class action settlement in the case of William J. McGuigan v. City of San Diego, et. al.

Source: Debt Management Department, City of San Diego.

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Table A-16 provides a summary list of long-term General Fund supported obligations outstanding as of June 30, 2013 and December 31, 2013.

TABLE A-16
CITY OF SAN DIEGO
GENERAL FUND SUPPORTED OBLIGATIONS[1]
(in thousands)

	Principal Outstanding as of June 30, 2013	*Principal Outstanding as of December 31, 2013*
General Fund Lease Commitments		
Certificates of Participation		
2003 – Balboa Park/Mission Bay Park Refunding[2]	$ 6,745	
Lease Revenue Bonds		
2003 – City/MTDB Authority Old Town Light Rail Refunding[3]	9,280	
2007 – Ballpark Project	134,090	$ 134,090
2010A – Master Refunding Bonds	160,275	157,730
2012A – Convention Center Expansion Financing Authority Refunding Bonds	133,030	133,030
2012A – Deferred Capital Improvement Project Bonds	71,410	70,815
2012B – Fire and Life Safety Refunding Bonds	18,405	18,060
2013A – Capital Improvement Projects and Old Town Light Rail Refunding[4]		41,590
2013B – Balboa Park/Mission Bay Park Refunding[5]		5,845
Total Principal of General Fund Lease Commitments	$ 533,235	$ 561,160
Other		
2011 – Qualified Energy Conservation Bonds (Broad Spectrum Street Lighting)	$ 11,637	$ 11,637
McGuigan Settlement Modification	17,001	8,661
Total Other	$ 28,638	$ 20,298
Total Principal Outstanding	$ 561,873	$ 581,458

(1) Unaudited
(2) A portion of the proceeds of the Series 2013B Bonds was used to redeem the 2003 Certificates of Participation Balboa Park/Mission Bay Park Refunding Bonds.
(3) A portion of the proceeds of the Series 2013A Bonds was used to redeem the 2003 City/MTDB Authority Old Town Light Rail Refunding Bonds.
(4) In July, 2013, the Public Facilities Financing Authority issued $43,245,000 Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013A to finance Capital Improvement Projects and to refund Lease Revenue Bonds, Series 2003 City/MTDB Authority Old Town Light Rail Refunding Bonds.
(5) In August, 2013, the Public Facilities Financing Authority issued $6,285,000 Lease Revenue Refunding Bonds to refund Certificates of Participation, Series 2003.
Source: Debt Management Department, City of San Diego.

Other Obligations

The City has entered into various short-term vehicle and equipment capital leases that are obligations of the City's General Fund which, as of June 30, 2013, were outstanding in an aggregate principal amount equal to $65.4 million.

Future Financing Plans

From time to time, the City conducts bond offerings to fund various General Fund capital improvements and projects or refund outstanding General Fund obligations if economically advantageous to the City.

As of January 2014, the City Council approved lease revenue bonds to fund infrastructure projects in an amount up to $120 million (see "General Fund Infrastructure and Deferred Capital" herein). The Series 2014A Bonds are being issued under this authorization with construction fund proceeds totaling approximately $66.4 million; lease revenue bonds for the remaining proceeds of $53.6 million under this authorization, are expected to be issued based on the rate of spend down of the Series 2014A Bond proceeds and are currently projected to be issued in 2015. Additionally, in accordance with its multi-year funding plan, the City expects to issue an additional $260 million between Fiscal Years 2015 and 2017 in General Fund supported lease obligations to continue to address the City's deferred capital improvement needs. The projected annual lease payment costs are taken into account in the City's Five Year Outlook.

The City anticipates issuing other General Fund obligations over the next two to three years to finance a portion of the $520 million expansion of the San Diego Convention Center. The expansion is expected to be funded primarily through the issuance of special tax revenue bonds and supplemental funding in the form of General Fund-backed lease revenue bonds generating an approximate amount of $175 million. The special tax bonds would be issued by the Convention Center Facilities District, a citywide special tax district composed exclusively of hotel properties, and repaid with the special taxes generated by the district and a San Diego Port District contribution. Special tax revenue in excess of the amount needed for debt service on the special tax bonds would be used to pay-down the lease revenue bonds, in combination with a $3.5 million annual allocation of General Fund supplemental revenue that will only start upon completion of the expansion. The General Fund would continue to contribute an amount of $3.5 million annually after the lease revenue bonds are repaid to help pay down the special tax bonds. The formation of the CCFD and the special tax is currently the subject of a judicial validation action. The San Diego Superior Court entered a judgment in favor of the City on April 18, 2013. This judgment was appealed to the California Court of Appeals and is currently awaiting the assignment of a hearing date. In October 2013 and February 2014, the California Coastal Commission took necessary actions to approve an amendment to the Port Master Plan Amendment to include the expansion project. The City will not issue either of the above-referenced bonds until after the judicial validation is final.

The City also monitors its outstanding bond issuances for refunding opportunities, and depending on market conditions, the City may issue refunding bonds where economically advantageous to the City.

Short-Term Borrowings

The City has annually issued tax and revenue anticipation notes in anticipation of receipt of taxes and other General Fund revenues. The note offerings during Fiscal Years 2005 to 2013 ranged from approximately $100 million to $163 million.

In Fiscal Year 2014, the City expects that it will have the cash necessary to meet the appropriated expenditures in the fiscal year and, therefore, does not expect to issue tax and revenue anticipation notes.

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The following Table A-17 presents a 10-year history of the City's tax and revenue anticipation notes:

TABLE A-17
CITY OF SAN DIEGO GENERAL FUND
TAX AND REVENUE ANTICIPATION NOTES
Fiscal Years 2005 through 2014
(in thousands)

Fiscal Year	*Principal Amount*
2005	$114,000
2006	145,000
2007	142,000
2008	116,000
2009	135,000
2010	124,070
2011	163,165
2012	161,000
2013	100,685
2014	0

Source: Debt Management Department, City of San Diego.

Operating Lease Commitments

The City has various General Fund lease arrangements under which the City must make annual payments to occupy facilities necessary for City operations. The payments in Fiscal Year 2014 total $8.2 million and after Fiscal Year 2014 the City's annual operating lease payments do not exceed $1.5 million. Actual future rental payments will be affected by amendments or extensions to existing leases and by any new leases entered into by the City from time to time.

Overlapping Debt and Debt Ratios

Table A-18 presents a statement of direct and overlapping bonded debt (the "Debt Statement") of the City as of June 30, 2013. The City has issued bonds or certificates of participation secured by and payable out of loans and installment sale contracts, in order to provide conduit financing for single and multi-family housing, industrial development, and 501(c)(3) non-profit corporations. These bonds and certificates of participation are not secured by City General Fund amounts or revenues.

The Debt Statement is prepared by California Municipal Statistics Inc. and is included for general information purposes only. The City has not reviewed the Debt Statement for completeness or accuracy and makes no representations in connection therewith. The Debt Statement does not include the Series 2014A Bonds described in the front part of this Official Statement. The Debt Statement generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The City contains numerous school districts and special purpose districts, such as for water and sanitation, many of which have issued general obligation bonds. Some of the issues may be payable from self-supporting enterprises or revenue sources other than property taxation.

The City periodically issues Special Assessment or Community Facilities District (Mello-Roos) bonds on behalf of petitioning developers or citizens when the City determines that the public facilities to be financed are of a defined extraordinary benefit to the City. These bonds are secured by property owner assessments or special taxes. As of December 31, 2013, there was one 1915 Act Assessment District and two 1984 Act Reassessment District bond issues with aggregate outstanding principal of $11,038,392, and six Community Facilities District bond issues with outstanding principal of $105,885,000.

The reserve funds for each of the City's outstanding Assessment District and Community Facilities District bond issues were fully funded as of December 31, 2013. The City is not in any way obligated to make debt service payments for either Assessment District or Community Facilities District bond issues. Based on the City's current Debt Policy, if a short-fall in assessments or special tax receipts needed to make debt service payments occurred as a result of delinquencies, the City does not expect to cover such shortfalls using its general revenues.

TABLE A-18
CITY OF SAN DIEGO
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
As of June 30, 2013
(in thousands, except for percentages)
(unaudited)

	Total Debt 6/30/13	*% Applicable*	*City's Share of Debt 6/30/13*
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	$ 165,085	8.469%	$ 13,981
Palomar Community College District	315,829	22.546	71,207
San Diego Community College District	929,379	99.932	928,746
Poway Unified School District School Facilities Improvement District Nos. 2002-1 and 2007-1	347,663	54.793 & 55.206	191,234
San Diego Unified School District	2,366,009	99.935	2,364,471
Sweetwater Union High School District	361,299	20.067	72,502
San Ysidro School District	126,153	85.596	107,982
Other School, High School and Community College Districts	1,399,018	Various	130,889
Grossmont Healthcare District	221,337	7.840	17,353
Palomar Pomerado Hospital District	477,632	26.590	127,002
City of San Diego Special Assessment/Special Tax Bonds [(1)]	126,730	100.000	126,730
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	27,870	100.000	27,870
North City West School District Community Facilities District	71,903	100.000	71,903
Poway Unified School District Community Facilities Districts	335,683	99.609-100.000	335,568
San Dieguito Union High School District Community Facilities District	42,762	81.063-100	37,068
Sweetwater Union High School District Community Facilities Districts	25,828	8.935-100.000	20,833
Solana Beach School District Community Facilities Districts	34,450	100.000	34,450
Other Special District 1915 Act Bonds	16,104	Various	1,584
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			$ 4,681,373
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	$ 399,780	46.543%	$ 186,070
San Diego County Pension Obligations	753,898	46.543	350,887
San Diego Superintendent of Schools Certificates of Participation	17,463	46.543	8,127
Palomar Community College District General Fund Obligations	5,345	22.546	1,205
Poway Unified School District Certificates of Participation	34,784	62.916	21,885
Sweetwater Union High School District Certificates of Participation	4,125	20.067	828
Chula Vista School District General Fund Obligations	140,585	5.164	7,260
San Ysidro School District Certificates of Participation	42,932	85.596	36,748
Other School, High School and Community College District Certificates of Participation	131,092	Various	5,336
City of San Diego General Fund Obligations[(2)]	533,235	100.000	533,235
Otay Municipal Water District Certificates of Participation	45,145	7.381	3,554
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			$ 1,155,135
Less: Otay Municipal Water District Certificates of Participation			3,554
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			$ 1,151,581
OVERLAPPING TAX INCREMENT DEBT	$ 609,630	1.352-100.000	570,734
TOTAL DIRECT DEBT			533,235
TOTAL GROSS OVERLAPPING DEBT			5,874,007
TOTAL NET OVERLAPPING DEBT			5,870,453
GROSS COMBINED TOTAL DIRECT[(3)]			6,407,242
NET COMBINED TOTAL DEBT			6,403,688

Ratios to 2012-13 Assessed Valuation:	
Overlapping Tax and Assessment Debt	2.63%
Total Direct Debt ($533,235)	0.30%
Gross Combined Total Debt	3.60%
Net Combined Total Debt	3.60%
Ratios to Redevelopment Incremental Valuation ($16,964,430)	
Total Overlapping Tax Increment Debt	3.36%

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(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentage were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.

(2) Amounts reconcile to Note 19, Total Special Assessment / Special Tax Bonds. Excludes Assessment District Piper Ranch Refunding (includes Assessment's District's original bond issue outstanding amount).

(3) Amounts for Total Debt reconcile to Note 5, Total Lease Revenue Bonds / COPs. Excludes $43,245 and $6,285 Lease Revenue Refunding Bonds dated 7/11/13 and 8/6/13 respectively. Includes Lease Revenue Bonds original issue outstanding amount.

(4) Excludes Tax and Revenue Anticipation Notes, Enterprise Revenue, Mortgage Revenue and Non-Bonded Capital Lease Obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Source: MuniServices, LLC and Comprehensive Annual Financial Reports.

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APPENDIX B

DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF SAN DIEGO

APPENDIX B

DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF SAN DIEGO

Set forth below is certain demographic information regarding the City of San Diego (the "City") and the County of San Diego (the "County"). This information is provided for informational purposes only and general background. The information set forth herein has been obtained from third party sources believed to be reliable, but such information is not guaranteed by the City or the Public Facilities Financing Authority of the City (the "Authority") as to accuracy or completeness. The information and data within this Appendix B speak only as of the dates indicated and may have changed, perhaps materially, from such time. Neither the delivery of this Official Statement nor any sale thereafter of the securities offered hereby shall under any circumstances create any implication that there has been no change in any information contained in this Appendix B since the date of such information. The Series 2014A Bonds are not a debt of the City, the County, the State of California (the "State"), or any of its political subdivisions, and none of the City, the County, the State nor any of its political subdivisions is liable thereon.

Introduction

The City, with a total population of approximately 1,326,238 as of January 1, 2013 and a land area of approximately 324 square miles, is the eighth largest city in the nation and the second largest city in California. The City is the county seat for the County. In addition to having a favorable climate, the City offers a wide range of cultural and recreational services to both residents and visitors. Major components of the City's diversified economy include defense, tourism, biotechnology/biosciences, financial and business services, software and telecommunications. The City's economic base is also anchored by higher education and major scientific research institutions, including the University of California, San Diego, San Diego State University, Scripps Research Institute, the Salk Institute for Biological Studies, and the San Diego Supercomputer Center.

Population

The following Table B-1 sets forth annual population figures for the City, the County and the State for calendar years 2004 through 2013. The City's population increased by approximately 5.48% between 2004 and 2013, with an average annual increase of approximately 6,888.

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TABLE B-1
CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, AND STATE OF CALIFORNIA
POPULATION GROWTH
Calendar Years 2004 through 2013

Calendar Year[1]	*City of San Diego*	*Annual Growth Rate*	*County of San Diego*	*Annual Growth Rate*	*State of California*	*Annual Growth Rate*
2004	1,257,358	0.45	2,953,703	0.90	35,570,847	1.16
2005	1,261,035	0.29	2,966,783	0.44	35,869,173	0.84
2006	1,261,633	0.05	2,976,492	0.33	36,116,202	0.69
2007	1,266,978	0.42	2,998,477	0.74	36,399,676	0.78
2008	1,279,505	0.99	3,032,689	1.14	36,704,375	0.84
2009	1,294,031	1.14	3,064,436	1.05	36,966,713	0.71
2010	1,304,482	0.81	3,091,579	0.89	37,223,900	0.70
2011	1,309,784	0.41	3,115,810	0.78	37,427,946	0.55
2012	1,315,173	0.41	3,128,734	0.41	37,668,804	0.64
2013	1,326,238	0.84	3,150,178	0.69	37,966,471	0.79

(1) As of January 1 of the calendar year.
Source: State of California Department of Finance, Demographic Research Unit.

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Employment

The following Table B-2 sets forth information regarding the size of the labor force, employment and unemployment rates for the City, the County, the State and the United States for calendar years 2008 through 2012, and for November 2013 (Preliminary).

TABLE B-2
LABOR FORCE – ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND UNEMPLOYMENT OF CITY OF SAN DIEGO CIVILIAN LABOR FORCE[(1)]
Calendar Years 2008 through 2012, and November2013[(2)]
(Not Seasonally Adjusted) [To Be Updated]

	Calendar Year					*November 2013[(2)]*
	2008	*2009*	*2010*	*2011*	*2012*	
Civilian Labor Force						
City of San Diego						
Employed	649,600	627,000	622,200	643,600	650,100	667,800
Unemployed	41,200	66,800	73,300	67,900	63,700	49,000
Unemployment Rates						
City	6.0%	9.6%	10.5%	10.0%	8.9%	6.8%
County	6.0	9.6	10.5	10.0	8.9	6.8
California	7.2	11.3	12.4	11.8	10.5	8.3
United States[(3)]	5.8	9.3	9.6	8.9	8.1	6.6

(1) City, County and State data based on March 2012 Benchmark Report.
(2) Preliminary, subject to change.
(3) The United States unemployment rates for calendar years 2008-2012 were generated as of March 8, 2013.
Source: State of California Employment Development Department, Labor Market Information Division; U.S. Department of Labor, Bureau of Labor Statistics.

The State of California Employment Development Department, Labor Market Information Division (the "EDD"), preliminarily estimates that, on a seasonally unadjusted basis, the civilian labor force in the City in November of 2013 was 716,800, of which approximately 49,000 persons were unemployed. Based on preliminary estimates of the EDD as of December 20, 2013, the City's unemployment rate of 6.8% in November of 2013, on a seasonally unadjusted basis, matched that of the County at 6.8% and was below the unemployment rate of the State, which was 8.3%. The City's unemployment rate was above the United States, which was 6.6%. The following Table B-3 sets forth estimates of total annual civilian nonfarm employment by number of employees in each major industry category in the County for calendar years 2009 through November of 2013. Annual industry employment information is not compiled by sector for the City.

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TABLE B-3
COUNTY OF SAN DIEGO
NONFARM EMPLOYMENT
Calendar Years 2009 through November 2013[1]
(In Number of Jobs By Industry) [To Be Updated]

Industry Category	*2009*	*2010*	*2011*	*2012*	*2013*
Services[2]	579,200	582,600	591,700	613,200	627,700
Government	226,500	232,200	229,800	230,900	233,100
Federal	44,900	46,500	46,900	46,900	45,800
State and Local	181,600	185,700	182,900	184,000	187,300
Trade	178,000	172,600	185,200	186,700	190,700
Wholesale	39,800	41,900	41,900	43,800	44,700
Retail	138,200	138,700	143,300	142,900	146,000
Manufacturing	92,000	93,400	93,600	93,400	91,500
Nondurable Goods	21,700	22,100	22,400	22,600	22,600
Durable Goods	70,300	71,300	71,200	70,800	68,900
Financial Activities[3]	68,000	67,700	68,700	69,300	69,000
Construction	57,500	54,100	55,100	56,700	62,100
Transportation, Warehousing & Utilities	27,200	27,000	26, 800	29,200	29,700
Mining & Logging	300	400	400	400	400
TOTAL NONFARM[4]	1,228,700	1,238,000	1,251,300	1,279,800	1,304,200

(1) Based on March 2012 Benchmark Report.
(2) Includes professional and business, information, educational and health, leisure and hospitality and other services.
(3) Includes finance, insurance, and real estate.
(4) Line items may not add to totals due to independent rounding.
Source: State of California Employment Development Department, Labor Market Information Division.

Since the industry employment data referenced above are organized by standard industrial classification codes, employment in the various high tech categories, such as telecommunications, software and biotechnology may not fall into a single employment section alone. For example, some telecommunications firms appear in Manufacturing while others appear in Services.

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Taxable Sales

The following Table B-4 sets forth taxable transactions in the City for calendar years 2008 through the third quarter of 2012. See APPENDIX A – "CITY GOVERNMENT AND FINANCIAL INFORMATION – CITY BUDGET AND RELATED MATTERS – Major Revenue Sources" for a discussion of the City's assumptions regarding trends of taxable transactions and sales tax revenues for Fiscal Year 2014 and Fiscal Year 2015.

TABLE B-4
CITY OF SAN DIEGO
TAXABLE TRANSACTIONS
Calendar Years 2008 through 2012[3]
(In Thousands)

	2008	*2009[1]*	*2010[1]*	*2011[1]*	*2012[3]*
Retail and Food Services					
Apparel	$ 1,123,736	$ 1,358,011	$ 1,476,887	$ 1,608,393	$ 1,192,170
General Merchandise	1,995,887	1,443,341	1,505,694	1,571,106	1,117,440
Food	828,471	864,733	874,855	909,541	695,932
Eating and Drinking	2,682,884	2,582,572	2,674,975	2,888,953	2,408,134
Home Furnishings and Appliances	749,808	1,005,324	1,064,083	1,132,638	836,893
Building Materials	865,280	707,657	735,040	795,649	630,749
Motor Vehicles and Parts	1,852,953	1,606,349	1,720,348	1,884,077	1,586,629
Service Stations	1,847,002	1,319,720	1,527,002	1,850,576	1,452,499
Other Retail Stores	2,045,273	1,481,096	1,483,428	1,550,568	1,137,477
Total Retail and Food Services	$ 13,991,295	$ 12,368,802	$ 13,062,313	$ 14,191,502	$ 11,057,923
All Other Outlets	5,422,964	4,795,162	4,816,619	5,306,003	4,122,419
TOTAL ALL OUTLETS[2]	$ 19,414,259	$ 17,163,965	$ 17,878,932	$ 19,497,504	$ 15,180,342

(1) In early 2007 the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System ("NAICS") codes. Beginning in 2009, the California State Board of Equalization reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, industry data for 2009 and 2010 are not comparable with data from prior years.

(2) Line items may not add to totals due to independent rounding.

(3) Through third quarter of 2012

Source: California State Board of Equalization, Research & Statistics Section, Taxable Sales in California.

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Tourism

The following Table B-5 sets forth total visitor spending in the County for the calendar years 2008 through 2012.

TABLE B-5
COUNTY OF SAN DIEGO
TOTAL VISITOR SPENDING
Calendar Years 2008 through 2012
(In Millions)

Calendar Year	*Amount*
2008	$7,908
2009	6,958
2010	7,080
2011	7,485
2012	7,979

Source: Visitor Industry Summary compiled by the San Diego Tourism Authority from data prepared by CIC Research, Inc., and Smith Travel Research.

The following Table B-6 sets forth the City's transient occupancy tax revenues for Fiscal Years 2009 through 2013. See "APPENDIX A – "CITY GOVERNMENT AND FINANCIAL INFORMATION – CITY BUDGET AND RELATED MATTERS – Major Revenue Sources" for a discussion of trends of City transient occupancy tax projected for Fiscal Year 2013.

TABLE B-6
CITY OF SAN DIEGO
TRANSIENT OCCUPANCY TAX[(1)]
Fiscal Years 2009 through 2013
(in thousands)

Fiscal Year	*Amount*
2009	$140,657
2010	123,879
2011	139,545
2012	148,795
2013	159,494

(1) Includes both the General Fund portion of TOT (5.5¢ of 10.5¢) and the balance (5¢ of 10.5¢) allocated to Special Promotional Programs. Special Promotional Programs are intended to: advance the City's economy by promoting the City as a visitor destination; develop, maintain, and enhance visitor-related facilities; and support the City's cultural amenities and natural attractions.

Source: Fiscal Year 2013 Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego.

The City is the focal point for tourism in the County. According to the San Diego Tourism Authority, in calendar year 2012, 71.9% of hotel rooms in the County were located within the City. For calendar year 2012, Smith Travel Research reported that hotel occupancy in the City averaged 73.0%, up 2.1% compared to the prior year.

In addition, most of the County's major tourist attractions, including the world-renowned San Diego Zoo and SeaWorld San Diego, are located in the City. Other attractions located in the City include the Cabrillo

National Monument on Point Loma, the historic Gaslamp Quarter in the downtown area, the Old Town State Park, Balboa Park and a host of other cultural and recreational activities.

Based on information provided by the San Diego Tourism Authority, in calendar year 2012 there were more than 32.2 million visitors to San Diego County, and they spent more than $7 billion. About half of the 32.2 million visitors stayed overnight in private homes or hotels. In calendar year 2012, there were 8,606,032 airport arrivals and 762,105 Amtrak arrivals, up 1.9% and 3.9%, respectively, compared to the same time for the prior year.

In addition to the many permanent attractions available to visitors, the City has also been host to a number of major sporting events. The City annually hosts the Farmers Insurance Open, a Professional Golfers' Association Tour Event played at the world renowned Torrey Pines Golf Course. In addition, the City has annually hosted a pair of post season contests of elite college football teams, the Holiday Bowl and the Poinsettia Bowl.

The San Diego Convention Center (the "Convention Center') has 2.6 million total gross square feet of buildings, including the parking structure. According to the San Diego Convention Center Corporation, since opening in 1989, the Convention Center has generated over $22.9 billion in economic benefit for the San Diego regional economy through increased visitor spending, additional hotel room nights, and new jobs.

Military

The information set forth below is taken from the San Diego Military Economic Impact Study released in September 2013 (the "Military Study") prepared by the San Diego Military Advisory Council ("SDMAC"). Neither the Authority nor the City has independently verified the information in the Military Study.

Military and related defense spending are significant factors in the County economy. Military installations include Marine Corps Base Camp Joseph H. Pendleton; the Marine Corps Recruit Depot; Marine Corps Air Station at Miramar; Naval Air Station North Island; Naval Station San Diego; and Naval Submarine Base, San Diego.

There are approximately 139,000 uniformed military personnel and Department of Defense civilians employed in the County including approximately 106,000 active duty military personnel, 8,000 reserves and 25,000 full-time civilian workers which is essentially unchanged from the prior federal fiscal year. These totals are expected to decline to approximately 136,000 in the current federal fiscal year ending September 30, 2014. The estimated direct defense-related spending by the military in the County for the fiscal year ending September 30, 2013 rose approximately 3% to 22.1 billion from $20.6 billion for the federal fiscal year ending September 30, 2012. In the 2010 federal fiscal year, military spending in the County was approximately $19 billion, and was $20.3 billion in the 2011 federal fiscal year. Direct defense-related spending by the military in the County is projected to be unchanged.

The direct spending by the military results in additional jobs and spending in the local economy. Approximately 22% (302,000) of the jobs in the County were directly and indirectly related to the military in the fiscal year ended September 30, 2013 and overall spending in the County related to the military was estimated at $24.6 billion up slightly from 24.2 billion in the prior federal fiscal year. It is estimated that the military's total impact on the region represents about 17% of the County's total gross regional product.

Efforts by the federal government to reduce the federal deficit have negatively impacted military spending throughout the country. Effective March 1, 2013, automatic spending cuts (referred to as sequestration) to numerous federal programs began to be implemented and totaled approximately $37 billion nationwide for the fiscal year ending September 30, 2013. Notwithstanding the effects of sequestration, overall spending in the County related to the military is projected to remain steady in the current federal fiscal year at a total of $24.3 billion.

International Trade

The following Table B-7 sets forth the valuation of exports originating in the San Diego Customs District for calendar years 2008 through 2012.

TABLE B-7
VALUATION OF EXPORTS
ORIGINATING IN SAN DIEGO CUSTOMS DISTRICT[1]
Calendar Years 2008 through 2012
(In Millions)

Calendar Year	*Amount*
2008	$16,607
2009	14,007
2010	16,252
2011	18,559
2012	19,896

[1] The San Diego Customs District includes the ports of San Diego, Andrade, Calexico, San Ysidro, Tecate, Otay Mesa Station, and Calexico-East.

Source: RAND California, Business and Economic Statistics; U.S. Census Bureau, Foreign Trade Statistics.

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Top Ten Principal Employers

The following Table B-8 sets forth the top 10 principal employers in the City for Fiscal Year 2013.

TABLE B-8
CITY OF SAN DIEGO
TOP TEN PRINCIPAL EMPLOYERS
Fiscal Year 2013
(unaudited)

Employer	*Number of Employees*	*Percentage of Total Employment*[1]
United States Navy[2]	30,664	4.30%
University of California San Diego[3]	28,071	3.93
Sharp Healthcare[4]	15,906	2.23
County of San Diego	15,727	2.20
San Diego Unified School District[5]	13,552	1.90
Qualcomm, Inc.	13,524	1.89
City of San Diego[6]	10,026	1.40
Kaiser Permanente	8,800	1.23
UC San Diego Medical Center	6,235	0.87
San Diego Gas & Electric Co.[7]	4,753	0.67
Total Top Employers	147,258	20.63%

(1) Percentage based on total employment of 713,900 provided by the EDD Labor Force Data.
(2) Employee count includes Navy, Marine and Civic Services personnel.
(3) Employee count includes full and part time, academic and support staff.
(4) Employee count is companywide.
(5) Employee count is from 2011-2012.
(6) Employee count is provided by the City of San Diego, Office of the Comptroller – Payroll Division.
(7) Employee count does not include Sempra Energy or other affiliate companies.

Source: Fiscal Year 2013 Comprehensive Annual Financial Report, Statistical Section (Unaudited), Comptroller's Office, City of San Diego.

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Personal Income

The following Table B-9 sets forth the per capita personal income in the County, the State and the United States for calendar years 2008 through 2012.

TABLE B-9
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA AND UNITED STATES
PER CAPITA PERSONAL INCOME[(1)]
Calendar Years 2008 through 2012

Calendar Year	*County of San Diego*	*State of California*	*United States*
2008	$47,197	$44,003	$40,947
2009	44,107	41,034	38,637
2010	44,951	41,893	39,791
2011	46,800	43,647	41,560
2012	49,719	44,980	42,693

(1) Amounts for County and State may not be comparable based on different source methodology.
Source: U.S. Bureau of Economic Analysis and Bureau of the Census.

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Property Value and Construction

Residential and non-residential construction declined after peaking in 2005, in part due to the subprime mortgage crisis and the resulting significant increase in the number of foreclosures. However, residential and non-residential construction activity has increased since 2010. Total issued building permits and permit valuation (residential and non-residential) are used as indicators of overall construction activity. In Fiscal Year 2013, construction permits valuation increased by 21.4%, or $355.9 million, from Fiscal Year 2012.

The following Table B-10 sets forth total City assessed value, building permit valuations and the number of new construction permits issued in the City for Fiscal Years 2009 through 2013.

TABLE B-10
CITY OF SAN DIEGO
Assessed Value and Construction Permit Valuation
Fiscal Years 2009 through 2013
($ in thousands)
(unaudited)

	Residential[1]		*Non-Residential*[2]		
Fiscal Year	***Dwelling Units***	***Assessed Value***[3]	***Permits***	***Assessed Value***[3]	***Total Permit Assessed Value Estimate***[3]
2009	1,117	$202,268	138	$576,879	$ 779,147
2010	1,147	234,868	76	368,098	602,966
2011	2,024	342,598	98	818,627	1,161,225
2012	2,406	518,091	113	1,142,674	1,660,765
2013	4,629	854,489	111	1,162,254	2,016,743

(1) Residential reflects construction of new structures.
(2) Non-residential reflects construction of new structures whose intended use includes commercial, industrial, and other uses. Each permit is a separate structure.
(3) Valuation figures only include valuation of newly created structures. These figures do not include minor modification work such as interior remodels, reroofs, etc. Total Permit Assessed Value is an estimate determined at time of permit issuance; actuals may vary.
Source: Permit Tracking System Database, Development Services Department, City of San Diego.

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Foreclosure Activity

The following Table B-11 sets forth foreclosure activity in the County for calendar years 2009 through 2013.

TABLE B-11
COUNTY OF SAN DIEGO
FORECLOSURE ACTIVITY
Calendar Years 2009 through 2013

Calendar Year	*Foreclosures*	*Total Number of Housing Units*[1]	*% of Total Housing Units*
2009	15,487	1,145,548	1.35%
2010	13,467	1,158,076	1.16
2011	12,216	1,161,720	1.05
2012	7,195	1,165,818	0.62
2013	3,236	1,169,095	0.28

(1) 2010 data based on 2010 census. All other data are estimates provided by SANDAG as of January 1 of the indicated year.
Source: County of San Diego, Assessor's Records; and SANDAG.

According to the San Diego County Recorder's Office, there has been a decrease in the number of notices of loan defaults recorded in the County in calendar year 2013 compared to calendar year 2012. In addition, foreclosures have dropped during this time frame as well. There were 16,597 notices of default recorded in the County in calendar year 2012, which decreased to 7,614 notices recorded in 2013. Furthermore, there were 7,195 foreclosures in the County in calendar year 2012, which decreased by 55% to 3,236 foreclosures in 2013.

APPENDIX C

SUMMARY OF LEGAL DOCUMENTS

APPENDIX C

SUMMARY OF LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Indenture, the Lease, the Site Lease and the MTS Site Lease pertaining to the Series 2014A Bonds that are not summarized elsewhere in this Official Statement. This summary is not intended to be definitive, and is qualified in its entirety by reference to the full terms of such documents.

CERTAIN DEFINITIONS

The following are definitions of certain terms used in the Indenture, the Lease, the Site Lease, the MTS Site Lease and this Official Statement, which are not otherwise defined in this Official Statement. Reference is made to the entire documents for the definitions of all terms used in such documents. The following definitions are equally applicable to both singular and plural forms of any of the terms defined in the Indenture:

"2003 Certificates of Participation" means the $17,425,000 City of San Diego 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Refunding).

"2003 Certificates of Participation Trustee" means Wells Fargo Bank, National Association.

"2003 Old Town Light Rail Refunding Bonds" means the $15,255,000 City of San Diego/MTDB Authority 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding).

"2003 Old Town Light Rail Refunding Bonds Trustee" means Wells Fargo Bank, National Association.

"2013A Project" means the financing of the Construction Costs of certain capital improvement projects of the City.

"2014A Project" means the financing of the Construction Costs of certain capital improvement projects of the City.

"Addition" means the addition of Leased Property to the leasehold of the Lease, and the lease of additional real property and improvements under the Lease from the Authority to the City, as provided in the Lease.

"Additional Bonds" means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Indenture and executed, issued and delivered in accordance with the Indenture.

"Additional Projects" means public capital improvements, including equipment, financed in whole or in part with the proceeds of Additional Bonds.

"Additional Rental" means amounts payable by the City as described under "THE LEASE – Rental Payments – *Rental Payments – Additional Rental*" herein.

"Authorized Representative" means: (a) with respect to the Authority, its Chair, Treasurer or Secretary or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Chair, and filed with the City and the Trustee; and (b) with respect to the City, its Chief Operating Officer or its Chief Financial Officer, or any other person duly designated by its Chief Operating

Officer or its Chief Financial Officer as an Authorized Representative of the City by a Written Certificate of the Chief Operating Officer or the Chief Financial Officer filed with the City and the Trustee.

"Base Rental Payment Schedule" means the schedule of Base Rental Payments attached to the Lease, as from time to time amended as permitted in the Lease.

"Bond Counsel" means (a) Nixon Peabody LLP, or (b) any other firm of attorneys, designated by the City, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America. Any Opinion of Bond Counsel may be based, insofar as it relates to factual matters, upon information that is in the possession of the City or the Trustee, as applicable, upon a certificate or opinion of, or representation by, an officer or officers of the City, the Trustee or the Authority, unless such Counsel knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which their opinion may be based, is erroneous.

"Bond Year" means each twelve-month period extending from April 16 in one calendar year to April 15 of the succeeding calendar year, both dates inclusive; provided that the first Bond Year with respect to the Series 2014A Bonds will commence on the respective Closing Date and end on April 15, 2015.

"Bonds" means the Prior Bonds, the Series 2014 Bonds and any Additional Bonds, authorized by and at any time Outstanding pursuant to the Indenture.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in San Diego, California or New York, New York are authorized or required by law to close, or (iii) a day upon which the Trustee is authorized by law to remain closed.

"Certificate of Completion" means, with respect to the 2014A Project, a Certificate of the City filed with the Trustee stating that the 2014A Project, which was financed with the proceeds of the Series 2014A Bonds deposited into the Series 2014A Construction Fund, has been acquired, constructed, installed and improved and that all Construction Costs have been paid or provided for.

"Closing Date" means, with respect to the Series 2014A Bonds, the date the Series 2014A Bonds are issued and delivered to the initial purchasers thereof.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or, where pertinent, its statutory predecessor, the Internal Revenue Code of 1954, as amended (the "1954 Code"). References to the Code and Sections of the Code include relevant applicable regulations and proposed regulations under the Indenture and under the 1945 Code, as amended from time to time, and any successor provision to those Sections, regulations or proposed regulations and, in addition, all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Bonds.

"Construction Costs" means, with respect to the Series 2014A Bonds, all costs of acquiring, constructing, installing or improving the 2014A Project, including but not limited to:

(i) all costs which the Authority or the City will be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the acquisition, construction, installation or improvement of the 2014A Project;

(ii) obligations of the Authority or the City incurred for labor and materials (including obligations payable by the Authority or the City for actual out of pocket expenses of the Authority or the City) in connection with the acquisition, construction, installation, improvement, replacement or equipping of the

2014A Project, including reimbursement to the Authority or the City for all advances and payments made in connection with the 2014A Project prior to or after delivery of the Series 2014A Bonds;

(iii) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of acquisition, construction, installation, improvement, replacement or equipping of the 2014A Project;

(iv) all costs of planning, development, design, engineering and architectural services, including the actual out of pocket costs of the Authority or the City for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, and for supervising acquisition, design, construction, installation, improvement, replacement and equipping, as well as for the performance of all other duties required by or consequent to the proper acquisition, design, construction, installation, improvement, replacement or equipping of the 2014A Project; and

(v) any sums required to reimburse the Authority or the City for advances made by the Authority or the City for any of the above items or for any other costs incurred and for work done by the Authority or the City which are properly chargeable to the acquisition, design, construction, installation, improvement, replacement or equipping of the 2014A Project. "Construction Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Continuing Disclosure Certificate" means, with respect to the Series 2014A Bonds, that certain Continuing Disclosure Certificate relating to the Series 2014A Bonds, executed by the City and dated the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all expenses directly or indirectly incurred in connection with the authorization, execution and delivery of the Site Lease, the Lease and the Indenture (including any supplements or amendments) and the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority or the City, initial fees and expenses of the Trustee (including but not limited to fees and expenses for legal counsel), compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation, reproduction and publication of documents, out-of-pocket expenses of the Authority or the City, Authority and City staff costs and costs of printing.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Damaged Improvement" shall have the meaning contained in the Lease as described under the subheading "THE LEASE – Damage, Destruction, Title Defect and Condemnation".

"Debt Service" means, during any period of computation, the amount obtained for such period by totaling the following amounts: (a) the principal amount of all Outstanding Bonds coming due and payable by their terms in such period; and (b) the interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

"Defeasance Obligations" means (a) Federal Securities and Federal Certificates which are fixed rate and not callable for redemption prior to their maturity by any person other than the owner thereof and (b) other Permitted Investments (i) which either are not callable for redemption prior to their maturities by any person other than the owner thereof or for which an option to redeem prior to maturity has previously been irrevocably exercised (or an irrevocable covenant to exercise such option has previously been made by the person entitled to exercise such option) and the redemption date of such securities has thereby been irrevocably fixed prior to the use of any such securities as Defeasance Obligations, and (ii) which are rated, at the time of

their initial deposit with the Trustee as Defeasance Obligations, by S&P and Moody's in their highest Rating Category.

"Event of Default," with respect to the Indenture, means any of the events described under "THE INDENTURE – Events of Default and Remedies – *Events of Default; Notice*" herein and, with respect to the Lease, means any of the events described under "THE LEASE – Default and Remedies – *Default*" herein.

"Expiry Date" means _____, 20__, except as extended or sooner terminated or extended pursuant to the Lease, or such other date or dates as set forth in an amendment to the Lease.

"Federal Certificates" means evidences of indebtedness or ownership of proportionate interests in future principal and interest payments of Federal Securities, including depository receipts thereof, wherein (i) a bank or trust company acts as custodian and holds the underlying Federal Securities; (ii) the owner of the Federal Certificate is a real party in interest with the right to proceed directly and individually against the obligor of the underlying Federal Securities; and (iii) the underlying Federal Securities are held in trust in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian or any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Federal Securities" means: direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or evidence of ownership in a portion thereof (which may consist of specified portions of interest thereon and obligations of the Resolution Funding Corporation which constitute interest strips) if held by a custodian on behalf of the Trustee; obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; and prerefunded municipal obligations rated, at the time of purchase, by Moody's and S&P in their highest Rating Category; provided that "structured securities" (including flip notes, range notes, inverse floaters and step-ups) will not be considered Federal Securities; provided further that floaters (based on single, interest rate based indices) and callable securities of the above-enumerated agencies may be treated as Federal Securities.

"Financing Documents" means the Lease, the Site Lease, and the Indenture.

"First Amendment to Facilities Lease" means the First Amendment to Facilities Lease, dated as of July 1, 2013, by and between the Authority, as sublessor, and the City, as sublessee.

"First Amendment to Site Lease" means the First Amendment to Site Lease, dated as of July 1, 2013, by and between the City, as lessor, and the Authority, as lessee.

"First Supplemental Indenture" means the First Supplemental Indenture, dated as of July 1, 2013, by and between the Authority and the Trustee.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority or the City, as applicable, as its official fiscal year period.

"Indenture" means the Master Indenture as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof, including as amended and supplemented by the Second Supplemental Indenture.

"Independent Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the City, and who, or each of whom:

(a) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority or the City;

(b) does not have a substantial financial interest, direct or indirect, in the operations of the Authority or the City; and

(c) is not connected with the Authority or the City as a member, officer or employee of the Authority or the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority or the City.

"Insurance and Condemnation Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Insurance Consultant" means an individual or firm retained by the City as an independent insurance consultant, experienced in the field of risk management.

"Interest Account" means the account by that name established in the Revenue Fund pursuant to the Indenture.

"Interest Payment Date" means, with respect to the Series 2014A Bonds, each April 15 and October 15, commencing October 15, 2014, and for any series of Additional Bonds, such dates as shall be specified in the Supplemental Indenture authorizing such Additional Bonds.

"Lease" means that certain Facilities Lease, dated as of July 1, 2012, by and between the Authority, as sublessor, and the City, as sublessee, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture, including as amended and supplemented by the First Amendment to Facilities Lease and the Second Amendment to Facilities Lease.

"Leased Property" means the property more particularly described in an exhibit to the Lease.

"Lease Payment Date" means, with respect to the Series 2014A Bonds, April 10 and October 10 of each year commencing October 10, 2014.

"Lease Year" means, with respect to the Series 2014A Bonds, the period from April 16 to and including the following April 15, during the term hereof; except that the initial Lease Year means the period from the respective Closing Date to and including April 15, 2015.

"Master Indenture" means the Indenture, dated as of July 1, 2012, as amended and supplemented by the First Supplemental Indenture, each by and between the Authority and the Trustee.

"MTS" means the San Diego Metropolitan Transit System.

"MTS Property" means the property more particularly described in an exhibit to the MTS Site Lease.

"MTS Site Lease" means the Site Lease, dated as of July 1, 2013, by and between the Authority and MTS, under which MTS leases the MTS Property to the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

"Moody's" means Moody's Investors Service, New York, New York, or its successors, and if such organization will for any reason no longer perform the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized securities rating agency designated by the City.

"Net Proceeds" means amounts derived by the City from any policy of casualty insurance with respect to any portion of the Leased Property, or the proceeds of any taking of the Leased Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

"Office" means, with respect to the Trustee, the designated corporate trust office of the Trustee which is initially located in Los Angeles, California, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term will mean the office or agency of the Trustee at which, at any particular time, its corporate agency business will be conducted.

"Opinion of Counsel" means a written opinion of an attorney or a firm of attorneys (who may be counsel for the City or the Trustee) retained by the City or the Trustee. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information that is in the possession of the City or the Trustee, as applicable, upon a certificate or opinion of, or representation by an officer or officers of the City or the Trustee, unless such counsel knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which his or her opinion may be based, is erroneous.

"Original Purchaser" means, with respect to the Series 2014A Bonds, the original purchaser(s) of the Series 2014A Bonds upon their delivery by the Trustee on the Closing Date.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions as described under "THE INDENTURE – Defeasance" herein) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, as described under the subheading "THE INDENTURE – Defeasance – *Deposit of Money or Securities with Trustee to Defease Bonds*" herein, including Bonds (or portions thereof) described under the subheading "THE INDENTURE – Defeasance" herein; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner," whenever used in the Indenture with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

"Permitted Encumbrances" means, as of any particular time:

(a) (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to the Lease, permit to remain unpaid; (ii) the Lease, the Site Lease, the Indenture and Existing Leases, as each may be amended from time to time pursuant to its terms; (iii) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (iv) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, which (A) exist as of the date of recordation of the Lease or (B) are established thereafter, including without limitation, in a supplement or amendment to the Lease which adds Added Property or Substituted Property to the Leased Property, which Added Property or Substituted Property is subject to such restriction, and no restriction in (A) and (B) substantially interferes with City's right to use and occupy such real property; and (v) rights granted by the City pursuant to the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Repair and Maintenance; Taxes and Assessments; Insurance; Modification of the Leased Property" in the front part of this Official Statement; and

(b) in all cases will not result in abatement of Base Rental Payments payable by the City under the Lease.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) Federal Securities or Federal Certificates;

(b) The following listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(i) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes

(iii) Federal Home Loan Banks (FHL Banks) consolidated debt obligations

(iv) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(c) Obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing, that are rated, at the time of purchase, in the highest Rating Category by two Rating Agencies;

(d) Bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are rated, at the time of purchase, by "A1/P1/F1" by two Rating Agencies or, if the term of such indebtedness is longer than one year, rated in the highest Rating Category by two Rating Agencies;

(e) Taxable commercial paper or tax-exempt commercial paper with a maturity of not more than 270 days, which are rated, at the time of purchase, "A1/P1/F1" by two Rating Agencies;

(f) Deposit accounts or certificates of deposit, whether negotiable or non-negotiable, issued by a state or national bank (including the Trustee) or a state or federal savings and loan association or a state-licensed branch of a foreign bank; provided, however, that such certificates of deposit or deposit accounts will be either (a) continuously insured by the Federal Deposit Insurance Corporation; or (b) have maturities of not more than 365 days (including certificates of deposit) and are issued by any state or national bank or a state or federal savings and loan association, the short-term obligations of which are rated, at the time of purchase, in the highest short term rating by two Rating Agencies;

(g) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which bank has short-term obligations outstanding which are rated, at the time of purchase, by two Rating Agencies in the highest short-term Rating Category, and which bankers acceptances mature not later than 365 days from the date of purchase;

(h) Any repurchase agreement: (a) with (i) any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee), or a state-licensed branch of a foreign bank, having a minimum permanent capital of one hundred million dollars ($100,000,000) and having short-term debt which is rated, at the time of the purchase, by two Rating Agencies in one of the three highest short-term Rating Categories; or (ii) any government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York; and (b) which agreement is secured by any one or more of the securities and obligations described in clause (i) or (ii) of this definition and having maturities equal to or less than 5 years from the date of delivery, which will have a market value (valued at

least monthly) not less than 102% of the principal amount of such investment and will be placed with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement. The entity executing each such repurchase agreement required to be so secured will furnish the Trustee with an undertaking satisfactory to the Trustee that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to 102% the principal amount of such repurchase agreement, and the Trustee will be entitled to rely on each such undertaking;

(i) Any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (i), (ii), (iii) and (viii) of this definition and any money market fund, the entire investments of which are limited to investments described in clauses (i), (ii) (iii) and (viii) of this definition and which money market fund is rated, at the time or purchase, by two Rating Agencies in the highest Rating Category;

(j) Any guaranteed investment contract, including forward delivery agreements ("FDAs") and forward purchase agreements ("FPAs"), with a financial institution or insurance company which has (or which is unconditionally guaranteed by a legal entity which has), at the date of execution thereof, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims-paying ability which is rated, at the time of purchase, by two Rating Agencies in one of two highest long-term Rating Categories. Only Permitted Investments described in clause (i) and (ii) above and having maturities equal to or less than 30 years from their date of delivery will be considered eligible for any collateralization/delivery purposes for guaranteed investment contracts, FDAs or FPAs;

(k) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State or of any political subdivision or public agency thereof which are rated, at the time of purchase, by two Rating Agencies in the highest short-term Rating Category or within one of the three highest long-term Rating Categories, but excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date;

(l) For amounts less than $100,000, interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank, or a state or federal savings and loan association in the State, fully insured by the Federal Deposit Insurance Corporation, including the Trustee or any affiliate thereof;

(m) Investments in taxable money market funds or portfolios restricted to obligations with an average maturity of one year or less and which funds or portfolios are: (a) rated, at the time of purchase, by two Rating Agencies in one of the two highest Rating Categories; or (b) have or are portfolios guaranteed as to payment of principal and interest by the full faith and credit of the United States of America;

(n) Investments in the City's pooled investment fund;

(o) Investments in the Local Agency Investment Fund created pursuant to Section 16429.1 of the Government Code of the State;

(p) Shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (i) through (xiii) of this definition and which companies are: (a) rated, at the time of purchase, by two Rating Agencies in the highest Rating Category; or (b) have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience investing in such securities and obligations and with assets under management in excess of five hundred million dollars ($500,000,000);

(q) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which consists exclusively of investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended; and

(r) Any other investment, with confirmation (or other action, satisfactory to the City) from each rating agency that has a current rating on the Bonds at the time of initial purchase thereof, that its rating on the Bonds will not be lowered or withdrawn as a result of such investment.

"Principal Account" means the account by that name established in the Revenue Fund pursuant to the Indenture.

"Prior Bonds" means the Series 2012 Bonds and the Series 2013 Bonds.

"Rating Agency" means Moody's, S&P or Fitch, or any other nationally recognized statistical rating organization.

"Rating Category" means one of the generic categories of rating by a Rating Agency applicable to a Permitted Investment, without regard to any refinement or graduation of such rating category by a plus or minus sign or a numeral.

"Record Date" means, with respect to any Interest Payment Date, the last calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established pursuant to the Indenture.

"Refunded Bonds" means, collectively, the 2003 Certificates of Participation and the 2003 Old Town Light Rail Refunding Bonds.

"Registration Books" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

"Removal" means the release of all or a portion of the Leased Property from the leasehold as provided in the Lease.

"Revenue Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture and all accounts and funds in the Indenture.

"Revenues" means (a) all Base Rental Payments, prepayments, insurance proceeds and condemnation proceeds with respect to the Leased Property and (b) the Revenue Fund and all interest and other income deposited, pursuant to the Indenture, in the Revenue Fund.

"Second Amendment to Facilities Lease" means the Second Amendment to Facilities Lease, dated as of April 1, 2014, by and between the Authority, as sublessor, and the City, as sublessee.

"Second Amendment to Site Lease" means the Second Amendment to Site Lease, dated as of April 1, 2014, by and between the City, as lessor, and the Authority, as lessee.

"Second Supplemental Indenture" means the Second Supplemental Indenture, dated as of April 1, 2014, by and between the Authority and the Trustee.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with

then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in a Written Certificate of the City delivered to the Trustee.

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

"Series 2012 Bonds" means, collectively, the Series 2012A Bonds and the Series 2012B Bonds.

"Series 2012A Bonds" means the Authority's Lease Revenue Bonds, Series 2012A (Capital Improvement Projects).

"Series 2012B Bonds" means the Authority's Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding).

"Series 2013 Bonds" means, collectively, the Series 2013A Bonds and the Series 2013B Bonds.

"Series 2013 Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Series 2013 Rebate Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Series 2013A Bonds" means the Authority's Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013A (Capital Improvement Projects and Old Town Light Rail Extension Refunding).

"Series 2013A Bonds Sinking Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Series 2013A Construction Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Series 2013B Bonds" means the Authority's Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding).

"Series 2014A Bonds" means the Authority's Lease Revenue Bonds (Capital Improvement Projects).

"Series 2014A Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Series 2014A Rebate Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Series 2014A Bonds Sinking Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Series 2014A Construction Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Site" means the Leased Property more particularly described in exhibits to the Site Lease and the Lease.

"Site Lease" means the Site Lease, dated as of July 1, 2012, by and between the City, as lessor, and the Authority, as lessee, together with any duly authorized and executed amendments thereto, including as amended and supplemented by the First Amendment to Site Lease and the Second Amendment to Site Lease.

"Substitution" means the release of all or a portion of the Leased Property from the leasehold of the Lease, and the lease of substituted real property and improvements under the Lease as provided in the Lease.

"Supplemental Indenture" means any indenture duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Certificate" means, with respect to the Series 2014A Bonds, the tax certificate of the Authority and City.

"Term Bonds" means, with respect to the Series 2014A Bonds, the Series 2014A Bonds maturing on October 15, 20__ and October 15, 20__.

"Written Certificate," "Certificate," "Written Request," "Request" and "Written Requisition" of the Authority or the City mean, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument.

THE INDENTURE

Certain of the provisions of the Indenture are summarized below; this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Equal Security

In consideration of the acceptance of the Bonds by the Owners thereof, the Master Indenture and the Second Supplemental Indenture will be deemed to be and will constitute a contract between the Authority and the Owners from time to time of the Bonds; and the covenants and agreements set forth in the Master Indenture and in the Second Supplemental Indenture to be performed on behalf of the Authority will be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided in the Master Indenture or the Second Supplemental Indenture.

Issuance of Bonds

Transfer and Exchange of Bonds

Any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Transfer of any Bond will not be permitted by the Trustee during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to the Indenture. Whenever any Bond or Bonds will be surrendered for transfer, the Authority will execute and the Trustee will authenticate and will deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing Bonds and any

services rendered or expenses incurred by the Trustee in connection with any transfer will be paid by the Authority.

Any Bond may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. Exchange of any Bond will not be permitted during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to the Indenture. The Trustee may require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer will be paid by the Authority.

Conditions for the Issuance of Additional Bonds

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture, payable from the Revenues as provided in the Indenture and secured by a pledge of and charge and lien upon the Revenues as provided in the Indenture equal to the pledge, charge and lien securing the Outstanding Bonds theretofore issued under the Indenture, and subject to the following specific conditions, which are conditions precedent to the issuance of any such Additional Bonds:

(a) No Event of Default will be continuing after giving effect to the issuance of the Additional Bonds and the application of the proceeds thereof.

(b) The Supplemental Indenture will require that the proceeds of the sale of such Additional Bonds will be applied to finance or refinance capital improvements, or for the refunding or repayment of any Outstanding Bonds or other obligations of the City issued to finance or refinance capital improvements, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds. The Supplemental Indenture may also provide that a portion of such proceeds will be applied to the payment of the interest due or to become due on said Additional Bonds during the estimated period of any construction and for a period of not to exceed twelve (12) months thereafter.

(c) The aggregate principal amount of Bonds issued and at any time Outstanding under the Indenture will not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture.

(d) The Lease will have been amended, if necessary, so that the Base Rental Payments payable by the City under the Lease in each Fiscal Year will at least equal projected Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year.

(e) If the additional facilities, if any, to be leased are not situated on Leased Property described in the Lease and the Site Lease, then the Lease and Site Lease will have been amended to add such additional Leased Property.

Nothing in the Indenture will prevent payment of Debt Service on any Series of Additional Bonds from being secured and payable from sources, or by property, instruments or documents, not applicable to the Bonds or any one or more Series of Additional Bonds.

Proceedings for Authorization of Additional Bonds

Whenever the Authority and the City determine to execute and deliver any Additional Bonds pursuant to the Indenture, the Authority and the Trustee will enter into a Supplemental Indenture providing for the issuance of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds. The Supplemental Indenture will prescribe the form or forms of such Additional Bonds and, subject to the provisions of the Indenture, will provide for the

distinctive designation, denominations, method of numbering, dates, interest rates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds will be issued, the City and the Authority will file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Bond Counsel setting forth (1) that such Bond Counsel has examined the Supplemental Indenture and the amendment to the Lease and to the Site Lease required by the Indenture, as described under the subheading "– *Conditions for the Issuance of Additional Bonds*" herein; (2) that the execution and delivery of the Additional Bonds have been duly authorized by the City and the Authority; and (3) that said amendment to the Lease and to the Site Lease, when duly executed by the City and the Authority, will be a valid and binding obligation of the City and the Authority.

(b) A Certificate of the City that the requirements of the Indenture described herein under the subheading "– *Conditions for the Issuance of Additional Bonds*" have been met.

(c) A Certificate of the City stating that the insurance required by the Lease as described under "THE LEASE – Maintenance; Taxes; Insurance and Other Charges – *Insurance*" herein and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Fire and Extended Coverage Insurance," "– Use and Occupancy Insurance" and "– Title Insurance" in the front part of this Official Statement is in effect.

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's receipt of Certificates of the City and of the Authority stating that all applicable provisions of the Indenture have been complied with (so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Indenture then delivered to the Trustee), the Trustee will execute and deliver said Additional Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the Written Request of the Authority.

Limitations on the Issuance of Obligations Payable from Revenues

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

(a) Bonds of any Series authorized pursuant to the Indenture;

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

Application of Proceeds

Establishment and Application of Series 2014A Costs of Issuance Fund

The Trustee will establish, maintain and keep separate and apart from all other funds held by the Trustee a separate fund designated as the "Series 2014A Costs of Issuance Fund." Notwithstanding any other provision of the Second Supplemental Indenture, the Series 2014A Cost of Issuance Fund is not pledged to, nor does it secure, the Bonds.

The moneys in the Series 2014A Costs of Issuance Fund will be used by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the City in the form of an exhibit to the Second Supplemental Indenture and stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

On _____, 2014, or upon the earlier Written Request of the City, all amounts remaining in the Series 2014A Costs of Issuance Fund will be transferred by the Trustee to the Series 2014A Construction Fund to be used for the payment of Construction Costs or to Revenue Fund to be used for the payment of interest on the Bonds.

Series 2014A Construction Fund

(a) The Trustee will establish and maintain a fund designated as the "Series 2014A Construction Fund." Notwithstanding any other provision of the Second Supplemental Indenture or the Master Indenture, the Series 2014A Construction Fund is not pledged to, nor does it secure, the Bonds.

(b) The Trustee will hold the moneys in the Series 2014A Construction Fund separate and apart from all other funds held by the Trustee and will use such moneys, as provided by the Second Supplemental Indenture: (i) to pay the Construction Costs; or (ii) at the election of the City, as set forth in a Written Request of the City to the Trustee, to transfer moneys therefrom for deposit into the Interest Account to pay interest on the Bonds, when and as the same become due and payable.

Such payments of Construction Costs will be made from time to time upon receipt by the Trustee of a Written Requisition of the City (in the form as set forth in an exhibit to the Second Supplemental Indenture, signed by the Public Works Director and Comptroller or their designees) which requisition: (i) states with respect to each payment to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due; (C) the amount to be paid; and (D) that each obligation therein has been properly incurred, and is a proper charge against the Series 2014A Construction Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation.

Each such written requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

(c) If, after payment by the Trustee of all Written Requisitions of the City and delivery by the City to the Trustee of a Certificate of Completion, there remains any balance of money in the Series 2014A Construction Fund, all money so remaining will be transferred by the Trustee to the Interest Account or the Redemption Fund, as directed by the City in a Written Request.

Series 2014A Bonds Sinking Account

The Trustee will establish, maintain and keep separate and apart from all other funds held by the Trustee a separate account within the Principal Account designated as the "Series 2014A Bonds Sinking Account" into which the Trustee will deposit sinking fund payments derived from Base Rental Payments made by the City and from which funds will be applied to the Sinking Fund Redemption of Series 2014A Bonds pursuant to the Second Supplemental Indenture.

Validity of Bonds

The validity of the authorization and issuance of the Bonds is not dependent on and will not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection

with the Lease. The recital contained in the Bonds that the same are issued pursuant to the Constitution and laws of the State will be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

Revenues; Funds and Accounts; Payment of Principal and Interest

Pledge and Assignment; Revenue Fund

(a) Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues including any other amounts (including proceeds of the sale of the Bonds) held in the Revenue Fund are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues will not be used for any other purpose while any of the Bonds will remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied in such sums and for such purposes as are permitted under the Indenture. This pledge will constitute a pledge of and charge and lien upon the Revenues for the payment of Debt Service on the Bonds in accordance with the terms of the Indenture. Said pledge will constitute a first lien on and security interest in such assets and will attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act.

(b) The Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds: (i) all of the Revenues and (ii) all of the rights of the Authority in the Lease (except for certain rights to indemnification set forth in the Lease), and in the Site Lease (except for certain rights to indemnification set forth in the Indenture). The Trustee will be entitled to and will collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee. The Trustee also will be entitled to and will, subject to the provisions of the Indenture, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority, all of the obligations of the City under the Lease. The assignment of the Lease and the Site Lease to the Trustee is solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting under the Indenture will be subject to the provisions of the Indenture. The Trustee will not be responsible for any representations, warranties, covenants or obligations of the Authority.

(c) The Trustee agrees to provide written notice to the City at least five Business Days prior to each Lease Payment Date of the amount, if any, on deposit in the Revenue Fund which will serve as a credit against, and will relieve the City of making, the Base Rental Payments due from the City on such Lease Payment Date.

(d) Subject to the provisions of the Indenture described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Investment of Funds Under the Indenture," in the front part of this Official Statement, all Revenues will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee will establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Lease to be deposited in the Redemption Fund or the Insurance and Condemnation Fund will be promptly deposited in such Funds. Within the Revenue Fund there will be established an Interest Account and a Principal Account. All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund

Revenue Fund. All money in the Revenue Fund will be set aside by the Trustee in the following respective special accounts and funds within the Revenue Fund (each of which is created and each of which the Trustee covenants and agrees to cause to be maintained) in the following order of priority:

(i) Interest Account; and

(ii) Principal Account.

All money in each of such accounts and funds will be held in trust by the Trustee and will be applied, used and withdrawn only for the purposes under the Indenture.

Interest Account. On or before each Interest Payment Date, and on or before each redemption date, the Trustee will set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest coming due and payable on all Outstanding Bonds on such date.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest coming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it will become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account. On or before each April 15 and October 15, commencing October 15, 2012, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the principal amount (including the payment of principal with respect to any mandatory sinking account payments) of all Outstanding Bonds maturing or subject to mandatory sinking account payments on such April 15 or October 15. On or before each redemption date, the Trustee will transfer from the Revenue Fund and deposit in the Principal Account the principal amount of the Bonds to be redeemed, and premium, if any. No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Bonds maturing by their terms on such April 15 or October 15. All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they will become due and payable, whether at maturity or redemption, and premium, if any.

Redemption Fund

The Trustee will establish and maintain the Redemption Fund, amounts in which will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium on the Bonds to be redeemed pursuant to the provisions of the Indenture regarding optional redemption and special mandatory redemption from insurance or condemnation proceeds; provided, however, that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, in accordance with the provision of the Indenture regarding purchase in lieu of redemption with respect to Term Bonds.

Insurance and Condemnation Fund; Title Insurance

Establishment of Fund. Upon the receipt of any proceeds of insurance or eminent domain with respect to any portion of the Leased Property, the Trustee will establish and maintain an Insurance and Condemnation Fund, to be held and applied under the Indenture as described below.

Application of Insurance Proceeds. Any Net Proceeds of insurance against accident to or destruction of the Leased Property collected by the City in the event of any such accident or destruction will be paid to the Trustee by the City pursuant to the Lease and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund. If the City fails to determine and notify the Trustee in writing of its determination, within forty-five (45) days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property, then such Net Proceeds will be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds pursuant to the provisions of the Indenture described under "THE SERIES 2014A BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement to the extent that such Net Proceeds permit. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund will be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City, upon receipt of Written Requisitions of the City, as agent for the Authority, which: (i) states with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal; and (ii) specifies in reasonable detail the nature of the obligation. Each such Written Requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts. Any balance of the proceeds remaining after such work has been completed as certified by the City to the Trustee will after payment of amounts due the Trustee be paid to the City.

Application of Eminent Domain Proceeds. If all or any part of the Leased Property will be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom will be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the provisions of the Lease as described under "THE LEASE – Damage, Destruction, Title Defect and Condemnation" herein and will be applied and disbursed by the Trustee as follows:

(a) If the City has not given written notice to the Trustee, within forty-five (45) days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee will transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the Bonds pursuant to the provisions of the Indenture described under "THE SERIES 2014A BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement.

(b) If the City has given written notice to the Trustee, within forty-five (45) days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee will pay to the City, or to its order, from said proceeds such amounts as the City may expend for such repair or rehabilitation, upon the filing of Written Requisitions of the City as agent for the Authority in the form and containing the provisions of the Indenture described above under "– *Application of Insurance Proceeds*." Each such Written Requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the Leased Property or any portion thereof for the benefit of the Owners will be applied and disbursed by the Trustee as follows:

(a) If the City determines that the title defect giving rise to such proceeds has not materially affected the City's right to the use and possession of the Leased Property and will not result in an abatement of Base Rental Payments by the City under the Lease, upon Written Request of the City such proceeds will, if there is first delivered to the Trustee a Written Certificate of a City Representative to the effect that the annual fair rental value of the Leased Property, notwithstanding the title defect for which the payment was made, is at least equal to the maximum amount of Base Rental Payments becoming due under the Lease in the then

current Lease Year or any subsequent Lease Year, be paid to the City to be used for any lawful purpose. If the City cannot deliver the certificate described in the preceding sentence, then such amounts will be transferred to the Redemption Fund and used to redeem Bonds pursuant to the terms of the Indenture as described under "THE SERIES 2014A BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

(b) If any portion of the Leased Property has been affected by such title defect and if the City certifies in writing that such title defect will result in an abatement of Base Rental Payments by the City under the Lease, then upon Written Request of the City: either (A) such insurance proceeds will be used by the City to remove the title defect, or (B) the Trustee will, if not notified in writing by a City Representative within 90 days of the receipt by the Trustee of the insurance proceeds that the City will use the proceeds to remove the title defect, deposit such proceeds in the Redemption Fund and such proceeds will be applied to redeem Bonds in the manner provided in the Indenture as described under "THE SERIES 2014A BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement.

(c) Any excess proceeds with respect to title insurance remaining after application pursuant to the terms of the Indenture will be paid to the City to be used for any lawful purpose.

Particular Covenants

Punctual Payment

The Authority will punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Against Encumbrances

The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes. Nothing in this section will in any way limit the City's ability (i) to encumber its assets other than Leased Property or (ii) to encumber the Leased Property in accordance with the terms of the Lease.

Power to Issue Bonds and Make Pledge and Assignment

The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee will at all times, subject to the provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records

The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries will be made of all

transactions made by it relating to the proceeds of Bonds, the Revenues, the Lease and all funds and accounts established pursuant to the Indenture. Such books of record and account will be available for inspection by the Authority and the City, during business hours and under reasonable circumstances.

Compliance with Indenture

The Trustee will not execute or deliver any Bonds in any manner other than in accordance with the provisions of the Indenture, and the Authority will not suffer or permit any default by it to occur under the Indenture, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Indenture required to be complied with, kept, observed and performed by it.

Tax Covenants for Series 2014A Bonds

The Authority covenants to and for the benefit of the Owners of the Series 2014A Bonds that, notwithstanding any other provisions of the Indenture (other than as described under the subheading "Miscellaneous – *Liability of Authority Limited to Revenues*" herein), it will:

(a) neither make or use nor cause to be made or used any investment or other use of the proceeds of the Series 2014A Bonds or the moneys and investments held in the funds and accounts established under the Second Supplemental Indenture which would cause the Series 2014A Bonds to be arbitrage bonds under section 103(b) and section 148 of the Code or which would otherwise cause the interest payable on the Series 2014A Bonds to be includable in gross income for federal income tax purposes;

(b) not take or cause to be taken any other action or actions, or fail to take any action or actions, which would cause the interest payable on the Series 2014A Bonds to be includable in gross income for federal income tax purposes;

(c) at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on the Series 2014A Bonds will be excluded from the gross income, for federal income tax purposes, of the Owners pursuant to section 103 of the Code; and

(d) not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2014A Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

In furtherance of the tax covenants for the Series 2014A Bonds, the Authority will execute, deliver and comply with the provisions of the Tax Certificate for the Series 2014A Bonds, which is incorporated into the Second Supplemental Indenture and made a part of the Second Supplemental Indenture as if set forth in the Second Supplemental Indenture in full including all of the defined terms therein, and by its acceptance of the Second Supplemental Indenture the Trustee acknowledges receipt of such Tax Certificate and acknowledges its incorporation in the Second Supplemental Indenture. The Trustee agrees it will invest funds held under the Indenture in accordance with the terms of the Indenture (which covenant will extend throughout the term of the Series 2014A Bonds, to all funds and accounts created under the Second Supplemental Indenture and all moneys on deposit to the credit of any fund or account).

Rebate Fund for the Series 2014A Bonds

(a) The Trustee will establish and maintain, when required, a fund separate from any other fund established and maintained under the Indenture designated as the Series 2014A Rebate Fund for the Series 2014A Bonds, which is not pledged to the Bonds. Neither the Authority nor the Owner of any Bonds will have any rights in or claim to such money. Within the Series 2014A Rebate Fund, the Trustee will maintain such accounts as will be necessary to comply with instructions of the City given pursuant to the terms and conditions of the Tax Certificate. Subject to the transfer provisions described in paragraph (e) below, all

money at any time deposited in the Series 2014A Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate) for the Series 2014A Bonds, for payment to the federal government of the United States of America.

All amounts deposited into or on deposit in the Series 2014A Rebate Fund will be governed by the terms of the Indenture relating to the Rebate Fund and tax covenants and by the Tax Certificate (which is incorporated to the Indenture by reference). The Trustee will be deemed conclusively to have complied with such provisions if it follows the Written Request of the City including supplying all necessary information in the manner provided in the Tax Certificate, and will have no liability or responsibility to enforce compliance by the Authority or City with the terms of the Tax Certificate or any other tax covenants contained in the Indenture. The Trustee will not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Trustee will have no independent duty to review such calculations or enforce the compliance by the City with such rebate requirements. The Trustee will have no duty or obligation to determine the applicability of the Code and will only be obligated to act in accordance with Written Request provided by the City.

(b) Upon the City's Written Request, an amount will be deposited to the Series 2014A Rebate Fund by the Trustee from deposits by the City, if and to the extent required, so that the balance in the Series 2014A Rebate Fund will equal the Rebate Requirement for the Series 2014A Bonds. Computations of the Rebate Requirement will be furnished by or on behalf of the City in accordance with the Tax Certificate. The Trustee will supply to the City all necessary information in the manner provided in the Tax Certificate, to the extent such information is reasonably available to the Trustee.

(c) The Trustee will have no obligation to rebate any amounts required to be rebated pursuant to the Rebate Fund provisions of the Indenture, other than from moneys held in the funds and accounts created under the Second Supplemental Indenture or from other moneys provided to it by the City.

(d) At the Written Request of the City, the Trustee will invest all amounts held in the Series 2014A Rebate Fund in Permitted Investments. Moneys will not be transferred from the Series 2014A Rebate Fund except as described in paragraph (e) below. The Trustee will not be liable for any consequences arising from such investment.

(e) Upon receipt of the City's Written Request, the Trustee will remit part or all of the balances in the Series 2014A Rebate Fund to the United States, as so directed. In addition, if the City so directs, the Trustee will deposit money into or transfer money out of the Series 2014A Rebate Fund from or into such accounts or funds as directed by the City's Written Request; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the City, be transferred out of the Series 2014A Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Series 2014A Rebate Fund after each five year remission to the United States, redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, will be withdrawn and remitted to the City.

(f) Notwithstanding any other provision of the Indenture, including in particular those provisions described under "THE INDENTURE – Defeasance" herein, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of Indenture relating to tax covenants and the Rebate Fund and the Tax Certificate will survive the defeasance or payment in full of the Series 2014A Bonds.

Collection of Amounts Due Under Lease; Amendments

The Trustee will promptly collect all amounts due from the City pursuant to the Lease. Subject to the provisions of the Indenture, the Trustee will enforce, and take all steps, actions and proceedings which the

Trustee determines to be reasonably necessary for the enforcement of all of its rights under the Indenture as assignee of the Authority, for the enforcement of all of the obligations of the City under the Lease.

The Authority will not amend, modify or terminate any of the terms of the Lease or the Site Lease, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee will give such written consent only if it determines the requirements of the Lease relating the amendment thereof have been complied with.

Waiver of Laws

The Authority will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Authority to the extent permitted by law.

Further Assurances

The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Events of Default and Remedies

Events of Default; Notice

The following events will be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal, redemption premium, if any or sinking fund installments of any Bonds when and as the same will become due and payable, whether at maturity as expressed in the Indenture, by proceedings for redemption (other than with respect to conditional redemption as permitted by the Indenture) or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bonds when and as the same will become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default will have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, will have been given to the Authority by the Trustee; provided, however, that if in the reasonable opinion of the Authority the default stated in the notice can be corrected, but not within such sixty (60) day period, such default will not constitute an Event of Default under the Indenture if the Authority will commence to cure such default within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The occurrence and continuation of an event of default under and as defined in the Lease.

If an Event of Default occurs under the Indenture, the Trustee will give notice, at the expense of the City, of such Event of Default to the Owners. Such notice will state that an Event of Default has occurred and will provide a brief description of such Event of Default. The Trustee in its discretion may withhold notice if it deems it in the best interests of the Owners. Such notice provided will be given by first-class mail, postage prepaid, to the Owners within 30 days of the Trustee's receipt of knowledge of the occurrence of such Event of Default.

Remedies Upon Event of Default

(a) Upon the occurrence and continuance of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of the Owners of not less than 50% in principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, and payment of its fees and expenses, including the fees and expenses of its counsel, will in its own name and as the Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners under the Indenture, and require the Authority or the City to carry out any agreements with or for the benefit of the Owners of Bonds and to perform its or their duties under the Lease and the Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Lease or the Indenture, as the case may be;

(ii) bring suit upon the Bonds;

(iii) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Owners of Bonds; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of Bonds under the Indenture.

(b) Upon the occurrence of an Event of Default, the Trustee will be entitled as a matter of right to the appointment of a receiver or receivers for the Revenues, ex parte, and without notice, and the Authority consents to the appointment of such receiver upon the occurrence of an Event of Default. In the case of any receivership, insolvency, bankruptcy, or other judicial proceedings affecting the Authority or the City, the Trustee will be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have the claims of the Trustee and the Bond Owners allowed in such proceedings, without prejudice, however, to the right of any Bond Owner to file a claim on his or her own behalf; provided, the Trustee will be entitled to compensation and reimbursement for the reasonable fees and expenses of its counsel and indemnity for its reasonable expenses and liability from the Authority, the City or the Bond Owners, as appropriate.

(c) Notwithstanding the foregoing, neither the Indenture nor the Bonds provide for the remedy of acceleration of principal or interest due with respect to the Bonds prior to their stated due dates.

Application of Revenues and Other Funds After Default

If an Event of Default will occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture will be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available will not be sufficient to pay in full any

installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which will have become due, whether at maturity or by redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available will not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Trustee to Represent Bond Owners

The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, the Trustee will, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it will deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds, the Indenture or any other law; and upon instituting such proceeding, the Trustee will be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners' Direction of Proceedings

Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding will have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction will not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would expose it to liability.

Limitation on Bond Owners' Right to Sue

Notwithstanding any other provision of the Indenture, no Owner of any Bonds will have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Lease or any other applicable law with respect to such Bonds, unless (a) such Owner will have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners will have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee will have failed to comply with such request for a period of sixty (60) days after such written request will have been received

by, and said tender of indemnity will have been made to, the Trustee; and (e) no direction inconsistent with such written request will have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

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

Absolute Obligation of Authority

Nothing in the Indenture as described herein under the subheading "– Events Of Default And Remedies – *Limitation on Bond Owners' Right to Sue*" or in any other provision of the Indenture or in the Bonds contained will affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other assets in the Indenture pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings

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

Remedies Not Exclusive

No remedy conferred upon or reserved to the Trustee or the Owners of the Bonds in the Indenture is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default

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

Parties Interested In the Indenture

Nothing in the Indenture expressed or implied is intended or will be construed to confer upon, or to give to, any person or entity, other than the City, the Authority, the Trustee, their officers, employees and

agents, and the Owners any right, remedy or claim under or by reason of the Indenture, or any covenant, condition or stipulation of the Indenture, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Authority will be for the sole and exclusive benefit of the City, the Authority, the Trustee, their officers, employees and agents, and the Owners.

Remedies Subject to Provisions of Law

All rights, remedies and powers provided by the Indenture may be exercised only to the extent that the exercise thereof does not violate any applicable provision of the City Charter and other applicable law, and all of the provisions of the Indenture are intended to be subject to the City Charter and all other applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions of the Indenture invalid or unenforceable under the provisions of the City Charter or other applicable law.

Modification or Amendment of the Indenture

Amendments Permitted

(a) The Indenture and any of the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding which are affected by the amendment, will have been filed with the Trustee; provided, however, no such modification or amendment without the consent of the Owners of all of the Bonds then Outstanding which would be affected thereby, will (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or (iv) deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof. Consent of the Owners may be obtained as provided in the Indenture.

(b) In addition to any Supplemental Indenture authorized pursuant to the Indenture, the Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority in the Indenture, or to close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Additional Bonds;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or

(iv) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code.

(v) to permit the Trustee to comply with any duties imposed upon it by law;

(vi) to provide for the refunding or advance refunding of any Bonds, so long as such amendment is not inconsistent with the provisions of the Indenture relating to the defeasance of Bonds;

(vii) to evidence the appointment of a separate trustee or the succession of a new trustee under the Indenture;

(viii) to make any amendments appropriate or necessary to provide for or facilitate the delivery of credit enhancement for any Bonds; or

(ix) for any other reason, provided such modification or amendment does not, in the judgment of the Trustee, materially adversely affect the interests of the Owners of the Bonds then Outstanding.

(c) The Trustee may in its discretion, but will not be obligated to, enter into any such Supplemental Indenture authorized by paragraphs (a) or (b) under this subheading which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture under the Indenture, there will be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Provision of the Indenture described under this subheading are subject to the provisions of the Indenture described under the subheading "Modification or Amendment of the Indenture – *City's Consent to Supplemental Indentures*" herein.

Consent of Owners

(a) If at any time the Authority (or the City on behalf of the Authority) will request the Trustee to enter into any Supplemental Indenture requiring consent of the Owners, the Trustee, upon being satisfactorily indemnified with respect to expenses, will cause notice (unless waived by the affected Owners in their consent) of the proposed Supplemental Agreement to be mailed to each affected Owners, as shown in the Registration Books at the close of business on the 15th day preceding that mailing and at its address as it appears on the Registration Books on that 15th day preceding the mailing. The notice will describe briefly the nature of the proposed amendment and will state that copies thereof are on file at the office of the Trustee designated therein for inspection by all such Owners.

Consent of Owners may also be evidenced: (i) by Bonds being sold to such Owners under an official statement or other offering document which describes the proposed amendment and states that their purchase shall be treated as their consent to such amendment; or (ii) in any other manner acceptable to the Trustee.

If the Supplemental Indenture will not take effect so long as any particular Bonds remain Outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of determining the required consents.

(b) *Disqualified Bonds.* Bonds owned or held by or for the account of the Authority or the City will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the Indenture as described under this subheading "Modification or Amendment of the Indenture", and will not be entitled to consent to or take any other action provided in the Indenture as described under this subheading "– Modification or Amendment of the Indenture"; provided, however, that the Trustee will not be deemed to have knowledge that any Bond is owned or held by or for the account of the Authority or the City unless the Authority or the City is the registered Owner or the Trustee has received written notice that any other registered Owner is holding for the account of the Authority or City.

(c) The Trustee will not be subject to any liability to any Owner of Bonds by reason of the Trustee's failure to mail, or the failure of any such Owner to receive, the notice required by the Indenture as described under this subheading. Any failure of that nature will not affect the validity of the Supplemental Indenture when there has been consent thereto as provided in the Indenture as described under this subheading.

(d) If the Trustee will receive, within a period not exceeding one year as prescribed by the City upon behalf of the Authority, following the mailing of the notice (unless waived by the affected Owners in their consent), an instrument or document or instruments or documents, in a form or forms to which the Trustee does not object reasonably, purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Bonds, but not otherwise, the Trustee will execute and deliver the Supplemental Indenture in substantially the form to which reference is made in the notice, without liability or responsibility to any affected Owner, regardless of whether that Owner will have consented thereto. The instrument or document or instruments or documents described in this paragraph shall refer to the proposed Supplemental Indenture in the form described in the notice and shall consent specifically to the Supplemental Indenture in substantially that form.

(e) At any time after the Owners of the required percentage of the Bonds will have filed their consents with the Trustee to the Supplemental Indenture, the Trustee will make and file with the Authority and City a written statement that the Owners of the required percentage of the Bonds have filed those consents. That written statement will be conclusive evidence that the consents have been so filed. Prior to the Trustee filing such written statement, a consent may be revoked in writing by the Owner who gave the consent or by a subsequent Owner of the Bonds by a written revocation received by the Trustee.

City's Consent to Supplemental Indentures

Anything in the Indenture to the contrary notwithstanding, so long as the City is not in default under the Lease, a Supplemental Indenture under the Indenture will not become effective unless and until the City will have consented in writing to the execution and delivery of such Supplemental Indenture. In this regard, the Trustee will cause notice of the proposed execution and delivery of any Supplemental Indenture, together with a copy of the proposed Supplemental Indenture, to be mailed by first-class mail to the City at least 30 days prior to the proposed date of execution and delivery of any Supplemental Indenture.

Effect of Supplemental Indenture

Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds

Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Authority so determines will, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation will be made on such Bonds. If the Supplemental Indenture will so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, will be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding will be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same series and maturity.

Amendment of Particular Bonds

The provisions of the Indenture as described under this subheading "– Modification or Amendment of the Indenture" shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by him.

Defeasance

Discharge of Indenture

(a) Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

(i) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(ii) by depositing with the Trustee, in trust, at or before maturity, Defeasance Obligations in the necessary amount and in accordance with the terms of the Indenture to pay or redeem such Bonds; or

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

If the Authority will also pay or cause to be paid all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority evidenced by a Written Certificate of the Authority (or of the City upon behalf of the Authority), filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under the Indenture with respect to such Bonds will cease, terminate, become void and be completely discharged and satisfied (except for those provisions surviving by reason of those provisions of the Indenture described under paragraph (c) below in the event that the Bonds are deemed to be paid and discharged pursuant to the provisions of the Indenture described under the subheading "*–Deposit of Money or Securities with Trustee to Defease Bonds*" below). In such event, upon the Written Request of the Authority (or of the City upon behalf of the Authority), the Trustee will execute and deliver to the Authority and City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver to the City all moneys or securities or other Leased Property held by it

pursuant to the Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption.

If the Authority will pay or cause to be paid, or there will otherwise be paid, to the Owners of the Outstanding Bonds of a particular Series, or of a particular maturity or particular Bonds within a Series, the Debt Service due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds will cease to be entitled to any lien, pledge, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the Owners of such Bonds will thereupon cease, terminate and become void and be discharged and satisfied (subject to provisions of the Indenture described in paragraph (c) below).

Bonds or interest installments, for the payment or redemption of which moneys will have been set aside and held in trust by the Trustee (through deposit by the City of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof, will be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) under this subheading.

(b) If, in connection with a redemption of all or any part of the Bonds, or in connection with providing for payment of all or any part of the Bonds pursuant to the Indenture as described herein under the subheading "Defeasance", moneys and/or Defeasance Obligations are deposited with the Trustee sufficient to pay Debt Service on all or a portion of the Bonds being defeased in accordance with the provisions of the Indenture described under the subheading "Deposit of Money or Securities with Trustee to Defease Bonds" below to any date after the first date on which such Bonds may be redeemed, the City on behalf of the Authority may expressly reserve and retain the right to subsequently change the date on which any such Bonds are to be redeemed. The City may further reserve and retain the right to restructure the moneys and/or Defeasance Obligations held by the Trustee for payment such Bonds as provided in the Indenture as described in paragraphs (c), (d) or (e) under the subheading "*– Deposit of Money or Securities with Trustee to Defease Bonds*" below, and to apply any of the proceeds, which are available following such restructuring and are not needed to pay Debt Service on the Bonds being defeased, for any lawful purpose.

(c) If the City desires to reserve and retain any such rights, it shall so advise the Trustee at the time of the deposits of such funds with the Trustee and the Trustee will include a statement of such reserved and retained rights in the notice given to Owners pursuant to the Indenture. Notwithstanding the foregoing, any provisions of the Indenture which relate to:

(i) the maturity of Bonds;

(ii) the interest payments and dates thereof;

(iii) the optional and mandatory redemption provisions;

(iv) the credits against the mandatory sinking fund requirements;

(v) the exchange, transfer and registration of Bonds;

(vi) the replacement of mutilated, destroyed, lost or stolen Bonds;

(vii) the safekeeping and cancellation of Bonds;

(viii) the nonpresentment of Bonds;

(ix) the holding of moneys in trust;

(x) the repayments to the Authority from the escrow fund;

(xi) the timely payment of any rebate of arbitrage earnings to the United States and any other provisions which relate to exclusion of interest on the Bonds from gross income for federal income tax purposes; and

(xii) the duties of the Trustee in connection with all of the foregoing and payment of its fees and expenses;

will remain in effect and will be binding upon the Authority, the Trustee and the Owners, notwithstanding the release, discharge and satisfaction of the Indenture. The provisions of the Indenture described under this paragraph (c) will survive the release, discharge and satisfaction of the Indenture.

Deposit of Money or Securities with Trustee to Defease Bonds

(a) Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and available for such purposes.

(b) Subject to the provisions of paragraphs (c) and (d) under this subheading, any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid, within the meaning and with the effect expressed in paragraph (a) under the subheading "– *Discharge of Indenture*" above, if:

(i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City upon behalf of the Authority will have given to the Trustee written instructions, accepted in writing by the Trustee, to mail as provided in the Indenture notice of redemption of such Bonds (other than Bonds which have been purchased or otherwise acquired by the City and delivered to the Trustee as provided in the Indenture prior to the mailing of such notice of redemption);

(ii) there will have been deposited with the Trustee (or another trust company selected by the City which meets the requirements of the Indenture), in trust for the Owners of such Bonds, either moneys in an amount which shall be sufficient, or Defeasance Obligations (including any Defeasance Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient (without regard to further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, which earnings are to be held likewise in trust and so committed, except as provided in the Indenture) to pay when due the Debt Service due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be;

(iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the City upon behalf of the Authority will have given written instructions to the Trustee in form satisfactory to it to mail a notice to the Owners of such Bonds, within 15 days of the date on which the Bonds are deemed to be paid and discharged, at their address as it appears on the Registration Books on that date on which such Bonds are deemed to be paid and discharged. The notice will: (1) state the numbers of the Bonds deemed to be paid and discharged, or will state that all Bonds of a particular Series are deemed to be paid and discharged; (2) that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the terms of the Indenture described under this subheading; and (3)state such maturity or redemption date upon which moneys are expected to be available for the payment of the Debt Service on said Bonds (other than Bonds which have been purchased or otherwise acquired by the City and delivered to the Trustee as provided in the Indenture provided prior to the mailing of the notice of redemption referred to in clause (i) under this subheading);

(iv) the Trustee will have received a report of an independent firm of certified public accountants or a financial consulting firm of recognized standing in the field of municipal bonds to the effect that the amount of principal of and interest when due on the Defeasance Obligations and any money deposited at the same time with the Trustee shall be sufficient to pay when due the Debt Service due and to become due on said Bonds prior to and on the redemption or maturity date thereof, as the case may be; and

(v) if the Bonds deemed paid with Defeasance Obligations were issued as obligations the interest on which was excluded from gross income for federal tax purposes, then the City will furnish to the Trustee an opinion of Bond Counsel to the effect that the provisions for paying such Bonds (assuming compliance by the Authority, the City and the Trustee with their duties under the Indenture and any related escrow agreement) will not, by itself, cause such Bonds to lose such exclusion.

Any notice of redemption mailed pursuant to (i) with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity within a Series will specify the letter and number or other distinguishing mark of each such Bond.

Defeasance Obligations will consist of securities which are not subject to redemption prior to their maturity other than at the option of the holder thereof, or will consist of securities as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date.

(c) The Trustee will, if so directed by the City, (i) prior to the maturity date of Bonds that have been deemed to have been paid in accordance with the provisions of the Indenture described under this subheading (the "Defeased Bonds") which are not to be redeemed prior to their maturity date or (ii) prior to mailing of the notice of redemption referred to in clause (i) above with respect to any Defeased Bonds which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee for such Defeased Bonds and redeem or sell Defeasance Obligations so deposited with the Trustee and apply the proceeds thereof to the purchase of such Defeased Bonds and the Trustee shall immediately thereafter cancel all such Defeased Bonds so purchased; provided, however, that the moneys and Defeasance Obligations remaining on deposit with the Trustee after such purchase and cancellation of such Defeasance Bonds must be determined by the Trustee to be sufficient to pay when due the Debt Service due or to become due on all remaining unpaid Defeased Bonds, in respect of which such moneys and Defeasance Obligations are being held by the Trustee, on or prior to the redemption date or maturity date thereof, as the case may be.

(d) If, at any time (i) prior to the maturity date of Defeased Bonds which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (i) with respect to any Defeased Bonds which are to be redeemed on any date prior to their maturity, the City shall purchase or otherwise acquire any such Defeased Bonds and deliver such Defeased Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee will immediately cancel all such Defeased Bonds so delivered; and such delivery of Defeased Bonds to the Trustee shall be accompanied by Written Direction from the City to the Trustee as to the manner in which such Defeased Bonds are to be applied against the obligation of the Trustee to pay or redeem Defeased Bonds. Such directions of the City will also specify the portion, if any, of such Defeased Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to pay Defeased Bonds upon their maturity date or dates and the portion, if any, of such Defeased Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to redeem Defeased Bonds on any date or dates prior to their maturity.

(e) If on any date: (i) as a result of any purchases, acquisitions and cancellations of Defeased Bonds as provided in the Indenture as described under this subheading the total amount of moneys and Defeasance Obligations remaining on deposit with the Trustee under the Indenture as described under this subheading is in excess of the total, determined by the Trustee, which would have been required to be deposited with the Trustee on such date in respect of the remaining unpaid Defeased Bonds in order to satisfy

paragraph (b)(ii) under this subheading, the Trustee will, if requested by the City in Written Certificate, sell specified Defeasance Obligations and transfer the amount of such excess as directed by the City; or (ii) the City directs the Trustee in Written Certificate to sell and re-invest specified Defeasance Obligations as directed by the City;

then before any such excess is so transferred or any such Defeasance Obligations sold and re-invested, as applicable, the Trustee shall have received a report, of an independent firm of certified public accountants or a financial consulting firm of recognized standing in the field of municipal bonds, to the effect that the amount of money and the principal of and interest when due on the Defeasance Obligations remaining on deposit with the Trustee after such transfer or sale or re-investment, as applicable, will be sufficient to pay when due the Debt Service due and to become due on said unpaid Defeased Bonds on or prior to the redemption or maturity date thereof, as the case may be.

(f) Except as otherwise provided under this subheading, neither Defeasance Obligations nor moneys deposited with the Trustee pursuant to this subheading nor principal or interest payments on any such Defeasance Obligations will be withdrawn or used for any purpose other than, and will be held in trust by the Trustee solely for, the payment of the Debt Service on the Defeased Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee (i) to the extent such cash will not be required at any time for such purpose as determined by the Trustee, will be transferred as directed by the City, and (ii) to the extent such cash will be required for such purpose at a later date, will, to the extent practicable and as directed by the City, be reinvested by the Trustee in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the Debt Service due on said remaining unpaid Defeased Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be transferred as directed by the City.

Miscellaneous

Liability of Authority Limited to Revenues

Notwithstanding anything in the Indenture or in the Bonds contained, the Authority will not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but will not be required to, advance for any of the purposes of the Indenture any funds of the Authority which may be made available to it for such purposes.

Limitation of Rights to Parties and Bond Owners

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

Unclaimed Funds

Notwithstanding any provisions of the Indenture, and subject to applicable provisions of State law, any moneys held by the Trustee in trust for the payment of the principal of, premium, if any, or interest on, any Bonds and remaining unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, will be repaid to the City free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that

before the repayment of such moneys to the City as aforesaid, the Trustee shall (at the written request and cost of the City) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof. Thereafter, the Owner of such Bond will look only to the City for payment and then only to the extent of the amount so returned to the City without any interest thereon, and the Trustee will have no responsibility with respect to such money. During any period in which the Trustee holds such unclaimed money, the Trustee will not be required to invest such money; nonetheless if the Trustee should invest such money any earnings on such amounts shall be remitted to the City as such earnings are realized.

Waiver of Notice; Requirement of Mailed Notice

Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Evidence of Acts of Owners

(a) Any request, direction, consent or other instrument provided to be signed and executed by the Owners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Owners in person or by agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Indenture and will be conclusive in favor of the Trustee, Authority and City, with regard to any action taken by them, or either of them, under such request or other instrument, namely:

(i) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Bonds shall be proved by the Registration Books.

Nothing under this subheading will be construed as limiting the Trustee to the proof specified in the Indenture, it being intended that the Trustee may accept any other evidence of the matters stated in the Indenture which it may deem sufficient including, without limitation, an affidavit evidencing beneficial ownership of Bonds while the Bonds are held in book-entry only system.

(b) Any action taken or suffered by the Trustee pursuant to any provision of the Indenture, upon the request or with the assent of any person who at the time is the Owner of any Bond or Bonds, will be conclusive and binding upon all future Owners of the same Bond or Bonds.

(c) Any request, consent, or other instrument or writing of the Owner of any Bond will bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Holidays

If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, will be a legal holiday or a day on which the Authority, the City, the Trustee or banking institutions in the State are authorized by law or otherwise to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which the Authority, the City, the Trustee or such banking institutions are authorized by law or otherwise to remain closed, with the same force and effect as if done on the nominal date provided in the Indenture, and no interest shall accrue for the period after such nominal date.

Waiver of Personal Liability

No member, officer, agent or employee of the Authority will be individually or personally liable for the payment of the principal of or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing in the Indenture contained will relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

THE LEASE

Certain provisions of the Lease are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Lease.

The Leased Property

Lease of the Leased Property; Title to Leased Property

The Authority subleases to the City, and the City subleases back from the Authority, the Leased Property, all on the conditions and terms set forth in the Lease. The City agrees and covenants that during the term of the Lease, except as provided in the Lease, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated thereby and so as to permit the Authority to carry out its agreements and covenants contained the Lease and in the Indenture, and the City thereby further agrees and covenants that during the term of the Lease that it will not abandon or vacate the Leased Property.

During the term of the Lease, title to all moveable property (i) that is located on, in or about the Leased Property on the Closing Date, or (ii) that is placed on, in or about Leased Property by the City at any time thereafter during the term of the Lease, will remain the property of the City (or property of the City's tenant, as provided in the lease between the City and such tenant). During the term of the Lease, the Authority will hold leasehold title to the Leased Property and any and all additions which comprise fixtures, repairs, replacements or modifications thereof, except for any items added to the Leased Property by the City pursuant to the terms of the Lease.

If both the Trustee's and the City's estate under the Lease or any other lease relating to the Leased Property or any portion thereof will at any time for any reason become vested in one owner, the Lease and the estate created thereby will not be destroyed or terminated by the doctrine of merger unless the City and the Trustee so elect as evidenced by recording a written declaration so stating; and unless and until the City and the Trustee so elect, the Authority will continue to have and hold a leasehold estate in the Leased Property pursuant to the Site Lease throughout the term thereof and the term of the Lease, and the Lease will be deemed and constitute a sublease of the Leased Property. The City covenants not to permit or consent to any such merger as long as any Bonds are Outstanding.

Quiet Enjoyment

The parties to the Lease mutually covenant that the City, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained in the Lease and is not in default under the Lease, will at all times during the term of the Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Right of Entry and Inspection

The Authority will have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under the Lease and for all other lawful purposes.

Additions and Improvements to Leased Property; Mechanics Liens

The City will have the right during the term of the Lease to make any additions or improvements to the Leased Property, to attach fixtures, structures or signs, and to affix any personal property to the Leased Property, so long as the fair rental value of the Leased Property is not thereby reduced. Title to all fixtures, equipment or personal property, which is placed by the City in or on the Leased Property, will remain in the City to the extent that such items may be removed from the Leased Property without damage thereto. Title to any personal property, improvements or fixtures placed in or on any portion of the Leased Property by any sublessee or licensee of the City shall be controlled by the sublease or license agreement between such sublessee or licensee and the City, which sublease or license agreement will not be inconsistent with the Lease.

In the event the City will at any time during the term of the Lease cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the City shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon, about or relating to the Leased Property and will keep the Leased Property free of any and all liens against the Leased Property or the Authority's interest therein, except for Permitted Encumbrances. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the City shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien will be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City shall forthwith pay and discharge or cause to be paid and discharged such judgment.

Substitution, Removal or Addition of Leased Property

(a) The City and the Authority may amend the Lease and Site Lease to: (i) substitute real property and/or improvements (the "Substituted Property") for all or a portion of the existing Leased Property; (ii) remove all or a portion of real property (including undivided interests therein) or improvements ("Removal") from the definition of Leased Property; or (iii) to add real property and/or improvements (the "Added Property") to the Leased Property, upon compliance with all of the applicable conditions set forth in paragraph (b). After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected will be released from the leasehold under the Lease and under the Site Lease.

(b) No Substitution, Addition or Removal shall take place under the Lease and under the Site Lease until the City delivers to the Authority and the Trustee each of the following:

(i) Executed counterparts (in proper recordable form) of amendments to the Site Lease and the Lease, containing: (A) in the event of a Removal, a legal description of all or part of the

Leased Property to be released; (B) in the event of a Substitution, a legal description of the Substituted Property to be substituted in its place; and (C) in the case of an Addition, a legal description of the Added Property.

(ii) A certificate of the City, evidencing that the annual fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost of such Substitution or Addition to the City) of the property that will constitute the Leased Property after such Addition, Substitution or Removal, will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current Lease Year or in any subsequent Lease Year during term of the Lease. At the sole discretion of the City, in the alternative, in the event of a Substitution only, the certificate of the City may evidence that the annual fair rental value of the new property is at least equal to that of the Substituted Property.

(iii) An Opinion of Counsel to the effect that: (A) the amendments to the Lease and to the Site Lease in connection with such Substitution, Addition or Removal of property have been duly authorized, executed and delivered and constitute the valid and binding obligations of the City and the Authority enforceable in accordance with their terms; and (B) the Substitution, Addition or Removal is authorized or permitted under the Lease.

(iv) With respect to an Addition or Substitution of property, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies, resulting in title insurance with respect to the Leased Property after such Addition or Substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, will name the Authority and Trustee as the insured, and shall insure the leasehold estate of the Authority and the Trustee, as assignee of the Authority, in such real property subject only to Permitted Encumbrances.

(v) In the event of a Substitution or Addition, an opinion of the City Attorney of the City to the effect that the exceptions, if any, contained in the title insurance policy referred to in (iv) above (A) constitute Permitted Encumbrances and (B) do not substantially interfere with the use and occupancy of the Substituted Property or Added Property described in such policy by the City for the purposes of leasing or using the Substituted Property or Added Property.

(vi) An Opinion of Bond Counsel that the Substitution, Addition and/or Removal will not, in and of itself, cause the interest on any Bonds to be includable in gross income of the Owners thereof for federal income tax purposes.

(vii) A Certificate of the City stating that the City has complied with the requirements of the Lease pertaining to fire and extended coverage insurance and use and occupancy insurance with respect to the Substituted or Added Property.

(viii) In the event the Added Property is under construction at the time such property is added to the Lease, the following additional conditions will be satisfied: (A) interest on the Additional Bonds issued to finance such property may be capitalized for a period of at least six months past the estimated completion date of the property; and (B) the City will have entered into a construction contract for the Added Property.

(ix) In the event of a Substitution or Addition, a certified copy of a resolution duly adopted by the City Council of the City authorizing the amendments to the Lease and to the Site Lease in connection with such Substitution or Addition.

Term of the Lease

Commencement of the Lease; Term of Lease

The term of the Lease will commence on the Closing Date, and will end on the Expiry Date, unless the Expiry Date is extended or is sooner terminated as provided under the Lease. If on the Expiry Date, the stated rental payable under the Lease will not be fully paid and all Bonds will not be fully paid and defeased as provided under the Indenture, or if the rental payable under the Lease will have been abated at any time or for any reason, then the term of the Lease will be extended until the first Business Day following the day the rental payable under the Lease will be fully paid and all Bonds will be fully paid and defeased as provided under the Indenture; provided, however, that the term of the Lease will be extended until all Bonds have been fully paid and defeased as provided under the Indenture, except the term of the Lease will in no event be extended beyond 10 years after the then existing Expiry Date.

If prior to the Expiry Date, the rental payable under the Lease will be fully paid and all Bonds will have been fully paid or defeased in accordance with the Indenture, the term of the Lease will end immediately upon the City providing written notice from the Trustee to the Authority to the effect that all Bonds have been fully paid or defeased in accordance with the Indenture.

The City will take possession of the Leased Property on the Closing Date, and the obligation of the City to pay Base Rental Payments and Additional Rental will commence on the Closing Date, subject to the limitations of the Lease.

Tax Covenants

Tax Covenants for Series 2014A Bonds

(a) The City covenants that it will use, and will restrict the use and investment of, the proceeds of the Series 2014A Bonds in such manner and to such extent as may be necessary so that: (1) the Series 2014A Bonds will not (A) constitute private activity bonds arbitrage bonds or hedge bonds under Section 141, 148 or 149 of the Code, or (B) be treated other than as obligations to which Section 103 of the Code applies, and (ii) the interest thereon will not be treated as a preference item for purposes of the federal alternative minimum tax.

(b) The City further covenants (i) that it will take or cause to be taken such actions that may be required of it for the interest on the Series 2014A Bonds to be and remain excluded from gross income for federal income tax purposes, (ii) that will not take or authorize to be taken any actions that would adversely affect that exclusion, and (iii) that it, or persons acting for it, will, among other acts of compliance, (A) apply the proceeds of the Series 2014A Bonds to governmental purposes, (B) restrict the yield on investment property, (C) make timely and adequate payments to the federal government as required under the Tax Certificate, (D) maintain books and records and make calculations and reports, and (E) refrain from certain uses of those proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code.

(c) The Authorized Representative of the City is hereby authorized: (i) to make or effect any election, selection, designation, choice, consent, approval, or waiver on behalf of the City with respect to the Series 2014A Bonds as the City is permitted or required to make or give under the federal income tax laws, including, without limitation thereto, any of the elections provided for in Section 148(f)(4)(B) and (C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the Series 2014A Bonds or interest thereon or assisting compliance with requirements for the purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties or making payments of special amounts in lieu of making computations determined by that officer, which action shall be in writing and signed by the Authorized Representative, (ii) to take any and all other actions, make or obtain calculations, make payments and make or give reports, covenants and

certifications of and on behalf of the City, as may be appropriate to assure the exclusion of interest from gross income and the intended tax status of the Series 2014A Bonds, and (iii) to set forth in the Tax Certificate and/or in one or more appropriate certificates of the City, for inclusion in the transcript of proceedings for the Series 2014A Bonds, the reasonable expectations of the City regarding the amount and use of all the proceeds of the Series 2014A Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the interest represented by the Series 2014A Bonds.

(d) The City may create, or may direct the Trustee to create, such accounts or sub-accounts in any fund or account held under the Indenture as it shall deem necessary or advisable in order to comply with the foregoing covenants and the Tax Certificate.

Rental Payments

Rental Payments

The City agrees, subject to the terms of the Lease, to pay to the Trustee, as assignee of the Authority pursuant to the Indenture, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

Base Rental Payments. The City will pay, from any and all legally available funds, to the Trustee, as assignee of the Authority, the Base Rental Payments with respect to the Leased Property at the times and in the amounts set forth in the Base Rental Payment Schedule attached to the Lease as Exhibit B and incorporated therein. The obligation of the City to pay Base Rental Payments (and Additional Rental) will commence on the Closing Date. Notwithstanding the foregoing, the City will deposit with the Trustee not later than (i) the Lease Payment Date six months preceding each Interest Payment Date and (ii) if principal is payable on other than an Interest Payment Date, the third Business Day preceding each date on which principal is due, the Base Rental Payment due on such date, as the case may be, and the same will be held by the Trustee as security for the Base Rental Payments due on such dates.

If the term of the Lease will have been extended pursuant to the terms thereof, Base Rental Payment installments will continue to be due on the third Business Day preceding any date payment of principal of or interest on any Bonds is due, continuing to and including the date of termination of the Lease.

Additional Rental. The City will also pay, as rental under the Lease in addition to the Base Rental Payments, to the Authority or the Trustee, as hereinafter provided, such amounts, if any, in each year as will be required for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Site Lease or the Lease or the assignment of the Lease pursuant to the Indenture or the respective interests in the Leased Property and the lease of the Leased Property by the Authority to the City under the Lease, including but not limited to all fees, costs and expenses and all administrative costs of the Authority relating to the Leased Property including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee (to the extent not paid or otherwise provided for out of the proceeds of the sale of the Bonds), fees of auditors, accountants, attorneys or engineers, insurance premiums, rebate amounts payable to the United States pursuant to the Tax Certificate, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or the Indenture, or otherwise incurred in connection with the administration of the Lease or of the Indenture.

(a) The foregoing Additional Rental, if any, will be billed to the City by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority, the Trustee or the Trustee on behalf of the Authority, for one or more of the items above described, or that such amount is then so payable for such items. Amounts so billed will be paid by the City

not later than the latest time as such amounts may be paid without penalty or, if no penalty is associated with a late payment of such amounts, within 30 days after receipt of a bill by the City for such amounts.

(b) The Authority may issue bonds and may enter into leases to finance facilities other than the Leased Property. The administrative costs of the Authority will be allocated among said facilities and the Leased Property, as hereinafter in this paragraph provided. Any taxes levied against the Authority with respect to the Leased Property, the fees of the Trustee, and any other expenses directly attributable to the Leased Property will be included in the Additional Rental payable under the Lease. Any taxes levied against the Authority with respect to real property other than the Leased Property, the fees of any trustee or paying agent under any resolution securing other bonds of the Authority or any trust agreement or indenture other than the Indenture, and any other expenses directly attributable to any facilities other than the Leased Property, will not be included in the administrative costs of the Leased Property and will not be paid from the Additional Rental payable under the Lease. Any expenses of the Authority not directly attributable to any particular project of the Authority will be equitably allocated among all such projects, including the Leased Property, in accordance with sound accounting practice. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the Authority to consider the question and render an opinion thereon, shall be final and conclusive determination as to such allocation. The Trustee may conclusively rely upon a certificate of the Authority in making any determination that costs are payable as Additional Rental under the Lease, and will not be required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Leased Property.

Consideration for Leasehold Estate and Fair Rental Value. Payments of Base Rental Payments and Additional Rental for each Lease Year or portion thereof during the term of the Lease will constitute the total rental for such Lease Year or portion thereof and will be paid or payable by the City from funds of the City lawfully available therefor for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Leased Property by the City for and during such Lease Year.

The City has determined and certified to the Trustee and the Authority on the Closing Date that such total rental in any Lease Year is not in excess of the total fair rental value of the Leased Property for such Lease Year. In making such determination, the City has considered a variety of factors including: (i) the uses and purposes served by the Leased Property and the benefits therefrom that will accrue to the City by reason of the Lease and to the general public by reason of the City's use and occupancy of the Leased Property, including the general public's use of portions of the Leased Property; (ii) the replacement costs of the existing improvements on the Leased Property; (iii) third-party or City appraisals; and (iv) upon payment of all rental due under the Lease and the termination of the Lease and the Site Lease, the transfer by the Authority to the City, pursuant to of the Site Lease and without any additional payment or consideration by the City, of all of the Authority's right, title and interest with respect to the Leased Property.

The parties acknowledge under the Lease that the parties may amend the Lease from time to time to increase the Base Rental Payments payable under the Lease so that Additional Bonds may be executed and delivered pursuant to the provisions of the Lease and of the Indenture. Notwithstanding anything to the contrary contained in the Lease, the Lease may not be amended in a manner such that the sum of Base Rental Payments (including Base Rental Payments payable pursuant to such amendment) and Additional Rental with respect to Outstanding Bonds and Additional Bonds, in any Lease Year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the City under the Lease for such Lease Year, after giving effect to the application of proceeds of any Additional Bonds executed and delivered in connection therewith.

Application of Rental Payments

All rental payments received will be applied: first to the Base Rental Payments due under the Lease (including any prepayment premium components); and thereafter to all Additional Rental due under the Lease,

but no such application of any payments which are less than the total rental due and owing will be deemed a waiver of any default under the Lease.

Rental Abatement

(a) Except to the extent of (i) amounts held by the Trustee in the Interest Account or Principal Account of the Revenue Fund, (ii) amounts received in respect of use and occupancy insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect or condemnation, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, rental payments due under the Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Rental, in which case rental payments shall be abated only by an amount equal to the difference. In the case of abatement relating to the Leased Property, the amount of annual rental abatement will be such that the resulting Base Rental Payments in any Lease Year during which such interference continues, excluding any amounts described in clauses (i), (ii), (iii) above, do not exceed the annual fair rental value for each Lease Year of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of an Authorized Representative of the City. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of title defect or substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

In the event the City will assign, transfer or sublease any or all of the Leased Property or other rights under the Lease, as permitted by the Lease, for purposes of determining the annual fair rental value available to pay Base Rental Payments and Additional Rental, annual fair rental value of the Leased Property will first be allocated to the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Repair and Maintenance; Taxes and Assessments; Insurance; Modification of the Leased Property" in the front part of this Official Statement.

(b) Any abatement of rental payments pursuant to the Lease as described under this subheading will not be considered an Event of Default as defined in the Lease, but will result in the extension of the Expiry Date by a period equal to the period of abatement for which Base Rental Payment has not been paid in full (but in no event later than 10 years after the then existing Expiry Date), and Base Rental Payment for such extension period will be equal to the unpaid Base Rental Payments during the period of abatement but without interest thereon. The City waives the benefits of California Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease by virtue of any such interference and the Lease shall continue in full force and effect.

(c) In the event that rental is abated, in whole or in part, pursuant to the Lease as described under this subheading due to damage, destruction, title defect or condemnation of any part of the Leased Property and the City is unable to repair, replace or rebuild the Leased Property from the Net Proceeds, if any, the City agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

(d) The City acknowledges and agrees under the Lease that during any period of abatement with respect to all or any part of the Leased Property, the Trustee on behalf of the City will use the proceeds of use and occupancy insurance to make payments of principal and interest on the Bonds.

(e) The City has the option, but not the obligation, to deliver Substituted Property for all or a portion of the Leased Property pursuant to the Lease during any period of abatement.

Prepayment of Base Rental Payments

The Authority grants an option to the City to prepay the principal component of the Base Rental Payments in full, or in part, without premium.

Said option will be exercised by the City by giving written notice to the Authority and the Trustee of the exercise of such option at least forty five (45) days prior to the due date of such Base Rental Payment. Such option will be exercised in the event of prepayment in full, by depositing with said notice cash in an amount, which, together with amounts then on deposit in the Insurance and Condemnation Fund and the Revenue Fund, will be sufficient to pay the aggregate unpaid Base Rental Payments on said due date as set forth in Exhibit B to the Lease, together with any Base Rental Payments then due but unpaid, or, in the event of prepayment in part, by depositing with said notice cash equal to the amount desired to be prepaid (the principal component of which shall be an amount divisible by $5,000) together with any Base Rental Payments then due but unpaid. In the event of prepayment in part, the partial prepayment will be applied against Base Rental Payments in such manner as the City will determine and if the City will fail to make such determination, starting with the next succeeding payment dates. Base Rental Payments due after any such partial prepayment shall be in the amounts set forth in a revised Base Rental Payment Schedule which shall be provided by, or caused to be provided by, the City to the Trustee and which will represent an adjustment to the schedule set forth in Exhibit B attached to the Lease taking into account said partial prepayment.

Obligation to Make Rental Payments

The agreements and covenants on the part of the City contained in the Lease will be deemed to be and will be construed to be duties imposed by law and it will be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the agreements and covenants contained in the Lease agreed to be carried out and performed by the City.

THE OBLIGATION OF THE CITY OF SAN DIEGO TO MAKE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE COUNTY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Bonds

In addition to the Prior Bonds and the Series 2014A Bonds to be executed and delivered under the Indenture, the Authority may, from time to time at the request of the City, but only upon satisfaction of the conditions to the execution and delivery of Additional Bonds set forth in the Indenture, enter into a Supplemental Indenture to authorize Additional Bonds the proceeds of which may be used as provided in the Indenture and as provided in the Supplemental Indenture; provided that prior to or concurrently with the execution and delivery of the Additional Bonds, the City and the Authority will have entered into an amendment to the Lease providing for an increase in the Base Rental Payments to be made under the Lease to pay Debt Service on such Additional Bonds, subject to the limitations set forth in the Lease pertaining to fair rental value.

Maintenance; Taxes; Insurance and Other Charges

Insurance

(a) The City will adjust all moneys which may become due and payable under any policies contemplated by the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Fire and Extended Coverage Insurance" and "– Use and Occupancy Insurance" in the front part of this Official Statement, may compromise any and all claims thereunder and will cause the deposit of the Net Proceeds with the Trustee for application as provided in the Lease or in the Indenture. The Trustee will not be responsible for the sufficiency of any insurance required under the Lease. The Trustee will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the City.

(b) Any insurance policy issued pursuant to the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Fire and Extended Coverage Insurance" in the front part of this Official Statement will be so written or endorsed as to make losses, if any, payable to the City, the Authority and the Trustee as their respective interests may appear and the Net Proceeds of such insurance will be applied as provided in the Lease as described herein under "– Damage, Destruction, Title Defect and Condemnation." The Net Proceeds, if any, of such insurance policy shall, to the extent that such proceeds are paid on account of loss or damage to the Leased Property, be payable to the Trustee and deposited in the Insurance and Condemnation Fund and applied as described in the Indenture. The Net Proceeds, if any, of the insurance policy described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Use and Occupancy Insurance" in the front part of this Official Statement will, to the extent that such proceeds relate to the use and occupancy of the Leased Property, be payable to the Trustee and deposited in the Revenue Fund. Each insurance policy provided for in the Lease shall contain a provision to the effect that the insurance company will not cancel the policy or modify it materially and adversely to the interests of the Authority and the Trustee without first giving written notice thereof to the Authority and the Trustee at least 60 days in advance of such intended cancellation or modification. If the insurance carrier cannot include this notice provision, the policy will require the insurance company to so notify the Authority and the Trustee.

(c) By the date each year that is 30 days after the effective date of the insurance policies, the City's Insurance Consultant will certify to the City that the type of insurance required by the Lease is in place, subject to subsequent confirmation of the certificates and endorsements. The City will file a certificate with the Trustee not later than nine months following the effective date of the insurance policies each year, commencing in 2012, certifying that the insurance required by the Lease is in full force and effect and that the Trustee and the Authority are named as loss payees on each insurance policy which the Lease requires to be so endorsed.

(d) As an alternative to providing the insurance required under the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Fire and Extended Coverage Insurance" in the front part of this Official Statement, or any portion thereof, through a commercial insurance policy, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection shall afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. Before such self-insurance method or plan may be provided by the City, and annually thereafter on or before April 1 of each year so long as such method or plan is being provided to satisfy the requirements of the Lease, the City will file with the Trustee:

(i) a Written Certificate of the City describing such self-insurance method or plan;

(ii) a Written Certificate of an Insurance Consultant stating that, in the opinion of the signer, such self-insurance method or plan is in accordance with the requirements of this Section and, when effective, will afford reasonable coverage for the risks required to be insured against under the

Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Fire and Extended Coverage Insurance" in the front part of this Official Statement; and

(iii) a Written Certificate of City stating that, during the time such method or plan is in effect and all of the risks described in the provisions of the Lease relating to fire and extended coverage insurance are not covered by policies of insurance, the policies of use and occupancy insurance required by the Lease will remain in effect.

In the event of loss covered by any such self-insurance method or plan, the liability of the City with respect to the damaged portion of the Leased Property will be limited to the amounts in the self-insurance reserve fund or funds created under such method or plan.

Advances

In the event the City will fail to maintain the full insurance coverage required by the Lease or will fail to keep the Leased Property in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority will become Additional Rental, which amounts the City agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Damage, Destruction, Title Defect and Condemnation

Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds

(a) If prior to the termination of the term of the Lease, (i) the Leased Property or any improvements in or on the Leased Property are damaged (each of which is hereinafter called "Damaged Improvements") by a peril covered by a policy of insurance described the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Fire and Extended Coverage Insurance" in the front part of this Official Statement (an "Insured Peril"); or (ii) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the City or the Authority in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority will cause the Net Proceeds of any insurance claim (other than use and occupancy insurance as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Use and Occupancy Insurance" which shall be directly transferred to the Trustee for deposit in the Revenue Fund pursuant to the Lease) or condemnation award to be transferred to the Trustee for deposit in the Insurance and Condemnation Fund established pursuant to the Indenture and applied by the Trustee as follows:

(i) *Net Proceeds Exceeding Costs*. Within 120 days of the date of said Insured Peril, the City will obtain a written estimate(s) of the (i) cost of the repair, replacement and reconstruction of the Damaged Improvements (collectively referred to herein as the "Reconstruction"); and (ii) Net Proceeds available to pay such costs. Copies of such estimate(s) will be made available to the Trustee at the Trustee's request. If the 120 day period is insufficient to obtain said estimates, the period shall be reasonably extended by the Authorized Representative of the City. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) exceed the estimated costs of Reconstruction, the Damaged Improvements will be repaired, replaced and reconstructed to the same or better quality as existed before the damage occurred. The City will commence and manage the Reconstruction and will complete the Reconstruction as soon as reasonably possible after the occurrence of such damage. Any balance of Net Proceeds remaining after the Reconstruction has been completed will be transferred by the Trustee to the Redemption Fund established under the Indenture and applied, as directed by the

City, to redeem Outstanding Bonds in the manner provided by the Indenture as described under "THE SERIES 2014A BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement.

(ii) *Costs Exceeding Net Proceeds.* If the estimated costs of Reconstruction exceed the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property), the City, in its sole discretion, may elect to budget and appropriate to the Reconstruction the amount of such excess, whether the same is greater or less than the estimated excess, and to manage the Reconstruction as set forth in paragraph (a)(5) under this subheading. The City will exercise this election by written notice thereof delivered to the Trustee within 30 days after the City obtains said written estimate(s).

(iii) *Net Proceeds Sufficient to Redeem All Bonds*. If the City does not exercise the election to reconstruct pursuant to paragraph (a)(2) above and Net Proceeds are at least sufficient to redeem all Outstanding Bonds pursuant to the Indenture as described under "THE SERIES 2014A BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement, such Net Proceeds will be transferred by the Trustee to the Redemption Fund established under the Indenture and used to redeem all Outstanding Bonds in the manner provided by the Indenture as described under "THE SERIES 2014A BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) exceed the amount necessary to redeem all Outstanding Bonds, the City will be entitled to the amount of proceeds remaining after redemption of all Outstanding Bonds ("Excess Proceeds") and will have the option (i) to distribute the Excess Proceeds to the Reconstruction and to manage the Reconstruction pursuant to paragraph (a)(5) below; or (ii) if required by law or if the City so elects, to demolish any remaining improvements on the Leased Property and remove all debris from the Leased Property.

(iv) *Net Proceeds Insufficient to Redeem All Bonds*. If the City does not exercise the election to reconstruct pursuant to paragraph (a)(2) above and Net Proceeds are insufficient to redeem all Outstanding Bonds pursuant to the Indenture as described under "THE SERIES 2014A BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement, the City, in its sole discretion, may elect to budget and appropriate funds to cause the redemption of the remaining Outstanding Bonds and the Net Proceeds, together with such funds, will be transferred to the Trustee with directions to apply the proceeds to the Redemption Fund established under the Indenture to redeem all Outstanding Bonds in the manner by the Indenture described under "THE SERIES 2014A BONDS – Redemption Provisions – *Special Mandatory Redemption*" in the front part of this Official Statement; provided, that if the City elects not to appropriate funds for the redemption of the remaining Outstanding Bonds, the City will apply Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) to the Reconstruction. If the City, in its sole discretion, elects to budget or appropriate funds for the redemption of the remaining Outstanding Bonds, the City will transfer such funds to the Trustee for deposit in the Redemption Fund established pursuant to the Indenture.

(v) *Management of Reconstruction*. If the Leased Property or any part thereof becomes Damaged Improvements, the City will promptly cause, manage and supervise the Reconstruction. Nothing described under this subheading will be construed to preclude the City from agreeing to issue a joint contract for, or otherwise cooperating in, the Reconstruction of any of the Damaged Improvements.

(b) The proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property will be applied in accordance with the Indenture as described under "THE

INDENTURE – Revenues; Funds and Accounts; Payment of Principal and Interest – *Insurance and Condemnation Fund*; *Title Insurance – Application of Insurance Proceeds*" above.

Disclaimer of Warranties; Use of the Leased Property

Disclaimer of Warranties

THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE CITY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. In no event will the Authority or its assigns be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Lease or the existence, furnishing, functioning or the City's use of the Leased Property as provided by the Lease.

Use of the Leased Property

The City will not use, operate or maintain the Leased Property in violation of any applicable law or in a manner contrary to that contemplated by the Lease. The City will provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the City agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; provided, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the City adversely affect the leasehold estate of the Authority in and to the Leased Property or its interest or rights under the Lease.

Assignment

Assignment by Authority

The parties understand that certain of the rights of the Authority under the Lease will be assigned to the Trustee pursuant to the Indenture and accordingly the City agrees to make all payments due under the Lease to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of the Lease or otherwise) that the City may from time to time have against the Authority. The City agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Authority or the Trustee to protect their interests in the Leased Property during the term of the Lease.

Assignment by City

The Lease and the interest of the City in the Leased Property may not be assigned or encumbered by the City except as permitted by the Lease as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Repair and Maintenance; Taxes and Assessments; Insurance; Modification of the Leased Property" in the front part of this Official Statement.

Default and Remedies

Default

The following events will be "Events of Default" under the Lease and the terms "Event of Default" and "Default" will mean, whenever they are used in the Lease, any one or more of the following events:

(i) the City will fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to the Lease, provided, that the failure to deposit any Base Rental Payments abated pursuant to the Lease shall not constitute an Event of Default; or

(ii) subject to the provisions of the Lease described in paragraph (c) below, the City will fail to pay any item of Additional Rental when the same will become due and payable pursuant to the Lease; or

(iii) the City will breach any other terms, covenants or conditions contained in the Lease or in the Indenture, and will (i) fail to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Trustee to the City; or (ii) if the failure stated in the notice cannot be corrected within such period, the City will fail to institute corrective action within such 60-day period and diligently pursue the same to completion; or

(iv) the City's interest in the Lease or any part thereof be assigned, sublet or transferred without the written consent of the Trustee (except as otherwise permitted by the Lease), either voluntarily or by operation of law; or

(v) the City or any assignee will file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the City shall make a general or any assignment for the benefit of its creditors; or

(vi) the City will abandon or vacate the Leased Property or any portion thereof (except as permitted by the Lease).

Upon the happening of any Event of Default, the Trustee, as assignee of the rights of the Authority pursuant to the Indenture, may exercise those remedies granted to it pursuant to law or under the Lease, subject to the terms of the Lease. The Trustee, in addition to all other rights and remedies it may have at law, will have the option to do any of the following:

(i) To terminate the Lease in the manner provided in the Lease on account of default by the City, notwithstanding any retaking of possession or re-letting of the Leased Property as hereinafter provided for in the paragraph below, and to retake possession of the Leased Property (other than the Ground Lease Sites). In the event of such termination, the City agrees to surrender immediately possession of the Leased Property (other than the Ground Lease Sites), without let or hindrance, and to pay the Trustee all damages recoverable at law that the Trustee may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such retaking possession of the Leased Property. Neither notice to pay rent nor to deliver up possession of the Leased Property given pursuant to law nor any proceeding in unlawful detainer, or otherwise, brought by the Trustee for the purpose of obtaining possession of the Leased Property nor the appointment of a receiver upon initiative of the Trustee to protect the

Trustee's interest under the Lease shall of itself operate to terminate the Lease, and no termination of the Lease on account of default by the City shall be or become effective by operation of law or acts of the parties to the Lease, unless and until the Trustee will have given written notice to the City of the election on the part of the Trustee to terminate the Lease.

(ii) Without terminating the Lease, (i) to collect each installment of rent as it becomes due and enforce any other term or provision of the Lease to be kept or performed by the City, and/or (ii) to exercise any and all rights to re-enter upon the Leased Property (other than the Ground Lease Sites). In the event the Trustee does not elect to terminate the Lease in the manner provided for under the Lease, the City shall remain liable and agrees to keep or perform all covenants and conditions contained in the Lease to be kept or performed by the City and to pay the rent to the end of the term of the Lease or, in the event that the Leased Property (other than the Ground Lease Sites) is re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as provided in the Lease as described above for the payment of rent under the Lease (without acceleration), notwithstanding the fact that the Trustee may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental specified in the Lease and notwithstanding any retaking of possession of the Leased Property (other than the Ground Lease Sites) by the Trustee or suit in unlawful detainer, or otherwise, brought by the Trustee for the purpose of obtaining possession of the Leased Property (other than the Ground Lease Sites). Should the Trustee elect to retake possession of the Leased Property (other than the Ground Lease Sites) as provided in the Lease, the City irrevocably appoints the Trustee as the agent and attorney-in-fact of the City to re-let the Leased Property (other than the Ground Lease Sites), or any items thereof, from time to time, either in the Trustee's name or otherwise, upon such terms and conditions and for such use and period as the Trustee may deem advisable and the City indemnifies and agrees to save harmless the Trustee from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any retaking of possession of and re-letting of the Leased Property (other than the Ground Lease Sites) by the Trustee or its duly authorized agents in accordance with the provisions contained in the Lease. The City agrees that the terms of the Lease constitute full and sufficient notice of the right of the Trustee to re-let the Leased Property (other than the Ground Lease Sites) in the event of such reentry without effecting a surrender of the Lease, and further agrees that no acts of the Trustee in effecting such re-letting shall constitute a surrender of termination of the Lease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that on the contrary, in the event of such default by the City, the right to terminate the Lease shall vest in the Trustee to be effected in the sole and exclusive manner provided for in subparagraph (1). The City further waives the right to rental obtained by the Trustee in excess of the rental specified in the Lease and conveys and releases such excess to the Trustee as compensation to the Trustee for its services in re-letting the Leased Property (other than the Ground Lease Sites) or any items thereof.

(iii) To collect and receive ground rent and other income derived by the City from the Existing Leases in an amount not to exceed the lesser of (i) Base Rental Payments due and owing and attributable to each Ground Lease Site as set forth in the Lease, and (ii) ground rent and other income from the Existing Leases actually received by the City.

The City waives any and all claims for damages caused or which may be caused by the Trustee in taking possession of the Leased Property as provided in the Lease and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the City, or any other person, that may be on or about the Leased Property. Notwithstanding anything to the contrary contained in the Lease, the Trustee shall not re-enter or re-let the Leased Property upon an Event of Default unless the Trustee or its sublessee agrees to perform the City's obligations under any then existing sublease, license, management contract, or other agreement substantially relating to the Leased Property, unless the other party to such sublease, license, management contract, or other agreement is in default thereunder. The Authority expressly waives the right to receive any amount from the City pursuant to

Section 1951.2(a)(3) of the California Civil Code. The City and Authority and its successors and assigns shall honor the exclusive rights of the City under the Lease to use the Leased Property, subject to the exercise of any and all rights to retake possession of the Leased Property upon the happening of any Event of Default pursuant to the Lease.

The Authority acknowledges and agrees for itself and the Trustee that its rights with respect to the Ground Lease Sites are expressly subject to the Existing Leases and the rights of the lessees and their successors and assigns thereunder. The Trustee will not re-enter or re-let the Ground Lease Sites. **Notwithstanding anything to the contrary in the Lease or the Indenture, the Authority and the Trustee must not disturb the peaceful possession of the lessees and their successors and assigns to which they are entitled under the Existing Leases.**

Each and all of the remedies given to the Trustee under the Lease or by any law now or hereafter enacted are cumulative, and the single or partial exercise of any right, power, or privilege under the Lease shall not impair the right of the Trustee to other or further exercise thereof or the exercise of any or all other rights, powers, or privileges. If the City Charter, any statute or rule of law shall limit the remedies given to the Trustee under the Lease, the Trustee nevertheless will be entitled to whatever remedies are allowable under the City Charter, any statute or rule of law, except those specifically waived in the Lease. All rights, remedies and powers provided by under the provisions of the Lease relating to default may be exercised only to the extent that the exercise thereof does not violate any applicable provision of the City Charter or law, and all of the provisions of the Lease relating to default are intended to be subject to all applicable mandatory provisions of the City Charter and law which may be controlling and to be limited to the extent necessary so that they will not render the Lease or the provisions of the Lease invalid or unenforceable under the provisions of the City Charter and any applicable law.

Notwithstanding any other provision of the Lease or the Indenture, in no event will the Trustee have the right to accelerate the payment of any Base Rental Payment under the Lease and, without limiting the generality of the foregoing, the Trustee specifically waives its rights under Section 1951.2 of the California Civil Code to accelerate payment of any Base Rental Payment in the event of default by the City. In the event the Trustee shall prevail in any action brought to enforce any of the terms and provisions of the Lease, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Trustee in attempting to enforce any of the remedies available to the Trustee under the Lease. All damages and other payments received by the Trustee as described under this subheading shall be applied in the manner set forth in the Indenture as described under "THE INDENTURE – Events of Default and Remedies – *Application of Revenues and Other Funds After Default*" herein.

Waiver

Failure of the Trustee to take advantage of any default on the part of the City will not be, or be construed as, a waiver thereof, nor will any custom or practice that may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Trustee to insist upon performance by the City of any term, covenant, or condition of the Lease, or to exercise any rights given the Trustee on account of such default. A waiver of a particular default will not be deemed to be a waiver of the same or any subsequent default. The acceptance of rental payments under the Lease shall not be, or be construed to be, a waiver of any term, covenant, or condition of the Lease.

Miscellaneous

Net Lease

The Lease is a triple net lease. It is the purpose and intent of the Authority and the City that lease payments under the Lease will be absolutely net to the Authority so that the Lease will yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed

on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the City except as specifically otherwise provided in the Lease. The Authority will not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability under the Lease except as expressly set forth in the Lease, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of the Lease shall be paid by the City.

Amendments to the Lease

The Lease may be amended in writing as may be mutually agreed by the Authority and the City, subject to the written approval of the Trustee; provided, however, that no such amendment which materially adversely affects the rights of the Owners will be effective unless it shall have been consented to by the Owners of more than 50% in principal amount of the affected Bonds Outstanding; and provided further that no such amendment shall (i) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment (except a reduction to reflect prepayment or defeasance of any Bonds pursuant to the Indenture, so long as the remaining Base Rental Payments are at least sufficient to pay Debt Service on Outstanding Bonds), without the prior written consent of the Owner of each Series of Bonds so affected; or (ii) reduce the percentage of the value of the Bonds Outstanding, the consent of the Owners of which is required for the execution of any amendment of the Lease.

The Lease and the rights and obligations of the Authority and the City under the Lease may also be amended or supplemented at any time by an amendment of the Lease or supplement to the Lease which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed in the Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved in the Lease to or conferred in the Lease on the Authority or the City, and which in either case shall not, in the judgment of the Trustee, materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Lease or in regard to questions arising under the Lease which the Authority or the City may deem desirable or necessary and not inconsistent herewith, and which shall not, in the judgment of the Trustee, materially adversely affect the interests of the Owners;

(c) to effect a Substitution, Addition or Removal in accordance with the Lease; and

(d) to facilitate the issuance of Additional Bonds;

(e) after prepayment or defeasance of any Bond, to revise Base Rental Payment Schedule to be sufficient to pay Debt Service on Bonds then Outstanding; and

(f) to make any other addition, amendment or deletion which does not, in the judgment of the Trustee, materially adversely affect the interests of the Owners.

Discharge of City

Upon the payment to the Owners of all Outstanding Bonds in accordance with the provisions of the Indenture described herein under the subheading "THE INDENTURE – Defeasance," all of the obligations of the City under the Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied.

THE SITE LEASE

Certain provisions of the Site Lease are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Site Lease.

Lease of the Leased Property

The City leases to the Authority and the Authority rents from the City, on the terms and conditions set forth in the Site Lease, the Leased Property including, but not limited to, the right, upon the occurrence of an Event of Default under the Lease, to receive rent and other income derived by the City from the Existing Leases to the extent set forth in the Lease. The Authority acknowledges the existing encumbrances on the Leased Property, including, but not limited to, with respect to the Ground Lease Sites, the Existing Leases and restrictions relating to the grant of the Hilton Resort Site to the City by the State in trust for the uses and purposes and upon the express conditions as provided in an act of legislature approved April 27, 1945 Statutes of California Chapter 143 and the rights therein reserved to the people of the State.

Term

The term of the Site Lease will commence on the Closing Date and will end on the Expiry Date, unless such term is extended or sooner terminated, all as provided in the Lease. If prior to the Expiry Date, all rental payable under the Lease shall have been paid and all Bonds have been fully paid or defeased in accordance with the Indenture, the term of the Site Lease will end immediately upon the City providing written notice from the Trustee to the Authority to the effect that all Bonds have been fully paid or defeased in accordance with the Indenture. The term of the Site Lease will not be extended beyond the Expiry Date, except as otherwise provided in the Lease.

Rent

The Authority will pay to the City an advance rent of $1.00 as full consideration for the Site Lease over its term. The Authority hereby waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Authority of the Leased Property or portion thereof as a result of material damage, destruction or condemnation.

Purpose

The Authority will use the Leased Property solely for the purpose of subleasing the same to the City pursuant to the Lease and the City leases the Leased Property to the Authority expressly on said condition; provided, however, that in the event of default by the City under the Lease, the Authority may exercise the remedies provided in the Lease; provided further, however, that any Leased Property that is dedicated parkland shall be used exclusively for park and recreation purposes pursuant to City Charter Section 55.

Owner in Fee

The City covenants that it has the right to lease the Leased Property under the Site Lease free and clear of all liens, claims or encumbrances, except Permitted Encumbrances.

Assignments and Subleases

The Authority will not assign its rights under the Site Lease or sublet the Leased Property, except as provided in the Lease and the Indenture and as security for the Bonds.

Right of Entry

The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time: to inspect the same; to make any repairs, improvements or changes necessary for the preservation thereof; to perform any of its other duties; or exercise any of its other rights, as contemplated under the Lease.

Default

In the event the Authority will be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for thirty (30) days following notice and demand by the City for correction thereof to the Authority, the City may exercise any and all remedies granted by law, except that no merger of the Site Lease and the Lease shall be deemed to occur as a result thereof; provided, however, prior to the Expiry Date, the City will have no power to terminate the Site Lease by reason of any default on the part of the Authority, if such termination would affect or impair any assignment of the Lease then in effect between the Authority and the Trustee.

Quiet Enjoyment

The Authority at all times during the term of the Site Lease will peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the City.

Eminent Domain

In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, any interests of the Authority shall be recognized in accordance with the provisions of the Lease described under "THE LEASE – Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds".

Observance and Performance under the Indenture

The City agrees and covenants that during the term of the Site Lease and so long as the Indenture remains in effect, it will observe and perform the agreements, conditions, covenants and terms required to be observed or performed by it contained in the Indenture.

Amendments

The Site Lease may be amended: (a) for the purpose of effecting an Addition, Substitution or Removal, as provided in the Lease, and (b) for any other purpose subject to the same requirements provided in the Lease for amendments to the Lease.

MTS SITE LEASE

Certain provisions of the MTS Site Lease are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the MTS Site Lease.

Lease of MTS Property

Lease of the MTS Property

MTS leases to the Authority and the Authority rents from MTS, on the terms and conditions set forth in the MTS Site Lease, the MTS Property.

Term

The term of the MTS Site Lease will commence on the Closing Date and will end on October 15, 2022 (the "Termination Date"), unless such term is extended or sooner terminated upon written agreement by the MTS and the Authority. Notwithstanding provisions of the Lease relating to substitution, removal or addition of Leased Property, on the Termination Date, the MTS Property will be released from the provisions of the Lease and the MTS Site Lease and no longer part of the Leased Property.

Termination

The Authority agrees, upon the termination of the MTS Site Lease, to quit and surrender the MTS Property in the same good order and condition as the same was in at the time of commencement of the term of the MTS Site Lease, reasonable wear and tear excepted, and agrees that any additions, improvements or alterations to the MTS Property at the time of the termination shall remain thereon and title will vest in MTS.

Rent

The Authority shall pay to MTS an advance rent of $1.00 as full consideration for the MTS Site Lease over its term. The Authority waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Authority of the MTS Property or portion thereof as a result of material damage, destruction or condemnation.

Purpose

The Authority shall use the MTS Property solely for the purpose of leasing the same to the City pursuant to the Lease and MTS leases the MTS Property to the Authority expressly on said condition and subject to the retained rights of MTS as described in the MTS Site Lease; provided, however, that in the event of default by the City under the Lease, the Authority may exercise the remedies provided in the Lease.

Owner in Fee

MTS covenants that it has the right to lease the MTS Property free and clear of all liens, claims or encumbrances, except Permitted Encumbrances.

Assignments and Subleases

The Authority shall not assign its rights hereunder or sublet the MTS Property, except as provided in the Lease and the Indenture and as security for the Bonds.

Quiet Enjoyment

The Authority at all times during the term of the MTS Site Lease will peaceably and quietly have, hold and enjoy the MTS Property without suit, trouble or hindrance from MTS.

City's Access to the MTS Property

MTS agrees that the City will have the right during MTS' normal working hours on MTS' normal working days to examine and inspect the MTS Property for the purpose of assuring that the MTS Property is being properly maintained, preserved, and kept in good repair, working order and condition. MTS further agrees that the City will have such rights of access to the MTS Property as may be reasonably necessary to cause the proper maintenance of the MTS Property in the event of failure by MTS to perform its obligations under the MTS Site Lease.

Manufacturer's Warranties

MTS expressly acknowledges that neither the City nor the Authority makes, or has made, any representation or warranty whatsoever as to the existence or availability of warranties of the manufacturer or supplier of any item to be incorporated in the MTS Property.

Tax Covenant

MTS covenants with the Authority that it will make no use of the proceeds of the Bonds, or the MTS Property or of any income attributable thereto, which would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Internal Revenue Code of 1986, as amended, to be "private activity bonds" within the meaning of Section 141 of such Code, or otherwise cause the Bonds to not be excludable from gross income under Section 103 of the Code.

Eminent Domain

In the event the whole or any portion of the MTS Property is taken by eminent domain proceedings, any interests of the Authority shall be recognized in accordance with the provisions of the Lease described under "THE LEASE – Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds."

Retained Rights and Obligations of MTS

MTS Right of Entry

MTS reserves the right to continue to perform, maintain and manage its operations, on, in and through the MTS Property and for any of its duly authorized representatives, employees and agents to enter upon the MTS Property at any reasonable time: to inspect the same; to operate, make any repairs, improvements or changes necessary for the preservation thereof, including maintenance of the MTS Property as described below; to perform any of its other duties; or exercise any of its other rights, as contemplated by the MTS Site Lease.

Maintenance of Property by MTS

MTS agrees that at all times during the term of the MTS Site Lease, MTS will, at MTS' own cost and expense, maintain, preserve and keep the MTS Property in good repair, working order and condition, and that MTS will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals thereto. MTS will at its own expense, provide or cause to be provided all security service, custodial service, power, gas, telephone, light, heating and water, and all other public utility services for the MTS Property.

Additions and Improvements

MTS shall have the right during the term of the MTS Site Lease to make any additions or improvements to the MTS Property, to attach fixtures, structures or signs, and to affix any personal property to the improvements on the MTS Property, provided the use of the MTS Property for the purposes contemplated in the MTS Site Lease is not impaired and provided the value of the MTS Property is not impaired. MTS will have the right in its discretion and without the approval of the City or the Authority to acquire, construct, install and provide for the financing of additional improvements and facilities with respect to the MTS Property and provided the value of the MTS Property is not impaired. Title to all personal property which is part of the MTS Property shall remain in the name of MTS. The title to any personal property, improvements or fixtures placed on the MTS Property by MTS shall remain in the name of MTS.

Taxes, Other Governmental and Utility Charges

MTS will pay during the term of the MTS Site Lease, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the MTS Property, as well as all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the MTS Property; provided that, with respect to any governmental charges that may lawfully be paid in installments over a period of years, MTS will be obligated to pay only such installments as have accrued during the time the MTS Site Lease is in effect.

Insurance

MTS shall maintain, or cause to be maintained, the same policies of insurance with respect to the MTS Property as the policies of insurance required to be maintained with respect to the Leased Property under the Lease.

Release and Indemnification of the City, the Trustee and the Authority

To the extent permitted by law, MTS will defend, protect, hold harmless and indemnify the City, the Authority, the Trustee, and the employees, directors and officers of each from and against any and all liability, obligations, claims and damages whatsoever, regardless of cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of the MTS Site Lease, the ownership of the MTS Property, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any item of equipment, or any accident in connection with any of the foregoing resulting in damage to property or injury to or death of any person. However, MTS will not hold harmless or indemnify the Authority, the Trustee or any employee, director or officer of each for any losses which are caused by the bad faith or willful misconduct of such party.

Liens

During the term of the MTS Site Lease, MTS will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the MTS Property, other than the Permitted Encumbrances. MTS may construct alterations, refurbishment and improvements to the Maintenance Yard Portion (as described in the MTS Site Lease) so long as such work does not reduce the fair rental value thereof below the amount of Lease Payments attributable to the Maintenance Yard Portion which are in excess of the Lease Payments comprising the fair rental value of the Right-of-Way Portion. MTS will promptly pay or cause to be paid all sums of money that may become due for any labor, services, materials, supplies or equipment alleged to have been furnished to or for, in, upon or about the MTS Property and which may be secured by any mechanic's, materialman's or other lien against the MTS Property, or the interests of the City and the Authority therein, and shall cause each such lien to be fully discharged and released; provided, however, that the City or the Authority may (i) contest any such claim or lien without payment thereof so long as such nonpayment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event MTS shall forthwith pay and discharge such judgment or lien; or (ii) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty; unless, in the opinion of Bond Counsel, by nonpayment of any such items, the interest of the City in the MTS Property will be materially endangered or the MTS Property or any part thereof will be subject to loss or forfeiture, in which event MTS will be required promptly to pay such taxes, assessments or charges or provide the City and the Authority with full security against any loss which may result from nonpayment satisfactory to MTS, the City, the Authority and the Trustee.

Use of the MTS Property

MTS will not install, use, operate or maintain the MTS Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this MTS Site Lease. MTS shall provide

all permits and licenses, if any, necessary for the acquisition, construction, installation and operation of the MTS Property. In addition, MTS agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the MTS Property) with all laws of the jurisdictions in which its operations involving the MTS Property may extend and with all regulations, orders and decrees of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the MTS Property; provided, however, that MTS may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not adversely affect the estate of the Authority or the City in and to the MTS Property or either of their interest or rights under the Lease.

Substitution of MTS Property

MTS may request the Authority substitute or remove property for all or part of the MTS Property subject to this MTS Site Lease, but only upon compliance by MTS, at its sole expense, with all requirements for the substitution of property by the City under the Lease. The City may consent to such substitution, such consent not to be unreasonably withheld.

Assignments by MTS

Neither the MTS Site Lease nor any interest of MTS under the MTS Site Lease will, at any time after the date hereof, be mortgaged, pledged, assigned or transferred by MTS by voluntary act or by operation of law, or otherwise, except as specifically provided herein, in the Lease or pursuant to the Indenture. MTS will at all times remain liable for the performance of the covenants and conditions on its part to be performed.

Default

Default by Authority

In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms of the MTS Site Lease, which default continues for thirty (30) days following notice and demand by MTS for correction thereof to the Authority, MTS may exercise any and all remedies granted by law, except that no merger of the MTS Site Lease and the Lease will be deemed to occur as a result thereof; provided, however, prior to the Termination Date, MTS shall have no power to terminate this MTS Site Lease by reason of any default on the part of the Authority, if such termination would affect or impair the City's rights under the Lease.

Default by MTS

In the event MTS will be in default in the performance of any obligation on its part to be performed under the terms of the MTS Site Lease, which default continues for thirty (30) days following notice and demand by the City, the Authority or its assignee for correction thereof to MTS, the Authority may exercise any and all remedies granted by law, except that no merger of the MTS Site Lease and the Lease w be deemed to occur as a result thereof; provided, however, that the City, the Authority or its assignee may, upon written request of MTS prior to the expiration of such thirty (30) day period, consent to an extension of such time in order to cure such failure if corrective action has been instituted by MTS and is being diligently pursued and will, in the judgment of the City, the Authority or its assignee, be diligently pursued until the default is corrected.

Amendments

The MTS Site Lease will not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by MTS and the Authority or their successors in interest.

APPENDIX D

FORM OF BOND COUNSEL OPINION

_____, 2014

City of San Diego
San Diego, California

Public Facilities Financing Authority of the City of San Diego
San Diego, California

Re: $[AMOUNT] Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds")

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of San Diego (the "City") and the Public Facilities Financing Authority of the City of San Diego (the "Authority") in connection with the issuance by the Authority of its $[AMOUNT] Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds").

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City and the Authority taken in connection with the issuance by the Authority of the Series 2014A Bonds and have reviewed: (i) Site Lease, dated as of July 1, 2012 as amended and supplemented by the First Amendment to Site Lease, dated as of July 1, 2013 (together, the "Master Site Lease"), as amended and supplemented by the Second Amendment to Site Lease, dated as of April 1, 2014 (the "Second Amendment to Site Lease" and together with the Master Site Lease, the "Site Lease"), each by and between the City and the Authority; (ii) Facilities Lease, dated as of July 1, 2012 as amended and supplemented by the First Amendment to Facilities Lease, dated as of July 1, 2013 (together, the "Master Facilities Lease"), and as amended and supplemented by the Second Amendment to Facilities Lease, dated as of April 1, 2014 (the "Second Amendment to Facilities Lease" and together with the Master Facilities Lease, the "Lease"), each by and between the Authority and the City; (iii) the MTS Site Lease, dated as of July 1, 2013 (the "MTS Site Lease"), by and between the San Diego Metropolitan Transit System and the Authority; (iv)] the Indenture, dated as of July 1, 2012 as supplemented by the First Supplemental Indenture, dated as of July 1, 2013 (together, the "Master Indenture"), as supplemented by the Second Supplemental Indenture, dated as of April 1, 2014 (the "Second Supplemental Indenture" and together with the Master Indenture, collectively, the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as Trustee (the "Trustee"); (v) a Tax Certificate of the Authority and the City with Exhibits, dated the date hereof (collectively the "Tax Certificate"); (v) opinions of the City Attorney, counsel to the Authority and counsel to the Trustee; (vi) certificates of the City, the Trustee, the Authority and others; and (vii) such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture and the Lease.

The Series 2014A Bonds have been issued pursuant to the Marks Roos Local Bond Pooling Act of 1985, as amended (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) (the "Act"), the Indenture. The Series 2014A Bonds are dated as of their date of delivery and mature on the dates and in the amounts set forth in the Indenture. Interest on the Series 2014A Bonds is payable on the dates and at the rates per annum set forth in the Indenture. The Series 2014A Bonds are registered bonds in the forms set

forth in the Indenture and are redeemable in the amounts, at the times and in the manner set forth in the Indenture.

We have assumed the genuineness of all documents and signatures presented to us, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the preceding paragraphs of this opinion. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Lease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Series 2014A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2014A Bonds, the Indenture, the Lease and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

We express no opinion herein with respect to any indemnification, contribution, choice of law, choice of forum, penalty or waiver provisions contained in the Series 2014A Bonds, the Indenture or the Lease, nor do we express any opinion with respect to the state or quality of title to any of the real or personal property described in the Lease, or the accuracy or sufficiency of the description of any such property contained therein.

Our opinion is limited to matters governed by the laws of the State of California and federal income tax law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Series 2014A Bonds have been duly and validly authorized by the Authority and are legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer or other laws affecting creditors' rights generally, by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on remedies against public agencies in the State of California.

(2) The Second Supplemental Indenture has been duly executed and delivered by the Authority. The Indenture creates a valid pledge of the Revenues and the amounts on deposit in certain funds and accounts established under the Indenture to secure the Series 2014A Bonds, as and to the extent provided in the Indenture. The Indenture is enforceable in accordance with its terms.

(3) The Second Amendment to Facilities Lease has been duly authorized and executed by the City and the Authority and the Lease constitutes the valid and binding agreement of the City and the Authority.

(4) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Series 2014A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest (and original issue discount) may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

(5) Interest (and original issue discount) on the Series 2014A Bonds is exempt from State of California personal income tax.

(6) The difference between the issue price of a Series 2014A Bond (the first price at which a substantial amount of the Series 2014A Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Series 2014A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series 2014A Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Series 2014A Bond owner will increase the Series 2014A Bond owner's basis in the applicable Series 2014A Bond. Original issue discount that accrues to the Series 2014A Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations (as described in paragraph 3 above), and is exempt from State of California personal income tax.

(7) The amount by which a Series 2014A Bond owner's original basis for determining loss on sale or exchange in the applicable Series 2014A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the Series 2014A Bond owner's basis in the applicable Series 2014A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Series 2014A Bond premium may result in a Series 2014A Bond owner realizing a taxable gain when a Series 2014A Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2014A Bond to the owner.

The opinions expressed in paragraphs (4) and (6) above as to the exclusion from gross income for federal income tax purposes of interest and original issue discount on the Series 2014A Bonds is subject to the condition that the Authority and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2014A Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series 2014A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2014A Bonds. The Authority and the City each has covenanted to comply with all such requirements. Except as set forth in paragraphs (4) through (7) above, we express no opinion as to any tax consequences related to the Series 2014A Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate and the Lease may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the exclusion of interest (and original issue discount) on the Series 2014A Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Our engagement as Bond Counsel terminates upon the issuance of the Series 2014A Bonds and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken (or not taken) or do occur (or do not occur).

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Series 2014A Bonds or other offering material relating to the Series 2014A Bonds and expressly disclaim any duty to advise the owners of the Series 2014A Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

None of the City, the Authority, the Trustee or the Underwriter can or do give any assurances that DTC, the Participants or others will distribute payments of principal of or interest on the Series 2014A Bonds paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the City, the Authority, the Trustee or the Underwriter is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2014A Bonds or an error or delay relating thereto.

The following information concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from sources that the City, the Authority and the Underwriter believe to be reliable, but none of the City, the Authority or the Underwriter takes responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in this Official Statement and in APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS."

DTC will act as securities depository for the Series 2014A Bonds. The Series 2014A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2014A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2014A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014A Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2014A Bonds, except in the event that use of the book-entry system for the Series 2014A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2014A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2014A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2014A Bonds may wish to ascertain that the nominee holding the Series 2014A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2014A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2014A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City, as the issuer of the Series 2014A Bonds, 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 Series 2014A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2014A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2014A Bonds at any time by giving reasonable notice to the City, the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2014A Bonds are required to be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2014A Bonds will be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Authority believe to be reliable, but neither the City nor the Authority take any responsibility for the accuracy thereof.

Risks Regarding the Book-Entry Only System

AS LONG AS CEDE & CO. OR ITS SUCCESSOR IS THE REGISTERED HOLDER OF THE SERIES 2014A BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE SERIES 2014A BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2014A BONDS. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTEXT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2014A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE. Each person for whom a Participant acquires an interest in the Series 2014A Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such person, forwarded in writing by such Participant and to receive notification of all interest payments.

NONE OF THE CITY, THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE PAYMENTS TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS, THE SELECTION OF THE BENEFICIAL INTERESTS IN THE SERIES 2014A BONDS TO BE REDEEMED IN THE EVENT OF REDEMPTION OF LESS THAN ALL SERIES 2014A BONDS OF A PARTICULAR MATURITY OR THE PROVISION OF NOTICE TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE SERIES 2014A BONDS. NO ASSURANCE CAN BE GIVEN BY THE CITY, THE AUTHORITY THE TRUSTEE OR THE UNDERWRITER THAT DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR OTHER NOMINEES OF THE BENEFICIAL OWNERS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO THE BENEFICIAL OWNERS, THAT THEY WILL DISTRIBUTE NOTICES, INCLUDING REDEMPTION NOTICES (REFERRED TO ABOVE), RECEIVED AS THE REGISTERED OWNER OF THE SERIES 2014A BONDS TO THE BENEFICIAL OWNERS, THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

In the event the Authority determines not to continue the book-entry system or DTC determines to discontinue its services with respect to the Series 2014A Bonds, and the Authority does not select another qualified securities depository, the Authority shall deliver one or more Series 2014A Bonds in such principal amount or amounts, in authorized denominations, and registered in whatever name or names, as DTC shall designate. In such event, transfer and exchanges of Series 2014A Bonds will be governed by the provisions of the Indenture.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the City of San Diego (the "City") as of April 1, 2014 in connection with $_____ aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds"). The Series 2014A Bonds are being issued pursuant to the terms of the Indenture (as defined herein). The City hereby covenants and agrees as follows:

1. Purpose of Certificate. This Certificate is being executed and delivered by the City on behalf of the Authority for the benefit of the Bondowners and Beneficial Owners of the Series 2014A Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below). The City is the only Obligated Person (as defined in the Rule) for the Series 2014A Bonds.

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

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"*Authority*" means the Public Facilities Financing Authority of the City of San Diego.

"*Beneficial Owner*" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2014A Bonds (including persons holding Series 2014A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2014A Bonds for federal income tax purposes.

"*Commission*" means the Securities and Exchange Commission.

"*Dissemination Agent*" means the City and any Person designated by the City to serve as Dissemination Agent.

"*Indenture*" means the Master Indenture, dated as of July 1, 2012, by and between the Authority and the Trustee, as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof, including as amended and supplemented by the First Supplemental Indenture, dated of July 1, 2013, and the Second Supplemental Indenture, dated as of April 1, 2014.

"*MSRB*" means the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system.

"*Notice Event*" means any of the events listed in Section 5(a) and (b) of this Certificate.

"*Participating Underwriter*" means any of the original purchasers of the Series 2014A Bonds required to comply with the Rule in connection with the offering of the Series 2014A Bonds.

"*Official Statement*" means the Official Statement dated _____, 2014, prepared and distributed in connection with the initial sale of the Series 2014A Bonds.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"*Rule*" means paragraph (b)(5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including any official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

"*Trustee*" means Wells Fargo Bank, National Association, or any successor trust under the Indenture.

3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent (if other than the City) to, not later than 285 days (or the next succeeding business day, if that day is not a business day) after the end of the City's fiscal year (which currently ends June 30th), commencing with the report for the fiscal year ending June 30, 2014 (the "Filing Date"), provide to the MSRB, in a format prescribed by the MSRB, copies of an Annual Report which is consistent with the requirements of Section 4 of this Certificate. As of the date of this Certificate, the format prescribed by the MSRB is the Electronic Municipal Market Access ("EMMA") system. Information regarding requirement for submissions to EMMA is available at emma.msrb.org.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Notice Event under subsection 5(c).

(b) Not later than 15 Business Days prior to the Filing Date for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the MSRB an Annual Report by the Filing Date, the City shall, in a timely manner, send a notice to the MSRB in substantially the form of Exhibit A to this Certificate, in an electronic format as prescribed by the MSRB.

(c) The Dissemination Agent (if other than the City) shall:

(i) determine each year prior to the date for providing the Annual Report the format for filing with the MSRB; and

(ii) file a report with the City certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided to the MSRB.

4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the City for the fiscal year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a) of this Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the financial statements, the following types of information will be provided in one or more reports in a format similar to that in the Official Statement:

(i) An update to the information generally in the form presented in Table A-3 (titled "City of San Diego General Fund Operating Budget Summary") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(ii) An update to the information generally in the form presented in Table A-4 (titled "Assessed Valuation") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(iii) An update to the information generally in the form presented in Table A-5 (titled "Secured Tax Levies and Collections") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(iv) A brief description of the San Diego City Employees' Retirement System, including but not limited to: (i) an update of the information generally in the form presented in Table A-8 (titled "City of San Diego Schedule of Funding Progress") of Appendix A to the Official Statement; and (ii) an update for the information generally in the form presented in Table A-9 (titled "City of San Diego Pension Contribution" of Appendix A to the Official Statement, for the most recently completed Fiscal Year.

(v) An update to the information generally in the form presented in Table A-11 (titled "Schedule of Funding Progress (DB OPEB Plan)") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(vi) An update to the information generally in the form presented in Table A-13 (titled "City of San Diego Liability Claims and Premiums") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(vii) An update to the information generally in the form presented in Table A-15 (titled "City of San Diego General Fund Lease Obligations and General Fund Obligations") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(viii) An update to the information generally in the form presented in Table A-16 (titled "City of San Diego General Fund Supported Obligations") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(ix) The City's total retiree health contribution and the portion thereof paid for from the General Fund for the most recently completed Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the Commission. The City shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the City to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City or to reflect changes in the business, structure, operations, legal form of the City or any mergers, consolidations, acquisitions or dispositions made by or affecting the City; provided that any such modifications shall comply with the requirements of the Rule.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2014A Bonds, in a timely

manner not in excess of ten (10) Business Days after the occurrence of such Notice Event to the MSRB through EMMA:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties[*];

(iii) unscheduled draws on credit enhancements reflecting financial difficulties[**];

(iv) substitution of credit or liquidity providers, or their failure to perform[**];

(v) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701-TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; and

(ix) bankruptcy, insolvency, receivership or similar event of the City (such event being considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City).

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2014A Bonds, if material, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Notice Event to the MSRB through EMMA:

(i) non-payment related defaults;

(ii) Unless described in Section 5(a)(v), other notices or determinations with respect to the tax status of the Series 2014A Bonds, or other events affecting the tax status of the Series 2014A Bonds;

(iii) modifications to rights of the holders of the Series 2014A Bonds;

(iv) bond calls[***];

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[*] The City will not establish or maintain a reserve fund for the Series 2014A Bonds.

[**] The City has not obtained or provided, and does not expect to obtain or provide, any credit enhancements or credit or liquidity providers for the Series 2014A Bonds.

[***] Any scheduled redemption of Series 2014A Bonds pursuant to mandatory sinking fund redemption requirements does not constitute a Notice Event within the meaning of the Rule.

(v) release, substitution or sale of property securing repayment of the Series 2014A Bonds;

(vi) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets thereof, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(vii) appointment of a successor or additional trustee or the change of name of a trustee.

(c) If the City determines that knowledge of the occurrence of a Notice Event under subsection (b) above would be material under applicable federal securities laws, the City shall promptly file, or cause to be filed, a notice of such event with the MSRB through EMMA. Notwithstanding the foregoing, notice of Notice Events described in subsections (a)(vii) and (b)(iv) above need not be given under this subsection (c) any earlier than the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

6. Termination of Reporting Obligation. The City's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2014A Bonds. If such termination occurs prior to the final maturity of the Series 2014A Bonds, the City shall give notice of such termination in the name manner as for a Notice Event under subsection 5(c).

7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligation under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the City, shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Certificate. The initial Dissemination Agent shall be the City.

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

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4, or subsection 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2014A Bonds, or the type of business conducted;

(b) The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Series 2014A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (1) is approved by the Owners majority of outstanding principal amount of the Series 2014A Bonds, in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the Series 2014A Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on

the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Notice Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

9. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, including the information then contained in Appendix A to the City's official statements relating to debt issuances, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Notice Event, in addition to that which is required by this Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Notice Event in addition to that which is specifically required by this Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Notice Event.

10. Default. In the event of a failure of the City to comply with any provision of this Certificate, any Bondowner or Beneficial Owner of the Series 2014A Bonds may commence an action in a court of competent jurisdiction in San Diego, California, seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Certificate; provided that any Beneficial Owner seeking to require the City to comply with this Certificate shall first provide at least 30 days' prior written notice to the City of the City's failure, giving reasonable detail of such failure, following which notice the City shall have 30 days to comply. A default under this Certificate shall not be deemed an Event of Default under the Indenture with respect to the Series 2014A Bonds, and the sole remedy under this Certificate in the event or any failure of the City to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

11. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate.

12. Beneficiaries. This Certificate shall inure solely to the benefit of the City, the Dissemination Agent the Bondowners and Beneficial Owners from time to time of the Series 2014A Bonds, and shall create no rights in any other person or entity.

13. Governing Law. This Certificate shall be governed by the laws of the State of California and the federal securities laws.

IN WITNESS WHEREOF, the City of San Diego has executed this Continuing Disclosure Certificate as of the date first set forth herein.

CITY OF SAN DIEGO

By:_____
Authorized Signatory

[Signature page of Continuing Disclosure Certificate]

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party:	City of San Diego
Name of Bond Issue:	Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds")
Date of Issuance:	_____, 2014

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of April 1, 2014 with respect to the Series 2014A Bonds. The City anticipates that the Annual Report will be filed by _____.

Dated:_____

_____
On behalf of the City

APPENDIX G

OFFICIAL NOTICE INVITING BIDS

$_____*

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS
SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)

NOTICE IS HEREBY GIVEN that electronic bids for the purchase of all but not less than all of the $_____* par value of the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds") will be accepted only through Grant Street Group's MuniAuction website ("MuniAuction") accessible via www.GrantStreet.com, as agent of the Public Facilities Financing Authority of the City of San Diego (the "Issuer") in accordance with the terms of this Official Notice Inviting Bids. The bids will be received in the manner and up to the time specified below (unless postponed or cancelled as described herein).

DATE AND TIME OF SALE: Bids will be accepted on _____, 2014 between 8:30 a.m. and 9:00 a.m., Pacific time (subject to the provisions described below under the caption "Submission of Bids"), or at such later date and/or other time as shall be established by the Issuer and communicated through Thomson Municipal News ("Thomson"). If no legal bid or bids are received for the Series 2014A Bonds on _____, 2014 or if the sale date and/or time is postponed or rescheduled, bids will be received in the manner specified on such other date as shall be designated by the Issuer and communicated through Thomson. Prospective bidders are urged to watch Thomson for any change in the terms of the sale or the date and time for the receipt of bids.

SUBMISSION OF BIDS: All bids must be unconditional and submitted on the MuniAuction website. No other provider of electronic bidding services, and no other means of delivery (i.e., telephone, telefax, physical delivery, etc.) will be accepted. To bid, bidders must have both (1) completed the registration form on Grant Street Group's MuniAuction website; and (2) requested and received admission to the Issuer's auction as described under "REGISTRATION AND ADMISSION TO BID" below. The use of MuniAuction shall be at the bidder's risk, and the Issuer shall have no liability with respect thereto.

Bids submitted during the auction must be for all of the Series 2014A Bonds. Bidders may change and submit bids as many times as they wish during the auction, provided, however, that each bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost ("TIC") when compared to the immediately preceding bid of such bidder. In the event that a revised bid does not produce a lower TIC, the prior bid will remain valid. During the bidding, no bidder will see any other bidder's bid, but each bidder will be able to see its ranking (i.e., "Leader," "Cover," "3rd," etc.). All bids must be made in accordance with the requirements prescribed herein and the Rules of MuniAuction, as referenced herein. Each bid submitted through MuniAuction shall be deemed an irrevocable offer to purchase all of the Series 2014A Bonds specified in the bid on the terms provided in this Notice Inviting Bids, and shall be binding upon the bidder.

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* *Preliminary, subject to change.*

The use of MuniAuction shall be at the bidder's risk, and neither the Issuer, the City of San Diego (the "City"), the City's Financial Advisor, nor Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the City, shall be responsible for, and each bidder expressly assumes the risk of, any incomplete, inaccurate or untimely bid submitted by such bidder, including, without limitation, incomplete, inaccurate or untimely bids caused by reason of garbled transmissions, mechanical failure, slow or engaged telephone or telecommunications lines or any other cause. Neither the Issuer nor the City is bound by any advice and determination of MuniAuction to the effect that any particular bid complies with the terms of this Official Notice Inviting Bids. All costs and expenses incurred by prospective bidders in connection with their submission of bids through MuniAuction are the sole responsibility of the bidders and neither the Issuer nor the City is responsible for any of such costs or expenses.

RIGHT TO MODIFY OR AMEND: The Issuer reserves the right to modify or amend this Official Notice Inviting Bids; however, such modifications or amendments shall be made not later than 12:00 p.m., Pacific Time, on the business day prior to the bid opening and communicated through Thomson.

PURPOSE: The Series 2014A Bonds are being issued to (i) finance the costs of acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects in the City, and (ii) pay certain costs of issuance associated with the Series 2014A Bonds.

THE ISSUE: The Series 2014A Bonds will be issued in denominations of $5,000 or integral multiples thereof, dated the date of issuance. The Series 2014A Bonds will be issued under the provisions of an Indenture dated as of July 1, 2012, as supplemented and amended (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Series 2014A Bonds are secured by Revenues pledged under the Indenture which consist primarily of Base Rental Payments to be made by the City under a Facilities Lease (the "Lease") by and between the Issuer, as lessor, and the City, as lessee. Copies of the Lease and the Indenture will be furnished to bidders upon request.

INTEREST CALCULATION AND INTEREST PAYMENTS: The Series 2014A Bonds shall bear interest computed on the basis of a 360 day year consisting of twelve 30-day months. The Series 2014A Bonds will be dated their date of issuance. Interest on the Series 2014A Bonds will be payable on each April 15 and October 15, commencing October 15, 2014.

MATURITIES: The Series 2014A Bonds will mature, or be subject to mandatory sinking fund redemption, on each of the dates and in the amounts, as set forth in the following table. The final principal amount of the Series 2014A Bonds, and the final amount of each maturity of the Series 2014A Bonds, will be subject to increase or reduction as described below under the heading "PRINCIPAL AMOUNTS." *Each bidder is required to specify in its bid whether, for any particular year, the Series 2014A Bonds will mature or, alternately, be subject to mandatory sinking fund redemption in such year.*

Maturity (October 15)	*Principal Amount*[*]

The schedule of principal maturities is subject to adjustment based upon the interest rates specified in the winning bid, as described below under " PRINCIPAL AMOUNTS."

REDEMPTION: The Series 2014A Bonds are subject to redemption prior to maturity as described below.

Optional Redemption. The Series 2014A Bonds maturing on or before October 15, 20__ are not subject to optional redemption prior to their respective stated maturities. The Series 2014A Bonds maturing on or after October 15, 20__, shall be subject to optional redemption, in whole or in part, upon forty-five (45) days written notice to the Trustee by the City of its intention to optionally prepay all or a portion of the Base Rental Payments, on any date on or after October 15, 20__, from any available source of funds of the City, at a redemption price equal to the principal amount of the Series 2014A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Any such redemption shall be in such order of maturity as the City shall designate in the above-mentioned written notice (and, if no specific order of redemption is designated by the City, pro rata among maturities).

[*] Preliminary, subject to change.

Special Mandatory Redemption From Insurance or Condemnation Proceeds. The Series 2014A Bonds shall be subject to redemption as a whole, or in part on any date, to the extent the Trustee has received hazard or title insurance proceeds or condemnation proceeds not used to repair or replace any portion of the Leased Property damaged, destroyed or taken and elected by the City to be used for such purpose as provided in the Indenture, at a redemption price equal to one hundred percent (100%) of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

Sinking Fund Prepayment. Any bidder may, at its option, specify that one or more maturities of the Series 2014A Bonds will consist of term Bonds which are subject to mandatory sinking fund redemption in consecutive years immediately preceding the maturity thereof, as designated in the bid of such bidder. In the event that the bid of the winning bidder specifies that any maturity of Bonds will be term Bonds, such term Bonds will be subject to mandatory sinking fund redemption on October 15 in each year so designated in the bid, in the respective amounts for such years as set forth above under the heading "MATURITIES," at a redemption price equal to the principal amount thereof to be prepaid together with accrued interest thereon to the redemption date, without premium, and Bonds will be selected for redemption by lot within a maturity.

AUTHORIZING LAW: The Series 2014A Bonds are issued under the authority of Ordinance No. _____ of the City and a resolution adopted by the Board of Commissioners of the Authority on _____, 2014 (the "Resolution").

SECURITY: The Series 2014A Bonds are limited obligations of the Issuer and are payable, as to interest thereon and principal thereof, solely from the revenues derived from Base Rental Payments paid by the City for the use and occupancy of the Leased Property (as defined in the Lease) as long as the City has such use and occupancy of the Leased Property, and amounts on deposit in the funds, accounts and subaccounts established under the Indenture (other than amounts on deposit in any Rebate Fund), all as set forth in the Indenture (the "Revenues"). The Issuer has leased the Leased Property to the City pursuant to the Lease and pursuant to the Lease the City has agreed to pay Base Rental Payments to the Trustee for the use and occupancy of the Leased Property. All the Series 2014A Bonds and other bonds (the "Additional Bonds") issued under the Indenture are equally and ratably secured in accordance with the terms and conditions of the Indenture by a pledge of the Revenues, which Revenues shall be held in trust for the security and payment of the interest on and principal of the Series 2014A Bonds and Additional Bonds as provided in the Indenture.

The Series 2014A Bonds are special, limited obligations of the Issuer and do not constitute a debt, liability or obligation of the City or of the State of California (the "State") or any political subdivision thereof and neither the faith and credit of the City nor the State are pledged to the payment of the principal of or interest on the Series 2014A Bonds. The Issuer has no taxing power.

Bidders are referred to the Preliminary Official Statement for definitions of terms and for further particulars, including further information regarding the Issuer, the City and the Series 2014A Bonds.

INTEREST RATES AND MINIMUM PRICE: Bidders must bid to purchase all and not part of the Series 2014A Bonds. Each bidder must specify the rate or rates of interest to be represented by the Series 2014A Bonds. A bidder will be permitted to bid a different rate of interest for each maturity of Bonds not to exceed twelve percent (12%) per annum; but each interest rate specified must be in a multiple of 1/20% or 1/8%. The Series 2014A Bonds shall bear interest at the

rate specified in the bid from their dated date to their fixed maturity date. Bidders should assume a dated date on the Series 2014A Bonds and a delivery date on the Series 2014A Bonds of _____, 2014. The bidder shall provide a calculation of the true interest cost which is considered informative only and not part of the bid. No bid at a purchase price for less than 100% of the par amount of the Series 2014A Bonds will be considered.

PRINCIPAL AMOUNTS: After selecting the winning proposal, the Issuer reserves the right to increase or decrease the aggregate principal amount of the Series 2014A Bonds in $5,000 increments. Such adjustments shall reflect the actual interest rate and any premium in the winning bid to generate aggregate net proceeds to the Issuer in the approximate amount of $_____. In such event, the Issuer will award such greater or lesser amount of Bonds and the purchase price of the winning bidder will be proportionally modified. Any such adjustment will be communicated to the winning bidder within twenty-four (24) hours after acceptance of the bids. The percentage of net compensation paid to the winning bidder will not increase or decrease from what it would have been if no adjustments had been made by the Issuer. Changes in the principal amount of the Series 2014A Bonds made as described in this paragraph will not affect the determination of the winning bidder or give the winning bidder any right to reject the Series 2014A Bonds.

RULES OF MUNIAUCTION: "Rules of MuniAuction" can be viewed on the MuniAuction website and, as amended and supplemented from time to time, are incorporated herein by reference. Bidders will be required to verify that they have read the "Rules of MuniAuction" prior to submitting bids. In the event of a conflict between the Rules of MuniAuction and this Official Notice Inviting Bids, the provisions of this Official Notice Inviting Bids shall prevail.

REGISTRATION AND ADMISSION TO BID: In order to ensure that there is sufficient time to verify their eligibility to bid, bidders must visit the MuniAuction website on or before 5 p.m. Eastern time (2 p.m. Pacific time) on _____, 2014, where, if they have never registered with MuniAuction, they can register and then request admission to bid in the all-or-none format. (There is no charge for registration with MuniAuction for admission to this sale). Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements shall be eligible to bid. Bidders who have already registered with MuniAuction may call Grant Street Group's auction support at (412) 391-5555 x370 to confirm their ID number and password.

AWARDING OF BID: The Issuer will take action awarding the Series 2014A Bonds or rejecting all bids not later than twenty-four (24) hours after the expiration of the time herein prescribed for the receipt of bids. The winning bidder shall be the bidder submitting the best price for the Series 2014A Bonds, resulting in the lowest true interest cost using a 30/360-day year and annual compounding, considering the interest rates specified and the premium offered, if any, as determined by the Issuer, whose determination shall be binding and final absent manifest error. No bid for less than par will be considered. In case of tie bids, the winning bidder will be determined at the sole discretion of the Issuer. In the event multiple bids are received from a single bidder, the Issuer shall accept the best of such bids, and each bidder agrees by submitting any bid to be bound by its best bid. The bidder designated by the Issuer as submitting the winning bid shall be obligated to execute the Bidder's Certificate in substantially the form attached to this Official Notice Inviting Bids as Exhibit A and submit such certificate to the Issuer with a copy to the City's Financial Advisor.

RIGHT TO REJECT BIDS; WAIVE IRREGULARITIES: The Issuer reserves the right to reject any and all bids and, to the extent permitted by law, to waive any irregularity or informality in any bid.

POSTPONEMENT; REJECTION OF BIDS: The Issuer reserves the right to postpone, from time to time, the date established for receipt of bids for any reason at any time. Any such postponement will be announced via Thomson. If any date fixed for the receipt of bids and the sale of the Series 2014A Bonds is postponed, any alternative sale date will be announced via Thomson, at least twenty-four (24) hours prior to such alternative sale date. In addition, the Issuer reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent date on which bids for purchase of the Series 2014A Bonds will again be received. If all bids are rejected and a subsequent date for receipt of bids is established, notice of the subsequent sale date will be announced via Thomson at least twenty-four (24) hours prior to such subsequent sale date. On any such alternative or subsequent sale date, any bidder may submit a bid for the purchase of the Series 2014A Bonds in conformity in all respects with the provisions of this Official Notice Inviting Bids and Bid Form, except for the date of sale and except for the changes announced via Thomson, at the time the sale date and time are announced.

REOFFERING PRICE: The winning bidder within one (1) hour after being notified of the award of the Series 2014A Bonds will be required to advise the City's Financial Advisor of the initial public offering price of the Series 2014A Bonds. The winning bidder will also be required, prior to delivery of the Series 2014A Bonds, to furnish to the Issuer a certificate substantially in the form of Exhibit B, attached hereto, and acceptable to Bond Counsel.

BID SECURITY DEPOSIT: The winning bidder will be required to wire to the Trustee 1% of the preliminary principal amount of the Series 2014A Bonds stated above in immediately available federal funds to the Issuer as a bid security deposit within twenty-four (24) hours after verbal award of the bid. The Issuer, or its representative, will contact the winning bidder to provide wire instructions for the bid security deposit. The bid security deposit will be applied to the purchase price of the Series 2014A Bonds at the time of delivery of the Series 2014A Bonds. If after the award of the Series 2014A Bonds, the winning bidder fails to complete the purchase on the terms stated in its proposal, unless such failure of performance shall be caused by any act or omission of the Issuer or the City, the bid security deposit shall be retained by the Issuer as stipulated liquidated damages and the winning bidder agrees and acknowledges that actual damages herein are difficult to calculate, and that the liquidated damages serve as a reasonable estimate of what the actual damages would be. No interest will be paid upon the bid security deposit.

OFFICIAL STATEMENT: The Issuer will have prepared and will make available a Preliminary Official Statement which the Issuer will have deemed "final" for purposes of Rule 15c2-12 (the "Rule") promulgated by the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, prior to the time for receipt of proposals, although it is subject to revision, amendment and completion in a final Official Statement to be delivered in accordance with such Rule. Electronic copies of the Official Statement will be available to the winning bidder no later than seven (7) business days after the sale of the Series 2014A Bonds is awarded.

Electronic copies of the Preliminary Official Statement are expected to be available on the Internet on or about _____, 2014, at muniauction.com and at munios.com.

DELIVERY AND PAYMENT: Delivery of the Series 2014A Bonds is expected to occur on or about _____, 2014. The winning bidder shall pay for the Series 2014A Bonds on the date of delivery in immediately available federal funds. Any expenses of providing federal funds shall be borne by the purchaser. Payment on the delivery date shall be made in an amount equal to the price bid for the Series 2014A Bonds, less the amount of the bid security deposit.

BOOK-ENTRY ONLY: The Series 2014A Bonds will be registered in the name of The Depository Trust Company, New York, New York ("DTC") or its nominee as registered owner of the Series 2014A Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to the beneficial owners of the Series 2014A Bonds by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. Neither the Issuer nor the City will be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be printed on the executed Bonds, but the Issuer will assume no obligation for the assignment or printing of such numbers on the Series 2014A Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchasers thereof to accept delivery of and make payment for the Series 2014A Bonds. The cost of obtaining and assigning a CUSIP Numbers will be borne by the winning bidder.

CALIFORNIA DEBT INVESTMENT AND ADVISORY COMMISSION FEE: Pursuant to Section 8856 of the California Government Code, a fee must be paid to the California Debt and Investment Advisory Commission ("CDIAC") to cover the costs of its activities with respect to the Series 2014A Bonds. Liability for payment of such CDIAC fee will be borne by the winning bidder.

CLOSING DOCUMENTS; LEGAL OPINIONS: Each bid will be understood to be conditioned upon the Issuer furnishing to the winning bidder, without charge, concurrently with payment for and delivery of the Series 2014A Bonds, the following closing documents and legal opinions, each dated as of the date of such delivery:

(a) Legal Opinion: A complete copy of the proposed form of legal opinion of Bond Counsel approving the validity of the Series 2014A Bonds is set forth in Appendix D to the Preliminary Official Statement with respect to the Series 2014A Bonds (the "Preliminary Official Statement"). The legal opinion of Bond Counsel with respect to the Series 2014A Bonds will be furnished to the Purchaser upon delivery of the Series 2014A Bonds without cost;

(b) Tax Certificate: A certificate of the Issuer and the City that, on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Series 2014A Bonds will be used in a manner that would cause the Series 2014A Bonds to be arbitrage Bonds;

(c) No Litigation Certificate: A certificate of the City Attorney or their designee, acting on behalf of the Issuer and the City solely in his official capacity and not in his personal capacity, stating that to the best of his knowledge based on reasonable investigation, such individual is not aware of any litigation threatened or pending affecting the validity of the Series 2014A Bonds or challenging any material action of the Issuer or the City relating to the Series 2014A Bonds and

stating further that neither the Issuer nor the City is aware of any pending or threatened litigation contesting its corporate existence or the title of the present executive officers to their respective offices;

(d) Certificate Regarding Official Statement: One or more certificates of an appropriate City Official, acting on behalf of the Issuer and the City, solely in his or her official capacity and not in his or her personal capacity, stating that, to the best knowledge of such City Official, as of the date of the Official Statement pertaining to the Series 2014A Bonds and at all times subsequent thereto up to and including the time of delivery of the Series 2014A Bonds to the initial purchasers thereof, the Official Statement together with any amendments thereto did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(e) Signature Certificate: A signature certificate of the officials of the Issuer showing that they have signed the Series 2014A Bonds, whether by facsimile or manual signature, and that they respectively were duly authorized to execute the same, and stating that, to the best of their knowledge, they are not aware of any litigation threatened or pending affecting the validity of the Series 2014A Bonds.

CONTINUING DISCLOSURE: The City will, pursuant to a Continuing Disclosure Certificate, agree to provide or cause to be provided to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system in a timely manner notice of certain material events respecting the Series 2014A Bonds. The form of Continuing Disclosure Certificate is set forth in Appendix F to the Preliminary Official Statement.

ADDITIONAL INFORMATION: Requests for information concerning the Series 2014A Bonds, the Issuer or the City should be addressed to: Michael Berwanger of Public Financial Management, Inc., Financial Advisor to the City for the Series 2014A Bonds at (213) 489-4075.

EXHIBIT A

FORM OF BIDDER'S CERTIFICATE
Public Facilities Financing Authority of the City of San Diego
Lease Revenue Bonds Series 2014A
(Capital Improvement Projects)

We hereby certify that we are an eligible bidder and submit our bid and commit to purchase the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds") subject to all the terms and conditions stated in the Official Notice Inviting Bids.

The submission of this bid is a representation that the bidder, with the intent of acting as Underwriter for the Series 2014A Bonds, did not consult with any other potential underwriter about this bid and that the bid was determined without regard to any other formal or informal agreement that the bidder may have with the City of San Diego or any other person (whether or not in connection with the subject bond issue).

Per Annum Coupon: _____%

Price: $_____

True Interest Cost: _____%

Date: _____, 2014

Firm: _____

By _____
Authorized Representative

Accepted:

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

By _____
Title: _____
Date: _____, 2014

EXHIBIT B

INITIAL ISSUE PRICE CERTIFICATE

_____, 2014

Public Facilities Financing Authority of
The City of San Diego
San Diego, California

Stradling Yocca Carlson & Rauth
Newport Beach, California

Ladies and Gentlemen:

We are the Purchaser of the $_____ Public Facilities Financing Authority of The City of San Diego Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) (the "**Series 2014A Bonds**"). As such, we have been involved in the structuring of the Series 2014A Bonds.

We hereby certify that:

(i) based on our records and other information available to us which we believe to be correct, as of _____ (the "**Sale Date**") we had offered or reasonably expected to reoffer all of the Series 2014A Bonds of each maturity in a bona fide initial reoffering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at an initial offering price not greater than that shown, or at an initial offering yield not less than that shown, on the cover of the Official Statement relating to the Series 2014A Bonds (the "**Official Statement**") for that maturity;

(ii) based on our records and other information available to us that we believe to be correct, the first price at which a substantial portion (at least ten percent) of the Series 2014A Bonds of each maturity was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the price corresponding to the yield shown on the cover of the Official Statement for such maturity;

(iii) in the case of unsold Series 2014A Bonds, we reasonably expected, as of the sale date of the Series 2014A Bonds, to sell a substantial amount (at least ten percent) of such Series 2014A Bonds to the public at the price for such Series 2014A Bonds corresponding to the yield shown on the cover of the Official Statement;

(iv) at the time we agreed to purchase the Series 2014A Bonds, based upon then prevailing market conditions, we had no reason to believe any of the Series 2014A Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at an initial offering price greater than or an initial offering yield less than the fair market value thereof;

(v) based upon the initial offering prices or yields, the aggregate issue price of the Series 2014A Bonds is $_____ (the Series 2014A Bonds having been sold with [net] [original issue discount] [bond premium] of $_____).

[PURCHASER]

By: _____
Authorized Representative

S500- 1/28/14

(O-2014-77)

ORDINANCE NUMBER O-20350 (NEW SERIES)

DATE OF FINAL PASSAGE FEB 12 2014

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE AMENDMENTS TO SITE LEASE, AMENDMENTS TO FACILITIES LEASE AND OFFICIAL NOTICE INVITING BIDS; AUTHORIZING THE EXECUTION, DELIVERY AND PERFORMANCE OF ONE OR MORE SUPPLEMENTAL INDENTURES BY THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO; AUTHORIZING THE CITY ATTORNEY TO APPOINT BOND COUNSEL AND DISCLOSURE COUNSEL; APPROVING AND AUTHORIZING THE ISSUANCE AND SALE IN ONE OR MORE SERIES OF THE AUTHORITY'S LEASE REVENUE BONDS; AND APPROVING OTHER DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH.

WHEREAS, Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California authorizes and empowers local agencies to form a joint powers authority and Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (Marks-Roos Local Bond Pooling Act of 1985) authorizes and empowers such an authority to issue bonds for the purpose of financing and refinancing public capital improvements or projects to further public purposes and effect significant public benefits, as determined by the local agency; and

WHEREAS, the City of San Diego (City), the Successor Agency to the Redevelopment Agency of the City of San Diego, and the Housing Authority of the City of San Diego have heretofore entered into a Third Amended and Restated Joint Exercise of Powers Agreement dated January 1, 2013 (Joint Powers Agreement), which created and established the Public Facilities Financing Authority of the City of San Diego (Authority) for the purpose, among

others, of issuing its bonds to be used to provide financial assistance to the City to finance and refinance public capital improvements; and

WHEREAS, the Authority has previously entered into an Indenture, dated as of July 1, 2012 as supplemented and amended by the First Supplemental Indenture, dated as of July 1, 2013 (together, the Master Indenture), each with Wells Fargo Bank, National Association, as trustee (the Trustee), to provide for the issuance of lease revenue bonds pursuant to the terms of the Master Indenture for the benefit of the City; and

WHEREAS, pursuant to the Master Indenture, the Authority has issued various series of bonds (the Prior Bonds) to finance certain capital projects and to refund various obligations of the City and the Authority; and

WHEREAS, pursuant to Section 2.13 of the Master Indenture, the Authority may at any time issue additional bonds pursuant to Supplemental Indentures to be secured under the Master Indenture on a parity with the Prior Bonds; and

WHEREAS, the City has determined that: (i) the issuance of Additional Bonds (defined below) by the Authority is in the public interest and will benefit the inhabitants of the City; (ii) there are significant public benefits (within the meaning of California Government Code section 6586) to be derived from securing the assistance of the Authority to finance the costs of the acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects of the City (collectively, the Projects); and (iii) the Projects are or will be at various locations within the geographic boundaries of the City; and

WHEREAS, the Council of the City made the aforementioned determinations after holding a public hearing on the date thereof and hearing all interested persons desiring to be heard; and

WHEREAS, a notice of a public hearing concerning the adoption of this Ordinance was duly published once at least five days prior to such hearing in a newspaper of general circulation in the City; and

WHEREAS, the City currently contemplates selling the Additional Bonds in two separate bond sales and desires to maintain the flexibility to sell the Additional Bonds in one or more series at separate intervals as described herein; and

WHEREAS, in order to finance the Projects with net bond proceeds of $120,000,000 and to achieve such public purposes, and to timely issue bonds when funds are needed for the Projects, the City has determined to request and approve the Authority's issuance in one or more series of not to exceed $130,000,000 aggregate principal amount of its Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds (the Additional Bonds) pursuant to the Marks-Roos Local Bond Pooling Act of 1985 and secured by the Master Indenture, as supplemented and amended by one or more Supplemental Indentures, each by and between the Authority and the Trustee; and

WHEREAS, in order to provide for the payment of the Prior Bonds, the City has leased certain real property of the City (the Existing Property) to the Authority pursuant to the Site Lease, dated as of July 1, 2012 as amended by the First Amendment to Site Lease, dated as of July 1, 2013 (together, the Master Site Lease), and the Authority has leased to the City pursuant to the Facilities Lease, dated as of July 1, 2012 as amended by the First Amendment to Facilities

Lease, dated as of July 1, 2013 (together, the Master Facilities Lease) certain real property as described therein; and

WHEREAS, in order to provide for the payment, equally and ratably, of the Prior Bonds and the Additional Bonds, the Authority and the City will enter into one or more amendments to the Master Site Lease pursuant to which the City will add to the property leased to the Authority thereunder additional property of the City (the Additional Leased Property and, together with the Existing Property, the City Property), and one or more amendments to the Master Facilities Lease, pursuant to which the Authority will add to the property leased to the City thereunder the Additional Leased Property (together, the Leased Property) and the City will agree to make base rental payments to the Authority (the Base Rental Payments) calculated to be sufficient to enable the Authority to pay the principal of and interest, and premium (if any), on the Prior Bonds and the Additional Bonds when due and payable; and

WHEREAS, the City has determined that the Additional Bonds be sold by a competitive sale pursuant to an Official Notice Inviting Bids (the Notice Inviting Bids), and a summary thereof to be published as required by law, or, as and to the extent described herein, by a negotiated sale pursuant to the terms of one or more Bond Purchase Agreements (the Purchase Agreements) among the City, the Authority and the underwriters therein named; and

WHEREAS, there has been presented to this meeting the following documents relating to the issuance of the Additional Bonds; and

1. a proposed form of Second Amendment to Site Lease between the City and the Authority, a copy of which is on file in the office of the City Clerk as Document No. 00-20350-1, under which the City will lease the City Property to the Authority;

2. a proposed form of Second Amendment to Facilities Lease between the Authority and the City, a copy of which is on file in the office of the City Clerk as Document No. 00-20350-2 under which the Authority will lease the Leased Property to the City;

3. a proposed form of Second Supplemental Indenture between the Authority and the Trustee, a copy of which is on file in the office of the City Clerk as Document No. 00-20350-3, under which the Authority will issue one or more series of the Additional Bonds;

4. a proposed form of Notice Inviting Bids regarding the Additional Bonds, a copy of which is on file in the office of City Clerk as Document No. 00-20350-4, under which the Additional Bonds will be sold at competitive sale;

5. a proposed form of Purchase Agreement regarding the Additional Bonds among the City, the Authority and the underwriters to be selected as described herein should any of the Additional Bonds be sold at a negotiated sale, a copy of which is on file in the office of City Clerk as Document No. 00-20350-5, under which the Additional Bonds; and

6. a proposed form of Continuing Disclosure Certificate of the City, a copy of which is on file in the office of the City Clerk as Document No. 00-20350-6 (the documents described in paragraphs 1 through 6, are collectively referred to as the "Financing Documents"); and

WHEREAS, pursuant to Chapter 730 of the statutes of 1976, section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Council does hereby find that the deposit and withdrawal of the proceeds of the sale of Additional Bonds in the Local Agency Investment Fund in accordance with the provisions of California Government Code section 16429.1 for the purpose of investment as stated therein are in the best interests of the City; and

WHEREAS, the City is authorized to undertake the actions described in this Ordinance pursuant to its Charter and the Constitution and other applicable laws of the State of California; NOW, THEREFORE,

BE IT ORDAINED by the Council of the City of San Diego, as follows:

Section 1. The Council hereby finds and determines that the statements set forth above in the recitals to this Ordinance are true and correct.

Section 2. The Council hereby finds that the financing of the Projects, as described in the recitals to this Ordinance, will provide significant public benefits in accordance with the criteria specified in California Government Code section 6586.

Section 3. The form and content of the Second Amendment to Site Lease, pursuant to which the City leases the City Property to the Authority, are hereby authorized and approved. Any of the Mayor, the Chief Operating Officer or the Chief Financial Officer and each of them or any of their respective designees (each, an Authorized Signatory) are hereby severally authorized and directed, for and in the name and on behalf of the City to execute and deliver one or more amendments to the Master Site Lease substantially in the form of the Second Amendment to Site Lease (with each amendment to be numbered sequentially) presented to and considered at this meeting, and the City Clerk or her specified designees, and each of them, are authorized and directed to attest thereto, with such additions and changes therein (including, without limitation, the description of the Additional Leased Property to be leased thereunder) as

any Authorized Signatory, in consultation with the City Attorney, shall determine are necessary or desirable and shall require or approve and that such Authorized Signatory believes to be in the best interests of the City, and as are approved as to form by the City Attorney or his specified designee, such approvals to be conclusively evidenced by such Authorized Signatory's execution and delivery thereof.

Section 4. The form and content of the Second Amendment to Facilities Lease, pursuant to which the Authority leases to the City the Leased Property and the City agrees to pay Base Rental Payments and other payments, are hereby authorized and approved. Each Authorized Signatory is hereby severally authorized and directed, for and in the name and on behalf of the City, to execute and deliver one or more amendments to the Master Facilities Lease substantially in the form of the Second Amendment to Facilities Lease (with each amendment to be numbered sequentially) presented to and considered at this meeting, and the City Clerk or her specified designees, and each of them, are authorized and directed to attest thereto, with such additions and changes therein (including, without limitation, the description of the Additional Leased Property to be leased thereunder) as any Authorized Signatory, in consultation with the City Attorney, shall determine are necessary or desirable and shall require or approve and that such Authorized Signatory believes to be in the best interests of the City, and as are approved as to form by the City Attorney or his specified designee, such approvals to be conclusively evidenced by such Authorized Signatory's execution and delivery thereof.

Section 5. The form and content of the Second Supplemental Indenture, pursuant to which the Authority will issue one or more series of Additional Bonds, and the execution, delivery and performance by the Authority of one or more Supplemental Indentures substantially in the form of the Second Supplemental Indenture (with each supplement to be numbered

sequentially) presented to and considered at this meeting, are hereby authorized and approved. Each Authorized Signatory is severally authorized and directed to take such action as is necessary or appropriate to effectuate the transactions set forth in the Supplemental Indentures with such additions and changes therein as any Authorized Signatory shall determine are necessary or desirable and shall require or approve and that such Authorized Signatory believes to be in the best interests of the City, and as are approved as to form by the City Attorney or his specified designee, such approvals will be conclusively evidenced by such Authorized Signatory's execution and delivery of its approval thereof.

Section 6. The City Attorney or his specified designee is authorized to retain Stradling Yocca Carlson & Rauth, a Professional Corporation as bond counsel and disclosure counsel for the City and the Authority in connection with the issuance of the Additional Bonds under such contracts or other arrangements as the City Attorney or his specified designee shall approve and believes to be in the best interests of the City. Such contracts or other arrangements shall be in an amount not to exceed $65,000 for the first issue of Additional Bonds and $60,000 for each subsequent issue plus, in each case, reasonable out-of-pocket expenses not to exceed $1,500.

Section 7. The City hereby authorizes and approves, and requests the Authority to approve and authorize, the issuance and sale by the Authority of its Additional Bonds in one or more series in a total aggregate principal amount not to exceed $130,000,000 by competitive sale, or, alternatively, under the conditions described herein, by negotiated sale, provided that: (i) the true interest cost of each series of the Additional Bonds shall not exceed 7.0%, (ii) the final maturity of each series of the Additional Bonds shall not be later than 30 years following their date of issuance, and (iii) there shall first be presented to the Disclosure Practices Working

Group and this Council for approval a form of preliminary official statement for each series of Additional Bonds. Each of the Chief Financial Officer and the Chief Operating Officer, or their designees, in consultation with the City's Financial Advisor, is hereby authorized to approve the Additional Bond pricing, the timing and number of Additional Bond issues, the redemption, maturities, interest rates, and other Additional Bond features, and to award the sale of the Additional Bonds to the winning bidder as determined under the terms set forth in the Notice Inviting Bids for each series of Additional Bonds.

Section 8. The form and content of the Notice Inviting Bids, pursuant to which the Authority is authorized to offer each series of the Additional Bonds for competitive sale, are hereby authorized and approved. Each Authorized Signatory is hereby severally authorized and directed for and in the name and on behalf of the City to cause each series of the Additional Bonds to be sold by the Authority at competitive sale in accordance with the terms set forth in Section 7 above and the terms set forth in the Notice Inviting Bids for each series and to cause a summary of the Notice Inviting Bids to be published in accordance with any notice requirements imposed by law; provided, however, if an Authorized Signatory, with the advice of the City's Financial Advisor for a series of Additional Bonds, determines that a competitive sale is not in the best interests of the City due to market conditions or other factors, then that series of Additional Bonds may be sold at a negotiated sale pursuant to Section 9 below.

Section 9. The form and content of the Purchase Agreement are hereby authorized and approved. In the event that a determination is made in accordance with Section 8 above that a series of Additional Bonds is to be sold at negotiated sale, each Authorized Signatory is hereby severally authorized and directed for and in the name and on behalf of the City, to execute and deliver one or more Purchase Agreements in connection with the purchase and sale of such

Additional Bonds, substantially in the form presented to and considered at this meeting, with such changes and additions therein, including without limitation naming the underwriters for each series of Additional Bonds sold at a negotiated sale, as such Authorized Signatory shall determine are necessary and desirable and that any such Authorized Signatory believes are in the best interests of the City and as are approved as to form by the City Attorney or his specified designee, such approvals to be conclusively evidenced by the execution and delivery of each Purchase Agreement.

Section 10. The source of revenue for payment of the Additional Bonds hereby authorized is the Base Rental Payments to be made by the City under and as defined in the Master Facilities Lease.

Section 11. The form and content of the Continuing Disclosure Certificate are hereby authorized and approved. Each Authorized Signatory is hereby severally authorized and directed for and in the name and on behalf of the City, to execute and deliver one or more Continuing Disclosure Certificates in connection with the purchase and sale of the Additional Bonds, substantially in the form presented to and considered at this meeting, with such changes and additions therein as such Authorized Signatory shall determine are necessary or desirable and shall require or approve and believes to be in the best interest of the City and as are approved as to form by the City Attorney or his specified designee, such approvals to be conclusively evidenced by the execution and delivery thereof.

Section 12. Authorized officers of the City are hereby authorized and directed to pay all the fees and other costs of issuance of the Additional Bonds in accordance with the Supplemental Indentures, any Purchase Agreements and as otherwise agreed with the City and the respective parties thereto.

Section 13. All actions heretofore taken by any officers, employees or agents of the City with respect to the issuance, delivery or sale of the Additional Bonds, or in connection with or related to any of the Financing Documents or of the other documents referenced herein or related to consummating the financing of the Projects, are hereby approved, confirmed and ratified. Any Authorized Signatory and any other officers, employees or agents of the City as may be authorized by the Mayor, the Chief Financial Officer or the Chief Operating Officer, and each of them acting alone, is hereby severally authorized and directed, for and in the name and on behalf of the City: (i) to do any and all things and take any and all actions, from time to time, consistent with this Ordinance and the Financing Documents and other documents authorized by this Ordinance including, without limitation, adding or removing real property assets of the City from the Leased Property for each series of Additional Bonds and the payment of necessary and appropriate fees and expenses of bond counsel, disclosure counsel, financial advisor and other services retained by the City; and (ii) to execute and deliver any and all certificates, agreements and other documents (including, without limitation, a tax compliance certificate) required pursuant to the terms of the Notice Inviting Bids, any Purchase Agreement or any other Financing Document, or which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Additional Bonds and the disbursement of proceeds thereof in accordance with this Ordinance and to consummate the transactions authorized hereby and evidenced by the Financing Documents. In addition, each of the Mayor, the Chief Financial Officer and the Chief Operating Officer is hereby authorized to approve additions and changes to the Financing Documents and the other documents authorized by this Ordinance (including, but not limited to, establishing the redemption provisions of the Additional Bonds, determining which capital improvement Projects are financed with proceeds of the

Additional Bonds, and determining which parcel or parcels of City property shall be included as Additional Leased Property for each series of Additional Bonds), which additions and changes the Mayor, the Chief Financial Officer or the Chief Operating Officer shall believe, with the advice of the City's Financial Advisor for the Additional Bonds, to be in the best interest of the City in light of the financing costs, credit and market conditions, such determination shall be conclusively evidenced by the execution and delivery of such Financing Documents and other documents by the City; and provided further that no such addition or changes may be inconsistent with limitations in Sections 7, 8 or 9 hereof.

Section 14. The Council does hereby authorize the deposit and withdrawal of the proceeds of the sale of Additional Bonds, including such proceeds held by the Trustee, in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of section 16429.1 of the California Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard. Any of the Mayor, Chief Operating Officer, Chief Financial Officer, City Treasurer, City Comptroller, or the Trustee on behalf of the City are hereby authorized to order the deposit or withdrawal of the proceeds of the sale of Additional Bonds in the Local Agency Investment Fund.

Section 15. The Chief Financial Officer is authorized to establish one or more special interest-bearing account(s) to deposit proceeds from the Additional Bonds.

Section 16. A full reading of this ordinance is dispensed with prior to its passage, a written or printed copy having been made available to the City Council and the public prior to the day of its passage.

Section 17. That this ordinance shall take effect and be in force on the thirtieth day from and after its final passage.

APPROVED: JAN I. GOLDSMITH, City Attorney

By _____
Brant C. Will
Deputy City Attorney

BCW:jdf
12/26/2013
Or.Dept: Debt Management
Doc. No.: 696098_2

I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego, at this meeting of JAN 28 2014.

ELIZABETH S. MALAND
City Clerk

By _____
Deputy City Clerk

Approved pursuant to Charter section 265(i):

_____
(date)

_____
TODD GLORIA, Council President

Passed by the Council of The City of San Diego on JAN 28 2014, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Sherri Lightner	☑	☐	☐	☐
Kevin Faulconer	☑	☐	☐	☐
Todd Gloria	☑	☐	☐	☐
Myrtle Cole	☑	☐	☐	☐
Mark Kersey	☐	☐	☑	☐
Lorie Zapf	☑	☐	☐	☐
Scott Sherman	☑	☐	☐	☐
David Alvarez	☑	☐	☐	☐
Marti Emerald	☑	☐	☐	☐

Date of final passage FEB 12 2014.

AUTHENTICATED BY:

TODD GLORIA, COUNCIL PRESIDENT
as interim Mayor of The City of San Diego, California.

ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

(Seal)

By _____, Deputy

I HEREBY CERTIFY that the foregoing ordinance was not finally passed until twelve calendar days had elapsed between the day of its introduction and the day of its final passage, to wit, on JAN 14 2014, and on FEB 12 2014.

I FURTHER CERTIFY that said ordinance was read in full prior to passage or that such reading was dispensed with by a vote of five members of the Council, and that a written copy of the ordinance was made available to each member of the Council and the public prior to the day of its passage.

ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

(Seal)

By _____, Deputy

Office of the City Clerk, San Diego, California

Ordinance Number O-_____

BOND PURCHASE AGREEMENT

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS, SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)

Log of Outstanding Items

Page	*Outstanding Items*	*Responsible Party*	*Expected Availability*
1	Amount of Bond Issue	Bond Counsel	Upon Sale of Bonds
1	Date of BPA	Bond Counsel	Upon Sale of Bonds
1	Name of Underwriter	Bond Counsel	Upon Sale of Bonds
1	Amount of Bond Issue	Bond Counsel	Upon Sale of Bonds
1	Purchase Price of Bonds	Underwriter	Upon Sale of Bonds
1	Original Issue Premium/Discount	Underwriter	Upon Sale of Bonds
1	Underwriter's Discount	Underwriter	Upon Sale of Bonds
3	Date of POS	Bond Counsel	Upon Posting of POS
4	Closing Date	Bond Counsel	Upon Sale of Bonds
5	Resolution Adoption Date	Authority	Upon Adoption
8	Date of Adoption of Ordinance	City	Upon Adoption
8	Effective Date of Ordinance	City	Upon Adoption
8	Date of Adoption of City Resolution	City	Upon Adoption
8	Date of Final Passage of Resolution	City	Upon Adoption
12	Name of Underwriter's Counsel	Underwriter	Upon Selection
15	Ratings	Rating Agencies	Upon Issuance of Ratings
19	Notice Address of Underwriter	Underwriter	Upon Selection
S-1	Signature Page	Underwriter/City/ Authority	Upon Sale of Bonds
I-1	Maturity Schedule	Underwriter	Upon Sale of Bonds
I-2-3	Redemption Provisions	Underwriter	Upon Sale of Bonds
A-1	Date of Opinion	Bond Counsel	Preclosing
A-1	Name and Address of Underwriter	Bond Counsel	Preclosing
A-1	Date of Bond Purchase Agreement	Bond Counsel	Preclosing
A-1	Date of Official Statement	Bond Counsel	Preclosing
B-1	Date of Disclosure Counsel Opinion	Disclosure Counsel	Preclosing
B-1	Name and Address of Underwriter	Disclosure Counsel	Preclosing
B-1	Date of POS	Disclosure Counsel	Preclosing
B-1	Date of Official Statement	Disclosure Counsel	Preclosing
C-1	Date of City Attorney Opinion	City Attorney	Preclosing
C-1	Name and Address of	City Attorney	Preclosing

	Underwriter		
C-1	Date of Bond Purchase Agreement	City Attorney	Preclosing
C-1	Name of Underwriter	City Attorney	Preclosing
C-1	Ordinance Number	City	Upon Adoption
C-1	Adoption Date of Ordinance	City	Upon Adoption
C-1	Resolution Number	City	Upon Adoption
C-1	Adoption and Final Passage Dates	City	Upon Adoption
C-1	Date of Adoption of Authority Resolution	Authority	Upon Adoption
D-1	Names of Underwriters	Bond Counsel	Upon Sale of Bonds
D-1	Amount of Bond Issue	Bond Counsel	Upon Sale of Bonds
D-1	Date of Bond Sale	Bond Counsel	Upon Sale of Bonds
D-1	Unsold Bond Maturities	Underwriter	Upon Sale of Bonds
D-1	Initial Offering Prices	Underwriter	Upon Sale of Bonds
D-2	Signature Page	Underwriter	Preclosing

BOND PURCHASE AGREEMENT

$_____
Public Facilities Financing Authority
of the City of San Diego
Lease Revenue Bonds Series 2014A
(Capital Improvement Projects)

_____, 2014

Public Facilities Financing Authority of the City of San Diego
202 C Street
San Diego, California 92101

City of San Diego
202 C Street
San Diego, California 92101

Ladies and Gentlemen:

_____, on behalf of itself and as representative (the "Representative") of the other underwriter[s] set forth on the signature page hereof (collectively, with the Representative, the "Underwriters"), hereby offers to enter into this Bond Purchase Agreement (this "Bond Purchase Agreement") with the Public Facilities Financing Authority of the City of San Diego (the "Authority"), a joint exercise of powers authority duly organized and validly existing under and pursuant to the laws of the State of California (the "State"), and The City of San Diego (the "City"), a municipal corporation organized and existing under its Charter and the Constitution and laws of the State, which upon written acceptance of this offer will be binding upon the Authority, the City and the Underwriters. This offer is made subject to the Authority's and the City's written acceptance hereof on or before 5:00 p.m., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriters upon notice delivered to the Authority and the City at any time prior to the acceptance hereof by the Authority and the City.

Capitalized terms used and not defined herein shall have the same meanings as set forth in the Indenture (as hereinafter defined).

Section 1. Purchase and Sale of the Bonds. Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriters hereby agree to purchase from the Authority, and the Authority hereby agrees to sell and deliver to the Underwriters, all (but not less than all) of the $_____ aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2014A (Capital Improvement Projects) (the "Bonds"). The Bonds will be issued on the Closing Date (as hereinafter defined) in the principal amount of $_____. The Bonds will bear interest at the rates and will mature on the dates and in the principal amounts set forth in Schedule I attached hereto. The purchase price for the Bonds shall be $_____, being the principal amount of the Bonds, [plus a net original issue premium of $_____/less a net original discount of $_____] and less an Underwriters' discount of $_____.

The Representative represents and warrants that: (i) it has been duly authorized by and on behalf of the Underwriters to execute this Bond Purchase Agreement; and (ii) it has been duly authorized by the Underwriters to act hereunder and, as the representative of the Underwriters, to take all actions, and waive any condition or requirement, required or permitted to be taken or waived hereunder by the Underwriters. The Underwriters shall not designate any other representative except upon the approval of the City (which approval shall not be unreasonably withheld).

The Authority and the City acknowledge and agree that: (i) the primary role of the Underwriters, as underwriters, is to purchase securities, for resale to investors, in an arm's length commercial transaction among the Authority, the City and the Underwriters and the Underwriters have financial and other interests that differ from those of the Authority and/or the City; (ii) the Underwriters are acting solely as principals and are not acting as municipal advisors, financial advisors or fiduciaries to the Authority or the City and have not assumed any advisory or fiduciary responsibility to the Authority or the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the Authority or the City on other matters); (iii) other than as imposed by law, the only obligations the Underwriters have to the Authority and/or the City with respect to the transaction contemplated hereby expressly are set forth in this Purchase Agreement; and (iv) the Authority and the City has each consulted its own financial and/or municipal, legal, accounting and other advisors, as applicable, to the extent it has deemed appropriate.

Section 2. Description and Purpose of the Bonds. The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in the Indenture, dated as of July 1, 2012, as amended and supplemented by the First Supplemental Indenture, dated as of July 1, 2013 (together, the "Master Indenture"), and the Second Supplemental Indenture, dated as of April 1, 2014 (the "Second Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), by and between the Authority and Wells Fargo Bank, N.A., as Trustee (the "Trustee"). The Bonds are subject to redemption as provided in Schedule I attached hereto and the Indenture.

The Authority previously issued four series of bonds which are outstanding pursuant to the Master Indenture (together, the "Prior Bonds"). In connection therewith, the City leases to the Authority certain real property and all improvements thereon (the "Original Leased Property") pursuant to the Site Lease, dated as of July 1, 2012, as amended by the First Amendment to Site Lease, dated as of July 1, 2013 (together, the "Master Site Lease"), by and between the City and the Authority. The Authority also leases certain real property (the "MTS Property") from the San Diego Metropolitan Transit System (the "MTS") pursuant to the MTS Site Lease, dated as of July 1, 2013 (the "MTS Site Lease"), by and between the Authority and the MTS. Pursuant to the Facilities Lease, dated as of July 1, 2012, as amended by the First Amendment to Facilities Lease, dated as of July 1, 2013 (together, the "Master Facilities Lease"), by and between the Authority and the City, the City subleases the Original Leased Property and the MTS Property from the Authority.

The Bonds will be delivered as Additional Bonds (as defined in the Master Indenture) under the Indenture. In connection with the issuance of the Bonds, the City will enter into the Second Amendment to Site Lease, dated as of April 1, 2014 (the "Second Amendment to Site Lease" and, together with the Master Site Lease, the "Site Lease"), by and between the City and the Authority, pursuant to which the City will lease the Original Leased Property and certain other additional property and improvements thereon (collectively, the "City Property") to the Authority. The City

will lease the City Property and the MTS Property (collectively, the "Leased Property") from the Authority pursuant to the Master Facilities Lease as amended by the Second Amendment to Facilities Lease, dated as of April 1, 2014 (the "Second Amendment to Facilities Lease" and, together with the Master Facilities Lease, the "Lease"), by and between the City and the Authority.

The Bonds and the Prior Bonds are limited obligations of the Authority payable from and secured by Revenues held in the Revenue Fund (as defined in the Indenture) comprised primarily of all base rental payments made by the City pursuant to the Lease (the "Base Rental Payments"), prepayments, insurance proceeds and condemnation proceeds.

The proceeds of the sale of the Bonds will be used for the purpose of enabling the Authority to provide funds to (i) assist the City in financing the costs of acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects in various locations in the City, and (ii) pay certain costs of issuance associated with the Bonds.

Section 3. Public Offering. The Underwriters agree to make a bona fide public offering of all the Bonds initially at prices not in excess of the public offering prices (or yields not less than the yields) set forth on Schedule I attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriters reserve the right to change the public offering prices (or yields) as they deem necessary in connection with the marketing of the Bonds, provided that the Underwriters shall not change the interest rates set forth on Schedule I. The Bonds may be offered and sold to certain dealers, unit investment trusts and money market funds, certain of which may be sponsored or managed by one or more of the Underwriters, at prices lower than such initial public offering prices. In connection with the sale and delivery of the Bonds, the Representative will deliver an Issue Price Certificate substantially in the form attached hereto as Appendix D.

Section 4. Delivery of Official Statement; Continuing Disclosure.

(a) Preliminary Official Statement. The Authority and the City have delivered or caused to be delivered to the Underwriters prior to the execution of this Bond Purchase Agreement, copies, which may be electronic copies, of the Preliminary Official Statement dated _____, 2014 relating to the Bonds (the "Preliminary Official Statement"). Such Preliminary Official Statement is the official statement deemed final by the Authority and the City for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") and approved for distribution by the Underwriters by resolutions of the governing boards of the Authority and of the City. The Authority and the City hereby ratify and confirm their authorization of the use by the Underwriters prior to the date hereof of the Preliminary Official Statement.

(b) Final Official Statement. Within seven (7) business days from the date hereof, and in any event not later than two (2) business days prior to the Closing Date (hereinafter defined), the Authority and the City shall deliver to the Underwriters a final Official Statement, which may be in electronic form, executed on behalf of the Authority and the City by authorized representatives of such entities, which shall include information permitted to be omitted from the Preliminary Official Statement by paragraph (b)(1) of the Rule and with such other amendments or supplements as shall have been approved by the Authority, the City and the Representative including the cover pages, the appendices thereto and all information incorporated therein by reference (the "Official Statement"), and such additional conformed copies thereof, which may be electronic copies, as the Underwriters may reasonably request in sufficient quantities to comply with the Rule and rules of the Municipal Securities Rulemaking Board (the "MSRB") and to meet potential customer

requests for copies of the Official Statement. The Authority and the City hereby agree to deliver to the Underwriters an electronic copy of the Official Statement in a form that permits the Underwriters to satisfy their obligations under the rules and regulations of the MSRB and the SEC. Electronic copies of the Official Statement shall be filed and posted on the MSRB's Electronic Municipal Market Access System ("EMMA") in connection with the offer and sale of the Bonds as provided herein, which may be in lieu of hard copies of the Official Statement (an "EMMA Filing"). The City and the Authority hereby authorize the Underwriters to use the Official Statement and the information contained therein in connection with the offering and sale of the Bonds.

(c) Continuing Disclosure Certificate. In order to enable the Underwriters to comply with the Rule, the City will execute a Continuing Disclosure Certificate, pursuant to which the City will provide annual financial information and notices of the occurrence of specified events, concurrently with issuance of the Bonds substantially in the form attached as Appendix F to the Preliminary Official Statement and the Official Statement (the "Continuing Disclosure Certificate").

Section 5. Closing. At 8:30 a.m., California time, on _____, 2014, or such other time as shall be agreed upon by the Representative and the Authority (the "Closing Date"), the Authority will deliver or cause to be delivered to the Underwriters at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel") in Newport Beach, California (or such other location as may be designated by the Representative and approved by the Authority) the closing documents hereinafter mentioned and, in New York City, New York through the F.A.S.T. facilities of The Depository Trust Company (or such other location as may be designated by the Representative and approved by the City), the Bonds in the form of registered book-entry bonds evidenced by one certificate for each maturity and interest rate of Bonds (which may be typewritten) in denominations of $5,000 or any multiple thereof, duly executed by the Authority and authenticated by the Trustee, and subject to the terms and conditions hereof the Underwriters will accept delivery of the Bonds in book-entry form, and the Underwriters will pay the purchase price of the Bonds set forth in Section 1 hereof by Federal Funds wire (such delivery and payment being herein referred to as "Closing").

Section 6. Representations, Warranties and Agreements of the Authority. For purposes of this Section 6, "to the best of the Authority's knowledge" means to the best knowledge of the officers thereof.

The Authority represents, warrants and covenants with the Underwriters that:

(a) the Authority is a joint exercise of powers authority duly organized and validly existing under and pursuant to the laws of the State, with full legal right, power and authority to issue, sell and deliver the Bonds to the Underwriters pursuant to the Indenture, and execute, deliver and perform its obligations, as the case may be, under this Bond Purchase Agreement, the Bonds, the Site Lease, the MTS Site Lease, the Facilities Lease, the Indenture, and the Tax Certificate executed by the Authority and the City (the "Tax Certificate" and collectively with this Bond Purchase Agreement, the Site Lease, the MTS Site Lease, the Facilities Lease and the Indenture, the "Legal Documents") and to carry out and consummate all transactions contemplated by each of the aforesaid documents and the Preliminary Official Statement and the Official Statement, and compliance with the provisions of the Bonds and the Legal Documents will not materially conflict with or constitute a breach of or default under any applicable constitutional provision, law, administrative regulation, court order or consent decree or any applicable judgment or

decree or any loan agreement, note, resolution, indenture, agreement or other instrument to which the Authority is a party or may be otherwise subject;

(b) the resolution adopted by the Authority at a regularly scheduled meeting on _____, 2014 approving and authorizing the issuance of the Bonds and the execution and delivery by the Authority of this Bond Purchase Agreement, the Second Amendment to Site Lease, the Second Amendment to Facilities Lease, the Second Supplemental Indenture and the Tax Certificate (the "Authority Resolution") was duly adopted at a meeting of the Authority called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been amended or repealed;

(c) when delivered by the Authority and paid for by the Underwriters in accordance with the provisions of this Bond Purchase Agreement, the Bonds will have been duly authorized, executed and delivered and will constitute the valid and binding limited obligations of the Authority in conformity with, and entitled to the benefit and security of, the Indenture;

(d) the Authority has duly authorized and approved the execution and delivery of the Bonds, this Bond Purchase Agreement, the Second Amendment to Site Lease, the Second Amendment to Facilities Lease, the Second Supplemental Indenture and the Tax Certificate and when executed and delivered, the Bonds and the Legal Documents, assuming due authorization, execution and delivery by the other respective parties thereto, will constitute the legally valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally;

(e) at the date hereof and as of the Closing Date, except as otherwise disclosed in the Preliminary Official Statement and the Official Statement, the Authority will be in compliance with the covenants and agreements contained in the Legal Documents, and no event of default and no event has occurred and is continuing which, with the passage of time or giving of notice, or both, would constitute an event of default thereunder;

(f) all approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to the due performance by the Authority of its obligations under the Bonds and the Legal Documents have been duly obtained or made, and are, and will be as of the Closing Date, in full force and effect;

(g) the Authority will comply with the requirements of the Tax Certificate;

(h) any certificate signed by any officer of the Authority and delivered to the Underwriters pursuant to the Legal Documents or any document contemplated hereby or thereby shall be deemed a representation and warranty by the Authority to the Underwriters as to the statements made therein and that such officer shall have been duly authorized to execute the same;

(i) to the best knowledge of the Authority, as of the date hereof and as of the Closing Date, there is no public vote or referendum pending or proposed, the results of which could materially adversely affect the transactions contemplated by the Legal Documents, the Preliminary Official Statement or the Official Statement or the validity or enforceability of the Bonds;

(j) the Indenture creates a valid pledge of and grant of a first priority security interest in the Revenues purported to be pledged thereby, subject to no prior pledges or security interests;

(k) the information under the headings "THE AUTHORITY" and "LITIGATION" (as it relates to the Authority) in the Preliminary Official Statement, as of the date of the Preliminary Official Statement and as of the date hereof, was true and correct in all material respects, and did not and does not contain a misstatement of any material fact or omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading;

(l) the information under the headings "THE AUTHORITY" and "LITIGATION" (as it relates to the Authority) in the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and such information in the Official Statement contains, and up to and including the Closing will contain, no misstatement of any material fact and does not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading;

(m) the Authority will advise the Representative promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Representative, which consent will not be unreasonably withheld. The Authority will advise the Representative promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Preliminary Official Statement or the Official Statement in connection with the offering, sale or distribution of the Bonds;

(n) as of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Preliminary Official Statement and the Official Statement, to the best of the Authority's knowledge the Authority is not and will not be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument which breach or default would materially adversely affect the security of the Bonds or the Authority's performance under the Legal Documents; and, as of such times, except as disclosed in the Preliminary Official Statement and the Official Statement, the authorization, execution and delivery of this Bond Purchase Agreement, the Second Amendment to Site Lease, the Second Amendment to Facilities Lease, the Second Supplemental Indenture and the Tax Certificate and the Bonds and compliance with the provisions of each of the Legal Documents and the Bonds do not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance agreement or other instrument to which the Authority (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound; nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the

terms of any such law, regulation or instrument, except as may be provided by the Bonds and the Legal Documents;

(o) as of the time of acceptance hereof and the Closing, except as disclosed in Preliminary Official Statement and the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or to the best of the Authority's knowledge after reasonable investigation, threatened (i) in any way questioning the corporate existence of the Authority or the titles of the Commissioners, Chair, Vice-Chair or Secretary and Treasurer of the Authority to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds, the Legal Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from gross income for federal income tax purposes or contesting the powers of the Authority or its authority to issue the Bonds; (iii) which may result in any material adverse change relating to the Authority; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, nor, to the best knowledge of the Authority is there any basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this clause (o);

(p) for purposes of the Rule, the Authority has heretofore deemed final the Preliminary Official Statement prior to its use and distribution by the Underwriters, except for the information specifically permitted to be omitted by paragraph (b)(1) of the Rule; and

(q) except as otherwise disclosed in the Preliminary Official Statement and the Official Statement, the Authority has not previously failed to comply with any continuing disclosure obligation undertaken pursuant to the Rule.

All representations, warranties and agreements of the Authority shall remain operative and in full force and effect, regardless of any investigations made by or on the Underwriters' behalf, and shall survive the delivery of the Bonds.

Section 7. Representations, Warranties, and Agreements of the City. For purposes of this Section 7, "to the best knowledge of the City" and "to the best of the City's knowledge" means to the best knowledge of the Mayor, the Chief Financial Officer, the City Attorney and the City's Department heads.

The City represents, warrants and covenants with the Underwriters that:

(a) the City is a municipal corporation organized and existing under a charter duly adopted pursuant to the provisions of the Constitution of the State, with full legal right, power, and authority to execute, deliver and perform its obligations, as the case may be, under this Bond Purchase Agreement, the Continuing Disclosure Certificate, the Site Lease, the Facilities Lease, and the Tax Certificate (collectively, the "City's Legal Documents") and to carry out and consummate all transactions contemplated by each of the City's Legal Documents, and compliance with the

provisions of the City's Legal Documents will not materially conflict with or constitute a breach of or default under any applicable constitutional provision, law, charter provision, administrative regulation, court order or consent decree or any applicable judgment or decree or any loan agreement, note, resolution, indenture, agreement or other instrument to which the City is a party or may be otherwise subject;

(b) the ordinance of the City adopted on _____, 2014 and effective as of _____, 2014 approving and authorizing, among other things, the issuance of the Bonds and the entry into the Indenture by the Authority and the execution and delivery by the City of the Second Amendment to Site Lease, the Second Amendment to Facilities Lease, the Continuing Disclosure Certificate and this Bond Purchase Agreement, and the resolution of the City adopted on _____, 2014 and approved for final passage on _____, 2014 approving the preparation and distribution of the Preliminary Official Statement and the Official Statement (collectively, the "City Action") were duly adopted at meetings of the City Council called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and are in full force and effect and have not been amended or repealed;

(c) as of the time of acceptance hereof and the Closing, except as otherwise disclosed in the Preliminary Official Statement and the Official Statement, there is no action, suit, proceeding, inquiry or investigation at law or in equity, notice of which has been served on the City, or by or before any court, governmental agency, public board or body pending or, to the best knowledge of the City, after reasonable investigation, threatened against or affecting the City (i) which in any way contests the existence, organization or powers of the City or the title of the officers of the City to their respective offices, or (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, or the payment or collection of revenues or assets of the City pledged or to be pledged to pay the obligations of the City under the Facilities Lease or the obligations of the Authority under the Indenture, or the pledge thereof, or (iii) in any way contesting or affecting the validity or enforceability of the City's Legal Documents, or (iv) contesting the power of the City or its authority with respect to the Bonds or the City's Legal Documents, or (v) contesting the exclusion of interest on the Bonds from gross income for federal income tax purposes or (vi) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; nor, to the best knowledge of the City, is there any basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (vi) of this clause (c);

(d) the execution and delivery of the Second Amendment to Site Lease, the Second Amendment to Facilities Lease, the Continuing Disclosure Certificate, the Tax Certificate and this Bond Purchase Agreement, the adoption of the City Action and compliance by the City with the provisions of the City's Legal Documents and the City Action, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the City a breach or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject;

(e) the City has duly authorized the preparation and distribution of the Preliminary Official Statement and the Official Statement and the execution and delivery of the

Second Amendment to Site Lease, the Second Amendment to Facilities Lease, the Continuing Disclosure Certificate, the Tax Certificate and this Bond Purchase Agreement and when executed and delivered, the City's Legal Documents, assuming due authorization, execution and delivery by the other respective parties thereto, will constitute the legally valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally;

(f) except as otherwise disclosed in the Preliminary Official Statement and the Official Statement, to the best of the City's knowledge, the City is not in any material respect in violation or breach of or default under any applicable law or administrative regulation of the State or the United States of America, or any agency or instrumentality of either of them, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute such a violation or a breach of or a default under any such instrument, which breach or default would materially adversely affect the security of the Bonds or the City's performance under the City's Legal Documents; and, except as disclosed in the Preliminary Official Statement and the Official Statement, the authorization, execution and delivery of the Second Amendment to Site Lease, the Second Amendment to Facilities Lease, the Continuing Disclosure Certificate, the Tax Certificate and this Bond Purchase Agreement and compliance with the provisions of the City's Legal Documents do not and will not conflict in any material respect with or constitute a material breach of or material default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the City (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound; nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the City's Legal Documents;

(g) as of the date hereof, the City is, and as of the Closing Date will be, except as otherwise disclosed in the Preliminary Official Statement and the Official Statement, in compliance with the covenants and agreements contained in the City's Legal Documents, and no event of default and no event has occurred and is continuing which, with the passage of time or giving of notice, or both, would constitute an event of default thereunder;

(h) all approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to the preparation and distribution of the Preliminary Official Statement and the Official Statement or the due performance by the City of its obligations under the City's Legal Documents have been duly obtained or made and are in full force and effect (excepting only the required annual appropriation by the City Council to make Base Rental Payments under the Facilities Lease);

(i) the City will comply with the requirements of the Tax Certificate;

(j) any certificate signed by any officer of the City and delivered to the Underwriters pursuant to the City's Legal Documents or any document contemplated thereby shall be

deemed a representation and warranty by the City to the Underwriters as to the statements made therein and that such officer shall have been duly authorized to execute the same;

(k) to the best knowledge of the City, as of the date hereof and as of the Closing Date, there is no public vote or referendum pending or proposed, the results of which could adversely affect the transactions contemplated by the Preliminary Official Statement, the Official Statement, the City's Legal Documents or the Bonds, or the Revenues securing the Bonds, or the validity or enforceability of the Bonds;

(l) the information in the Preliminary Official Statement, as of its date and as of the date hereof, was and is true and correct in all material respects, and contained and contains no misstatement of any material fact, and did not and does not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading, provided, however, (i) the City makes no representation or warranty with respect to the information concerning The Depository Trust Company and its book-entry system, and any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the City in writing by such Underwriter expressly for use in the Preliminary Official Statement and any amendment or supplement thereto, and (ii) the City acknowledges that the only information relating to the Underwriters furnished to the City in writing by the Underwriters expressly for use in the Preliminary Official Statement and any amendment or supplement thereto is the information under the heading "UNDERWRITING" in the Preliminary Official Statement;

(m) the information in the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing Date will be, true and correct in all material respects, and the information in the Official Statement contains, and up to and including, the Closing Date will contain, no misstatement of any material fact and does not, and up to and including the Closing Date will not, omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading, provided, however, (i) the City makes no representation or warranty with respect to the information concerning the Depository Trust Company and its book-entry system, and any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the City in writing by such Underwriter expressly for use in the Official Statement and any amendment or supplement thereto (collectively, the "Excluded Information"), and (ii) the City acknowledges that the only information relating to the Underwriters furnished to the City in writing by the Underwriters expressly for use in the Official Statement and any amendment or supplement thereto is the information under the heading "UNDERWRITING" in the Official Statement and the pricing information appearing on the inside front cover of the Official Statement;

(n) the City will advise the Representative promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Representative, which consent will not be unreasonably withheld. The City will advise the Representative promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds;

(o) for purposes of the Rule, the City has heretofore deemed final the Preliminary Official Statement prior to its use and distribution by the Underwriters, except for the information specifically permitted to be omitted by paragraph (b)(1) of the Rule;

(p) the financial statements of the City incorporated by reference in the Preliminary Official Statement and the Official Statement fairly present the financial position of the City and results of operations thereof as of the dates and for the periods therein set forth, and have been prepared in accordance with generally accepted accounting principles consistently applied; and

(q) except as otherwise disclosed in the Preliminary Official Statement and the Official Statement, the City has not within the last five calendar years failed to comply in any material respect with any continuing disclosure obligation undertaken pursuant to the Rule.

All representations, warranties and agreements of the City shall remain operative and in full force and effect, regardless of any investigations made by or on the Underwriters' behalf, and shall survive the delivery of the Bonds.

Section 8. Conditions to the Obligations of the Underwriters. The Underwriters hereby enter into this Bond Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein and the representations and warranties to be contained in the documents and instruments to be delivered on the Closing Date and upon the performance by the Authority, the City, and the Trustee of their respective obligations both on and as of the date hereof. Accordingly, the Underwriters' obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriters, to the accuracy in all material respects of the representations and warranties of the Authority and the City contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Authority, the City and the Trustee made in any certificate or document furnished pursuant to the provisions hereof, to the performance by the Authority, the City, and the Trustee of their respective obligations to be performed hereunder and under the Bonds, the Legal Documents and the City's Legal Documents at or prior to the date hereof and at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) on the Closing Date, the Legal Documents and the City's Legal Documents shall have been duly authorized, executed and delivered by the Authority and by the City where each is a party, all in substantially the forms heretofore submitted to the Representative, with only such changes as shall have been reasonably agreed to in writing by the Representative or accepted by the Representative as evidenced by its acceptance of delivery of the Bonds, and shall be in full force and effect; and there shall be in full force and effect such resolutions and ordinances of the Board of Commissioners of the Authority and the City Council as, in the opinion of Bond Counsel, shall be necessary or appropriate in connection with the transactions contemplated hereby;

(b) on the Closing Date, all necessary action of the Authority and the City relating to the issuance and sale of the Bonds will have been taken and will be in full force and effect and will not have been amended, modified or supplemented;

(c) on or prior to the Closing Date, the Underwriters shall have received the following documents, in each case reasonably satisfactory in form and substance to the Underwriters:

(i) one copy of each of the Legal Documents and the City's Legal Documents, each duly executed and delivered by the respective parties thereto;

(ii) the approving opinion, dated the Closing Date and addressed to the Authority and the City, of Bond Counsel in substantially the form of Appendix D to the Official Statement, and a letter of such counsel, dated the Closing Date, and addressed to the Underwriters to the effect that such opinion may be relied upon by the Underwriters to the same extent as if such opinion were addressed to them;

(iii) a supplemental opinion or opinions of Bond Counsel addressed to the Underwriters, in substantially the form attached hereto as Appendix A;

(iv) a letter of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Disclosure Counsel"), dated the date of the Closing, addressed to the Authority and the City, with a reliance letter addressed to the Underwriters, substantially in the form attached hereto as Appendix B;

(v) an opinion of _____, counsel to the Underwriters, dated the Closing Date, and addressed to the Underwriters, substantially to the effect that: (a) based upon such firm's participation, and information disclosed to such firm in the course of its representation of the Underwriters as counsel to the Underwriters, no facts came to the attention of the attorneys of such firm rendering legal services in connection with this matter that caused the attorney of such firm to believe that the Official Statement, as of the date of the Official Statement and as of the date of the Closing Date (except for CUSIP numbers; financial statements and the Comprehensive Annual Financial Report of the City for the fiscal year ended June 30, 2013; financial, demographic, statistical and economic data and projections; assumptions; and information relating to the book-entry-only system, including information in APPENDIX E—"DTC and the Book-Entry-Only System", which are not addressed in the letter), contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; (b) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended, and (c) the Continuing Disclosure Certificate contains the elements required for the written agreement set forth in paragraphs (b)(5)(i), (b)(5)(ii) and (b)(5)(iv) of the Rule;

(vi) the opinion of the General Counsel to the Authority dated the Closing Date and addressed to the Underwriters, substantially to the effect that: (A) the Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California; (B) the resolution of the Authority approving and authorizing the execution and delivery by the Authority of this Bond Purchase Agreement, the Second Amendment to Site Lease, the Second Amendment to Facilities Lease, the Second Supplemental Indenture and the Tax Certificate and the Bonds and the preparation and distribution of the Preliminary Official Statement and the Official Statement (the "Authority Resolution") was duly adopted at a meeting of the Authority that was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been amended or repealed; (C) other than as otherwise disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best knowledge of such counsel after reasonable investigation, threatened against or affecting the Authority, to restrain or enjoin the execution, delivery or sale of the Bonds or the collection or payment of Revenues that are the source of security for the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds or the Legal Documents, or in any way contesting or affecting the existence of the Authority or the title of any

official of the Authority to such person's office, or contesting the power of the Authority or its authority with respect to the Bonds or the Legal Documents or contesting the exclusion of interest on the Bonds from gross income for federal income tax purposes or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (D) the execution and delivery of the Bonds and the Legal Documents, the adoption of the Authority Resolution, and compliance by the Authority with the provisions of the Bonds, the Legal Documents and the Authority Resolution, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach or default under any agreement or other instrument to which the Authority is a party (and of which such counsel is aware after reasonable investigation) or by which it is bound or by any existing law, regulation, court order or consent decree to which the Authority is subject; (E) the Legal Documents have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the limitations on legal remedies against public agencies in the State and the application of equitable principles if equitable remedies are sought; and (F) no authorization, approval, consent, or other order of the United States of America, the State, or any other governmental authority or agency within the State having jurisdiction over the Authority is required for the valid authorization, execution, delivery and performance by the Authority of the Legal Documents or for the adoption of the Authority Resolution which has not been obtained;

(vii) the opinion of the City Attorney, dated the Closing Date and addressed to the Authority and the Underwriters, substantially in the form attached hereto as Appendix C;

(viii) a certificate of a duly authorized official of the Authority, dated the Closing Date, in form and substance reasonably satisfactory to the Representative, to the effect that (A) the Authority's representations and warranties contained in the Legal Documents are true and correct on and as of the Closing Date with the same effect as if made on the Closing Date; and (B) no event has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained under the headings "THE AUTHORITY" or "LITIGATION" (as it relates to the Authority) in the Official Statement, as then supplemented or amended or is not reflected in such statements or information in the Official Statement but should be reflected therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect;

(ix) a certificate of a duly authorized official of the City, dated the Closing Date, in form and substance reasonably satisfactory to the Representative, to the effect that (A) the City's representations and warranties contained in the City's Legal Documents are true and correct on and as of the Closing Date with the same effect as if made on the Closing Date; and (B) no event has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement, as then supplemented or amended or is not reflected in the Official Statement but should be reflected therein in order to make the statements therein, in light of the circumstances under which

they were made, not misleading in any material respect; provided, however, the City makes no representation or warranty with respect to the Excluded Information;

(x) a certificate of a duly authorized official of the Trustee, dated the Closing Date, to the effect that: (A) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States, having the full power and being qualified to enter into and perform its duties under the Indenture and to authenticate and deliver the Bonds to the Underwriters; (B) the Trustee is duly authorized to enter into the Indenture and to authenticate and deliver the Bonds to the Underwriters pursuant to the Indenture; (C) when delivered to and paid for by the Underwriters at the Closing, the Bonds will have been duly authenticated and delivered by the Trustee; (D) the execution and delivery of the Indenture and compliance with the provisions on the Trustee's part contained in the Indenture, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or blue sky laws or regulations), which conflict, breach or default would materially impair the ability of the Trustee to perform its obligations under the Indenture, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Indenture under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Indenture; and (E) to the best of the knowledge of the Trustee, it has not been served with any action, suit, proceeding, inquiry or investigation in law or in equity, before or by any court, governmental agency, public board or body, nor is any such action or other proceeding threatened against the Trustee, affecting the existence of the Trustee, or the titles of its officers to their respective offices or seeking to prohibit, restrain, or enjoining the execution and delivery of the Bonds or the Indenture or the collection of revenues to be applied to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Indenture, or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing to which it is a party, wherein an unfavorable decision, ruling or funding would materially adversely affect the validity or enforceability of the Indenture or the power and authority of the Trustee to enter into and perform its duties under the Indenture and to authenticate and deliver the Bonds to or upon the order of the Underwriters;

(xi) the opinion of counsel to the Trustee, dated the Closing Date and addressed to the Underwriters, the Authority and the City, of Counsel to the Trustee, to the effect that: (A) the Trustee has been duly incorporated as a national banking association under the laws of the United States and is in good standing under the laws of the State of California, duly qualified to do business and to exercise trust powers therein, having full power and authority to enter into and to perform its duties as Trustee under the Indenture; (B) the Trustee has duly authorized, executed and delivered the Indenture, and by all proper corporate action has authorized the acceptance of the trusts of the Indenture; (C) the Indenture constitutes the legally valid and binding agreement of the Trustee, enforceable against the Trustee in accordance with its terms, and (D) the Bonds have been validly authenticated and delivered by the Trustee;

(xii) one certified copy of the general resolution of the Trustee authorizing the execution and delivery of the Indenture;

(xiii) one certified copy of the Authority Resolution;

(xiv) one certified copy of the City Action;

(xv) evidence that the federal tax information form 8038-G has been prepared for filing;

(xvi) a copy of the Notice of Proposed Sale and Report of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855(g) of the California Government Code;

(xvii) evidence that the Bonds have been rated "__" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), and "__" by Fitch Ratings ("Fitch");

(xviii) a CLTA title insurance policy insuring the Authority's leasehold title to the Leased Property in an amount at least equal to the combined principal amount of the Bonds and all Additional Bonds outstanding;

(xix) a certified copy of the joint exercise of powers agreement pursuant to which the Authority was created;

(xx) Notice of Joint Exercise of Powers Agreement from the Secretary of State certifying that the joint exercise of powers agreement pursuant to which the Authority was created was duly filed; and

(xxi) such additional legal opinions, certificates, instruments or evidences thereof and other documents as the counsel to the Underwriters or Bond Counsel may reasonably request to evidence the due authorization, execution and delivery of the Bonds and the conformity of the Bonds, the Legal Documents and the City's Legal Documents with the terms of the Bonds and the descriptions thereof in the Official Statement;

(d) the Underwriters shall have the right to terminate this Bond Purchase Agreement, without liability therefor, by notification to the Authority and the City if at any time between the date hereof and the Closing:

(i) any event shall occur or facts are discovered which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary in order to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading, provided, however, the Underwriters shall not terminate this Bond Purchase Agreement if prior to the Closing and prior to the distribution of the Official Statement to any public investor the City and the Underwriters agree to and shall have amended or supplemented the Official Statement so that the Official Statement as so amended or supplemented will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made in the light of the circumstances in which they were made, not misleading, and, in the sole judgment of the Underwriters, such amendment or supplement shall not have an adverse effect on the market price of the Bonds or the ability of the Underwriters to enforce contracts with investors for the sale of the Bonds; or

(ii) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Representative, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Bond Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority, which in any case has a materially adverse effect on the federal or State tax status of the City or the Authority, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Representative, materially adversely affects the market price of the Bonds; or

(iv) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter of the Bonds shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) there shall have occurred any outbreak or escalation of hostilities or terrorist activities or other local, national or international calamity or crisis, or a default with respect to the debt obligations of, or the institution of proceedings under the federal bankruptcy laws by or against, any state of the United States or agency thereof, or any city in the United States having a population of over one million, in any case the effect of which on the financial markets of the United States will be such as in the Representative's reasonable judgment, makes it impracticable for the Underwriters to market the Bonds or enforce contracts for the sale of the Bonds; or

(vi) any rating of the Bonds shall have been downgraded, suspended or withdrawn by S&P or Fitch which, in the Representative's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(vii) the commencement of any action, suit or proceeding described in Sections 6(n) or 7(c) hereof which, in the reasonable judgment of the Representative, materially adversely affects the market price of the Bonds; or

(viii) the declaration of a general banking moratorium by federal, New York or California authorities, the general suspension of trading on any national securities exchange or a material disruption in securities settlement, payment or clearance services, which event, in the reasonable judgment of the Representative, would materially adversely affect the market price of the Bonds; or

(ix) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to net capital requirements of, the Underwriters, which, in the reasonable judgment of the Representative, would materially adversely affect the market price of the Bonds; or

(x) there shall have been any materially adverse change in the affairs of the Authority or the City which (A) requires an amendment to the Official Statement under Section 10(a) or (b) hereof and (B) in the Representative's reasonable judgment materially adversely affects the ability of the Underwriters to market the Bonds.

If the City or the Authority shall be unable to satisfy the conditions contained in this Bond Purchase Agreement, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriters, the City nor the Authority shall be under further obligation hereunder, except as further set forth in Sections 9 and 10 hereof.

Section 9. Expenses. The Underwriters shall be under no obligation to pay, and the Authority and the City shall pay or cause to be paid the expenses incident to the performance of the obligations of the Authority and the City hereunder including but not limited to (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the Legal Documents, the City's Legal Documents and the cost of preparing, printing, issuing and delivering the definitive Bonds, (b) the fees and disbursements of any counsel, financial advisors, accountants, verification agents or other experts or consultants retained by the Authority or the City, (c) the fees and disbursements of Bond Counsel, (d) the fees and disbursements of Disclosure Counsel, (e) the fees and disbursements of the Trustee, (f) the cost of preparation and printing of the Preliminary Official Statement and any supplements and amendments thereto and the cost of preparation and printing of the Official Statement and any supplements and amendments thereto, including the requisite number of copies thereof for distribution by the Underwriters, and (g) charges of rating agencies for the rating of the Bonds. The Authority, the City and the Underwriters intend that the Authority and the City will pay all expenses of the Authority and City's employees that are incidental to implementing this Bond Purchase Agreement, including, but not limited to, meals, transportation, and lodging, of those employees, and the Authority and the City shall reimburse the Underwriters if the Underwriters pay for any of such expenses on behalf of the Authority or City.

All out-of-pocket expenses of the Underwriters, including the California Debt and Investment Advisory Commission fee, fees of Underwriters' counsel, and other expenses (except as provided above), shall be paid by the Underwriters from the Underwriters' discount set forth in Section 1

hereof. Certain expenses of the Underwriters may be in the form of inclusion in the expense component of the Underwriters' discount.

Section 10. Covenants of Authority and City. The Authority and the City covenant with the Underwriters that:

(a) until the earlier of (i) the date which is twenty-five (25) days after the City delivers the Bonds to the Representative, or (ii) the date the Underwriters do not retain, directly or as a member of an underwriting syndicate, any unsold balance of the Bonds for sale to the public (the "End of the Underwriting Period"), if any event shall occur of which the Authority or the City is aware, as a result of which it may be necessary to supplement the Official Statement in order to make the statements in the Official Statement, in light of the circumstances existing at such time, not misleading, the Authority or the City shall forthwith notify the Representative of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary or desirable, in the Representative's or City's opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the Authority or the City shall promptly furnish to the Underwriters electronic copies of such supplement; provided that the Representative agrees to deliver written notice to the City in accordance with this provision at or prior to the Closing Date specifying a date (if other than the Closing Date) to be deemed the "End of the Underwriting Period" and the Representative agrees to notify the City in writing of the date on which the Underwriter does not retain, directly or as a member of an underwriting syndicate, any unsold balance of the Bonds for sale to the public;

(b) if the information contained in the Official Statement is amended or supplemented pursuant to subparagraph (a) of this Section 10, at the time of such supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date that is the earlier of (i) the date which is twenty-five (25) days after the City delivers the Bonds to the Representative, or (ii) the Underwriters do not retain, directly or as a member of an underwriting syndicate, any unsold balance of the Bonds for sale to the public, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein), excluding the Excluded Information, will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make such information therein, in the light of the circumstances under which it was made, not misleading;

(c) the Authority and the City will advise the Representative immediately of receipt by the Authority or the City of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(d) the Authority and the City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate; provided, however, that the Authority and the City shall not be required to register as a dealer or broker or foreign corporation in any such state or jurisdiction or consent to service of process therein; and

(e) the Authority and the City will perform all actions as may be requested by the Underwriters (including delivery of an appropriate certificate with respect to the Preliminary Official Statement) in order for the Underwriters to comply with the applicable provisions of the Rule.

Section 11. Notices. Any notice or other communication to be given to the Authority or the City under this Bond Purchase Agreement may be given by delivering the same in writing at the Authority's and the City's addresses, respectively, set forth above and any such notice or other communication to be given to the Underwriters shall be delivered to the following address:

Attention: _____

Section 12. Parties in Interest. This Bond Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriters and no other person shall acquire or have any right hereunder or by virtue hereof. All the representations and warranties of the parties hereto contained in this Bond Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriters, the City or the Authority until the earlier of (a) delivery of and payment for the Bonds hereunder, and (b) any termination of this Bond Purchase Agreement.

Section 13. Counterparts. This Bond Purchase Agreement may be executed in any number of counterparts, each of which shall be an original, and all of which shall constitute but one and the same instrument.

Section 14. Effectiveness. This Bond Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the duly authorized officers of the Authority and the City and shall be valid and enforceable as of the time of such acceptance.

Section 15. Choice of Law. The validity, interpretation and performance of this Bond Purchase Agreement shall be governed by the laws of the State, without regard to conflicts of law.

Section 16. Severability. In the event any provision of this Bond Purchase Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 17. Entire Agreement. The Bond Purchase Agreement, when accepted by the Authority and the City in writing as heretofore specified, shall constitute the entire agreement among the Authority, the City and the Underwriters.

Section 18. Headings. The headings of the sections of this Bond Purchase Agreement are inserted for convenience only and shall not be deemed to be part hereof.

Section 19. No Assignment. The rights and obligations created by this Bond Purchase Agreement shall not be subject to assignment by the Underwriters, the City or the Authority without the prior written consent of the other parties hereto.

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

_____,
for itself and as Representative of

_____

By:_____
Managing Director

Accepted as of the date hereof:

PUBLIC FACILITIES FINANCING
AUTHORITY OF THE CITY OF
SAN DIEGO

By:_____
Name: _____
Title: Chair

CITY OF SAN DIEGO

By:_____
Name: _____
Title: Chief Financial Officer

APPROVED AS TO FORM:

Jan I. Goldsmith, City Attorney

By:_____
Deputy City Attorney

[Signature Page to Bond Purchase Agreement]

SCHEDULE I

MATURITY SCHEDULE AND REDEMPTION PROVISIONS

$_____
Public Facilities Financing Authority of the City of San Diego
Lease Revenue Bonds, Series 2014A
(Capital Improvement Projects)

Maturity Schedule

Maturity Date (October 15)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*

c Priced to October 15, 20__ call date at par.

Redemption Provisions

Optional Redemption. The Bonds maturing on or before October 15, 20__ are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after October 15, 20__, shall be subject to optional redemption, in whole or in part, on any date on or after October 15, 20__, from any available source of funds of the City, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Special Mandatory Redemption From Insurance or Condemnation Proceeds of Bonds. The Bonds shall also be subject to redemption as a whole, or in part on any date, to the extent the Trustee has received hazard or title insurance proceeds or condemnation proceeds not used to repair or replace any portion of the Leased Property damaged, destroyed or taken and elected by the City to be used for such purpose as provided in Section 5.05 of the Master Indenture, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on October 15, 20__ are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments derived from scheduled Base Rental Payments made by the City and deposited in the Series 2014A Bonds Sinking Account, on each sinking fund redemption date commencing October 15, 20__, at a redemption price equal to the principal amount thereof to be redeemed and interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Sinking Fund Redemption Date	***Principal Amount to be Redeemed or Purchased***
	$
*	

* Maturity date.

The Bonds maturing on October 15, 20__ are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments derived from scheduled Base Rental Payments made by the City and deposited in the Series 2014A Bonds Sinking Account, on each sinking fund redemption date commencing October 15, 20__, at a redemption price equal to the principal amount thereof to be redeemed and interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Sinking Fund Redemption Date	*Principal Amount to be Redeemed or Purchased*
	$
*	

* Maturity date.

APPENDIX A

BOND COUNSEL SUPPLEMENTAL OPINION

_____, 2014

City of San Diego
San Diego, California

Public Facilities Financing Authority of the City of San Diego
San Diego, California

_____, as Representative
of the Underwriters
_____, California

On the date hereof, as Bond Counsel to The City of San Diego (the "City"), we have rendered to the City our final legal opinion (the "Approving Opinion") concerning the validity of (a) $_____ aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2014A (Capital Improvement Projects) (the "Bonds"). This supplemental opinion is rendered pursuant to Section 8(c)(iii) of the Bond Purchase Agreement, dated _____, 2014 ("Purchase Agreement"), among the City, the Public Facilities Financing Authority of the City of San Diego (the "Authority") and the Underwriters therein mentioned. All terms used in this supplemental opinion and not defined herein shall have the same meaning as assigned in the Purchase Agreement. You may rely upon our Approving Opinion as if it were addressed to you.

In arriving at the opinions and conclusions hereinafter expressed, we have examined: the Site Lease, dated as of July 1, 2012, as amended by the First Amendment to Site Lease, dated as of July 1, 2013 and the Second Amendment to Site Lease, dated as of April 1, 2014 (collectively, the "Site Lease"), by and between the City and the Authority; the MTS Site Lease, dated as of July 1, 2013 (the "MTS Site Lease"), by and between the Authority and the San Diego Metropolitan Transit System (the "MTS"); the Facilities Lease, dated as of July 1, 2012, as amended by the First Amendment to Facilities Lease, dated as of July 1, 2013 and the Second Amendment to Facilities Lease, dated as of April 1, 2014 (collectively, the "Facilities Lease"), by and between the Authority and the City; the Indenture, dated as of July 1, 2012, as amended and supplemented by the First Supplemental Indenture, dated as of July 1, 2013 and the Second Supplemental Indenture, dated as of April 1, 2014 (collectively, the "Indenture"), by and between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"); the Continuing Disclosure Certificate of the City, dated as of the date hereof (the "Continuing Disclosure Certificate); a Tax Certificate of the Authority and the City with exhibits, dated the date hereof (collectively the "Tax Certificate"); opinions of the City Attorney, counsel to the Authority and counsel to the Trustee; certificates of the City, the Trustee, the Authority and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions and conclusions set forth herein. We have also examined the Official Statement, dated _____, 2014, relating to the Bonds (the "Official Statement"). We have printed an electronic version of the Official Statement and assume that all versions of the Official Statement are identical in all respects to the version we printed.

We have assumed, but not independently verified, that the signatures on all documents, letters, opinions, certificates and instructions which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto and that all representations made in the items that we have reviewed are true and accurate.

Based upon and subject to the foregoing, as of the date hereof and under existing law, we are of the following opinions or conclusions:

(1) The Purchase Agreement has been duly authorized, executed and delivered by the Authority and the City, and the Purchase Agreement constitutes a valid and binding obligation of the Authority and the City, except as the same may be limited by bankruptcy, insolvency, moratorium or other laws affecting creditors' rights, by equitable principles and by the exercise of judicial discretion in appropriate cases and by the limitation on legal remedies against public agencies in the State of California, provided, however, we express no opinion as to the enforceability of provisions as to indemnification, penalty, contribution, choice of law, choice of forum or waiver contained therein.

(2) The statements contained in the Official Statement under the captions "THE SERIES 2014 BONDS" (other than information relating to DTC and its book-entry only system, as to which no opinion is expressed), "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS," "TAX MATTERS," and in Appendix C—"SUMMARY OF LEGAL DOCUMENTS" thereto, insofar as such statements expressly summarize certain provisions of the Indenture, the Facilities Lease, the Site Lease, the Bonds and the Legal Opinion concerning certain tax matters relating to the Bonds, are accurate in all material respects. Other than as set forth above, we express no view as to the accuracy, completeness or fairness of any portion of the Official Statement.

(3) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. This opinion is limited to matters governed by the laws of the State of California and federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Except as expressly set forth in the Approving Opinion, we express no opinion regarding any tax consequences with respect to the Bonds. No opinion is expressed herein with respect to the compliance with, or applicability of, any "blue sky" laws of any state as they relate to the offer or sale of the Bonds.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or occur (or do not occur), and we expressly disclaim any responsibility to advise you as to events occurring after the date hereof with respect to the Bonds or other matters discussed in the Official Statement.

This letter is furnished by us as Bond Counsel to the City. No attorney-client relationship has existed or exists between our firm and the Underwriter in connection with the Bonds or by virtue of this letter. This letter is delivered to you solely for your benefit and is not to be used, circulated,

quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to be relied upon by owners of the Bonds or any beneficial interest therein.

Our engagement with respect to the Bonds terminates as of the date hereof, and we have not undertaken any duty, and expressly disclaim any responsibility, to advise you as to events occurring after the date hereof with respect to the Bonds or other matters discussed herein or in the Official Statement.

Respectfully submitted,

APPENDIX B

DISCLOSURE COUNSEL LETTER

_____, 2014

City of San Diego
San Diego, California

Public Facilities Financing Authority of the City of San Diego
San Diego, California

_____, as Representative
of the Underwriters
_____, California

We have acted as Disclosure Counsel to the City of San Diego (the "City") in connection with the issuance and sale by the Public Facilities Financing Authority of the City of San Diego (the "Authority") of (a) $_____ aggregate principal amount of the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2014A (Capital Improvement Projects) (the "Bonds"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Bond Purchase Agreement, dated_____, 2014, among the City, the Authority and the Underwriters therein mentioned.

As Disclosure Counsel, we have examined and relied upon: the Preliminary Official Statement, dated _____, 2014, relating to the Bonds (the "Preliminary Official Statement"); the Official Statement, dated _____, 2014, relating to the Bonds (the "Official Statement"); the Site Lease, dated as of July 1, 2012, as amended by the First Amendment to Site Lease, dated as of July 1, 2013 and the Second Amendment to Site Lease, dated as of April 1, 2014 (collectively, the "Site Lease"), by and between the City and the Authority; MTS Site Lease, dated as of July 1, 2013 (the "MTS Site Lease"), by and between the Authority and the San Diego Metropolitan Transit System (the "MTS"); the Facilities Lease, dated as of July 1, 2012, as amended by the First Amendment to Facilities Lease, dated as of July 1, 2013 and the Second Amendment to Facilities Lease, dated as of April 1, 2014 (collectively, the "Facilities Lease"), by and between the Authority and the City; the Indenture, dated as of July 1, 2012, as amended and supplemented by the First Supplemental Indenture, dated as of July 1, 2013 and the Second Supplemental Indenture, dated as of April 1, 2014 (collectively, the "Indenture"), by and between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"); a Tax Certificate of the Authority and the City with exhibits, dated the date hereof (collectively the "Tax Certificate"); opinions of the City Attorney, counsel to the Authority and counsel to the Trustee; certificates of the City, the Trustee, the Authority and others; and the other documents contained in the transcript of proceedings for the Bonds. In addition, we have examined and relied upon originals or copies, certified or otherwise identified to our satisfaction, of such other resolutions, documents, instruments and corporate or public records, and have made such investigation of law, as we have deemed necessary for the purpose of this letter. As Disclosure Counsel, we have printed electronic versions of the Preliminary Official Statement and the Official Statement and assume that all versions of the Preliminary Official Statement and the Official Statement are identical in all respects to the versions we printed.

We have assumed, but not independently verified, that the signatures on all documents, letters, opinions and certificates which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto and that all representations made in the documents that we have reviewed are true and accurate.

Except as expressly set forth in our final approving opinion with respect to the Bonds issued the date hereof, we express no opinion regarding any tax consequences with respect to the Bonds. No opinion is expressed herein with respect to the compliance with, or applicability of, any "blue sky" laws of any state as they relate to the offer or sale of the Bonds.

We are not passing upon and have not undertaken to determine independently or to verify the accuracy or completeness of the statements contained in the Official Statement and are, therefore, unable to make any representation to you in that regard. Based on our participation in conferences and communications with representatives of the Underwriters, the Authority and the City, Public Financial Management, Inc., as Financial Advisor to the City and others, during which conferences the contents of the Official Statement and related matters were discussed, and in reliance thereon and on certain oral and written statements and representations of the Authority and the City and on certain documents reviewed by us, including the documents, letters, certificates and opinions described above, and our understanding of applicable law, we advise you, as a matter of fact but not opinion, that no information has come to the attention of the attorneys of our firm representing the City with respect to the issuance of the Bonds which caused us to believe that the Official Statement as of its date contained, or as of the date hereof contains, any untrue statement of a material fact or as of its date omitted, or as of the date hereof omits, to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that we express no view with respect to any financial, statistical or economic or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion therein, any information about CUSIP numbers, the book-entry system or The Depository Trust Company therein, or either of Appendices B and E thereto). We advise you that, other than reviewing the various certificates and opinions delivered pursuant to the Bond Purchase Agreement regarding the Official Statement, we have not taken any steps since the date of the Official Statement to verify the accuracy of the statements contained in the Official Statement as of the date hereof.

By acceptance of this letter you acknowledge that the preceding paragraph is neither a legal opinion nor a guarantee regarding the Official Statement; rather it is a statement of negative assurance regarding factual information that did not come to the attention of the attorneys in our firm working on this matter during the limited activities that we performed as Disclosure Counsel to the City. Further, in accepting this letter, the City and the Authority recognize and acknowledge that (i) the scope of those activities performed by us were inherently limited and do not encompass all activities that the City and the Authority may be responsible to undertake in preparing the Official Statement, (ii) those activities performed by us relied substantially on representations, warranties, certifications and opinions made by representatives of the City and the Authority and others, and are otherwise subject to the matters set forth in this letter, and (iii) while such statements of negative assurance are customarily given to underwriters of municipal bonds to assist them in discharging their responsibilities under federal securities laws, the responsibilities of the City and the Authority under those laws may differ from those of underwriters in material respects, and the preceding paragraph may not serve the same purpose or provide the same utility to the City and the Authority as it would to the underwriters.

This letter is furnished by us as Disclosure Counsel to the City. No attorney-client relationship has existed or exists between our firm and you in connection with the Bonds or by virtue of this letter. This letter is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose without our prior written consent. This letter is not intended to and may not be relied upon by owners of Bonds or any beneficial interest therein.

Our engagement with respect to the Bonds terminates as of the date hereof, and we have not undertaken any duty, and expressly disclaim any responsibility, to advise you as to events occurring after the date hereof with respect to the Bonds or other matters discussed herein or in the Official Statement.

Respectfully submitted,

APPENDIX C

CITY ATTORNEY OPINION

_____, 2014

Public Facilities Financing Authority
202 C Street
San Diego, California 92101

_____, as Representative
of the Underwriters
_____, California

Re: $_____ Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2014A (Capital Improvement Projects)

Ladies and Gentlemen:

This opinion is rendered as counsel to the City of San Diego (the "City") in accordance with the requirements of Section 8(c)(vii) of the Bond Purchase Agreement dated _____, 2014 (the "Bond Purchase Agreement"), by and among the Public Facilities Financing Authority of the City of San Diego (the "Authority"), the City and _____, as representative of the Underwriters named therein, with respect to $_____ aggregate principal amount of the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2014A (Capital Improvement Projects) (the "Bonds"). All capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Bond Purchase Agreement.

The Bonds are issued pursuant to (i) Ordinance No. _____ of the City Council of the City ("Council") adopted on _____, 2014 and effective as of _____, 2014 Approving the Forms of and Authorizing the Execution and Delivery of One or More Amendments to Site Lease, Amendments to Facilities Lease and Official Notice Inviting Bids; Authorizing the Execution, Delivery and Performance of One or More Supplemental Indentures by the Public Facilities Financing Authority of the City of San Diego; Authorizing the City Attorney to Appoint Bond Counsel and Disclosure Counsel; Approving and Authorizing the Issuance and Sale in One or More Series of the Authority's Lease Revenue Bonds; and Approving Other Documents and Actions in Connection Therewith ("Ordinance"); (ii) Resolution R-_____ of the Council adopted on _____, 2014 and approved for final passage on _____, 2014, Approving the Form and Authorizing the Distribution of the Preliminary Official Statement and Authorizing the Execution, Delivery and Distribution of the Official Statement in Connection with the Issuance and Sale in One or More Series by the Public Facilities Financing Authority of the City of San Diego of Its Lease Revenue Bonds, and (iii) a Resolution of the Board of Commissioners of the Authority adopted on _____, 2014, Authorizing the Execution and Delivery of a Second Amendment to Site Lease, a Second Amendment to Facilities Lease, a Second Supplemental Indenture and Official Notice Inviting Bids; Approving the Issuance and Sale of the Authority's Lease Revenue Bonds Series 2014A by Competitive or Negotiated Sale; Approving the Form and Authorizing the Distribution of the Preliminary Official Statement; Authorizing the Execution, Delivery and Distribution of the

Official Statement; and Approving Other Documents and Actions in Connection Therewith (collectively, items (ii) and (iii) of this paragraph are referred to as the "Resolutions").

In rendering this opinion, we have examined certified copies of proceedings for the issuance of the Bonds, including: (i) the Ordinance, (ii) the Resolutions, (iii) the Continuing Disclosure Certificate, (iv) the Site Lease, (v) the Facilities Lease, (vi) the Bond Purchase Agreement and (vii) the form of Bonds and such other records, documents, certificates, opinions and other matters as are in our judgment necessary or appropriate to enable us to render the opinions expressed herein. As to relevant factual matters, we have relied upon, among other things, the City's factual representations contained in the City Legal Documents (as defined below) and the Official Statement. Collectively, the Bond Purchase Agreement, the Site Lease, the Facilities Lease and the Continuing Disclosure Certificate are referred to herein as the "City Legal Documents." The Ordinance and the Resolutions are collectively referred to as the "City Action."

We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies. To the extent the City's obligations depend on the enforceability of the City Legal Documents against the other parties thereto, we have assumed that the City Legal Documents are enforceable against such other parties.

From such examination, on the basis of our reliance upon the assumptions in this opinion and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The City is duly organized and existing under its charter and the laws of the State of California.

2. The City Action was duly adopted at meetings of the City Council that were called and held pursuant to applicable law and with all public notice required by applicable law and at which a quorum, was present and acting throughout, and is in full force and effect and has not been amended or repealed.

3. To the best of our knowledge, no action, suit, proceeding, or investigation at law or in equity before or by any court, public board or body is pending in which service of process has been completed, or is threatened against or affecting the City: (a) to restrain or enjoin the execution, delivery or sale of the Bonds; or (b) the collection or payment of revenues or assets of the City to be used to pay the obligations of the City under the Facilities Lease, or the pledge thereof by the Authority; or (c) in any way contesting or materially affecting the validity or enforceability of the Bonds or the City Legal Documents; or (d) in any way contesting or affecting the existence of the City or the title of any executive officer of the City to such executive officer's office; or (e) contesting the power of the City or its authority with respect to the Bonds or the City Legal Documents; or (f) contesting the exclusion of interest on the Bonds from gross income for federal income tax purposes; or (g) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements made therein, in the light of the circumstances in which they were made, not misleading.

4. The execution and delivery of the City Legal Documents, the adoption of the City Action and compliance by the City with the provisions of the foregoing under the circumstances contemplated thereby, do not and to the best of our knowledge will not in any material respect conflict with or constitute on the part of the City a violation or breach of, or constitute a default under, (a) any agreement or other instrument to which the City is a party or by which it is bound (and of which we are aware after a reasonable investigation) and with respect to such conflict, breach or default would materially adversely affect the ability of the City to pay Base Rental Payments under the Facilities Lease, or (b) any existing law, regulation, court order or consent decree to which the City is subject and that we have, in the exercise of customary professional diligence, recognized as applicable to the City and the transactions contemplated by the City Legal Documents. If any such agreement or other instrument to which the City is a party or by which it is bound as described in this paragraph 4 is governed by the laws of a jurisdiction other than the State of California, we have assumed that such agreement or other instrument is governed by the laws of the State of California. We express no opinion as to the effect of the City's performance of its obligations under the City Legal Documents or the City's compliance with financial covenants in such other agreements or material instruments.

5. The City Legal Documents have been duly authorized, executed and delivered by the City and assuming due authorization, execution and delivery by the other parties thereto including the Representative, the City Legal Documents constitute legal, valid and binding obligations of the City, enforceable against the City in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws relating to or affecting creditors' rights generally, to the exercise of judicial discretion in appropriate cases, to the limitations on legal remedies against municipal corporations in the State of California and to the application of equitable principles if equitable remedies are sought.

6. No authorization, approval, consent or other order of the United States of America, the State of California, or other governmental authority or agency within the State of California having jurisdiction over the City is required for the valid execution, delivery or performance by the City of the City Legal Documents or for the adoption of the City Action which has not been obtained, except for such actions as may be necessary to be taken to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of any state or jurisdiction of the United States of America, as to which no opinion is expressed.

The matters set forth in paragraphs 3 and 4 (other than with respect to conflicts) are factual confirmations and not legal opinions. For purposes of the matters set forth in paragraph 4, we have assumed that the City will not in the future take any discretionary action (including a decision not to act) permitted by the City Legal Documents that would cause the adoption by the Council of the City Action or the execution and delivery by the City of the City Legal Documents to violate any State of California or City constitutional provision, existing State of California law, charter, ordinance, regulation, decree, order or resolution, or conflict in any material respect with, or constitute a violation or breach of or default under any agreement, or other instrument to which the City is subject to or by which it is bound, or require an approval, consent or authorization to be obtained from a State of California or City governmental authority.

We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, severability or waiver provisions contained in the City Legal Documents.

We express no opinion as to any provision requiring written amendments or waivers insofar as it suggests that oral or other modifications, amendments or waivers could not be effectively agreed upon by the parties or that the doctrine of promissory estoppel might not apply.

A court may refuse to enforce a provision of the City Legal Documents if it deems that such provision is in violation of public policy. No opinion is being given as to the availability of any particular remedy.

The law covered by this opinion is limited to the present laws of the State of California and we express no opinion as to the laws of any other jurisdiction.

The opinions expressed herein are matters of professional judgment and are not a guaranty or warranty of any result whatsoever.

This opinion may be relied on by you only in connection with the issuance of the Bonds. It may not be used or relied upon for any other purpose or by any other person, nor may copies be delivered to any other person, without in each instance our prior written consent, provided however, that it may be included in the transcript of record of proceedings relating to the issuance of the Bonds. This opinion is expressly limited to the matters set forth above, and we render no opinion, whether by implication or otherwise, as to any other matters. This letter speaks only as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that arise after the date of this opinion and come to our attention, or any future changes in laws, rules or regulations.

This opinion is given in an official capacity only, and not personally, and no personal liability shall derive or result from this opinion.

Sincerely yours,

JAN I. GOLDSMITH, City Attorney

APPENDIX D

ISSUE PRICE CERTIFICATE OF THE REPRESENTATIVE

This Certificate is furnished by _____ (the "Representative"), as representative of itself and _____ (collectively, the "Underwriters"), in connection with the issuance by the Public Facilities Financing Authority (the "Authority") of $_____ aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds") on _____, 2014, and the Representative hereby certifies and represents the following, based upon information available to us:

1. Based on our assessment of the then prevailing market conditions, the Representative reasonably expected when it agreed to purchase the Series 2014A Bonds on _____, 2014 (the "Sale Date") that the first prices at which at least 10% of each maturity of the Series 2014A Bonds would be sold by the Underwriters to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesales) (the "Public") would be prices not higher than, or, in the case of obligations sold on a yield basis, at yields not lower than, those listed for each maturity on Schedule A hereto (the "Initial Offering Prices").

2. As of the Sale Date, all of the Series 2014A Bonds were reasonably expected to be offered and have actually been offered to the Public in a bona fide public offering at prices not higher than, or, in the case of obligations sold on a yield basis, at yields not lower than, the Initial Offering Prices.

3. The first price, or yield in the case of the obligations sold on a yield basis, at which at least ten percent (10%) of each maturity of the Series 2014A Bonds has been sold to the Public was at a price not higher than, or, in the case of obligations sold on a yield basis, at a yield not lower than, the Initial Offering Prices [except for the Series 2014A Bonds with the following maturities:]. [For the Series 2014A Bonds maturing on _____ 1, 20__, the Representative had no reason to believe that such maturity would be initially sold to the Public at an initial offering price greater than the respective Initial Reoffering Price.] [Further explanation of this failure.]

4. The Representative had no reason to believe that any of the Initial Offering Prices of the Series 2014A Bonds exceeded the expected fair market value of the Series 2014A Bonds as of the Sale Date.

5. The aggregate of the initial offering prices of the Series 2014A Bonds was not greater than $_____, taking into account net premium on the Series 2014A Bonds.

We understand that the foregoing information will be relied upon by the Authority and The City of San Diego (the "City") with respect to certain of the representations set forth in the Tax Certificate and by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with rendering its opinion to the Authority and the City that the interest on the Series 2014A Bonds is not includable in gross income of the owners thereof for federal income tax purposes. The undersigned is certifying only as to facts in existence on the date hereof. Nothing herein represents the undersigned's interpretation of any laws; in particular the regulations under the Internal Revenue Code of 1986, or the application of any laws to these facts. The certifications contained herein are

not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. Although certain information furnished in this Certificate has been derived from other purchasers, bond houses and brokers and cannot be independently verified by us, we have no reason to believe it to be untrue in any material respect.

_____,
on behalf of itself and as Representative of the Underwriters

By:_____
[Name]
[Title]

Dated: _____, 2014

CONTINUING DISCLOSURE CERTIFICATE

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS, SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)

Log of Outstanding Items

Page	***Outstanding Items***	***Responsible Party***	***Expected Availability***
1	Amount of Bond Issue	Bond Counsel	Upon Sale of Bonds
1	Date of Official Statement	Bond Counsel	Upon Sale of Bonds
7	Signature Page	City	Preclosing
A-1	Date of Issuance	Bond Counsel	Preclosing
A-1	Filing Date/Signature	City	Upon Filing of Notice

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the City of San Diego (the "City") as of April 1, 2014 in connection with $_____ aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds"). The Series 2014A Bonds are being issued pursuant to the terms of the Indenture (as defined herein). The City hereby covenants and agrees as follows:

1. Purpose of Certificate. This Certificate is being executed and delivered by the City on behalf of the Authority for the benefit of the Bondowners and Beneficial Owners of the Series 2014A Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below). The City is the only Obligated Person (as defined in the Rule) for the Series 2014A Bonds.

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

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"*Authority*" means the Public Facilities Financing Authority of the City of San Diego.

"*Beneficial Owner*" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2014A Bonds (including persons holding Series 2014A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2014A Bonds for federal income tax purposes.

"*Commission*" means the Securities and Exchange Commission.

"*Dissemination Agent*" means the City and any Person designated by the City to serve as Dissemination Agent.

"*Indenture*" means the Master Indenture, dated as of July 1, 2012, by and between the Authority and the Trustee, as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof, including as amended and supplemented by the First Supplemental Indenture, dated of July 1, 2013, and the Second Supplemental Indenture, dated as of April 1, 2014.

"*MSRB*" means the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system.

"*Notice Event*" means any of the events listed in Section 5(a) and (b) of this Certificate.

"*Participating Underwriter*" means any of the original purchasers of the Series 2014A Bonds required to comply with the Rule in connection with the offering of the Series 2014A Bonds.

"*Official Statement*" means the Official Statement dated _____, 2014, prepared and distributed in connection with the initial sale of the Series 2014A Bonds.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"*Rule*" means paragraph (b)(5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including any official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

"*Trustee*" means Wells Fargo Bank, National Association, or any successor trust under the Indenture.

3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent (if other than the City) to, not later than 285 days (or the next succeeding business day, if that day is not a business day) after the end of the City's fiscal year (which currently ends June 30th), commencing with the report for the fiscal year ending June 30, 2014 (the "Filing Date"), provide to the MSRB, in a format prescribed by the MSRB, copies of an Annual Report which is consistent with the requirements of Section 4 of this Certificate. As of the date of this Certificate, the format prescribed by the MSRB is the Electronic Municipal Market Access ("EMMA") system. Information regarding requirement for submissions to EMMA is available at emma.msrb.org.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Notice Event under subsection 5(c).

(b) Not later than 15 Business Days prior to the Filing Date for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the MSRB an Annual Report by the Filing Date, the City shall, in a timely manner, send a notice to the MSRB in substantially the form of Exhibit A to this Certificate, in an electronic format as prescribed by the MSRB.

(c) The Dissemination Agent (if other than the City) shall:

(i) determine each year prior to the date for providing the Annual Report the format for filing with the MSRB; and

(ii) file a report with the City certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided to the MSRB.

4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the City for the fiscal year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a) of this Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the financial statements, the following types of information will be provided in one or more reports in a format similar to that in the Official Statement:

(i) An update to the information generally in the form presented in Table A-3 (titled "City of San Diego General Fund Operating Budget Summary") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(ii) An update to the information generally in the form presented in Table A-4 (titled "Assessed Valuation") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(iii) An update to the information generally in the form presented in Table A-5 (titled "Secured Tax Levies and Collections") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(iv) A brief description of the San Diego City Employees' Retirement System, including but not limited to: (i) an update of the information generally in the form presented in Table A-9 (titled "City of San Diego Schedule of Funding Progress") of Appendix A to the Official Statement; and (ii) an update for the information generally in the form presented in Table A-10 (titled "City of San Diego Pension Contribution" of Appendix A to the Official Statement, for the most recently completed Fiscal Year.

(v) An update to the information generally in the form presented in Table A-12 (titled "Schedule of Funding Progress (DB OPEB Plan)") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(vi) An update to the information generally in the form presented in Table A-16 (titled "City of San Diego General Fund Lease Obligations and General Fund Obligations") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

(vii) An update to the information generally in the form presented in Table A-17 (titled "City of San Diego General Fund Supported Obligations") of Appendix A to the Official Statement for the most recently completed Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the Commission. The City shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the City to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City or to reflect changes in the business, structure, operations, legal form of the City or any mergers, consolidations, acquisitions or dispositions made by or affecting the City; provided that any such modifications shall comply with the requirements of the Rule.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2014A Bonds, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Notice Event to the MSRB through EMMA:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties*;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties**;

(iv) substitution of credit or liquidity providers, or their failure to perform**;

(v) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701-TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; and

(ix) bankruptcy, insolvency, receivership or similar event of the City (such event being considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City).

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2014A Bonds, if material, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Notice Event to the MSRB through EMMA:

(i) non-payment related defaults;

(ii) Unless described in Section 5(a)(v), other notices or determinations with respect to the tax status of the Series 2014A Bonds, or other events affecting the tax status of the Series 2014A Bonds;

(iii) modifications to rights of the holders of the Series 2014A Bonds;

(iv) bond calls***;

(v) release, substitution or sale of property securing repayment of the Series 2014A Bonds;

(vi) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets thereof, other than in the ordinary

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* The City will not establish or maintain a reserve fund for the Series 2014A Bonds.

** The City has not obtained or provided, and does not expect to obtain or provide, any credit enhancements or credit or liquidity providers for the Series 2014A Bonds.

*** Any scheduled redemption of Series 2014A Bonds pursuant to mandatory sinking fund redemption requirements does not constitute a Notice Event within the meaning of the Rule.

course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(vii) appointment of a successor or additional trustee or the change of name of a trustee.

(c) If the City determines that knowledge of the occurrence of a Notice Event under subsection (b) above would be material under applicable federal securities laws, the City shall promptly file, or cause to be filed, a notice of such event with the MSRB through EMMA. Notwithstanding the foregoing, notice of Notice Events described in subsections (a)(vii) and (b)(iv) above need not be given under this subsection (c) any earlier than the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

6. Termination of Reporting Obligation. The City's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2014A Bonds. If such termination occurs prior to the final maturity of the Series 2014A Bonds, the City shall give notice of such termination in the name manner as for a Notice Event under subsection 5(c).

7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligation under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the City, shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Certificate. The initial Dissemination Agent shall be the City.

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

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4, or subsection 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2014A Bonds, or the type of business conducted;

(b) The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Series 2014A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (1) is approved by the Owners majority of outstanding principal amount of the Series 2014A Bonds, in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the Series 2014A Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Notice Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if

feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

9. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, including the information then contained in Appendix A to the City's official statements relating to debt issuances, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Notice Event, in addition to that which is required by this Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Notice Event in addition to that which is specifically required by this Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Notice Event.

10. Default. In the event of a failure of the City to comply with any provision of this Certificate, any Bondowner or Beneficial Owner of the Series 2014A Bonds may commence an action in a court of competent jurisdiction in San Diego, California, seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Certificate; provided that any Beneficial Owner seeking to require the City to comply with this Certificate shall first provide at least 30 days' prior written notice to the City of the City's failure, giving reasonable detail of such failure, following which notice the City shall have 30 days to comply. A default under this Certificate shall not be deemed an Event of Default under the Indenture with respect to the Series 2014A Bonds, and the sole remedy under this Certificate in the event or any failure of the City to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

11. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate.

12. Beneficiaries. This Certificate shall inure solely to the benefit of the City, the Dissemination Agent the Bondowners and Beneficial Owners from time to time of the Series 2014A Bonds, and shall create no rights in any other person or entity.

13. Governing Law. This Certificate shall be governed by the laws of the State of California and the federal securities laws.

IN WITNESS WHEREOF, the City of San Diego has executed this Continuing Disclosure Certificate as of the date first set forth herein.

CITY OF SAN DIEGO

By:_____
Authorized Signatory

[Signature page of Continuing Disclosure Certificate]

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party:	City of San Diego
Name of Bond Issue:	Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds")
Date of Issuance:	_____, 2014

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of April 1, 2014 with respect to the Series 2014A Bonds. The City anticipates that the Annual Report will be filed by _____.

Dated:_____

_____
On behalf of the City

OFFICIAL NOTICE INVITING BIDS

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS, SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)

Log of Outstanding Items

Page	***Outstanding Items***	***Responsible Party***	***Expected Availability***
1	Principal Amount	City/Financial Advisor	Upon Posting of Notice
1	Date of Acceptance of Bids	City/Financial Advisor	Posting of Notice
3	Maturity Schedule	City/Financial Advisor	Posting of Notice
3	Redemption Dates	City/Financial Advisor	Posting of Notice
4	Ordinance No. and Date of Adoption of Resolution	City/Bond Counsel	Upon Adoption
5	Dated Date/Delivery Date	City/Financial Advisor	Posting of Notice
5	Aggregate Net Proceeds	City/Financial Advisor	Posting of Notice
5	Date to Register to Bid	City/Financial Advisor	Posting of Notice
7	Date of Availability of POS	City/Financial Advisor	Posting of Notice
7	Delivery Date	City/Financial Advisor	Posting of Notice
A-1	Bidders Certificate	Bidders	Date of Bid Submission
A-1	Acceptance of Bids	Authority	Date of Bid Submission
B-1-B-2	Initial Issue Price Certificate	Bond Counsel	Preclosing
B-2	Signature	Purchaser	Preclosing

OFFICIAL NOTICE INVITING BIDS
$_____*
PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS
SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)

NOTICE IS HEREBY GIVEN that electronic bids for the purchase of all but not less than all of the $_____* par value of the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds") will be accepted only through Grant Street Group's MuniAuction website ("MuniAuction") accessible via www.GrantStreet.com, as agent of the Public Facilities Financing Authority of the City of San Diego (the "Issuer") in accordance with the terms of this Official Notice Inviting Bids. The bids will be received in the manner and up to the time specified below (unless postponed or cancelled as described herein).

DATE AND TIME OF SALE: Bids will be accepted on _____, 2014 between 8:30 a.m. and 9:00 a.m., Pacific time (subject to the provisions described below under the caption "Submission of Bids"), or at such later date and/or other time as shall be established by the Issuer and communicated through Thomson Municipal News ("Thomson"). If no legal bid or bids are received for the Series 2014A Bonds on _____, 2014 or if the sale date and/or time is postponed or rescheduled, bids will be received in the manner specified on such other date as shall be designated by the Issuer and communicated through Thomson. Prospective bidders are urged to watch Thomson for any change in the terms of the sale or the date and time for the receipt of bids.

SUBMISSION OF BIDS: All bids must be unconditional and submitted on the MuniAuction website. No other provider of electronic bidding services, and no other means of delivery (i.e., telephone, telefax, physical delivery, etc.) will be accepted. To bid, bidders must have both (1) completed the registration form on Grant Street Group's MuniAuction website; and (2) requested and received admission to the Issuer's auction as described under "REGISTRATION AND ADMISSION TO BID" below. The use of MuniAuction shall be at the bidder's risk, and the Issuer shall have no liability with respect thereto.

Bids submitted during the auction must be for all of the Series 2014A Bonds. Bidders may change and submit bids as many times as they wish during the auction, provided, however, that each bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost ("TIC") when compared to the immediately preceding bid of such bidder. In the event that a revised bid does not produce a lower TIC, the prior bid will remain valid. During the bidding, no bidder will see any other bidder's bid, but each bidder will be able to see its ranking (i.e., "Leader," "Cover," "3rd," etc.). All bids must be made in accordance with the requirements prescribed herein and the Rules of MuniAuction, as referenced herein. Each bid submitted through MuniAuction shall be deemed an irrevocable offer to purchase all of the Series 2014A Bonds specified in the bid on the terms provided in this Notice Inviting Bids, and shall be binding upon the bidder.

The use of MuniAuction shall be at the bidder's risk, and neither the Issuer, the City of San Diego (the "City"), the City's Financial Advisor, nor Stradling Yocca Carlson & Rauth, a

* *Preliminary, subject to change.*

Professional Corporation, Bond Counsel to the City, shall be responsible for, and each bidder expressly assumes the risk of, any incomplete, inaccurate or untimely bid submitted by such bidder, including, without limitation, incomplete, inaccurate or untimely bids caused by reason of garbled transmissions, mechanical failure, slow or engaged telephone or telecommunications lines or any other cause. Neither the Issuer nor the City is bound by any advice and determination of MuniAuction to the effect that any particular bid complies with the terms of this Official Notice Inviting Bids. All costs and expenses incurred by prospective bidders in connection with their submission of bids through MuniAuction are the sole responsibility of the bidders and neither the Issuer nor the City is responsible for any of such costs or expenses.

RIGHT TO MODIFY OR AMEND: The Issuer reserves the right to modify or amend this Official Notice Inviting Bids; however, such modifications or amendments shall be made not later than 12:00 p.m., Pacific Time, on the business day prior to the bid opening and communicated through Thomson.

PURPOSE: The Series 2014A Bonds are being issued to (i) finance the costs of acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects in the City, and (ii) pay certain costs of issuance associated with the Series 2014A Bonds.

THE ISSUE: The Series 2014A Bonds will be issued in denominations of $5,000 or integral multiples thereof, dated the date of issuance. The Series 2014A Bonds will be issued under the provisions of an Indenture dated as of July 1, 2012, as supplemented and amended (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Series 2014A Bonds are secured by Revenues pledged under the Indenture which consist primarily of Base Rental Payments to be made by the City under a Facilities Lease (the "Lease") by and between the Issuer, as lessor, and the City, as lessee. Copies of the Lease and the Indenture will be furnished to bidders upon request.

INTEREST CALCULATION AND INTEREST PAYMENTS: The Series 2014A Bonds shall bear interest computed on the basis of a 360 day year consisting of twelve 30-day months. The Series 2014A Bonds will be dated their date of issuance. Interest on the Series 2014A Bonds will be payable on each April 15 and October 15, commencing October 15, 2014.

MATURITIES: The Series 2014A Bonds will mature, or be subject to mandatory sinking fund redemption, on each of the dates and in the amounts, as set forth in the following table. The final principal amount of the Series 2014A Bonds, and the final amount of each maturity of the Series 2014A Bonds, will be subject to increase or reduction as described below under the heading "PRINCIPAL AMOUNTS." *Each bidder is required to specify in its bid whether, for any particular year, the Series 2014A Bonds will mature or, alternately, be subject to mandatory sinking fund redemption in such year.*

Maturity (October 15)	*Principal Amount*[*]

The schedule of principal maturities is subject to adjustment based upon the interest rates specified in the winning bid, as described below under " PRINCIPAL AMOUNTS."

REDEMPTION: The Series 2014A Bonds are subject to redemption prior to maturity as described below.

Optional Redemption. The Series 2014A Bonds maturing on or before October 15, 20__ are not subject to optional redemption prior to their respective stated maturities. The Series 2014A Bonds maturing on or after October 15, 20__, shall be subject to optional redemption, in whole or in part, upon forty-five (45) days written notice to the Trustee by the City of its intention to optionally prepay all or a portion of the Base Rental Payments, on any date on or after October 15, 20__, from any available source of funds of the City, at a redemption price equal to the principal amount of the Series 2014A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

[*] Preliminary, subject to change.

Any such redemption shall be in such order of maturity as the City shall designate in the above-mentioned written notice (and, if no specific order of redemption is designated by the City, pro rata among maturities).

Special Mandatory Redemption From Insurance or Condemnation Proceeds. The Series 2014A Bonds shall be subject to redemption as a whole, or in part on any date, to the extent the Trustee has received hazard or title insurance proceeds or condemnation proceeds not used to repair or replace any portion of the Leased Property damaged, destroyed or taken and elected by the City to be used for such purpose as provided in the Indenture, at a redemption price equal to one hundred percent (100%) of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

Sinking Fund Prepayment. Any bidder may, at its option, specify that one or more maturities of the Series 2014A Bonds will consist of term Bonds which are subject to mandatory sinking fund redemption in consecutive years immediately preceding the maturity thereof, as designated in the bid of such bidder. In the event that the bid of the winning bidder specifies that any maturity of Bonds will be term Bonds, such term Bonds will be subject to mandatory sinking fund redemption on October 15 in each year so designated in the bid, in the respective amounts for such years as set forth above under the heading "MATURITIES," at a redemption price equal to the principal amount thereof to be prepaid together with accrued interest thereon to the redemption date, without premium, and Bonds will be selected for redemption by lot within a maturity.

AUTHORIZING LAW: The Series 2014A Bonds are issued under the authority of Ordinance No. _____ of the City and a resolution adopted by the Board of Commissioners of the Authority on _____, 2014 (the "Resolution").

SECURITY: The Series 2014A Bonds are limited obligations of the Issuer and are payable, as to interest thereon and principal thereof, solely from the revenues derived from Base Rental Payments paid by the City for the use and occupancy of the Leased Property (as defined in the Lease) as long as the City has such use and occupancy of the Leased Property, and amounts on deposit in the funds, accounts and subaccounts established under the Indenture (other than amounts on deposit in any Rebate Fund), all as set forth in the Indenture (the "Revenues"). The Issuer has leased the Leased Property to the City pursuant to the Lease and pursuant to the Lease the City has agreed to pay Base Rental Payments to the Trustee for the use and occupancy of the Leased Property. All the Series 2014A Bonds and other bonds (the "Additional Bonds") issued under the Indenture are equally and ratably secured in accordance with the terms and conditions of the Indenture by a pledge of the Revenues, which Revenues shall be held in trust for the security and payment of the interest on and principal of the Series 2014A Bonds and Additional Bonds as provided in the Indenture.

The Series 2014A Bonds are special, limited obligations of the Issuer and do not constitute a debt, liability or obligation of the City or of the State of California (the "State") or any political subdivision thereof and neither the faith and credit of the City nor the State are pledged to the payment of the principal of or interest on the Series 2014A Bonds. The Issuer has no taxing power.

Bidders are referred to the Preliminary Official Statement for definitions of terms and for further particulars, including further information regarding the Issuer, the City and the Series 2014A Bonds.

INTEREST RATES AND MINIMUM PRICE: Bidders must bid to purchase all and not part of the Series 2014A Bonds. Each bidder must specify the rate or rates of interest to be represented by the Series 2014A Bonds. A bidder will be permitted to bid a different rate of interest for each maturity of Bonds not to exceed twelve percent (12%) per annum; but each interest rate specified must be in a multiple of 1/20% or 1/8%. The Series 2014A Bonds shall bear interest at the rate specified in the bid from their dated date to their fixed maturity date. Bidders should assume a dated date on the Series 2014A Bonds and a delivery date on the Series 2014A Bonds of _____, 2014. The bidder shall provide a calculation of the true interest cost which is considered informative only and not part of the bid. No bid at a purchase price for less than 100% of the par amount of the Series 2014A Bonds will be considered.

PRINCIPAL AMOUNTS: After selecting the winning proposal, the Issuer reserves the right to increase or decrease the aggregate principal amount of the Series 2014A Bonds in $5,000 increments. Such adjustments shall reflect the actual interest rate and any premium in the winning bid to generate aggregate net proceeds to the Issuer in the approximate amount of $_____. In such event, the Issuer will award such greater or lesser amount of Bonds and the purchase price of the winning bidder will be proportionally modified. Any such adjustment will be communicated to the winning bidder within twenty-four (24) hours after acceptance of the bids. The percentage of net compensation paid to the winning bidder will not increase or decrease from what it would have been if no adjustments had been made by the Issuer. Changes in the principal amount of the Series 2014A Bonds made as described in this paragraph will not affect the determination of the winning bidder or give the winning bidder any right to reject the Series 2014A Bonds.

RULES OF MUNIAUCTION: "Rules of MuniAuction" can be viewed on the MuniAuction website and, as amended and supplemented from time to time, are incorporated herein by reference. Bidders will be required to verify that they have read the "Rules of MuniAuction" prior to submitting bids. In the event of a conflict between the Rules of MuniAuction and this Official Notice Inviting Bids, the provisions of this Official Notice Inviting Bids shall prevail.

REGISTRATION AND ADMISSION TO BID: In order to ensure that there is sufficient time to verify their eligibility to bid, bidders must visit the MuniAuction website on or before 5 p.m. Eastern time (2 p.m. Pacific time) on _____, 2014, where, if they have never registered with MuniAuction, they can register and then request admission to bid in the all-or-none format. (There is no charge for registration with MuniAuction for admission to this sale). Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements shall be eligible to bid. Bidders who have already registered with MuniAuction may call Grant Street Group's auction support at (412) 391-5555 x370 to confirm their ID number and password.

AWARDING OF BID: The Issuer will take action awarding the Series 2014A Bonds or rejecting all bids not later than twenty-four (24) hours after the expiration of the time herein prescribed for the receipt of bids. The winning bidder shall be the bidder submitting the best price for the Series 2014A Bonds, resulting in the lowest true interest cost using a 30/360-day year and annual compounding, considering the interest rates specified and the premium offered, if any, as determined by the Issuer, whose determination shall be binding and final absent manifest error. No bid for less than par will be considered. In case of tie bids, the winning bidder will be determined at the sole discretion of the Issuer. In the event multiple bids are received from a single bidder, the Issuer shall accept the best of such bids, and each bidder agrees by submitting any bid to be bound by its best bid. The bidder designated by the Issuer as submitting the winning bid shall be obligated to

execute the Bidder's Certificate in substantially the form attached to this Official Notice Inviting Bids as Exhibit A and submit such certificate to the Issuer with a copy to the City's Financial Advisor.

RIGHT TO REJECT BIDS; WAIVE IRREGULARITIES: The Issuer reserves the right to reject any and all bids and, to the extent permitted by law, to waive any irregularity or informality in any bid.

POSTPONEMENT; REJECTION OF BIDS: The Issuer reserves the right to postpone, from time to time, the date established for receipt of bids for any reason at any time. Any such postponement will be announced via Thomson. If any date fixed for the receipt of bids and the sale of the Series 2014A Bonds is postponed, any alternative sale date will be announced via Thomson, at least twenty-four (24) hours prior to such alternative sale date. In addition, the Issuer reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent date on which bids for purchase of the Series 2014A Bonds will again be received. If all bids are rejected and a subsequent date for receipt of bids is established, notice of the subsequent sale date will be announced via Thomson at least twenty-four (24) hours prior to such subsequent sale date. On any such alternative or subsequent sale date, any bidder may submit a bid for the purchase of the Series 2014A Bonds in conformity in all respects with the provisions of this Official Notice Inviting Bids and Bid Form, except for the date of sale and except for the changes announced via Thomson, at the time the sale date and time are announced.

REOFFERING PRICE: The winning bidder within one (1) hour after being notified of the award of the Series 2014A Bonds will be required to advise the City's Financial Advisor of the initial public offering price of the Series 2014A Bonds. The winning bidder will also be required, prior to delivery of the Series 2014A Bonds, to furnish to the Issuer a certificate substantially in the form of Exhibit B, attached hereto, and acceptable to Bond Counsel.

BID SECURITY DEPOSIT: The winning bidder will be required to wire to the Trustee 1% of the preliminary principal amount of the Series 2014A Bonds stated above in immediately available federal funds to the Issuer as a bid security deposit within twenty-four (24) hours after verbal award of the bid. The Issuer, or its representative, will contact the winning bidder to provide wire instructions for the bid security deposit. The bid security deposit will be applied to the purchase price of the Series 2014A Bonds at the time of delivery of the Series 2014A Bonds. If after the award of the Series 2014A Bonds, the winning bidder fails to complete the purchase on the terms stated in its proposal, unless such failure of performance shall be caused by any act or omission of the Issuer or the City, the bid security deposit shall be retained by the Issuer as stipulated liquidated damages and the winning bidder agrees and acknowledges that actual damages herein are difficult to calculate, and that the liquidated damages serve as a reasonable estimate of what the actual damages would be. No interest will be paid upon the bid security deposit.

OFFICIAL STATEMENT: The Issuer will have prepared and will make available a Preliminary Official Statement which the Issuer will have deemed "final" for purposes of Rule 15c2-12 (the "Rule") promulgated by the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, prior to the time for receipt of proposals, although it is subject to revision, amendment and completion in a final Official Statement to be delivered in accordance with such Rule. Electronic copies of the Official Statement will be available to the winning bidder no later than seven (7) business days after the sale of the Series 2014A Bonds is awarded.

Electronic copies of the Preliminary Official Statement are expected to be available on the Internet on or about _____, 2014, at muniauction.com and at munios.com.

DELIVERY AND PAYMENT: Delivery of the Series 2014A Bonds is expected to occur on or about _____, 2014. The winning bidder shall pay for the Series 2014A Bonds on the date of delivery in immediately available federal funds. Any expenses of providing federal funds shall be borne by the purchaser. Payment on the delivery date shall be made in an amount equal to the price bid for the Series 2014A Bonds, less the amount of the bid security deposit.

BOOK-ENTRY ONLY: The Series 2014A Bonds will be registered in the name of The Depository Trust Company, New York, New York ("DTC") or its nominee as registered owner of the Series 2014A Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to the beneficial owners of the Series 2014A Bonds by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. Neither the Issuer nor the City will be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be printed on the executed Bonds, but the Issuer will assume no obligation for the assignment or printing of such numbers on the Series 2014A Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchasers thereof to accept delivery of and make payment for the Series 2014A Bonds. The cost of obtaining and assigning a CUSIP Numbers will be borne by the winning bidder.

CALIFORNIA DEBT INVESTMENT AND ADVISORY COMMISSION FEE: Pursuant to Section 8856 of the California Government Code, a fee must be paid to the California Debt and Investment Advisory Commission ("CDIAC") to cover the costs of its activities with respect to the Series 2014A Bonds. Liability for payment of such CDIAC fee will be borne by the winning bidder.

CLOSING DOCUMENTS; LEGAL OPINIONS: Each bid will be understood to be conditioned upon the Issuer furnishing to the winning bidder, without charge, concurrently with payment for and delivery of the Series 2014A Bonds, the following closing documents and legal opinions, each dated as of the date of such delivery:

(a) Legal Opinion: A complete copy of the proposed form of legal opinion of Bond Counsel approving the validity of the Series 2014A Bonds is set forth in Appendix __ to the Preliminary Official Statement with respect to the Series 2014A Bonds (the "Preliminary Official Statement"). The legal opinion of Bond Counsel with respect to the Series 2014A Bonds will be furnished to the Purchaser upon delivery of the Series 2014A Bonds without cost;

(b) Tax Certificate: A certificate of the Issuer and the City that, on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Series 2014A Bonds will be used in a manner that would cause the Series 2014A Bonds to be arbitrage Bonds;

(c) No Litigation Certificate: A certificate of the City Attorney or their designee, acting on behalf of the Issuer and the City solely in his official capacity and not in his personal capacity,

stating that to the best of his knowledge based on reasonable investigation, such individual is not aware of any litigation threatened or pending affecting the validity of the Series 2014A Bonds or challenging any material action of the Issuer or the City relating to the Series 2014A Bonds and stating further that neither the Issuer nor the City is aware of any pending or threatened litigation contesting its corporate existence or the title of the present executive officers to their respective offices;

(d) Certificate Regarding Official Statement: One or more certificates of an appropriate City Official, acting on behalf of the Issuer and the City, solely in his or her official capacity and not in his or her personal capacity, stating that, to the best knowledge of such City Official, as of the date of the Official Statement pertaining to the Series 2014A Bonds and at all times subsequent thereto up to and including the time of delivery of the Series 2014A Bonds to the initial purchasers thereof, the Official Statement together with any amendments thereto did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(e) Signature Certificate: A signature certificate of the officials of the Issuer showing that they have signed the Series 2014A Bonds, whether by facsimile or manual signature, and that they respectively were duly authorized to execute the same, and stating that, to the best of their knowledge, they are not aware of any litigation threatened or pending affecting the validity of the Series 2014A Bonds.

CONTINUING DISCLOSURE: The City will, pursuant to a Continuing Disclosure Certificate, agree to provide or cause to be provided to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system in a timely manner notice of certain material events respecting the Series 2014A Bonds. The form of Continuing Disclosure Certificate is set forth in Appendix F to the Preliminary Official Statement.

ADDITIONAL INFORMATION: Requests for information concerning the Series 2014A Bonds, the Issuer or the City should be addressed to: Michael Berwanger of Public Financial Management, Inc., Financial Advisor to the City for the Series 2014A Bonds at (213) 489-4075.

EXHIBIT A

FORM OF BIDDER'S CERTIFICATE
Public Facilities Financing Authority of the City of San Diego
Lease Revenue Bonds Series 2014A
(Capital Improvement Projects)

We hereby certify that we are an eligible bidder and submit our bid and commit to purchase the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds") subject to all the terms and conditions stated in the Official Notice Inviting Bids.

The submission of this bid is a representation that the bidder, with the intent of acting as Underwriter for the Series 2014A Bonds, did not consult with any other potential underwriter about this bid and that the bid was determined without regard to any other formal or informal agreement that the bidder may have with the City of San Diego or any other person (whether or not in connection with the subject bond issue).

Per Annum Coupon: _____%

Price: $_____

True Interest Cost: _____%

Date: _____, 2014

Firm: _____

By _____
Authorized Representative

Accepted:

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

By _____
Title: _____
Date: _____, 2014

EXHIBIT B

INITIAL ISSUE PRICE CERTIFICATE

_____, 2014

Public Facilities Financing Authority of
The City of San Diego
San Diego, California

Stradling Yocca Carlson & Rauth
Newport Beach, California

Ladies and Gentlemen:

We are the Purchaser of the $_____ Public Facilities Financing Authority of The City of San Diego Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) (the "**Series 2014A Bonds**"). As such, we have been involved in the structuring of the Series 2014A Bonds.

We hereby certify that:

(i) based on our records and other information available to us which we believe to be correct, as of _____ (the "**Sale Date**") we had offered or reasonably expected to reoffer all of the Series 2014A Bonds of each maturity in a bona fide initial reoffering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at an initial offering price not greater than that shown, or at an initial offering yield not less than that shown, on the cover of the Official Statement relating to the Series 2014A Bonds (the "**Official Statement**") for that maturity;

(ii) based on our records and other information available to us that we believe to be correct, the first price at which a substantial portion (at least ten percent) of the Series 2014A Bonds of each maturity was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the price corresponding to the yield shown on the cover of the Official Statement for such maturity;

(iii) in the case of unsold Series 2014A Bonds, we reasonably expected, as of the sale date of the Series 2014A Bonds, to sell a substantial amount (at least ten percent) of such Series 2014A Bonds to the public at the price for such Series 2014A Bonds corresponding to the yield shown on the cover of the Official Statement;

(iv) at the time we agreed to purchase the Series 2014A Bonds, based upon then prevailing market conditions, we had no reason to believe any of the Series 2014A Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at an initial offering price greater than or an initial offering yield less than the fair market value thereof;

(v) based upon the initial offering prices or yields, the aggregate issue price of the Series 2014A Bonds is $_____ (the Series 2014A Bonds having been sold with [net] [original issue discount] [bond premium] of $_____).

[PURCHASER]

By: _____
Authorized Representative

SECOND AMENDMENT TO FACILITIES LEASE

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS, SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)

Log of Outstanding Items

Page	***Outstanding Items***	***Responsible Party***	***Expected Availability***
Cover	Amount of Bond Issue	Bond Counsel	Upon Sale of Bonds
2	Amount of Bond Issue	Bond Counsel	Upon Sale of Bonds
3	Expiry Date	Bond Counsel	Upon Sale of Bonds
S-1	Signature Page/Notary Pages	City/Authority	Pre-Closing
A-16	Legal Description of A-13	City	Posting of POS
A-17	Legal Description for A-14	City	Posting of POS
A-18	Legal Description for A-15	City	Posting of POS
A-19	Legal Description for A-16	City	Posting of POS
A-20	Legal Description for A-17	City	Posting of POS
A-21	Legal Description for A-18	City	Posting of POS
A-22	Legal Description for A-19	City	Posting of POS
B-1	Base Rental Payment Schedule	Underwriter	Upon Sale of Bonds
C-1	Base Rental Payments Attributable to Ground Lease Sites	Underwriter	Upon Sale of Bonds

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Attn: Robert J. Whalen
Stradling Yocca Carlson & Rauth, a Professional Corporation
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660

(Space above for Recorder's Use)

This document is recorded for the benefit of the City of San Diego and the recording is fee-exempt under Section 6103 of the California Government Code.

SECOND AMENDMENT TO FACILITIES LEASE

Dated as of April 1, 2014

amending and supplementing the

FACILITIES LEASE

Dated as of July 1, 2012
as amended as of July 1, 2013

by and between

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO

and

THE CITY OF SAN DIEGO

Relating to the

$_____
PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS
SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)

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SECOND AMENDMENT TO FACILITIES LEASE

This Second Amendment to Facilities Lease (the "Second Amendment to Facilities Lease"), dated as of April 1, 2014, is by and between the PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), as sublessor, and THE CITY OF SAN DIEGO, a municipal corporation duly organized and existing under its charter and laws of the State of California (the "City"), as sublessee, and supplements and amends the Facilities Lease, dated as of July 1, 2012 (the "Facilities Lease"), as amended and supplemented by the First Amendment to Facilities Lease, dated as of July 1, 2013 (the "First Amendment to Facilities Lease" and, together, the "Master Facilities Lease"), by and between the Authority and the City (as supplemented and amended, the "Lease"). The Facilities Lease was recorded in the Official Records of the County of San Diego on July 2, 2012 as Instrument No. 2012-0382823 and the First Amendment to Facilities Lease was recorded on July 10, 2013 as Instrument No. 2013-0430508. (Capitalized terms used in the Whereas clauses and not defined therein shall have the meanings provided in the Master Lease and in Section 1.01 hereof.)

W I T N E S S E T H:

WHEREAS, the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), have entered into an Indenture, dated as of July 1, 2012, as supplemented by the First Supplemental Indenture, dated as of July 1, 2013 (together, the "Master Indenture"), providing for the issuance of various series of bonds secured on a parity thereunder (the "Prior Bonds"); and

WHEREAS, in order to provide for the payment of the Prior Bonds, the City and the Authority have entered into the Site Lease, dated as of July 1, 2012, as amended and supplemented by the First Amendment to Site Lease, dated as of July 1, 2013 (together, the "Master Site Lease"), pursuant to which the City leased to the Authority certain real property belonging to the City, together with the City owned improvements located thereon, as described in Exhibit A thereto (collectively, the "Original Leased Property"), and the Master Facilities Lease pursuant to which the Authority leased to the City the Original Leased Property and the MTS Property; and

WHEREAS, pursuant to Section 2.13 of the Master Indenture, the Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture; and

WHEREAS, the City has determined it is in the public interest and will benefit the inhabitants of the City that the City finance the costs of the acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects of the City (collectively, the "2014A Project"); and

WHEREAS, to finance the 2014A Project, the City and the Authority will enter into a Second Amendment to Site Lease, dated as of even date herewith (the "Second Amendment to Site Lease"), which supplements and amends the Master Site Lease (as amended and supplemented by the Second Amendment to Site Lease, the "Site Lease"), pursuant to which the City will lease to the Authority the Original Leased Property and certain additional real property belonging to the City, together with the City owned improvements located thereon (collectively, the "City Property"), and into this Second Amendment to Facilities Lease pursuant to which the Authority will sublease the City Property and the MTS Property (together, the "Leased Property" as more particularly described in Exhibit A hereto) to the City and the City is required to make Base Rental Payments sufficient to

pay debt service on the Prior Bonds and the Authority's $_____ Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds"); and

WHEREAS, to provide funds to finance the 2014A Project, the City has requested the Authority to issue the Series 2014A Bonds pursuant to the Master Indenture, as supplemented and amended by a Second Supplemental Indenture (the "Second Supplemental Indenture," and together with the Master Indenture, the "Indenture"), each by and between the Authority and the Trustee; and

WHEREAS, in recognition of the additional real property included in the Leased Property hereunder the Base Rental Payments shall be increased from those set forth in the Master Facilities Lease; and

WHEREAS, the City is authorized by its Charter and other applicable law to lease the City Property to the Authority pursuant to the Site Lease, and to lease the Leased Property from the Authority pursuant to this Lease and to consummate the financing of the 2014A Project; and has determined that the 2014A Project and the lease of the Leased Property is a necessary and proper public purpose; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Second Amendment to Facilities Lease do exist, have happened and have been performed in a regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Second Amendment to Facilities Lease.

NOW, THEREFOR, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. Except as otherwise provided in Section 1.01 of this Second Amendment to Facilities Lease, all terms used herein which are defined in the Master Facilities Lease shall have the meanings assigned to them therein. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any supplement and amendment hereof and of the Lease have the meanings herein specified. All other capitalized terms used herein without definition shall have the meanings as set forth in the Indenture.

"2014A Project" means the financing of the costs of the acquisition, construction, installation and equipping of certain capital improvement projects of the City.

"Base Rental Payment Schedule" means the schedule of Base Rental Payments attached hereto as Exhibit B, as from time to time amended as permitted in the Lease.

"Bonds" means the Prior Bonds, the Series 2014A Bonds, and all Additional Bonds.

"Closing Date" means, with respect to the Series 2014A Bonds, the date the Series 2014A Bonds are issued and delivered to the initial purchasers thereof.

"Expiry Date" means _____, 20__, except as extended or sooner terminated or extended pursuant to Sections 4.01 or 6.04 of the Master Facilities Lease, or such other date or dates as set forth in an amendment to the Lease.

"Indenture" means the Master Indenture, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof, including as supplemented and amended by the First Supplemental Indenture and the Second Supplemental Indenture.

"Lease" means the Facilities Lease, dated as of July 1, 2012, by and between the Authority and the City, as initially executed and as it may from time to time be amended or supplemented in accordance with the terms hereof, including as supplemented and amended by the First Amendment to Facilities Lease and this Second Amendment to Facilities Lease.

"Lease Payment Date" means, with respect to the Series 2014A Bonds, April 10 and October 10 of each year commencing October 10, 2014.

"Lease Year" means, with respect to the Series 2014A Bonds, the period from April 16 to and including the following April 15, during the term hereof; except that the initial Lease Year means the period from the respective Closing Date to and including April 15, 2015.

"MTS Property" means the real property of the San Diego Metropolitan Transit System leased to the Authority pursuant to the MTS Site Lease.

"MTS Site Lease" means the Site Lease, dated as of July 1, 2013, by and between the Authority and MTS, under which MTS leases the MTS Property to the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

"Prior Bonds" means the Series 2012 Bonds and the Series 2013 Bonds.

"Series 2012 Bonds" means, collectively, the Series 2012A Bonds and the Series 2012B Bonds.

"Series 2012A Bonds" means the Authority's Lease Revenue Bonds, Series 2012A (Capital Improvement Projects).

"Series 2012B Bonds" means the Authority's Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding).

"Series 2013 Bonds" means, collectively, the Series 2013A Bonds and the Series 2013B Bonds.

"Series 2013A Bonds" means the Authority's Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013A (Capital Improvement Projects and Old Town Light Rail Extension Refunding).

"Series 2013B Bonds" means the Authority's Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding).

"Series 2014A Bonds" means the Authority's Lease Revenue Bonds, Series 2014A (Capital Improvement Projects).

"Site Lease" means that the Site Lease, dated as of July 1, 2012, by and between the City and the Authority, under which the City leases the City Property to the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof, including as supplemented and amended by the First Amendment to Site Lease and the Second Amendment to Site Lease.

"Tax Certificate" means, with respect to the Series 2014A Bonds, the tax certificate of the Authority and City.

Section 1.02 Actions by Authority and City. Except as otherwise expressly provided herein, for all purposes of the Lease and the Site Lease, the Authorized Representative of the Authority shall be authorized to act upon behalf of the Authority, and the Authorized Representative of the City shall be authorized to act upon behalf of the City.

ARTICLE II

AMENDMENTS

Section 2.01 Amendment to Leased Property in Exhibit A. The Leased Property as shown in Exhibit A of the Master Facilities Lease is hereby amended and supplemented by deleting Exhibit A in its entirety and substituting the attached Exhibit A therefor.

Section 2.02 Amendment to Base Rental Payment Schedule in Exhibit B. The Base Rental Schedule as shown in Exhibit B of the Master Facilities Lease is hereby amended and supplemented by deleting Exhibit B in its entirety and substituting the attached Exhibit B therefor.

Section 2.03 Amendment to Base Rental Payments Attributable to Ground Lease Sites in Exhibit C. The Base Rental Payments Attributable to Ground Lease Sites as shown in Exhibit C of the Master Facilities Lease is hereby amended and supplemented by deleting Exhibit C in its entirety and substituting the attached Exhibit C therefor.

ARTICLE III

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 3.01 Representations, Covenants and Warranties of the City. The City makes the following representations, covenants and warranties to the Authority as of the date of the execution and delivery of this Second Amendment to Facilities Lease:

(a) The City is a municipal corporation and chartered city duly organized and validly existing under the laws of the State of California.

(b) The City's Charter and other applicable laws of the State of California authorize the City to enter into this Second Amendment to Facilities Lease and the Second Amendment to Site Lease and to enter into the transactions contemplated by and to carry out its obligations under each of the aforesaid agreements, and by proper action the City has duly authorized and executed each of the

aforesaid agreements in accordance with the City's Charter and other applicable laws of the State of California.

(c) The representatives of the City executing this Second Amendment to Facilities Lease and the Second Amendment to Site Lease have been fully authorized to execute the same pursuant to an ordinance duly adopted by the City Council of the City.

(d) The Lease and the Site Lease have been duly authorized, executed and delivered by the City and constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms.

(e) The execution and delivery of this Second Amendment to Facilities Lease and the Second Amendment to Site Lease, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Second Amendment to Facilities Lease and the Second Amendment to Site Lease, or the financial condition, assets, properties or operations of the City.

(f) No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Second Amendment to Facilities Lease and the Second Amendment to Site Lease, or the consummation of any transactions herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(g) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the City after reasonable investigation, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Second Amendment to Facilities Lease, the Second Amendment to Site Lease, or the Second Supplemental Indenture, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Second Amendment to Facilities Lease, the Second Amendment to Site Lease, or the Second Supplemental Indenture, or the financial conditions, assets, properties or operations of the City.

(h) The lease and use of the City Property by the City are essential to the purposes of the City.

(i) The City acknowledges that the portion of Base Rental Payments hereunder attributable to the Mission Bay Site will be deemed to be within the "threshold amount" as set forth in City Charter Section 55.2(b).

Section 3.02 Representations, Covenants and Warranties of the Authority. The Authority makes the following representations, covenants and warranties to the City as the basis for its undertakings herein contained:

(a) The Authority is a joint exercise of powers authority duly organized, existing and in good standing under and by virtue of the laws of the State of California; has power to enter into this Second Amendment to Facilities Lease, the Second Amendment to Site Lease and the Second Supplemental Indenture (collectively, the "Authority Documents"); is possessed of full power to own and hold real and personal property and to lease and sell the same; and has duly authorized the execution and delivery of all of the aforesaid agreements and such agreements constitute the legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms.

(b) The Authority will not pledge the Base Rental Payments or other amounts derived from the Leased Property and from its other rights under the Lease, and will not encumber the Leased Property, except as provided under the terms of the Lease and the Indenture.

(c) The representatives of the Authority executing the Authority Documents are fully authorized to execute the same pursuant to official action taken by the governing body of the Authority.

(d) The Lease, the Site Lease, the MTS Site Lease, and the Indenture have been authorized, executed and delivered by the Authority and constitute the legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms.

(e) The execution and delivery of the Authority Documents, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contractor other agreement or instrument to which the Authority is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Authority Documents or the financial condition, assets, properties or operations of the Authority.

(f) No consent or approval of any trustee or holder of any indebtedness of the Authority, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Authority Documents, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(g) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Authority after reasonable investigation, threatened against or affecting the Authority or the assets, properties or operations of the Authority which, if determined adversely to the Authority or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Authority Documents, or upon the financial condition, assets, properties or operations of the Authority, and the Authority is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Authority Documents, or the financial conditions, assets, properties or operations of the Authority.

(h) Except as provided in the Lease and in the Indenture, the Authority will not assign the Site Lease or the Lease, its right to receive Base Rental Payments from the City, or its duties and obligations under the Site Lease or the Lease to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained herein and therein.

ARTICLE IV

USE OF PROCEEDS; TAX COVENANTS

Section 4.01 Use of Proceeds of the Series 2014A Bonds. The parties hereto agree that the proceeds of the Series 2014A Bonds will be used to pay the costs of the 2014A Project and to pay for costs of issuance of the Series 2014A Bonds.

Section 4.02 Continuing Disclosure for the Series 2014A Bonds. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed and delivered by the City in connection with the issuance of the Series 2014A Bonds (the "2014A Continuing Disclosure Certificate"). Notwithstanding any other provision of the Lease, failure of the City to comply with the 2014A Continuing Disclosure Certificate shall not constitute an Event of Default hereunder and thereunder; provided, however, the Trustee, to the extent indemnified from and against any cost, liability or expense, may (and, at the request of any Participating Underwriter (as defined in the 2014A Continuing Disclosure Certificate) or the Owners or beneficial owner of at least 25% aggregate principal amount of Outstanding Series 2014A Bonds, shall) or any such Owner or beneficial owner may, take such actions as may be necessary and appropriate, to cause the City to comply with the provisions of the 2014A Continuing Disclosure Certificate.

Section 4.03 Tax Covenants for the Series 2014A Bonds. (a) The City covenants that it will use, and will restrict the use and investment of, the proceeds of the Series 2014A Bonds in such manner and to such extent as may be necessary so that: (1) the Series 2014A Bonds will not (A) constitute private activity bonds arbitrage bonds or hedge bonds under Section 141, 148 or 149 of the Code, or (B) be treated other than as obligations to which Section 103 of the Code applies, and (ii) the interest thereon will not be treated as a preference item for purposes of the federal alternative minimum tax.

(b) The City further covenants (i) that it will take or cause to be taken such actions that may be required of it for the interest on the Series 2014A Bonds to be and remain excluded from gross income for federal income tax purposes, (ii) that will not take or authorize to be taken any

actions that would adversely affect that exclusion, and (iii) that it, or persons acting for it, will, among other acts of compliance, (A) apply the proceeds of the Series 2014A Bonds to governmental purposes, (B) restrict the yield on investment property, (C) make timely and adequate payments to the federal government as required under the Tax Certificate, (D) maintain books and records and make calculations and reports, and (E) refrain from certain uses of those proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code.

(c) The Authorized Representative of the City is hereby authorized: (i) to make or effect any election, selection, designation, choice, consent, approval, or waiver on behalf of the City with respect to the Series 2014A Bonds as the City is permitted or required to make or give under the federal income tax laws, including, without limitation thereto, any of the elections provided for in Section 148(f)(4)(B) and (C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the Series 2014A Bonds or interest thereon or assisting compliance with requirements for the purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties or making payments of special amounts in lieu of making computations determined by that officer, which action shall be in writing and signed by the Authorized Representative, (ii) to take any and all other actions, make or obtain calculations, make payments and make or give reports, covenants and certifications of and on behalf of the City, as may be appropriate to assure the exclusion of interest from gross income and the intended tax status of the Series 2014A Bonds, and (iii) to set forth in the Tax Certificate and/or in one or more appropriate certificates of the City, for inclusion in the transcript of proceedings for the Series 2014A Bonds, the reasonable expectations of the City regarding the amount and use of all the proceeds of the Series 2014A Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the interest represented by the Series 2014A Bonds.

(d) The City may create, or may direct the Trustee to create, such accounts or sub-accounts in any fund or account held under the Indenture as it shall deem necessary or advisable in order to comply with the foregoing covenants and the Tax Certificate.

ARTICLE V

MISCELLANEOUS

Section 5.01 Survival of Master Facilities Lease. Except as otherwise amended hereby, the Master Facilities Lease shall remain in full force and effect.

Section 5.02 Binding Effect. This Second Amendment to Facilities Lease shall inure to the benefit of and shall be binding upon the Authority and the City and their respective successors and assigns.

Section 5.03 Third Party Beneficiaries. The Trustee is hereby designated as a third party beneficiary hereunder for the purpose of enforcing any of the rights hereunder assigned to the Trustee under the Indenture and for the purpose of the Trustee enforcing its own rights.

Section 5.04 Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which

becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of this Second Amendment to Facilities Lease shall be valid and enforceable to the fullest extent permitted by law.

If for any reason this Second Amendment to Facilities Lease shall be held by a court of competent jurisdiction to be void, voidable or unenforceable by the Trustee or by the City, or if for any reason it is held by such a court that any of the covenants and agreements of the City hereunder, including the covenant to pay Base Rental Payments hereunder, is unenforceable for the full term hereof, then and in such event for and in consideration of the right of the City to possess, occupy and use the Leased Property, which right in such event is hereby granted, this Lease shall thereupon become and shall be deemed to be a lease under which the Base Rental Payments due in any fiscal year of the City are subject to annual appropriation and are to be paid by the City annually in consideration of the right of the City to possess, occupy, and use the Leased Property, and all of the rental and other terms, provisions, and conditions of this Lease, except to the extent that such terms, provisions, and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

Section 5.05 California Law. This Second Amendment to Facilities Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

Section 5.06 Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

Section 5.07 Execution in Counterparts. This Second Amendment to Facilities Lease may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute but one and the same instrument. It is also agreed that the Authority and City may each execute separate counterparts of this Second Amendment to Facilities Lease, all with the same force and effect as though both had executed the same counterpart.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Second Amendment to Facilities Lease by their officers thereunto duly authorized as of the day and year first written above.

PUBLIC FACILITIES FINANCING
AUTHORITY OF THE CITY OF SAN DIEGO

By_____
_____, Chair

ATTEST:

By_____
Elizabeth Maland, Secretary

APPROVED AS TO FORM AND LEGALITY:

JAN I. GOLDSMITH, General Counsel

By_____
Brant C. Will, Deputy General Counsel

THE CITY OF SAN DIEGO

By_____
Mary Lewis, Chief Financial Officer

ATTEST:

By_____
Elizabeth Maland, City Clerk

APPROVED AS TO FORM AND LEGALITY:

JAN I. GOLDSMITH, City Attorney

By_____
Brant C. Will, Deputy City Attorney

STATE OF CALIFORNIA)
) §
COUNTY OF SAN DIEGO)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

_____
Signature of Notary Public

[Affix seal here]

STATE OF CALIFORNIA)
) §
COUNTY OF SAN DIEGO)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

_____
Signature of Notary Public

[Affix seal here]

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

DESCRIPTION A-1: Commonly described as the site of the Hilton San Diego Resort

LEGAL DESCRIPTION

PARCEL 1:

THAT PARCEL OF LAND IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, BEING A PORTION OF THE TIDELANDS AND SUBMERGED OR FILLED LANDS OF FALSE BAY, ALSO KNOWN AS MISSION BAY, AND INCLUDING ANY PORTION OF THE PUEBLO LANDS OF SAN DIEGO, ACCORDING TO MAP THEREOF BY JAMES PASCOE, A COPY OF WHICH IS ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY AND IS KNOWN AS MISCELLANEOUS MAP NO. 36, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF LOT 24 OF BLOCK 10 IN THE RESUBDIVISION OF BLOCKS 7, 8 AND 10, A PORTION OF BLOCK 9 AND LOT A INSPIRATION HEIGHTS, ACCORDING TO MAP THEREOF NO. 1700 FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY; THENCE ALONG THE SOUTHERLY LINE OF SAID LOT SOUTH 89°55’56” WEST (RECORD NORTH 89°59’ WEST) 25 FEET TO A POINT OF A TANGENT CURVE IN THE BOUNDARY OF SAID LOT; THENCE SOUTH 0°04’04” EAST 2 FEET TO A LINE WHICH IS PARALLEL WITH AND 2 FEET SOUTHERLY AT RIGHT ANGLES FROM THE SOUTHERLY LINE OF SAID BLOCK 10; THENCE ALONG SAID PARALLEL LINE NORTH 89°55’56” EAST 249.70 FEET; THENCE NORTH 5°30’02” WEST, 104.06 FEET TO THE UNITED STATES COAST AND GEODETIC SURVEY, TRIANGULATION STATION “OLD TOWN” (THE LAMBERT GRID COORDINATES CALIFORNIA ZONE 6 FOR SAID STATION “GOLD TOWN” ARE X EQUALS 1,712,415.69 AND Y EQUALS 213,820.33), SAID STATION “OLD TOWN” BEING THE POINT OF ORIGIN FOR THE SAN DIEGO CITY ENGINEERS MISSION BAY PARK COORDINATE SYSTEM; THENCE NORTH 27°48’28” WEST 13,663.23 FEET TO THE UNITED STATES COAST AND GEODETIC SURVEY TRIANGULATION STATION “MORENA” THE LAMBERT GRID COORDINATES, CALIFORNIA ZONE 6 FOR STATION “MORENA” ARE X EQUALS 1,706,149.86 AND Y EQUALS 225,961.33, THE MISSION BAY PARK COORDINATES FOR SAID STATION “MORENA” BEING NORTH 12,085.37 AND WEST 6373.96; THENCE SOUTH 30°46’38” WEST 1517.80 FEET TO THE TRUE POINT OF BEGINNING, THE MISSION BAY PARK COORDINATES OF SAID TRUE POINT OF BEGINNING BEING NORTH 10781.33 AND WEST 7150.62; THENCE SOUTH 12°12’51” WEST 316.00 FEET TO THE BEGINNING OF A TANGENT 2465 FOOT RADIUS CURVE CONCAVE EASTERLY; THENCE SOUTHERLY ALONG SAID CURVE 663.98 FEET THROUGH AN ANGLE OF 15°26’ THENCE SOUTH 66°38’01” WEST 423.61 FEET; THENCE NORTH 27°26’54” WEST, 45.50 FEET TO A POINT ON A 19 FOOT RADIUS CURVE WHOSE CENTER BEARS NORTH 27°26’54” WEST FROM SAID POINT; THENCE SOUTHWESTERLY, WESTERLY, NORTHWESTERLY, NORTHERLY AND NORTHEASTERLY ALONG SAID CURVE 59.69 FEET THROUGH AN ANGLE OF 180°00’00”; THENCE RADIALLY TO LAST SAID CURVE NORTH 27°26’54” WEST 132.80 FEET; THENCE NORTH 23°37’00” WEST 40.40 FEET;

THENCE NORTH 9°36’00” WEST 52.70 FEET; THENCE NORTH 1°23’00” EAST 57.30 FEET; THENCE NORTH 74°12’20” WEST 30.71 FEET TO THE BEGINNING OF A TANGENT 167 FOOT RADIUS CURVE CONCAVE NORTHEASTERLY; THENCE NORTHWESTERLY AND NORTHERLY ALONG SAID CURVE 249.08 FEET THROUGH AN ANGLE OF 85°27’20”; THENCE RADIALLY TO SAID CURVE NORTH 78°45’00” WEST 8.00 FEET; THENCE NORTH 11°15’00” EAST 16.00 FEET; THENCE SOUTH 78°45’00” EAST, 24.04 FEET; THENCE NORTH 1°45’00” EAST 57.84 FEET; THENCE NORTH 6°53’00” WEST 17.00 FEET; THENCE NORTH 11°02’00” WEST 50.60 FEET; THENCE NORTH 21°58’00” WEST 53.20 FEET; THENCE NORTH 29°32’00” WEST 56.40 FEET; THENCE NORTH 25°08’00” WEST 54.30 FEET; THENCE NORTH 17°18’00” WEST 19.80 FEET; THENCE NORTH 15°34’58” WEST 31.86 FEET TO A POINT ON A 1525.13 FOOT RADIUS CURVE WHOSE CENTER BEARS NORTH 82°49’22” EAST FROM SAID POINT; THENCE NORTHERLY ALONG SAID CURVE 84.96 FEET THROUGH AN ANGLE OF 3°11’30” TO THE BEGINNING OF A COMPOUND 2142.16 FOOT RADIUS CURVE CONCAVE EASTERLY; NORTHERLY ALONG SAID CURVE 55.46 FEET THROUGH AN ANGLE OF 1°29’99” TO A POINT ON A 19 FOOT RADIUS CURVE WHOSE CENTER BEARS NORTH 2°14’53” WEST FROM SAID POINT; THENCE WESTERLY, NORTHWESTERLY, NORTHERLY, NORTHEASTERLY, AND EASTERLY ALONG SAID CURVE 59.86 FEET THROUGH AN ANGLE OF 180°30’30” TO A POINT ON A 2142.16 FOOT RADIUS CURVE WHOSE CENTER BEARS NORTH 88°30’52” EAST FROM SAID POINT; THENCE NORTHERLY ALONG SAID CURVE 222.21 FEET THROUGH AN ANGLE OF 5°56’36” TO A POINT WHICH IS NORTH 80°57’58” WEST 872.91 FEET FROM THE TRUE POINT OF BEGINNING; THENCE SOUTH 80°57’58” EAST 872.91 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM ALL GAS, OIL, MINERALS OR WATER UPON OR BENEATH SAID LAND, AS RESERVED BY THE CITY OF SAN DIEGO, IN INSTRUMENT RECORDED SEPTEMBER 15, 1965 AS INSTRUMENT NO. 167533.

PARCEL 2: (PIER AND WALKWAY)

THAT PARCEL OF LAND IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, BEING A PORTION OF THE TIDELANDS AND SUBMERGED OR FILLED LANDS OF FALSE BAY, ALSO KNOWN AS MISSION BAY, AND INCLUDING ANY PORTION OF THE PUEBLO LANDS OF SAN DIEGO, ACCORDING TO MAP THEREOF BY JAMES PASCOE, A COPY OF WHICH IS ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY AND IS KNOWN AS MISCELLANEOUS MAP NO. 36, BEING 10 FOOT WIDE PARCEL, A CONCRETE WALKWAY AND PORTIONS OF A PIER SERVING THE CENTER LINE OF SAID 10 FOOT WIDE PARCEL BEING DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF LOT 24 OF BLOCK 24 OF BLOCK 10 IN THE RESUBDIVISION OF BLOCKS 7, 8 AND 10 A PORTION OF BLOCK 9 AND LOT “A” OF INSPIRATION HEIGHTS, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 1700, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY; THENCE ALONG THE SOUTHERLY LINE OF SAID LOT, SOUTH 89°55’56” WEST (RECORD NORTH 89°58’ WEST) 25 FEET TO A POINT OF TANGENT CURVE IN THE BOUNDARY OF SAID LOT; THENCE SOUTH 0°04’04” EAST 2 FEET TO A LINE PARALLEL WITH AND 2 FEET SOUTHERLY AT RIGHT ANGLES FROM THE SOUTHERLY LINE OF SAID BLOCK 10; THENCE ALONG SAID

PARALLEL LINE NORTH 89°55’56” EAST 249.70 FEET; THENCE NORTH 5°30’02” WEST 104.06 FEET TO THE UNITED STATES COAST AND GEODETIC SURVEY, TRIANGULATION STATION “OLD TOWN” (THE LAMBERT GRID COORDINATES, CALIFORNIA, ZONE 6 FOR SAID STATION “OLD TOWN” ARE X EQUALS 1,712,415.69 AND Y EQUALS 213,820.33), SAID STATION “OLD TOWN” BEING THE POINT OF ORIGIN FOR THE SAN DIEGO CITY ENGINEER’S MISSION BAY PARK COORDINATE SYSTEM; THENCE NORTH 27°48’ 28” WEST 13,663.23 FEET TO THE UNITED SATES COAST AND GEODETIC SURVEY TRIANGULATION STATION “MORENA” THE LAMBERT GRID COORDINATES, CALIFORNIA, ZONE 6, FOR SAID STATION “MORENA” ARE X EQUALS 1,706,149.86 AND Y EQUALS 225,961.33, THE MISSION BAY PARK COORDINATES FOR SAID STATION “MORENA” BEING NORTH 12,085.87 AND WEST 6373.96; THENCE SOUTH 30°46’38” WEST 1517.80 FEET; THENCE SOUTH 12°12’51” WEST 316 FEET TO THE BEGINNING OF A TANGENT 2465 FOOT RADIUS CURVE CONCAVE EASTERLY; THENCE SOUTHERLY ALONG SAID CURVE 663.98 FEET THROUGH AN ANGLE OF 15°26’; THENCE SOUTH 66°38’01” WEST 423.61 FEET; THENCE NORTH 27°26’54” WEST 45.50 FEET TO A POINT ON A 19 FOOT RADIUS CURVE WHOSE CENTER BEARS NORTH 27°26’ 54” WEST FROM SAID POINT; THENCE SOUTHWESTERLY, WESTERLY, NORTHWESTERLY, NORTHERLY, AND NORTHEASTERLY ALONG SAID CURVE 59.69 FEET THROUGH AN ANGLE OF 180°00’00”; THENCE RADIALLY TO LAST SAID CURVE NORTH 27°26’54” WEST 132.80 FEET; THENCE NORTH 23°37’00” WEST 40.40 FEET; THENCE NORTH 9°36’00” WEST 52.70 FEET; THENCE NORTH 1°23’00” EAST, 57.30 FEET; THENCE NORTH 74°12’20” WEST 30.71 FEET TO THE BEGINNING OF A TANGENT 167 FOOT RADIUS CURVE CONCAVE NORTHEASTERLY; THENCE NORTHWESTERLY AND NORTHERLY ALONG SAID CURVE 249.08 FEET THROUGH AN ANGLE OF 85°27’20”; THENCE RADIALLY TO SAID CURVE NORTH 78°45’00” WEST 8 FEET; THENCE NORTH 11°15’00” EAST 16 FEET; THENCE SOUTH 78°45’00” EAST 24.04 FEET; THENCE NORTH 1°45’00” EAST 57.84 FEET; THENCE NORTH 6°53’00” WEST 12.60 FEET TO THE TRUE POINT OF BEGINNING, THE MISSION BAY COORDINATES OF SAID TRUE POINT OF BEGINNING, BEING NORTH 10,267.267 AND WEST 7,910.317; THENCE SOUTH 73°15’02” WEST TO THE MEAN HIGH LINE OF MISSION BAY.

PARCEL 3: (DOCKS)

THAT PARCEL OF LAND IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, BEING A PORTION OF THE TIDELANDS AND SUBMERGED OR FILLED LANDS OR FALSE BAY, ALSO KNOWN AS MISSION BAY AND INCLUDING ANY PORTION OF THE PUEBLO LANDS OF SAN DIEGO, ACCORDING TO MAP THEREOF MADE BY JAMES PASCOE, A COPY OF WHICH IS ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY AND IS KNOWN AS MISCELLANEOUS MA NO. 36, BEING ALL THAT PORTION OF A STRIP OF LAND 100 FEET WIDE LYING SOUTHWESTERLY OF THE MEAN HIGH WATER LINE OF MISSION BAY, THE CENTER LINE OF SAID 100 FOOT WIDE STRIP BEING DESCRIBED AS FOLLOWS:

BEGINNING THE TRUE POINT OF BEGINNING FOR AFORESAID PARCEL NO. 2; THENCE SOUTH 73°15’02” WEST 252 FEET.

DESCRIPTION A-2: Commonly described as the site of The Lodge at Torrey Pines

LEGAL DESCRIPTION

THOSE PORTIONS OF PUEBLO LOTS 1330 AND 1331 OF THE PUEBLO LANDS OF SAN DIEGO CALIFORNIA, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF MADE JAMES PASCOE IN 1870, A COPY OF SAID MAP BEING FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, AND IS KNOWN AS MISCELLANEOUS MAP NO. 36, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEASTERLY CORNER OF SAID PUEBLO LOT 1331; THENCE SOUTH 0°22’50” WEST ALONG THE EASTERLY LINE THEREOF 1155.24 FEET; THENCE LEAVING SAID EASTERLY LINE, SOUTH 89°55’53” WEST 115.41 FEET TO A FOUND LEAD AND DISC STAMPED “LS 4593”, THE TRUE POINT OF BEGINNING, SAID POINT BEING THE NORTHEAST CORNER OF THAT PARCEL SHOWN ON RECORD OF SURVEY MAP NO. 14849, RECORDED IN THE OFFICE OF THE COUNTY RECORDER ON APRIL 13, 1995, FILE NO. 95-155749, O.R.; THENCE NORTH 2°09’51” WEST (NORTH 0°13’28” EAST RECORD PER GROUND LEASE, CITY CLERK’S DOCUMENT NO. 629873, RECORDED OCTOBER 24, 1961 AS FILE NO. 184967, O.R., TO BE REFERRED TO HEREINAFTER AS DEED 1; SEE ALSO CITY OF SAN DIEGO DRAWING NO. 13929-CL) (NORTH 2°11’10” WEST RECORD PER EXHIBIT “C” PARCEL 3 IN THE ASSIGNMENT OF GROUND LEASE RECORDED JULY 6, 1990 AS FILE NO. 90-367803, O.R., TO BE REFERRED TO HEREINAFTER AS DEED 2); 15.33 FEET ALONG THE NORTHERLY PROLONGATION OF THE EASTERLY LINE OF SAID RECORD OF SURVEY PARCEL; THENCE LEAVING SAID NORTHERLY PROLONGATION OF SAID EASTERLY LINE SOUTH 87°26’43” WEST 268.12 FEET; THENCE SOUTH 18°34’38” WEST 71.76 FEET; THENCE SOUTH 4°55’07” EAST 502.68 FEET TO A FOUND LEAD AND DISC STAMPED “RCE 12725” IN A CONCRETE CURB, ACCEPTED AS THE NORTHWEST CORNER OF LOT 1 OF SHERATON HOTEL AT TORREY PINES UNIT NO. 2, ACCORDING TO MAP THEREOF NO. 12164, RECORDED AUGUST 12, 1988 AS FILE NO. 88-399909, O.R.; THENCE ALONG THE SOUTH LINE OF SAID DEED 1, BEING ALSO THE NORTH LINE OF SAID MAP NO. 12164, THE FOLLOWING COURSES: NORTH 82°31’26” EAST 42.91 FEET (NORTH 82°30’36” EAST 42.93 FEET PER MAP NO. 12164) AND NORTH 82°33’15” EAST 402.20 FEET (NORTH 84°57’03” EAST 402.47 FEET PER DEED 1) (NORTH 82°32’25” EAST PER MAP NO. 12164) TO THE SOUTHEAST CORNER OF SAID DEED 1, SAID POINT BEING ALSO THE POINT OF BEGINNING OF DEED 2; THENCE CONTINUING ALONG THE EASTERLY PROLONGATION OF SAID SOUTH LINE OF DEED 1, NORTH 82°33’15” EAST 121.05 FEET (NORTH 82°32’25” EAST 120.81 FEET MORE OR LESS PER DEED 2) TO THE WESTERLY SIDELINE OF NORTH TORREY PINES ROAD (OLD HIGHWAY 101) 153.00 FEET IN WIDTH PER MAP NO. 12164; THENCE ALONG SAID SIDELINE NORTH 9°28’03” WEST 210.00 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE SOUTHWESTERLY HAVING A RADIUS OF 200.00 FEET, SAID POINT BEING THE TRUE POINT OF BEGINNING OF SAID DEED 2; THENCE LEAVING THE SIDELINE OF NORTH TORREY PINES ROAD, NORTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 46°31’57” A DISTANCE OF 162.43 FEET; THENCE TANGENT TO SAID CURVE NORTH 56°00’00” WEST 155.14 FEET (155.67 FEET MORE OR LESS PER DEED 2) TO A POINT ON A LINE 68.00 FEET SOUTHERLY AND PARALLEL WITH THE NORTHERLY LINE OF DEED 1; THENCE ALONG SAID PARALLEL LINE SOUTH 87°32’47” WEST 62.08 FEET (SOUTH 87°31’15”

WEST 61.72 FEET MORE OR LESS PER DEED 2) TO THE EASTERLY LINE OF DEED 1; THENCE NORTH 2°09’51” WEST (NORTH 0°13’28” EAST PER DEED 1) (NORTH 2°11’10” WEST PER DEED 2) 68.00 FEET TO THE TRUE POINT OF BEGINNING.

THE BASIS OF BEARINGS FOR THIS DESCRIPTION IS THE CENTERLINE OF NORTH TORREY PINES ROAD PER MAP NO. 12164, I.E. NORTH 9°28’03” WEST.

APN’S: 340-011-09 PORTION; 760-103-67; & 760-103-42 PORTION

DESCRIPTION A-3: Commonly described as the site of the Scripps Health Land

LEGAL DESCRIPTION

PARCEL 1 OF PARCEL MAP NO. 15672, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MAY 17, 1989.

APN: 340-011-10

DESCRIPTION A-4: Commonly described as the site of the Mission Valley Library

LEGAL DESCRIPTION

PARCEL A (LIBRARY SITE): (APN 433-101-09)

PARCEL 9 OF PARCEL MAP NO. 18354, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY ON OCTOBER 8, 1999 AS DOCUMENT NO. 1999-0683291.

PARCEL B (ACCESS AND UTILITY EASEMENT):

A NON-EXCLUSIVE EASEMENT, APPURTENANT TO THE REAL PROPERTY DESCRIBED IN PARCEL A ABOVE, FOR PEDESTRIAN AND VEHICULAR INGRESS AND EGRESS AND FOR UTILITY PURPOSES, OVER THAT PORTION OF PARCEL 8 OF PARCEL MAP NO. 18354 THAT IS DEPICTED ON THE PARCEL MAP AS "PRIVATE ACCESS AND UTILITY EASEMENT" AND IS MORE PARTICULARLY DESCRIBED AS:

A PORTION OF PARCEL 8 OF PARCEL MAP NO. 18354, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY ON OCTOBER 8, 1999 AS DOCUMENT NO. 1999-0683291, BEING MORE PARTICULARLY DESCRIBED AS:

BEGINNING AT THE MOST WESTERLY CORNER OF SAID PARCEL 9, SAID POINT ALSO BEING A SOUTHWESTERLY CORNER OF PARCEL 8 OF SAID PARCEL MAP NO. 18354; THENCE NORTH 77°38'45" WEST, 74.00 FEET; THENCE NORTH 12°21'16" EAST, 62.05 FEET; THENCE NORTH 48°46' 28" EAST, 259.85 FEET; THENCE SOUTH 41°42'34" EAST, 46.04FEET; THENCE SOUTH 48°46' 28" WEST, 189.71 FEET TO THE BEGINNING OF A TANGENT 24.00 FOOT RADIUS CURVE, CONCAVE SOUTHEASTERLY, A RADIAL BEARING TO SAID POINT BEARS NORTH 41°13' 32" WEST; THENCE SOUTHWESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 36°25'12", 15.26 FEET; THENCE TANGENT TO SAID CURVE, SOUTH 12°21'16" WEST, 76.91 FEET TO THE POINT OF BEGINNING.

DESCRIPTION A-5: Commonly described as the site of the Fire Communications Building

LEGAL DESCRIPTION

PORTION OF APN: 421-290-09

THAT PORTION OF LOT 10 OF NEW RIVERSIDE, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 679, RECORDED ON AUGUST 11, 1891, IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHERLY TERMINUS OF A LINE BEARING SOUTH 12°25’19” WEST 567.54 FEET AS DESCRIBED IN GRANT DEED RECORDED NOVEMBER 7, 1968, AS FILE/PAGE NO. 195339 OF OFFICIAL RECORDS; THENCE ALONG THE COURSES OF SAID GRANT DEED AS FOLLOWS; SOUTH 12°25’19” WEST 307.29 FEET TO THE POINT OF BEGINNING; THENCE CONTINUING, SOUTH 12°25’19” WEST 260.26 FEET; THENCE SOUTH 8°13’39” WEST 16.90 FEET; THENCE SOUTH 63°00’00” EAST 82.53 FEET TO THE BEGINNING OF A CURVE, CONCAVE NORTHWESTERLY, HAVING A RADIUS OF 102.00 FEET; THENCE EASTERLY ALONG THE ARC OF SAID CURVE 163.49 FEET THROUGH A CENTRAL ANGLE OF 91°50’00”; THENCE NORTH 25°10’00” EAST 130.76 FEET TO THE BEGINNING OF A CURVE, CONCAVE WESTERLY, HAVING A RADIUS OF 858.00 FEET; THENCE NORTHERLY ALONG THE ARC OF SAID CURVE 94.11 FEET THROUGH A CENTRAL ANGLE OF 6°17’05”; THENCE LEAVING SAID GRANT DEED, NORTH 77°15’43” WEST 250.81 FEET TO THE POINT OF BEGINNING.

DESCRIPTION A-6: Commonly described as the site of the Fire Station #9

LEGAL DESCRIPTION

(ASSESSOR'S PARCEL NO. 352-100-1, 2 AND 3)

LOTS 1 AND 2 OF TRES CALLES, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 3478, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, TOGETHER WITH ALL THAT PORTION OF LOT 1288 OF THE PUEBLO LANDS OF SAN DIEGO, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF MADE BY JAMES PASCOE IN 1870, A COPY OF WHICH SAID MAP WAS FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, NOVEMBER 14, 1921 AND IS KNOWN AS MISCELLANEOUS MAP NO. 36, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF THAT CERTAIN TRACT OF LAND CONVEYED TO LEONARD R. HOLLIDAY AND WIFE, BY DEED DATED SEPTEMBER 7, 1921 AND RECORDED IN BOOK 857, PAGE 395 OF DEEDS, SAID CORNER BEING MARKED BY A 12 INCH BY 36 INCH CONCRETE MONUMENT WITH A SCRIBED BRASS DISK IN ITS TOP; THENCE NORTH 3°52' EAST ALONG THE EASTERLY LINE OF SAID TRACT CONVEYED TO HOLLIDAY, 417.4 FEET TO THE NORTHEASTERLY RANGE THEREOF; THENCE SOUTH 86°08' EAST ALONG THE EASTERLY PROLONGATION OF THE NORTHERLY LINE OF SAID TRACT, 115 FEET; THENCE NORTH 3°52' EAST, 103.41 FEET TO A POINT ON THE SEMI-TANGENT OF THE CENTER LINE CURVE OF A CITY STREET, KNOWN AS ARDATH ROAD; THENCE SOUTH 62°31'17" EAST - RECORD SOUTH 62°35' EAST - ALONG SAID SEMI-TANGENT 62.78 FEET TO THE EASTERLY END OF SAID CURVE; THENCE CONTINUING SOUTH 62°31'17" EAST ALONG SAID CENTER LINE OF SAID ARDATH ROAD, 228.90 FEET; THENCE AT RIGHT ANGLE, NORTH 27°28'43" EAST, 30 FEET TO THE TRUE POINT OF BEGINNING; BEING A POINT ON THE NORTHEASTERLY LINE OF SAID ROAD, MARKED BY A BRASS PLATE SET IN A 12 INCH BY 36 INCH CONCRETE MONUMENT; THENCE NORTH 27°2'43" EAST, 147.97 FEET TO A POINT ON A CURVE CONCAVE NORTHERLY AND HAVING A RADIUS OF 950 FEET; THENCE WESTERLY ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 13°40'26" FOR A DISTANCE OF 226.72 FEET TO THE BEGINNING OF A REVERSE CURVE CONCAVE EASTERLY AND HAVING A RADIUS OF 10 FEET; THENCE SOUTHERLY ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 152°01'09" FOR A DISTANCE OF 26.53 FEET TO ITS POINT OF TANGENCY IN SAID NORTHEASTERLY LINE OF ARDATH ROAD; THENCE SOUTH 62°31'17" EAST ALONG SAID NORTHEASTERLY LINE, 181.0 FEET TO THE TRUE POINT OF BEGINNING.

DESCRIPTION A-7: Commonly described as the site of the Fire Station #11

LEGAL DESCRIPTION

LOTS 11 AND 12 IN BLOCK 2 OF BARTLETT ESTATES COMPANY'S SUBDIVISION OF BLOCKS 25 AND 26 OF BREED & CHASE'S ADDITION, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 942, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MARCH 27, 1905.

TOGETHER WITH THE WESTERLY ONE HALF OF THE ALLEY ADJOINING SAID LOT 12 ON THE EAST AS VACATED BY RESOLUTION NO. 270268 RECORDED FEBRUARY 12, 1988 AS FILE NO. 88-68283 OF OFFICIAL RECORDS.

APN: 534-401-01 & 02

DESCRIPTION A-8: Commonly described as the site of the Fire Station #37

LEGAL DESCRIPTION

LOT 25 AND LOT D OF SCRIPPS RANCH NORTH, UNIT NO. 10 IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 13206, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MAY 19, 1995.

APN: 319-591-07 AND 08

DESCRIPTION A-9: Commonly described as the site of the Mingei International Museum and Art Institute Building (House of Charm)

LEGAL DESCRIPTION

THAT PORTION OF THE LAND DESIGNATED "CITY PARK RESERVATION," WHICH LIES WITHIN THE PUEBLO LANDS OF SAN DIEGO, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MISCELLANEOUS MAP THEREOF NO. 36, BY JAMES PASCOE, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, BEING A PORTION OF PUEBLO LOT 1135 AND PUEBLO LOT 1136 OF SAID PUEBLO LAND ACCORDING TO MISCELLANEOUS MAP THEREOF NO. 35, BY CHARLES H. POOLE, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THE BASIS OF BEARING FOR THIS DESCRIPTION IS NAD 83 HORIZONTAL COORDINATE VALUES FOR CONTROL POINTS GPS 0047 AND GPS 0048 WERE DETERMINED BY GPS PROCEDURES.

COMMENCING AT CITY OF SAN DIEGO HORIZONTAL CONTROL STATION "GPS 0048", BEING A LEAD AND DISK STAMPED "GPS 0048", HAVING A NORTH AMERICAN DATUM OF 1983 VALUE OF NORTHING 1846535.61 AND EASTING 6284662.10; THENCE NORTH 09° 52' 43" EAST, 581.78 FEET TO AN 1" IRON PIPE "GPS 0047" WITH A DISK STAMPED "GPS 0047"; THENCE ALONG SAID LINE SOUTH 09° 52' 43" WEST DISTANT THEREON 17.22 FEET; THENCE NORTH 89° 53' 58" WEST 101.75 FEET TO THE TRUE POINT OF BEGINNING; THENCE ALONG THE PROLONGATION OF SAID LINE 139.08 FEET; THENCE SOUTH 00° 06' 02" WEST 100.46 FEET; THENCE NORTH 89° 53' 58" WEST 15.36 FEET; THENCE SOUTH 00° 06' 02" WEST 57.08 FEET; THENCE NORTH 89° 53' 58" WEST 32.45 FEET; THENCE SOUTH 00° 06' 02" WEST 54.98 FEET; THENCE SOUTH 40° 00' 00" EAST 19.21 FEET TO THE BEGINNING OF A TANGENT CURVE, CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 22.91 FEET; THENCE SOUTHEASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 37° 52' 53" A DISTANCE OF 15.15 FEET TO A LINE TANGENT; THENCE SOUTH 77° 52' 53" EAST 88.39 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHERLY AND HAVING A RADIUS OF 273.82 FEET; THENCE EASTERLY ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 12° 01' 09" A DISTANCE OF 57.44 FEET TO A LINE TANGENT; THENCE SOUTH 89° 54' 02" EAST 42.95 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHWESTERLY AND HAVING A RADIUS OF 29.49 FEET; THENCE ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 89° 59' 56", A DISTANCE OF 46.34 FEET TO A LINE TANGENT; THENCE NORTH 00° 06' 02" EAST 59.21 FEET; THENCE SOUTH 89° 53' 58" EAST 18.19 FEET MORE OR LESS TO A POINT ON THE LINE BETWEEN GPS 0048 AND GPS 0047, SAID POINT BEING 173.08 FEET SOUTHERLY OF GPS 0047; THENCE NORTH 89° 53' 58" WEST 18.19 FEET; THENCE ALONG THE PROJECTION OF SAID LINE NORTH 89° 53' 58" WEST 54.16 FEET; THENCE NORTH 00° 06' 02" EAST 170.56 FEET TO THE TRUE POINT OF BEGINNING.

APN: 534-450-08 PORTION (760-212-56)

DESCRIPTION A-10: Commonly described as the site of the University of California San Diego

LEGAL DESCRIPTION

PARCEL 1, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AS SHOWN AT PAGE 9813 OF PARCEL MAPS, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MARCH 14, 1980.

APN: 342-010-34

DESCRIPTION A-11: Commonly described as the site of Fire Station #44

LEGAL DESCRIPTION

LOT 3 OF CARROLL CANYON CENTRE, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO THE MAP THEREOF NO. 10179, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, AUGUST 27, 1981.

ASSESSOR'S PARCEL NO. 341-330-01

DESCRIPTION A-12: Commonly described as the site of the Northeastern Police Station

LEGAL DESCRIPTION

THAT PORTION OF RANCHO LOS PENASQUITOS, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP ACCOMPANYING THE PATENT TO SAID RANCHO, RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, IN BOOK 2, PAGE 385 OF PATENTS, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWESTERLY TERMINUS OF THAT CERTAIN COURSE IN THE CENTER LINE OF PASEO MONTALBAN, AS SHOWN ON MAP NO. 8622, OF PENASQUITOS ESTATES UNIT NO. 1, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, BEING "NORTH 50°30'00" EAST, 380.90 FEET", BEING THE NORTHEASTERLY TERMINUS OF A 1000 FOOT RADIUS CURVE CONCAVE NORTHWESTERLY IN SAID CENTER LINE AND TANGENT TO SAID CURVE; THENCE ALONG SAID CENTER LINE, SOUTHWESTERLY ALONG SAID CURVE THROUGH AN ANGLE OF 3°46'06" A DISTANCE OF 65.77 FEET; THENCE RADIAL TO SAID CURVE, SOUTH 35°43'54" EAST, 51 FEET TO THE SOUTHEASTERLY LINE OF SAID PASEO MONTALBAN, BEING THE TRUE POINT OF BEGINNING AND BEING A POINT IN THE ARC OF A 20 FOOT RADIUS CURVE CONCAVE SOUTHWESTERLY, A RADIAL BEARS NORTH 35°43'54" WEST TO SAID POINT; THENCE NORTHEASTERLY AND EASTERLY ALONG SAID CURVE THROUGH AN ANGLE OF 87°19'27" A DISTANCE OF 30.48 FEET; THENCE TANGENT TO SAID CURVE, SOUTH 38°24'27" EAST, 431.29 FEET TO A TANGENT 170 FOOT RADIUS CURVE CONCAVE WESTERLY; THENCE SOUTHERLY ALONG SAID CURVE THROUGH AN ANGLE OF 26°29'44", A DISTANCE OF 78.61 FEET; THENCE TANGENT TO SAID CURVE, SOUTH 11°54'43" EAST 20 FEET; THENCE SOUTH 78°05'17" WEST, 342.07 FEET; THENCE NORTH 24°17'00" WEST 436.22 FEET TO A POINT IN THE ARC OF A 1051 FOOT RADIUS CURVE CONCAVE, NORTHERLY IN SAID SOUTHEASTERLY LINE OF PASEO MONTALBAN, A RADIAL BEARS SOUTH 24°17'00" EAST TO SAID POINT; THENCE EASTERLY ALONG SAID CURVE THROUGH AN ANGLE OF 11°6'54" A DISTANCE OF 210 FEET TO THE TRUE POINT OF BEGINNING.

APN: 315-530-08

[DESCRIPTION A-13: Commonly described as the site of the Central Police Vehicle Maintenance]

[DESCRIPTION A-14: Commonly described as the site of the Fire Station #16 Mt. Soledad]

[DESCRIPTION A-15: Commonly described as the site of the City Operations Building & Parkade]

[DESCRIPTION A-16: Commonly described as the site of the Carmel Valley Community Park Town Recreation Center]

[DESCRIPTION A-17: Commonly described as the Site of the Fire Station #24; 12077 Hartfield]

[DESCRIPTION A-18: Commonly described as the site of the Scripps Ranch Library]

[DESCRIPTION A-19: Commonly described as the site of the North University Community Library & Rec Center (Buildings & Land)]

EXHIBIT B

BASE RENTAL PAYMENT SCHEDULE

Payment Date	*Amount*	*Payment Date*	*Amount*

EXHIBIT C

BASE RENTAL PAYMENTS
ATTRIBUTABLE TO GROUND LEASE SITES

	Percentage of Annual Base Rental Attributable to Ground Lease Sites
Hilton San Diego Resort	%
The Lodge at Torrey Pines	%
Scripps Health Land	%
University of California, San Diego	%

SECOND AMENDMENT TO SITE LEASE

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS, SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)

Log of Outstanding Items

Page	***Outstanding Items***	***Responsible Party***	***Expected Availability***
Cover	Amount of Bonds	Bond Counsel	Upon Sale of Bonds
2	Amount of Bonds	Bond Counsel	Upon Sale of Bonds
S-1	Signature Page/Notary Pages	City/Authority	Preclosing
A-16	Legal Description of A-13	City	Posting of POS
A-17	Legal Description for A-14	City	Posting of POS
A-18	Legal Description for A-15	City	Posting of POS
A-19	Legal Description for A-16	City	Posting of POS
A-20	Legal Description for A-17	City	Posting of POS
A-21	Legal Description for A-18	City	Posting of POS
A-22	Legal Description for A-19	City	Posting of POS

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Attn: Robert J. Whalen
Stradling Yocca Carlson & Rauth, a Professional Corporation
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660

(Space above for Recorder's Use)

This document is recorded for the benefit of the City of San Diego and the recording is fee-exempt under Section 6103 of the California Government Code.

SECOND AMENDMENT TO SITE LEASE

Dated as of April 1, 2014

amending and supplementing the

SITE LEASE

Dated as of July 1, 2012
as amended as of July 1, 2013

by and between

THE CITY OF SAN DIEGO

and

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

_____

Relating to the

$_____
**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS
SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)**

SECOND AMENDMENT TO SITE LEASE

This Second Amendment to Site Lease (the "Second Amendment to Site Lease") is dated as of April 1, 2014, and is entered into by and between THE CITY OF SAN DIEGO, a municipal corporation duly organized and existing under its charter and the laws of the State of California (the "City"), and the PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and supplements and amends the Site Lease, dated as of July 1, 2012 recorded on July 2, 2012 in the Official Records of the County of San Diego as Instrument No. 2012-0382822, as amended by the First Amendment to Site Lease, dated as of July 1, 2013 and recorded on July 10, 2013 in the Official Records of the County of San Diego as Instrument No. 2013-0430506 (the "First Amendment to Site Lease" and, together, the "Master Site Lease"), by and between the City and the Authority (as supplemented and amended hereby, the "Site Lease"). (Capitalized terms used in the Whereas clauses which are not defined therein shall have the meaning provided in Section 1 hereof).

W I T N E S S E T H:

WHEREAS, the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), have entered into an Indenture, dated as of July 1, 2012, as supplemented by the First Supplemental Indenture, dated as of July 1, 2013 (together, the "Master Indenture"), providing for the issuance of various series of bonds secured on a parity thereunder (the "Prior Bonds"); and

WHEREAS, in order to provide for the payment of the Prior Bonds, the City and the Authority have entered into the Master Site Lease, pursuant to which the City leased to the Authority certain real property belonging to the City, together with the City owned improvements located thereon, as described in Exhibit A thereto (collectively, the "Original Leased Property"); and

WHEREAS, pursuant to Section 2.13 of the Master Indenture, the Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture; and

WHEREAS, the City has determined it is in the public interest and will benefit the inhabitants of the City that the City finance the costs of the acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects of the City (collectively, the "2014A Project"); and

WHEREAS, to finance the 2014A Project, the City will enter into this Second Amendment to Site Lease with the Authority pursuant to which the City will lease to the Authority the Original Leased Property and certain additional real property belonging to the City, together with the City owned improvements located thereon, as more particularly described in Exhibit A hereto (collectively, the "City Property"); and

WHEREAS, concurrently with the execution of this Second Amendment to Site Lease, the Authority and the City are entering into a Second Amendment to Facilities Lease, dated as of April 1, 2014 (the "Second Amendment to Facilities Lease"), which supplements and amends the Facilities Lease, dated as of July 1, 2012, as supplemented and amended by the First Amendment to Facilities Lease, dated as of July 1, 2013 (together, the "Master Facilities Lease," and as supplemented and amended by the Second Amendment to Facilities Lease, the "Lease"), pursuant to which the Authority will lease the City Property and certain additional real property as described therein

(collectively, the "Leased Property"), to the City and the City is required to make Base Rental Payments sufficient to pay debt service on Prior Bonds and the Authority's $_____ Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds"); and

WHEREAS, to provide funds to finance the 2014A Project, the City has requested the Authority to issue the Series 2014A Bonds, pursuant to the Master Indenture, as supplemented and amended by a Second Supplemental Indenture (the "Second Supplemental Indenture," and together with the Master Indenture, the "Indenture"), each by and between the Authority and the Trustee; and

WHEREAS, the Site Lease may be amended pursuant to Section 15 of the Master Site Lease; and

WHEREAS, the City is authorized by its Charter and other applicable law to lease the City Property to the Authority pursuant to the Site Lease, and to lease the Leased Property from the Authority pursuant to the Lease and to consummate the financing of the 2014A Project; and has determined that the 2014A Project and the lease of the Leased Property are necessary and proper public purposes; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this First Amendment to Site Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Second Amendment to Site Lease.

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 1. **Definitions**. Capitalized terms used herein and not otherwise defined herein shall have the meanings given such terms pursuant to the Lease, as it may be amended pursuant to its terms, and, if such terms are not defined in the Lease, then such terms shall have the meanings given such terms pursuant to the Indenture.

Section 2. **Amendment to Leased Property**. The references in the Master Site Lease to "Leased Property" are hereby amended to read "City Property." The City Property as shown in Exhibit A to the Master Site Lease is hereby amended and supplemented by deleting Exhibit A in its entirety and substituting the attached Exhibit A therefor.

Section 3. **Survival of Master Site Lease**. Except as otherwise amended hereby, the Master Site Lease shall remain in full force and effect.

Section 4. **Waiver of Personal Liability**. All liabilities hereunder on the part of the Authority shall be solely corporate liabilities of the Authority, and the City hereby releases each and every director, officer and employee of the Authority of and from any personal or individual liability hereunder. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable hereunder for anything done or omitted to be done by the Authority hereunder.

Section 5. **Partial Invalidity**. If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of this First Amendment to Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 6. **Section Headings**. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

Section 7. **Execution in Counterparts**. This Second Amendment to Site Lease may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

Section 8. **Governing Law**. This Second Amendment to Site Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Second Amendment to Site Lease by their officers thereunder duly authorized as of the day and year first above written.

THE CITY OF SAN DIEGO

By_____
Mary Lewis, Chief Financial Officer

ATTEST:

By_____
Elizabeth Maland, City Clerk

APPROVED AS TO FORM AND LEGALITY:

JAN I. GOLDSMITH, City Attorney

By_____
Brant C. Will, Deputy City Attorney

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

By_____
_____, Chair

ATTEST:

By_____
Elizabeth Maland, Secretary

APPROVED AS TO FORM AND LEGALITY:

JAN I. GOLDSMITH, General Counsel

By_____
Brant C. Will, Deputy General Counsel

STATE OF CALIFORNIA)
) §
COUNTY OF SAN DIEGO)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

_____
Signature of Notary Public

[Affix seal here]

STATE OF CALIFORNIA)
) §
COUNTY OF SAN DIEGO)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

_____
Signature of Notary Public

[Affix seal here]

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

DESCRIPTION A-1: Commonly described as the site of the Hilton San Diego Resort

LEGAL DESCRIPTION

PARCEL 1:

THAT PARCEL OF LAND IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, BEING A PORTION OF THE TIDELANDS AND SUBMERGED OR FILLED LANDS OF FALSE BAY, ALSO KNOWN AS MISSION BAY, AND INCLUDING ANY PORTION OF THE PUEBLO LANDS OF SAN DIEGO, ACCORDING TO MAP THEREOF BY JAMES PASCOE, A COPY OF WHICH IS ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY AND IS KNOWN AS MISCELLANEOUS MAP NO. 36, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF LOT 24 OF BLOCK 10 IN THE RESUBDIVISION OF BLOCKS 7, 8 AND 10, A PORTION OF BLOCK 9 AND LOT A INSPIRATION HEIGHTS, ACCORDING TO MAP THEREOF NO. 1700 FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY; THENCE ALONG THE SOUTHERLY LINE OF SAID LOT SOUTH 89°55’56” WEST (RECORD NORTH 89°59’ WEST) 25 FEET TO A POINT OF A TANGENT CURVE IN THE BOUNDARY OF SAID LOT; THENCE SOUTH 0°04’04” EAST 2 FEET TO A LINE WHICH IS PARALLEL WITH AND 2 FEET SOUTHERLY AT RIGHT ANGLES FROM THE SOUTHERLY LINE OF SAID BLOCK 10; THENCE ALONG SAID PARALLEL LINE NORTH 89°55’56” EAST 249.70 FEET; THENCE NORTH 5°30’02” WEST, 104.06 FEET TO THE UNITED STATES COAST AND GEODETIC SURVEY, TRIANGULATION STATION “OLD TOWN” (THE LAMBERT GRID COORDINATES CALIFORNIA ZONE 6 FOR SAID STATION “GOLD TOWN” ARE X EQUALS 1,712,415.69 AND Y EQUALS 213,820.33), SAID STATION “OLD TOWN” BEING THE POINT OF ORIGIN FOR THE SAN DIEGO CITY ENGINEERS MISSION BAY PARK COORDINATE SYSTEM; THENCE NORTH 27°48’28” WEST 13,663.23 FEET TO THE UNITED STATES COAST AND GEODETIC SURVEY TRIANGULATION STATION “MORENA” THE LAMBERT GRID COORDINATES, CALIFORNIA ZONE 6 FOR STATION “MORENA” ARE X EQUALS 1,706,149.86 AND Y EQUALS 225,961.33, THE MISSION BAY PARK COORDINATES FOR SAID STATION “MORENA” BEING NORTH 12,085.37 AND WEST 6373.96; THENCE SOUTH 30°46’38” WEST 1517.80 FEET TO THE TRUE POINT OF BEGINNING, THE MISSION BAY PARK COORDINATES OF SAID TRUE POINT OF BEGINNING BEING NORTH 10781.33 AND WEST 7150.62; THENCE SOUTH 12°12’51” WEST 316.00 FEET TO THE BEGINNING OF A TANGENT 2465 FOOT RADIUS CURVE CONCAVE EASTERLY; THENCE SOUTHERLY ALONG SAID CURVE 663.98 FEET THROUGH AN ANGLE OF 15°26’ THENCE SOUTH 66°38’01” WEST 423.61 FEET; THENCE NORTH 27°26’54” WEST, 45.50 FEET TO A POINT ON A 19 FOOT RADIUS CURVE WHOSE CENTER BEARS NORTH 27°26’54” WEST FROM SAID POINT; THENCE SOUTHWESTERLY, WESTERLY, NORTHWESTERLY, NORTHERLY AND NORTHEASTERLY ALONG SAID CURVE 59.69 FEET THROUGH AN ANGLE OF 180°00’00”; THENCE RADIALLY TO LAST SAID CURVE NORTH 27°26’54” WEST 132.80 FEET; THENCE NORTH 23°37’00” WEST 40.40 FEET;

THENCE NORTH 9°36’00” WEST 52.70 FEET; THENCE NORTH 1°23’00” EAST 57.30 FEET; THENCE NORTH 74°12’20” WEST 30.71 FEET TO THE BEGINNING OF A TANGENT 167 FOOT RADIUS CURVE CONCAVE NORTHEASTERLY; THENCE NORTHWESTERLY AND NORTHERLY ALONG SAID CURVE 249.08 FEET THROUGH AN ANGLE OF 85°27’20”; THENCE RADIALLY TO SAID CURVE NORTH 78°45’00” WEST 8.00 FEET; THENCE NORTH 11°15’00” EAST 16.00 FEET; THENCE SOUTH 78°45’00” EAST, 24.04 FEET; THENCE NORTH 1°45’00” EAST 57.84 FEET; THENCE NORTH 6°53’00” WEST 17.00 FEET; THENCE NORTH 11°02’00” WEST 50.60 FEET; THENCE NORTH 21°58’00” WEST 53.20 FEET; THENCE NORTH 29°32’00” WEST 56.40 FEET; THENCE NORTH 25°08’00” WEST 54.30 FEET; THENCE NORTH 17°18’00” WEST 19.80 FEET; THENCE NORTH 15°34’58” WEST 31.86 FEET TO A POINT ON A 1525.13 FOOT RADIUS CURVE WHOSE CENTER BEARS NORTH 82°49’22” EAST FROM SAID POINT; THENCE NORTHERLY ALONG SAID CURVE 84.96 FEET THROUGH AN ANGLE OF 3°11’30” TO THE BEGINNING OF A COMPOUND 2142.16 FOOT RADIUS CURVE CONCAVE EASTERLY; NORTHERLY ALONG SAID CURVE 55.46 FEET THROUGH AN ANGLE OF 1°29’99” TO A POINT ON A 19 FOOT RADIUS CURVE WHOSE CENTER BEARS NORTH 2°14’53” WEST FROM SAID POINT; THENCE WESTERLY, NORTHWESTERLY, NORTHERLY, NORTHEASTERLY, AND EASTERLY ALONG SAID CURVE 59.86 FEET THROUGH AN ANGLE OF 180°30’30” TO A POINT ON A 2142.16 FOOT RADIUS CURVE WHOSE CENTER BEARS NORTH 88°30’52” EAST FROM SAID POINT; THENCE NORTHERLY ALONG SAID CURVE 222.21 FEET THROUGH AN ANGLE OF 5°56’36” TO A POINT WHICH IS NORTH 80°57’58” WEST 872.91 FEET FROM THE TRUE POINT OF BEGINNING; THENCE SOUTH 80°57’58” EAST 872.91 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM ALL GAS, OIL, MINERALS OR WATER UPON OR BENEATH SAID LAND, AS RESERVED BY THE CITY OF SAN DIEGO, IN INSTRUMENT RECORDED SEPTEMBER 15, 1965 AS INSTRUMENT NO. 167533.

PARCEL 2: (PIER AND WALKWAY)

THAT PARCEL OF LAND IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, BEING A PORTION OF THE TIDELANDS AND SUBMERGED OR FILLED LANDS OF FALSE BAY, ALSO KNOWN AS MISSION BAY, AND INCLUDING ANY PORTION OF THE PUEBLO LANDS OF SAN DIEGO, ACCORDING TO MAP THEREOF BY JAMES PASCOE, A COPY OF WHICH IS ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY AND IS KNOWN AS MISCELLANEOUS MAP NO. 36, BEING 10 FOOT WIDE PARCEL, A CONCRETE WALKWAY AND PORTIONS OF A PIER SERVING THE CENTER LINE OF SAID 10 FOOT WIDE PARCEL BEING DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF LOT 24 OF BLOCK 24 OF BLOCK 10 IN THE RESUBDIVISION OF BLOCKS 7, 8 AND 10 A PORTION OF BLOCK 9 AND LOT “A” OF INSPIRATION HEIGHTS, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 1700, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY; THENCE ALONG THE SOUTHERLY LINE OF SAID LOT, SOUTH 89°55’56” WEST (RECORD NORTH 89°58’ WEST) 25 FEET TO A POINT OF TANGENT CURVE IN THE BOUNDARY OF SAID LOT; THENCE SOUTH 0°04’04” EAST 2 FEET TO A LINE PARALLEL WITH AND 2 FEET SOUTHERLY AT RIGHT ANGLES FROM THE SOUTHERLY LINE OF SAID BLOCK 10; THENCE ALONG SAID

PARALLEL LINE NORTH 89°55’56” EAST 249.70 FEET; THENCE NORTH 5°30’02” WEST 104.06 FEET TO THE UNITED STATES COAST AND GEODETIC SURVEY, TRIANGULATION STATION “OLD TOWN” (THE LAMBERT GRID COORDINATES, CALIFORNIA, ZONE 6 FOR SAID STATION “OLD TOWN” ARE X EQUALS 1,712,415.69 AND Y EQUALS 213,820.33), SAID STATION “OLD TOWN” BEING THE POINT OF ORIGIN FOR THE SAN DIEGO CITY ENGINEER’S MISSION BAY PARK COORDINATE SYSTEM; THENCE NORTH 27°48’ 28” WEST 13,663.23 FEET TO THE UNITED SATES COAST AND GEODETIC SURVEY TRIANGULATION STATION “MORENA” THE LAMBERT GRID COORDINATES, CALIFORNIA, ZONE 6, FOR SAID STATION “MORENA” ARE X EQUALS 1,706,149.86 AND Y EQUALS 225,961.33, THE MISSION BAY PARK COORDINATES FOR SAID STATION “MORENA” BEING NORTH 12,085.87 AND WEST 6373.96; THENCE SOUTH 30°46’38” WEST 1517.80 FEET; THENCE SOUTH 12°12’51” WEST 316 FEET TO THE BEGINNING OF A TANGENT 2465 FOOT RADIUS CURVE CONCAVE EASTERLY; THENCE SOUTHERLY ALONG SAID CURVE 663.98 FEET THROUGH AN ANGLE OF 15°26’; THENCE SOUTH 66°38’01” WEST 423.61 FEET; THENCE NORTH 27°26’54” WEST 45.50 FEET TO A POINT ON A 19 FOOT RADIUS CURVE WHOSE CENTER BEARS NORTH 27°26’ 54” WEST FROM SAID POINT; THENCE SOUTHWESTERLY, WESTERLY, NORTHWESTERLY, NORTHERLY, AND NORTHEASTERLY ALONG SAID CURVE 59.69 FEET THROUGH AN ANGLE OF 180°00’00”; THENCE RADIALLY TO LAST SAID CURVE NORTH 27°26’54” WEST 132.80 FEET; THENCE NORTH 23°37’00” WEST 40.40 FEET; THENCE NORTH 9°36’00” WEST 52.70 FEET; THENCE NORTH 1°23’00” EAST, 57.30 FEET; THENCE NORTH 74°12’20” WEST 30.71 FEET TO THE BEGINNING OF A TANGENT 167 FOOT RADIUS CURVE CONCAVE NORTHEASTERLY; THENCE NORTHWESTERLY AND NORTHERLY ALONG SAID CURVE 249.08 FEET THROUGH AN ANGLE OF 85°27’20”; THENCE RADIALLY TO SAID CURVE NORTH 78°45’00” WEST 8 FEET; THENCE NORTH 11°15’00” EAST 16 FEET; THENCE SOUTH 78°45’00” EAST 24.04 FEET; THENCE NORTH 1°45’00” EAST 57.84 FEET; THENCE NORTH 6°53’00” WEST 12.60 FEET TO THE TRUE POINT OF BEGINNING, THE MISSION BAY COORDINATES OF SAID TRUE POINT OF BEGINNING, BEING NORTH 10,267.267 AND WEST 7,910.317; THENCE SOUTH 73°15’02” WEST TO THE MEAN HIGH LINE OF MISSION BAY.

PARCEL 3: (DOCKS)

THAT PARCEL OF LAND IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, BEING A PORTION OF THE TIDELANDS AND SUBMERGED OR FILLED LANDS OR FALSE BAY, ALSO KNOWN AS MISSION BAY AND INCLUDING ANY PORTION OF THE PUEBLO LANDS OF SAN DIEGO, ACCORDING TO MAP THEREOF MADE BY JAMES PASCOE, A COPY OF WHICH IS ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY AND IS KNOWN AS MISCELLANEOUS MA NO. 36, BEING ALL THAT PORTION OF A STRIP OF LAND 100 FEET WIDE LYING SOUTHWESTERLY OF THE MEAN HIGH WATER LINE OF MISSION BAY, THE CENTER LINE OF SAID 100 FOOT WIDE STRIP BEING DESCRIBED AS FOLLOWS:

BEGINNING THE TRUE POINT OF BEGINNING FOR AFORESAID PARCEL NO. 2; THENCE SOUTH 73°15’02” WEST 252 FEET.

DESCRIPTION A-2: Commonly described as the site of The Lodge at Torrey Pines

LEGAL DESCRIPTION

THOSE PORTIONS OF PUEBLO LOTS 1330 AND 1331 OF THE PUEBLO LANDS OF SAN DIEGO CALIFORNIA, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF MADE JAMES PASCOE IN 1870, A COPY OF SAID MAP BEING FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, AND IS KNOWN AS MISCELLANEOUS MAP NO. 36, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEASTERLY CORNER OF SAID PUEBLO LOT 1331; THENCE SOUTH 0°22’50” WEST ALONG THE EASTERLY LINE THEREOF 1155.24 FEET; THENCE LEAVING SAID EASTERLY LINE, SOUTH 89°55’53” WEST 115.41 FEET TO A FOUND LEAD AND DISC STAMPED “LS 4593”, THE TRUE POINT OF BEGINNING, SAID POINT BEING THE NORTHEAST CORNER OF THAT PARCEL SHOWN ON RECORD OF SURVEY MAP NO. 14849, RECORDED IN THE OFFICE OF THE COUNTY RECORDER ON APRIL 13, 1995, FILE NO. 95-155749, O.R.; THENCE NORTH 2°09’51” WEST (NORTH 0°13’28” EAST RECORD PER GROUND LEASE, CITY CLERK’S DOCUMENT NO. 629873, RECORDED OCTOBER 24, 1961 AS FILE NO. 184967, O.R., TO BE REFERRED TO HEREINAFTER AS DEED 1; SEE ALSO CITY OF SAN DIEGO DRAWING NO. 13929-CL) (NORTH 2°11’10” WEST RECORD PER EXHIBIT “C” PARCEL 3 IN THE ASSIGNMENT OF GROUND LEASE RECORDED JULY 6, 1990 AS FILE NO. 90-367803, O.R., TO BE REFERRED TO HEREINAFTER AS DEED 2); 15.33 FEET ALONG THE NORTHERLY PROLONGATION OF THE EASTERLY LINE OF SAID RECORD OF SURVEY PARCEL; THENCE LEAVING SAID NORTHERLY PROLONGATION OF SAID EASTERLY LINE SOUTH 87°26’43” WEST 268.12 FEET; THENCE SOUTH 18°34’38” WEST 71.76 FEET; THENCE SOUTH 4°55’07” EAST 502.68 FEET TO A FOUND LEAD AND DISC STAMPED “RCE 12725” IN A CONCRETE CURB, ACCEPTED AS THE NORTHWEST CORNER OF LOT 1 OF SHERATON HOTEL AT TORREY PINES UNIT NO. 2, ACCORDING TO MAP THEREOF NO. 12164, RECORDED AUGUST 12, 1988 AS FILE NO. 88-399909, O.R.; THENCE ALONG THE SOUTH LINE OF SAID DEED 1, BEING ALSO THE NORTH LINE OF SAID MAP NO. 12164, THE FOLLOWING COURSES: NORTH 82°31’26” EAST 42.91 FEET (NORTH 82°30’36” EAST 42.93 FEET PER MAP NO. 12164) AND NORTH 82°33’15” EAST 402.20 FEET (NORTH 84°57’03” EAST 402.47 FEET PER DEED 1) (NORTH 82°32’25” EAST PER MAP NO. 12164) TO THE SOUTHEAST CORNER OF SAID DEED 1, SAID POINT BEING ALSO THE POINT OF BEGINNING OF DEED 2; THENCE CONTINUING ALONG THE EASTERLY PROLONGATION OF SAID SOUTH LINE OF DEED 1, NORTH 82°33’15” EAST 121.05 FEET (NORTH 82°32’25” EAST 120.81 FEET MORE OR LESS PER DEED 2) TO THE WESTERLY SIDELINE OF NORTH TORREY PINES ROAD (OLD HIGHWAY 101) 153.00 FEET IN WIDTH PER MAP NO. 12164; THENCE ALONG SAID SIDELINE NORTH 9°28’03” WEST 210.00 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE SOUTHWESTERLY HAVING A RADIUS OF 200.00 FEET, SAID POINT BEING THE TRUE POINT OF BEGINNING OF SAID DEED 2; THENCE LEAVING THE SIDELINE OF NORTH TORREY PINES ROAD, NORTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 46°31’57” A DISTANCE OF 162.43 FEET; THENCE TANGENT TO SAID CURVE NORTH 56°00’00” WEST 155.14 FEET (155.67 FEET MORE OR LESS PER DEED 2) TO A POINT ON A LINE 68.00 FEET SOUTHERLY AND PARALLEL WITH THE NORTHERLY LINE OF DEED 1; THENCE ALONG SAID PARALLEL LINE SOUTH 87°32’47” WEST 62.08 FEET (SOUTH 87°31’15”

WEST 61.72 FEET MORE OR LESS PER DEED 2) TO THE EASTERLY LINE OF DEED 1; THENCE NORTH 2°09’51” WEST (NORTH 0°13’28” EAST PER DEED 1) (NORTH 2°11’10” WEST PER DEED 2) 68.00 FEET TO THE TRUE POINT OF BEGINNING.

THE BASIS OF BEARINGS FOR THIS DESCRIPTION IS THE CENTERLINE OF NORTH TORREY PINES ROAD PER MAP NO. 12164, I.E. NORTH 9°28’03” WEST.

APN’S: 340-011-09 PORTION; 760-103-67; & 760-103-42 PORTION

DESCRIPTION A-3: Commonly described as the site of the Scripps Health Land

LEGAL DESCRIPTION

PARCEL 1 OF PARCEL MAP NO. 15672, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MAY 17, 1989.

APN: 340-011-10

DESCRIPTION A-4: Commonly described as the site of the Mission Valley Library

LEGAL DESCRIPTION

PARCEL A (LIBRARY SITE): (APN 433-101-09)

PARCEL 9 OF PARCEL MAP NO. 18354, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY ON OCTOBER 8, 1999 AS DOCUMENT NO. 1999-0683291.

PARCEL B (ACCESS AND UTILITY EASEMENT):

A NON-EXCLUSIVE EASEMENT, APPURTENANT TO THE REAL PROPERTY DESCRIBED IN PARCEL A ABOVE, FOR PEDESTRIAN AND VEHICULAR INGRESS AND EGRESS AND FOR UTILITY PURPOSES, OVER THAT PORTION OF PARCEL 8 OF PARCEL MAP NO. 18354 THAT IS DEPICTED ON THE PARCEL MAP AS "PRIVATE ACCESS AND UTILITY EASEMENT" AND IS MORE PARTICULARLY DESCRIBED AS:

A PORTION OF PARCEL 8 OF PARCEL MAP NO. 18354, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY ON OCTOBER 8, 1999 AS DOCUMENT NO. 1999-0683291, BEING MORE PARTICULARLY DESCRIBED AS:

BEGINNING AT THE MOST WESTERLY CORNER OF SAID PARCEL 9, SAID POINT ALSO BEING A SOUTHWESTERLY CORNER OF PARCEL 8 OF SAID PARCEL MAP NO. 18354; THENCE NORTH 77°38'45" WEST, 74.00 FEET; THENCE NORTH 12°21'16" EAST, 62.05 FEET; THENCE NORTH 48°46' 28" EAST, 259.85 FEET; THENCE SOUTH 41°42'34" EAST, 46.04FEET; THENCE SOUTH 48°46' 28" WEST, 189.71 FEET TO THE BEGINNING OF A TANGENT 24.00 FOOT RADIUS CURVE, CONCAVE SOUTHEASTERLY, A RADIAL BEARING TO SAID POINT BEARS NORTH 41°13' 32" WEST; THENCE SOUTHWESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 36°25'12", 15.26 FEET; THENCE TANGENT TO SAID CURVE, SOUTH 12°21'16" WEST, 76.91 FEET TO THE POINT OF BEGINNING.

DESCRIPTION A-5: Commonly described as the site of the Fire Communications Building

LEGAL DESCRIPTION

PORTION OF APN: 421-290-09

THAT PORTION OF LOT 10 OF NEW RIVERSIDE, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 679, RECORDED ON AUGUST 11, 1891, IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHERLY TERMINUS OF A LINE BEARING SOUTH 12°25’19” WEST 567.54 FEET AS DESCRIBED IN GRANT DEED RECORDED NOVEMBER 7, 1968, AS FILE/PAGE NO. 195339 OF OFFICIAL RECORDS; THENCE ALONG THE COURSES OF SAID GRANT DEED AS FOLLOWS; SOUTH 12°25’19” WEST 307.29 FEET TO THE POINT OF BEGINNING; THENCE CONTINUING, SOUTH 12°25’19” WEST 260.26 FEET; THENCE SOUTH 8°13’39” WEST 16.90 FEET; THENCE SOUTH 63°00’00” EAST 82.53 FEET TO THE BEGINNING OF A CURVE, CONCAVE NORTHWESTERLY, HAVING A RADIUS OF 102.00 FEET; THENCE EASTERLY ALONG THE ARC OF SAID CURVE 163.49 FEET THROUGH A CENTRAL ANGLE OF 91°50’00”; THENCE NORTH 25°10’00” EAST 130.76 FEET TO THE BEGINNING OF A CURVE, CONCAVE WESTERLY, HAVING A RADIUS OF 858.00 FEET; THENCE NORTHERLY ALONG THE ARC OF SAID CURVE 94.11 FEET THROUGH A CENTRAL ANGLE OF 6°17’05”; THENCE LEAVING SAID GRANT DEED, NORTH 77°15’43” WEST 250.81 FEET TO THE POINT OF BEGINNING.

DESCRIPTION A-6: Commonly described as the site of the Fire Station #9

LEGAL DESCRIPTION

(ASSESSOR'S PARCEL NO. 352-100-1, 2 AND 3)

LOTS 1 AND 2 OF TRES CALLES, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 3478, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, TOGETHER WITH ALL THAT PORTION OF LOT 1288 OF THE PUEBLO LANDS OF SAN DIEGO, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF MADE BY JAMES PASCOE IN 1870, A COPY OF WHICH SAID MAP WAS FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, NOVEMBER 14, 1921 AND IS KNOWN AS MISCELLANEOUS MAP NO. 36, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF THAT CERTAIN TRACT OF LAND CONVEYED TO LEONARD R. HOLLIDAY AND WIFE, BY DEED DATED SEPTEMBER 7, 1921 AND RECORDED IN BOOK 857, PAGE 395 OF DEEDS, SAID CORNER BEING MARKED BY A 12 INCH BY 36 INCH CONCRETE MONUMENT WITH A SCRIBED BRASS DISK IN ITS TOP; THENCE NORTH 3°52' EAST ALONG THE EASTERLY LINE OF SAID TRACT CONVEYED TO HOLLIDAY, 417.4 FEET TO THE NORTHEASTERLY RANGE THEREOF; THENCE SOUTH 86°08' EAST ALONG THE EASTERLY PROLONGATION OF THE NORTHERLY LINE OF SAID TRACT, 115 FEET; THENCE NORTH 3°52' EAST, 103.41 FEET TO A POINT ON THE SEMI-TANGENT OF THE CENTER LINE CURVE OF A CITY STREET, KNOWN AS ARDATH ROAD; THENCE SOUTH 62°31'17" EAST - RECORD SOUTH 62°35' EAST - ALONG SAID SEMI-TANGENT 62.78 FEET TO THE EASTERLY END OF SAID CURVE; THENCE CONTINUING SOUTH 62°31'17" EAST ALONG SAID CENTER LINE OF SAID ARDATH ROAD, 228.90 FEET; THENCE AT RIGHT ANGLE, NORTH 27°28'43" EAST, 30 FEET TO THE TRUE POINT OF BEGINNING; BEING A POINT ON THE NORTHEASTERLY LINE OF SAID ROAD, MARKED BY A BRASS PLATE SET IN A 12 INCH BY 36 INCH CONCRETE MONUMENT; THENCE NORTH 27°2'43" EAST, 147.97 FEET TO A POINT ON A CURVE CONCAVE NORTHERLY AND HAVING A RADIUS OF 950 FEET; THENCE WESTERLY ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 13°40'26" FOR A DISTANCE OF 226.72 FEET TO THE BEGINNING OF A REVERSE CURVE CONCAVE EASTERLY AND HAVING A RADIUS OF 10 FEET; THENCE SOUTHERLY ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 152°01'09" FOR A DISTANCE OF 26.53 FEET TO ITS POINT OF TANGENCY IN SAID NORTHEASTERLY LINE OF ARDATH ROAD; THENCE SOUTH 62°31'17" EAST ALONG SAID NORTHEASTERLY LINE, 181.0 FEET TO THE TRUE POINT OF BEGINNING.

DESCRIPTION A-7: Commonly described as the site of the Fire Station #11

LEGAL DESCRIPTION

LOTS 11 AND 12 IN BLOCK 2 OF BARTLETT ESTATES COMPANY'S SUBDIVISION OF BLOCKS 25 AND 26 OF BREED & CHASE'S ADDITION, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 942, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MARCH 27, 1905.

TOGETHER WITH THE WESTERLY ONE HALF OF THE ALLEY ADJOINING SAID LOT 12 ON THE EAST AS VACATED BY RESOLUTION NO. 270268 RECORDED FEBRUARY 12, 1988 AS FILE NO. 88-68283 OF OFFICIAL RECORDS.

APN: 534-401-01 & 02

DESCRIPTION A-8: Commonly described as the site of the Fire Station #37

LEGAL DESCRIPTION

LOT 25 AND LOT D OF SCRIPPS RANCH NORTH, UNIT NO. 10 IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 13206, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MAY 19, 1995.

APN: 319-591-07 AND 08

DESCRIPTION A-9: Commonly described as the site of the Mingei International Museum and Art Institute Building (House of Charm)

LEGAL DESCRIPTION

THAT PORTION OF THE LAND DESIGNATED "CITY PARK RESERVATION," WHICH LIES WITHIN THE PUEBLO LANDS OF SAN DIEGO, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MISCELLANEOUS MAP THEREOF NO. 36, BY JAMES PASCOE, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, BEING A PORTION OF PUEBLO LOT 1135 AND PUEBLO LOT 1136 OF SAID PUEBLO LAND ACCORDING TO MISCELLANEOUS MAP THEREOF NO. 35, BY CHARLES H. POOLE, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THE BASIS OF BEARING FOR THIS DESCRIPTION IS NAD 83 HORIZONTAL COORDINATE VALUES FOR CONTROL POINTS GPS 0047 AND GPS 0048 WERE DETERMINED BY GPS PROCEDURES.

COMMENCING AT CITY OF SAN DIEGO HORIZONTAL CONTROL STATION "GPS 0048", BEING A LEAD AND DISK STAMPED "GPS 0048", HAVING A NORTH AMERICAN DATUM OF 1983 VALUE OF NORTHING 1846535.61 AND EASTING 6284662.10; THENCE NORTH 09° 52' 43" EAST, 581.78 FEET TO AN 1" IRON PIPE "GPS 0047" WITH A DISK STAMPED "GPS 0047"; THENCE ALONG SAID LINE SOUTH 09° 52' 43" WEST DISTANT THEREON 17.22 FEET; THENCE NORTH 89° 53' 58" WEST 101.75 FEET TO THE TRUE POINT OF BEGINNING; THENCE ALONG THE PROLONGATION OF SAID LINE 139.08 FEET; THENCE SOUTH 00° 06' 02" WEST 100.46 FEET; THENCE NORTH 89° 53' 58" WEST 15.36 FEET; THENCE SOUTH 00° 06' 02" WEST 57.08 FEET; THENCE NORTH 89° 53' 58" WEST 32.45 FEET; THENCE SOUTH 00° 06' 02" WEST 54.98 FEET; THENCE SOUTH 40° 00' 00" EAST 19.21 FEET TO THE BEGINNING OF A TANGENT CURVE, CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 22.91 FEET; THENCE SOUTHEASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 37° 52' 53" A DISTANCE OF 15.15 FEET TO A LINE TANGENT; THENCE SOUTH 77° 52' 53" EAST 88.39 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHERLY AND HAVING A RADIUS OF 273.82 FEET; THENCE EASTERLY ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 12° 01' 09" A DISTANCE OF 57.44 FEET TO A LINE TANGENT; THENCE SOUTH 89° 54' 02" EAST 42.95 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHWESTERLY AND HAVING A RADIUS OF 29.49 FEET; THENCE ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 89° 59' 56", A DISTANCE OF 46.34 FEET TO A LINE TANGENT; THENCE NORTH 00° 06' 02" EAST 59.21 FEET; THENCE SOUTH 89° 53' 58" EAST 18.19 FEET MORE OR LESS TO A POINT ON THE LINE BETWEEN GPS 0048 AND GPS 0047, SAID POINT BEING 173.08 FEET SOUTHERLY OF GPS 0047; THENCE NORTH 89° 53' 58" WEST 18.19 FEET; THENCE ALONG THE PROJECTION OF SAID LINE NORTH 89° 53' 58" WEST 54.16 FEET; THENCE NORTH 00° 06' 02" EAST 170.56 FEET TO THE TRUE POINT OF BEGINNING.

APN: 534-450-08 PORTION (760-212-56)

DESCRIPTION A-10: Commonly described as the site of the University of California San Diego

LEGAL DESCRIPTION

PARCEL 1, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AS SHOWN AT PAGE 9813 OF PARCEL MAPS, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MARCH 14, 1980.

APN: 342-010-34

DESCRIPTION A-11: Commonly described as the site of Fire Station #44

LEGAL DESCRIPTION

LOT 3 OF CARROLL CANYON CENTRE, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO THE MAP THEREOF NO. 10179, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, AUGUST 27, 1981.

ASSESSOR'S PARCEL NO. 341-330-01

DESCRIPTION A-12: Commonly described as the site of the Northeastern Police Station

LEGAL DESCRIPTION

THAT PORTION OF RANCHO LOS PENASQUITOS, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP ACCOMPANYING THE PATENT TO SAID RANCHO, RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, IN BOOK 2, PAGE 385 OF PATENTS, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWESTERLY TERMINUS OF THAT CERTAIN COURSE IN THE CENTER LINE OF PASEO MONTALBAN, AS SHOWN ON MAP NO. 8622, OF PENASQUITOS ESTATES UNIT NO. 1, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, BEING "NORTH 50°30'00" EAST, 380.90 FEET", BEING THE NORTHEASTERLY TERMINUS OF A 1000 FOOT RADIUS CURVE CONCAVE NORTHWESTERLY IN SAID CENTER LINE AND TANGENT TO SAID CURVE; THENCE ALONG SAID CENTER LINE, SOUTHWESTERLY ALONG SAID CURVE THROUGH AN ANGLE OF 3°46'06" A DISTANCE OF 65.77 FEET; THENCE RADIAL TO SAID CURVE, SOUTH 35°43'54" EAST, 51 FEET TO THE SOUTHEASTERLY LINE OF SAID PASEO MONTALBAN, BEING THE TRUE POINT OF BEGINNING AND BEING A POINT IN THE ARC OF A 20 FOOT RADIUS CURVE CONCAVE SOUTHWESTERLY, A RADIAL BEARS NORTH 35°43'54" WEST TO SAID POINT; THENCE NORTHEASTERLY AND EASTERLY ALONG SAID CURVE THROUGH AN ANGLE OF 87°19'27" A DISTANCE OF 30.48 FEET; THENCE TANGENT TO SAID CURVE, SOUTH 38°24'27" EAST, 431.29 FEET TO A TANGENT 170 FOOT RADIUS CURVE CONCAVE WESTERLY; THENCE SOUTHERLY ALONG SAID CURVE THROUGH AN ANGLE OF 26°29'44", A DISTANCE OF 78.61 FEET; THENCE TANGENT TO SAID CURVE, SOUTH 11°54'43" EAST 20 FEET; THENCE SOUTH 78°05'17" WEST, 342.07 FEET; THENCE NORTH 24°17'00" WEST 436.22 FEET TO A POINT IN THE ARC OF A 1051 FOOT RADIUS CURVE CONCAVE, NORTHERLY IN SAID SOUTHEASTERLY LINE OF PASEO MONTALBAN, A RADIAL BEARS SOUTH 24°17'00" EAST TO SAID POINT; THENCE EASTERLY ALONG SAID CURVE THROUGH AN ANGLE OF 11°6'54" A DISTANCE OF 210 FEET TO THE TRUE POINT OF BEGINNING.

APN: 315-530-08

[DESCRIPTION A-13: Commonly described as the site of the Central Police Vehicle Maintenance]

[DESCRIPTION A-14: Commonly described as the site of the Fire Station #16 Mt. Soledad]

[DESCRIPTION A-15: Commonly described as the site of the City Operations Building & Parkade]

[DESCRIPTION A-16: Commonly described as the site of the Carmel Valley Community Park Town Recreation Center]

[DESCRIPTION A-17: Commonly described as the Site of the Fire Station #24; 12077 Hartfield]

[DESCRIPTION A-18: Commonly described as the site of the Scripps Ranch Library]

[DESCRIPTION A-19: Commonly described as the site of the North University Community Library & Rec Center (Buildings & Land)]

SECOND SUPPLEMENTAL BOND INDENTURE

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS, SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)

Log of Outstanding Items

Page	***Outstanding Items***	***Responsible Party***	***Expected Availability***
Cover	Amount of Bond Issue	Bond Counsel	Upon Sale of Bonds
2	Amount of Bond Issue	Bond Counsel	Upon Sale of Bonds
6	Dates of Term Bonds	Bond Counsel	Upon Sale of Bonds
7	Amount of Bond Issue	Bond Counsel	Upon Sale of Bonds
7	Maturity Schedule	Bond Counsel	Upon Sale of Bonds
8	Application of Bond Proceeds	Bond Counsel	Upon Sale of Bonds
9	Transfer Date for COI Fund	City	Upon Sale of Bonds
10-11	Redemption Provisions	Bond Counsel	Upon Sale of Bonds
S-1	Signature Page	Authority; Trustee	Preclosing
A-1	Bond Number	Bond Counsel	Preclosing
A-1	Amount of Bond	Bond Counsel	Preclosing
A-1	Interest Rate	Bond Counsel	Preclosing
A-1	Maturity Date	Bond Counsel	Preclosing
A-1	Dated Date	Bond Counsel	Preclosing
A-1	CUSIP Number	Bond Counsel	Preclosing
A-1	Registered Owner	Bond Counsel	Preclosing
A-1	Principal Sum	Bond Counsel	Preclosing
A-2	Amount of Bond Issue	Bond Counsel	Preclosing
A-2	Redemption Provisions	Bond Counsel	Preclosing
A-4	Signature Page	Authority	Preclosing
A-5	Certificate of Authentication and Registration	Trustee	Preclosing
A-6	Form of Legal Opinion	Bond Counsel	Preclosing
A-6	Form of Assignment	Bond Owner	Upon Transfer of Bond
B-1	Exhibit B – COI Requisition	City	Upon Disbursement from Fund
C-1	Exhibit C – Construction Fund Requisition	City	Upon Disbursement from Fund

SECOND SUPPLEMENTAL INDENTURE

Dated as of April 1, 2014

Amending and Supplementing the

INDENTURE

Dated as of July 1, 2012

and as amended on July 1, 2013

by and between

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

and

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Trustee

Relating to

$_____
PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS
SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)

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SECOND SUPPLEMENTAL INDENTURE

This SECOND SUPPLEMENTAL INDENTURE, dated as of April 1, 2014 (the "Second Supplemental Indenture"), is entered into by and between the PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association existing under and by virtue of the laws of the United States of America, as trustee (the "Trustee"), and supplements and amends the INDENTURE, dated as of July 1, 2012 as supplemented and amended by the FIRST SUPPLEMENTAL INDENTURE, dated as of July 1, 2013 (together, the "Master Indenture"), each by and between the Authority and the Trustee (as supplemented and amended hereby, the "Indenture"). (Capitalized terms used in the Whereas clauses that are not defined therein have the meanings provided in Section 20.01 hereof.)

W I T N E S S E T H:

WHEREAS, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Third Amended and Restated Joint Exercise of Powers Agreement, dated as of January 1, 2013 (the "JPA Agreement"), by and between the City of San Diego (the "City"), the City as the Successor Agency to the Redevelopment Agency of the City of San Diego, and the Housing Authority of the City of San Diego (collectively, the "Members"), and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act"); and

WHEREAS, the Authority is authorized pursuant to Article 4 of the Act to borrow money to provide financing and refinancing for public capital improvements of public entities, including the Members; and

WHEREAS, the Authority has previously entered into the Master Indenture to provide for the issuance of lease revenue bonds pursuant to the terms of the Master Indenture for the benefit of the City; and

WHEREAS, pursuant to the Master Indenture, the Authority has issued its Lease Revenue Bonds, Series 2012A (Capital Improvement Projects) in the aggregate principal amount of $72,000,000 (the "Series 2012A Bonds"), its Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding) in the aggregate principal amount of $18,745,000, its Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013A (Capital Improvement Projects and Old Town Light Rail Extension Refunding) in the principal amount of $43,245,000 (the "Series 2013A Bonds") and its Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding) in the principal amount of $6,285,000 (the "Series 2013B Bonds" and, together with the Series 2012A Bonds, the Series 2012B Bonds and the Series 2013A Bonds, the "Prior Bonds") in order to finance various capital improvements of the City and to refund various obligations of the City and the Authority;

WHEREAS, pursuant to Section 2.13 of the Master Indenture, the Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture; and

[WHEREAS, pursuant to Section 9.01(b) of the Master Indenture, the Indenture may be modified or amended from time to time or at any time by a Supplemental Indenture which the

Authority and the Trustee may enter into without the consent of any Bond Owners, to make such provisions for the purposes of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision under the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary and desirable, or for any other reason, provided such modification or amendment does not, in the judgment of the Trustee, materially adversely affect the interests of the owners of the Bonds then outstanding; and]

WHEREAS, the City has determined it is in the public interest and will benefit the inhabitants of the City to finance the costs of the acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects in various locations within the City (collectively, the "2014A Project"), and in order to provide funds for such financing, the City has requested the Authority to issue its Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds") in the aggregate principal amount of $_____ pursuant to the Master Indenture, as amended and supplemented by this Second Supplemental Indenture; and

WHEREAS, in order to provide for the payment, equally and ratably, of the Prior Bonds and the Series 2014A Bonds, the City has leased certain real property of the City (collectively, the "City Property") to the Authority pursuant to the Site Lease, dated as of July 1, 2012, as supplemented and amended by a First Amendment to Facilities Lease, dated as of July 1, 2013 and Second Amendment to Site Lease, dated as of April 1, 2014 (collectively, the "Site Lease") and the Authority has leased from the San Diego Metropolitan Transit System ("MTS") a certain interest in real property of MTS (the "MTS Property", and together with the City Property, the "Leased Property") pursuant to and as described in a MTS Site Lease, dated as of July 1, 2013 (the "MTS Site Lease"), by and between MTS and the Authority, and the Authority has leased the Leased Property to the City pursuant to the Facilities Lease, dated as of July 1, 2012, as supplemented and amended by the First Amendment to Facilities Lease, dated as of July 1, 2013 and by the Second Amendment to Facilities Lease, dated as of April 1, 2014 (the "Second Amendment to Facilities Lease" and, collectively, the "Lease"), under which the City is required to make base rental payments to the Authority which calculated to be sufficient to enable the Authority to pay the principal of and interest on the Prior Bonds and the Series 2014A Bonds when due and payable; and

WHEREAS, in order to provide for the authentication and delivery of the Series 2014A Bonds, to establish and declare the terms and conditions upon which the Series 2014A Bonds are to be issued and secured and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Second Supplemental Indenture; and

WHEREAS, the Authority has determined that all acts and proceedings required by law necessary to make the Series 2014A Bonds, when executed by the Authority and authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the Authority, and to constitute this Second Supplemental Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Second Supplemental Indenture have been in all respects duly authorized.

NOW, THEREFORE, THIS SECOND SUPPLEMENTAL INDENTURE WITNESSETH, that to secure the payment of the principal of, premium, if any, and interest on the Series 2014A Bonds, according to their tenor, and to secure the performance and observance of all the covenants

and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Series 2014A Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Series 2014A Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Series 2014A Bonds, as follows:

ARTICLE XX

DEFINITIONS; AUTHORIZATION AND PURPOSE OF SERIES 2014A BONDS; EQUAL SECURITY

Section 20.01. Definitions. Except as otherwise provided in this Section 20.01, all terms used herein which are defined in the Master Indenture shall have the meanings assigned to them therein. All other capitalized terms used herein without definition shall have the meaning given to such terms in the Lease.

"2014A Project" means the financing of the Construction Costs of certain capital improvement projects of the City.

"Bond Year" means each twelve-month period extending from April 16 in one calendar year to April 15 of the succeeding calendar year, both dates inclusive; provided that the first Bond Year with respect to the Series 2014A Bonds shall commence on the Closing Date and end on April 15, 2015.

"Bonds" means the Prior Bonds, the Series 2014A Bonds and any Additional Bonds, authorized by and at any time Outstanding pursuant to the Indenture.

"Certificate of Completion" means, with respect to the 2014A Project, a Certificate of the City filed with the Trustee stating that the 2014A Project, which was financed with the proceeds of the Series 2014A Bonds deposited into the Series 2014A Construction Fund, has been acquired, constructed, installed and improved and that all Construction Costs have been paid or provided for.

"Closing Date" means, with respect to the Series 2014A Bonds, the date the Series 2014A Bonds are issued and delivered to the initial purchasers thereof.

"Construction Costs" means, with respect to the Series 2014A Bonds, all costs of acquiring, constructing, installing or improving the 2014A Project, including but not limited to:

(i) all costs which the Authority or the City shall be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the acquisition, construction, installation or improvement of the 2014A Project;

(ii) obligations of the Authority or the City incurred for labor and materials (including obligations payable by the Authority or the City for actual out of pocket expenses of the Authority or the City) in connection with the acquisition, construction, installation, improvement, replacement or equipping of the 2014A Project, including reimbursement to the Authority or the City for all advances and payments made in connection with the 2014A Project prior to or after delivery of the Series 2014A Bonds;

(iii) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of acquisition, construction, installation, improvement, replacement or equipping of the 2014A Project;

(iv) all costs of planning, development, design, engineering and architectural services, including the actual out of pocket costs of the Authority or the City for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, and for supervising acquisition, design, construction, installation, improvement, replacement and equipping, as well as for the performance of all other duties required by or consequent to the proper acquisition, design, construction, installation, improvement, replacement or equipping of the 2014A Project; and

(v) any sums required to reimburse the Authority or the City for advances made by the Authority or the City for any of the above items or for any other costs incurred and for work done by the Authority or the City which are properly chargeable to the acquisition, design, construction, installation, improvement, replacement or equipping of the 2014A Project.

"Continuing Disclosure Certificate" means, with respect to the Series 2014A Bonds, that certain Continuing Disclosure Certificate relating to the Series 2014A Bonds, executed by the City and dated the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"First Amendment to Facilities Lease" means the First Amendment to Facilities Lease, dated as of July 1, 2013, by and between the Authority, as sublessor, and the City, as sublessee.

"First Amendment to Site Lease" means the First Amendment to Site Lease, dated as of July 1, 2013, by and between the City, as lessor, and the Authority, as lessee.

"First Supplemental Indenture" means the First Supplemental Indenture, dated as of July 1, 2013, by and between the Authority and the Trustee.

"Indenture" means the Master Indenture as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof, including as amended and supplemented by this Second Supplemental Indenture.

"Interest Payment Date" means, with respect to the Series 2014A Bonds, each April 15 and October 15, commencing October 15, 2014, and for any series of Additional Bonds, such dates as shall be specified in the Supplemental Indenture authorizing such Additional Bonds.

"Lease" means that certain Facilities Lease, dated as of July 1, 2012, by and between the Authority, as sublessor, and the City, as sublessee, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture, including as amended and supplemented by the First Amendment to Facilities Lease and the Second Amendment to Facilities Lease.

"Master Indenture" means the Indenture, dated as of July 1, 2012, as amended and supplemented by the First Supplemental Indenture, each by and between the Authority and the Trustee.

"MTS Site Lease" means the Site Lease, dated as of July 1, 2013, by and between the Authority and MTS, under which MTS leases the MTS Property to the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

"Original Purchaser" means, with respect to the Series 2014A Bonds, the original purchaser(s) of the Series 2014A Bonds upon their delivery by the Trustee on the Closing Date.

"Prior Bonds" means the Series 2012 Bonds and the Series 2013 Bonds.

"Second Amendment to Facilities Lease" means the Second Amendment to Facilities Lease, dated as of April 1, 2014, by and between the Authority, as sublessor, and the City, as sublessee.

"Second Amendment to Site Lease" means the Second Amendment to Site Lease, dated as of April 1, 2014, by and between the City, as lessor, and the Authority, as lessee.

"Second Supplemental Indenture" means this Second Supplemental Indenture, dated as of April 1, 2014, by and between the Authority and the Trustee.

"Series 2012 Bonds" means, collectively, the Series 2012A Bonds and the Series 2012B Bonds.

"Series 2012A Bonds" means the Authority's Lease Revenue Bonds, Series 2012A (Capital Improvement Projects).

"Series 2012B Bonds" means the Authority's Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding).

"Series 2013 Bonds" means, collectively, the Series 2013A Bonds and the Series 2013B Bonds.

"Series 2013A Bonds" means the Authority's Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013A (Capital Improvement Projects and Old Town Light Rail Extension Refunding).

"Series 2013B Bonds" means the Authority's Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding).

"Series 2014A Bonds" means the Authority's Lease Revenue Bonds (Capital Improvement Projects).

"Series 2014A Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Section 22.03 hereof.

"Series 2014A Rebate Fund" means the fund by that name established and held by the Trustee pursuant to Section 24.02 hereof.

"Series 2014A Bonds Sinking Account" means the account by that name established and held by the Trustee pursuant to Section 22.05 hereof.

"Series 2014A Construction Fund" means the fund by that name established and held by the Trustee pursuant to Section 22.04 hereof.

"Site Lease" means the Site Lease, dated as of July 1, 2012, by and between the City, as lessor, and the Authority, as lessee, together with any duly authorized and executed amendments thereto, including as amended and supplemented by the First Amendment to Site Lease and the Second Amendment to Site Lease.

"Tax Certificate" means, with respect to the Series 2014A Bonds, the tax certificate of the Authority and City.

"Term Bonds" means, with respect to the Series 2014A Bonds, the Series 2014A Bonds maturing on October 15, 20__ and October 15, 20__.

Section 20.02. Authorization and Purpose of Series 2014A Bonds. Pursuant to Section 2.13 of the Master Indenture, the Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Series 2014A Bonds and has found, as a result of such review, and hereby finds and determines that all things, conditions, and acts required by law to exist, happen and/or be performed precedent to and in the issuance of the Series 2014A Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized under each and every requirement of law, to issue the Series 2014A Bonds in the manner and form provided in this Second Supplemental Indenture. Accordingly, the Authority hereby authorizes the issuance of the Series 2014A Bonds pursuant to the Master Indenture and this Second Supplemental Indenture for the purposes described herein.

Section 20.03. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, the Master Indenture and this Second Supplemental Indenture shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Bonds; and the covenants and agreements set forth in the Master Indenture and in this Second Supplemental Indenture to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

Section 20.04. Actions by Authority and City. Except as otherwise expressly provided herein, for all purposes of this Second Supplemental Indenture the Authorized Representative of the Authority shall be authorized to act upon behalf of the Authority, and the Authorized Representative of the City shall be authorized to act upon behalf of the City.

ARTICLE XXI

ISSUANCE OF SERIES 2014A BONDS

Section 21.01. Authorization of Series 2014A Bonds. The Authority hereby authorizes the issuance of the Series 2014A Bonds, which shall constitute special obligations of the Authority, for the purpose of providing funds to finance the 2014A Project and to pay Costs of Issuance related thereto.

The Series 2014A Bonds are hereby designated the "Public Facilities Financing Authority of the City of San Diego, Lease Revenue Bonds, Series 2014A (Capital Improvement Projects)." The aggregate principal amount of Series 2014A Bonds initially issued and Outstanding under the Indenture shall equal $_____. At any time after the execution of this Second Supplemental Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Written Request of the Authority, deliver the Series 2014A Bonds. The Indenture constitutes a continuing agreement with the Trustee and the Owners from time to time of the Bonds to secure the full payment of the principal of and interest and premium (if any) on all the Bonds, subject to the covenants, provisions and conditions contained in the Indenture.

Section 21.02. Terms of the Series 2014A Bonds. The Series 2014A Bonds shall be issued in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof, so long as no Series 2014A Bond shall have more than one maturity date. The Series 2014A Bonds shall mature on the dates and in each of the years and in the amounts, and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

Maturity Date (October 15)	***Principal Amount***	***Interest Rate***

Section 21.03. Common Terms of the Series 2014A Bonds. Except as otherwise provided in Section 2.07 of the Master Indenture, interest on the Series 2014A Bonds shall be payable semiannually on each Interest Payment Date, to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed on such Interest Payment Date by first class mail to the Owners at the respective addresses of such Owners as they appear on the Registration Books; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Series 2014A Bonds in the aggregate principal amount of $1,000,000 or more who shall furnish written wire instructions to the Trustee at least five (5) days before the applicable Record Date. Principal of any Series 2014A Bond and any premium upon redemption shall be paid by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee, except as provided in Section 2.07 of the Master Indenture. Principal of and interest and premium (if any) on the Series 2014A Bonds shall be payable in lawful money of the United States of America.

Each Series 2014A Bond shall be dated as of the Closing Date and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before October 1, 2014, in which event it shall bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Series 2014A Bond, interest thereon is in default, such Series 2014A Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Section 21.04. Form and Execution of Series 2014A Bonds. The Series 2014A Bonds and the authentication and registration endorsement and assignment to appear thereon shall be substantially in the form set forth on Exhibit A hereto. The Chair or Vice Chair of the Authority is hereby authorized and directed to execute each of the Series 2014A Bonds on behalf of the Authority and the Secretary of the Authority is hereby authorized and directed to countersign each of the Bonds on behalf of the Authority. The signatures of such Chair or Vice Chair or Secretary may be by printed, lithographed or engraved by facsimile reproduction. In case any officer whose signature appears on the Series 2014A Bonds shall cease to be such officer before the delivery of the Series 2014A Bonds to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Series 2014A Bonds. Only those Series 2014A Bonds bearing thereon a certificate of authentication and registration in substantially the form set forth in Exhibit A hereto, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Series 2014A Bonds so authenticated and registered have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

ARTICLE XXII

APPLICATION OF PROCEEDS; ESTABLISHMENT OF FUNDS

Section 22.01. Application of Proceeds of Sale of Series 2014A Bonds.

(a) Upon the receipt of payment for the Series 2014A Bonds on the Closing Date of $_____ (being the principal amount of the Series 2014A Bonds of $_____.00, less an underwriter's discount of $_____, plus a net original issue premium/less original issue discount of $_____), the Trustee shall apply the proceeds of sale thereof as follows:

(i) The Trustee shall deposit the amount of $_____ in the Series 2014A Construction Fund for the purpose of paying the costs of the 2014A Project.

(ii) The Trustee shall deposit the amount of $_____ in the Series 2014A Costs of Issuance Account.

(b) The Trustee may, in its sole discretion, establish such funds or accounts in its records to facilitate the foregoing transfers and deposits.

Section 22.02. Establishment and Application of Series 2014A Costs of Issuance Fund. The Trustee shall establish, maintain and keep separate and apart from all other funds held by the Trustee a separate fund designated as the "Series 2014A Costs of Issuance Fund." Notwithstanding any other provision of this Second Supplemental Indenture, the Series 2014A Cost of Issuance Fund is not pledged to, nor does it secure, the Bonds.

The moneys in the Series 2014A Costs of Issuance Fund shall be used by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the City in the form of Exhibit B hereto and stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

On _____, 2014, or upon the earlier Written Request of the City, all amounts remaining in the Series 2014A Costs of Issuance Fund shall be transferred by the Trustee to the Series 2014A Construction Fund to be used for the payment of Construction Costs or to Revenue Fund to be used for the payment of interest on the Bonds.

Section 22.03. Establishment and Application of Series 2014A Construction Fund.

(a) The Trustee shall establish and maintain a fund designated as the "Series 2014A Construction Fund." Notwithstanding any other provision of this Second Supplemental Indenture or the Master Indenture, the Series 2014A Construction Fund is not pledged to, nor does it secure, the Bonds.

(b) The Trustee shall hold the moneys in the Series 2014A Construction Fund separate and apart from all other funds held by the Trustee and shall use such moneys, as herein provided: (i) to pay the Construction Costs; or (ii) at the election of the City, as set forth in a Written Request of the City to the Trustee, to transfer moneys therefrom for deposit into the Interest Account to pay interest on the Bonds, when and as the same shall become due and payable.

Such payments of Construction Costs shall be made from time to time upon receipt by the Trustee of a Written Requisition of the City (in the form as set forth in Exhibit C hereto, signed by the Public Works Director and Comptroller or their designees) which requisition: (i) states with respect to each payment to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due; (C) the amount to be paid; and (D) that each obligation therein has been properly incurred, and is a proper charge against the Series 2014A Construction Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation.

Each such written requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(c) If, after payment by the Trustee of all Written Requisitions of the City and delivery by the City to the Trustee of a Certificate of Completion, there shall remain any balance of money in the Series 2014A Construction Fund, all money so remaining shall be transferred by the Trustee to the Interest Account or the Redemption Fund, as directed by the City in a Written Request.

Section 22.04. Series 2014A Bonds Sinking Account. The Trustee shall establish, maintain and keep separate and apart from all other funds held by the Trustee a separate account within the Principal Account designated as the "Series 2014A Bonds Sinking Account" into which the Trustee shall deposit sinking fund payments derived from Base Rental Payments made by the City and from which funds shall be applied to the Sinking Fund Redemption of Series 2014A Bonds pursuant to Section 23.01(b) hereof.

ARTICLE XXIII

REDEMPTION OF SERIES 2014A BONDS

Section 23.01. Terms of Redemption.

(a) Optional Redemption of Series 2014A Bonds. The Series 2014A Bonds maturing on or before October 15, 20__ are not subject to optional redemption prior to their respective stated maturities. The Series 2014A Bonds maturing on or after October 15, 20__, shall be subject to optional redemption, in whole or in part, upon forty-five (45) days written notice to the Trustee by the City of its intention to optionally prepay all or a portion of the Base Rental Payments, on any date on or after October 15, 20__, from any available source of funds of the City, at a redemption price equal to the principal amount of the Series 2014A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Any such redemption shall be in such order of maturity as the City shall designate in the above-mentioned written notice (and, if no specific order of redemption is designated by the City, pro rata among maturities).

(b) Series 2014A Sinking Fund Redemption. The Series 2014A Bonds maturing on October 15, 20__ are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments derived from scheduled Base Rental Payments made by the City and deposited in the Series 2014A Bonds Sinking Account, on each sinking fund redemption date commencing October 15, 20__, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Sinking Fund Redemption Date	***Principal Amount to be Redeemed or Purchased***
*	

* Maturity Date.

The Series 2014A Bonds maturing on October 15, 20__ are also subject to mandatory redemption prior to their stated maturity, in part by lot, from sinking account payments derived from scheduled Base Rental Payments made by the City and deposited in the Series 2014A Bonds Sinking Account, on each sinking fund redemption date commencing October 15, 20__, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the dates fixed for mandatory redemption, without premium, according to the following schedule:

Sinking Fund Redemption Date	*Principal Amount to be Redeemed or Purchased*
*	

* Maturity Date.

Provided, however, that if some but not all of the Term Bonds maturing on October 15, 20__ have been optionally redeemed as described above, the total amount of all future sinking account payments with respect to such redeemed Term Bonds will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among the sinking account payments for such Term Bonds as are thereafter payable on a pro rata basis in integral multiples of $5,000 to the extent possible and in inverse order thereafter.

(c) Special Mandatory Redemption From Insurance or Condemnation Proceeds of Series 2014A Bonds. The Series 2014A Bonds shall be subject to redemption as a whole, or in part on any date, to the extent the Trustee has received hazard or title insurance proceeds or condemnation proceeds not used to repair or replace any portion of the Leased Property damaged, destroyed or taken and elected by the City to be used for such purpose as provided in Section 5.05 of the Master Indenture, at a redemption price equal to one hundred percent (100%) of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

Section 23.02. Purchase in Lieu of Redemption with Respect to Term Bonds.

(a) The City shall have the option, in lieu of redemption of any Term Bonds, to direct the Trustee in a Written Request to use and withdraw amounts on deposit in the Series 2014A Bonds Sinking Account as sinking fund payments for such Term Bonds, at any time for the purchase by the City (or an agent on behalf of the City) of Term Bonds, otherwise required to be redeemed on the following sinking fund redemption date, at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the City may in its discretion determine. The par amount of any of the Term Bonds so purchased by the City and surrendered to the Trustee for cancellation in any twelve-month period ending on the sinking fund redemption date for such Term Bonds shall be credited towards and shall reduce the par amount of such Term Bonds otherwise required to be redeemed on such sinking fund redemption date pursuant to mandatory sinking fund payment (and corresponding mandatory redemption obligation) as set forth in Section 23.01(b) hereof.

(b) The City shall also have the option to deliver for cancellation to the Trustee Term Bonds in any aggregate principal amount, and to receive a credit therefore against the mandatory sinking fund payment (and corresponding mandatory redemption obligation) set forth in Section 23.01(b) hereof.

That option shall be exercised by the City on or before the 35th day preceding the applicable mandatory sinking fund redemption date, by furnishing to the Trustee a Written Certificate setting forth the extent of the credit to be applied with respect to the mandatory sinking fund payment for the specified Term Bonds. If the Written Certificate is not furnished timely to the Trustee, no credit shall

be made against that mandatory sinking fund payment (and corresponding mandatory redemption obligation), although credits may be available against subsequent mandatory sinking fund payment.

To the extent not applied theretofore as a credit against any mandatory sinking fund payment (and the corresponding mandatory redemption obligation) described in the preceding paragraph, such a credit shall also be received by the City for any Term Bonds which prior thereto have been purchased or redeemed other than through the operation of the mandatory sinking fund payment or have been purchased for cancellation and cancelled by the Trustee.

Each Term Bond so delivered, redeemed previously, or purchased and cancelled, shall be credited by the Trustee at 100 percent of the principal amount thereof against the mandatory sinking fund payment, subject to the completion of the procedures described above. Any excess of that amount over the then current mandatory sinking fund payment shall be credited against subsequent mandatory sinking fund payment starting with the next subsequent such payment, unless otherwise directed by the City in a Written Certificate.

ARTICLE XXIV

PARTICULAR COVENANTS

Section 24.01. Tax Covenants for Series 2014A Bonds. The Authority covenants to and for the benefit of the Owners of the Series 2014A Bonds that, notwithstanding any other provisions of this Second Supplemental Indenture (other than Section 11.01 of the Master Indenture), it will:

(a) neither make or use nor cause to be made or used any investment or other use of the proceeds of the Series 2014A Bonds or the moneys and investments held in the funds and accounts established under this Second Supplemental Indenture which would cause the Series 2014A Bonds to be arbitrage bonds under section 103(b) and section 148 of the Code or which would otherwise cause the interest payable on the Series 2014A Bonds to be includable in gross income for federal income tax purposes;

(b) not take or cause to be taken any other action or actions, or fail to take any action or actions, which would cause the interest payable on the Series 2014A Bonds to be includable in gross income for federal income tax purposes;

(c) at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on the Series 2014A Bonds will be excluded from the gross income, for federal income tax purposes, of the Owners pursuant to section 103 of the Code; and

(d) not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2014A Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

In furtherance of the covenants in this Section 24.01, the Authority shall execute, deliver and comply with the provisions of the Tax Certificate for the Series 2014A Bonds, which is by this reference incorporated into this Second Supplemental Indenture and made a part of this Second Supplemental Indenture as if set forth in this Second Supplemental Indenture in full including all of the defined terms therein, and by its acceptance of this Second Supplemental Indenture the Trustee

acknowledges receipt of such Tax Certificate and acknowledges its incorporation in this Second Supplemental Indenture by this reference. The Trustee agrees it will invest funds held under the Indenture in accordance with the terms of the Indenture (this covenant shall extend throughout the term of the Series 2014A Bonds, to all funds and accounts created under this Second Supplemental Indenture and all moneys on deposit to the credit of any fund or account).

Section 24.02. Rebate Fund for the Series 2014A Bonds.

(a) The Trustee shall establish and maintain, when required, a fund separate from any other fund established and maintained hereunder designated as the Series 2014A Rebate Fund for the Series 2014A Bonds, which is not pledged to the Bonds. Neither the Authority nor the Owner of any Bonds shall have any rights in or claim to such money. Within the Series 2014A Rebate Fund, the Trustee shall maintain such accounts as shall be necessary to comply with instructions of the City given pursuant to the terms and conditions of the Tax Certificate. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Series 2014A Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate) for the Series 2014A Bonds, for payment to the federal government of the United States of America.

All amounts deposited into or on deposit in the Series 2014A Rebate Fund shall be governed by this Section 16.02, by Section 16.01 and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the Written Request of the City including supplying all necessary information in the manner provided in the Tax Certificate, and shall have no liability or responsibility to enforce compliance by the Authority or City with the terms of the Tax Certificate or any other tax covenants contained herein. The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Trustee shall have no independent duty to review such calculations or enforce the compliance by the City with such rebate requirements. The Trustee shall have no duty or obligation to determine the applicability of the Code and shall only be obligated to act in accordance with Written Request provided by the City.

(b) Upon the City's Written Request, an amount shall be deposited to the Series 2014A Rebate Fund by the Trustee from deposits by the City, if and to the extent required, so that the balance in the Series 2014A Rebate Fund shall equal the Rebate Requirement for the Series 2014A Bonds. Computations of the Rebate Requirement shall be furnished by or on behalf of the City in accordance with the Tax Certificate. The Trustee shall supply to the City all necessary information in the manner provided in the Tax Certificate, to the extent such information is reasonably available to the Trustee.

(c) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section 24.02, other than from moneys held in the funds and accounts created under this Second Supplemental Indenture or from other moneys provided to it by the City.

(d) At the Written Request of the City, the Trustee shall invest all amounts held in the Series 2014A Rebate Fund in Permitted Investments. Moneys shall not be transferred from the Series 2014A Rebate Fund except as provided in paragraph (e) below. The Trustee shall not be liable for any consequences arising from such investment.

(e) Upon receipt of the City's Written Request, the Trustee shall remit part or all of the balances in the Series 2014A Rebate Fund to the United States, as so directed. In addition, if the City so directs, the Trustee will deposit money into or transfer money out of the Series 2014A Rebate Fund from or into such accounts or funds as directed by the City's Written Request; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the City, be transferred out of the Series 2014A Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Series 2014A Rebate Fund after each five year remission to the United States, redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the City.

(f) Notwithstanding any other provision of the Indenture, including in particular Article X of the Master Indenture, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this Section 24.02, Section 24.01 and the Tax Certificate shall survive the defeasance or payment in full of the Series 2014A Bonds.

ARTICLE XXV

THE TRUSTEE

Section 25.01. Compensation. The Authority shall pay to the Trustee from time to time compensation for all services rendered under this Second Supplemental Indenture and also all reasonable expenses and disbursements (including fees and expenses of counsel), incurred in and about the performance of its powers and duties under this Second Supplemental Indenture, in accordance with the fee schedule attached hereto as Exhibit D, as Exhibit D may be amended from time to time by written agreement of the City and the Trustee.

ARTICLE XXVI

AMENDMENTS TO MASTER INDENTURE

[Reserved — To Come If Required to Conform Master Indenture to Terms of Series 2014A Bonds]

ARTICLE XXVII

MISCELLANEOUS

Section 27.01. Survival of Master Indenture. Except as otherwise amended hereby, the Master Indenture shall remain in full force and effect.

Section 27.02. Severability of Invalid Provisions. If any one or more of the provisions contained in this Second Supplemental Indenture or in the Series 2014A Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Second Supplemental Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Second Supplemental Indenture, and this Second Supplemental Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Second Supplemental Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Series 2014A

Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Second Supplemental Indenture may be held illegal, invalid or unenforceable.

Section 27.03. Notices. All written notices to be given under this Second Supplemental Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, confirmed by telephone, (b) after deposit in the United States mail, postage prepaid, upon receipt, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority: Public Facilities Financing Authority of the City of San Diego
c/o City of San Diego
City Attorney's Office
1200 Third Avenue
San Diego, California 92101
Attention: Deputy City Attorney - Finance
Phone: (619) 236-6220
Fax: (619) 236-7215

If to the City: City of San Diego
Department of Finance
202 C Street, 9th Floor, MS 9A
San Diego, California 92101
Attention: Chief Financial Officer
Phone: (619) 236-7080
Fax: (619) 236-6606

If to the Trustee: Wells Fargo Bank, National Association
707 Wilshire Blvd, 17th Floor
MAC E2818-176
Los Angeles, California 90017
Attention: Corporate Trust Department
Phone: (213) 614-3353
Fax: (213) 614-3355

The City, the Authority and the Trustee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 27.04. Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest or premium (if any) on the Series 2014A Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Second Supplemental Indenture.

Section 27.05. Successor Is Deemed Included in All References to Predecessor. Whenever in this Second Supplemental Indenture either the City, the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Second Supplemental Indenture contained by or on behalf of the City, the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 27.06. Execution in Several Counterparts. This Second Supplemental Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 27.07. Governing Law. This Second Supplemental Indenture shall be governed by and construed in accordance with the laws of the State.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO has caused this Second Supplemental Indenture to be signed in its name by its officers identified below and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee, in token of its acceptance of the trust created hereunder, has caused this Second Supplemental Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

By _____
_____, Chair

ATTEST:

_____
Elizabeth Maland, Secretary

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By _____
Authorized Officer

EXHIBIT A

FORM OF SERIES 2014A BOND

No. _____ $_____

UNLESS THIS SERIES 2014A BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SERIES 2014A BOND EXECUTED AND DELIVERED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS,
SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)

Interest Rate	***Maturity Date***	***Dated Date***	***CUSIP***
		_____, 2014	

REGISTERED OWNER:

PRINCIPAL SUM:

The Public Facilities Financing Authority of the City of San Diego (the "Authority"), a joint exercise of powers authority established pursuant to California Government Code Sections 6500 *et seq*. and whose members are The City of San Diego (the "City"), the City as the Successor Agency to the Redevelopment Agency of the City of San Diego and the Housing Authority of the City of San Diego for value received, hereby promises to pay (but only out of the Revenues hereinafter referred to) to the Registered Owner specified above or registered assigns (the "Owner") on the Maturity Date specified above (subject to any right of prior redemption provided for) the Principal Sum specified above, together with interest thereon. Interest shall accrue on the Series 2014A Bonds from one Interest Payment Date to, but not including, the next Interest Payment Date; provided, however, that initially such interest shall accrue from the Closing Date to, but not including, the first Interest Payment Date.

The principal of this Series 2014A Bond shall be payable in lawful money of the United States of America at the Office of the Trustee upon presentation and surrender of this Series 2014A Bond or such other place as designated by the Trustee or specified in the Indenture.

Capitalized terms used herein which are not defined herein shall have the meaning set forth in the Indenture (defined below).

If this Series 2014A Bond is issued in book-entry form, payment of interest on this Series 2014A Bond due on or before the maturity or prior redemption thereof shall be made to the person in whose name such Series 2014A Bond is registered, as of the Record Date preceding the applicable Interest Payment Date, on the registration books kept by the Trustee at its Office, such interest to be paid by check mailed by first class mail on such Interest Payment Date to the Owner at his address as it appears on such books as the Record Date; provided that upon the written request of an Owner by $1,000,000 or more in aggregate principal amount of the Series 2014A Bonds received by the Trustee at least five days prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds. Interest on this Series 2014A Bond shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360-day year of twelve 30-day months.

This Series 2014A Bond is one of a duly authorized issue of bonds of the Authority designated as its "Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2014A (Capital Improvement Projects)" (the "Series 2014A Bonds") in the aggregate principal amount of $_____, issued under and pursuant to the provisions of an Indenture, dated as of July 1, 2012 (the "Master Indenture"), as supplemented and amended by a First Supplemental Indenture, dated as of July 1, 2013, and a Second Supplemental Indenture, dated as of April 1, 2014 (the "Second Supplemental Indenture," and together with the Master Indenture and the First Supplemental Indenture, the "Indenture"), each by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Also outstanding under the Indenture are the Authority's Prior Bonds which, together with the Series 2014A Bonds, and any Additional Bonds are collectively referred to herein as the "Bonds."

The Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from the revenues derived from Base Rental Payments paid by the City for the use and occupancy of the Leased Property (as defined in the Lease) as long as the City has such use and occupancy of the Leased Property, and amounts on deposit in the funds, accounts and subaccounts established under the Indenture (other than amounts on deposit in any Rebate Fund), all as set forth in the Indenture ("Revenues"). The Authority has leased the Leased Property to the City pursuant to the Facilities Lease, dated as of July 1, 2012 as supplemented and amended by the First Amendment to Facilities Lease, dated as of July 1, 2013 and the Second Amendment to Facilities Lease, dated as of April 1, 2014 (collectively, the "Lease"), and pursuant to the Lease the City has agreed to pay Base Rental Payments to the Trustee for the use and occupancy of the Leased Property. All the Bonds are equally and ratably secured in accordance with the terms and conditions of the Indenture by a pledge of the Revenues, which Revenues shall be held in trust for the security and payment of the interest on and principal of the Bonds as provided in the Indenture.

The Series 2014A Bonds are special, limited obligations of the Authority and do not constitute a debt, liability or obligation of the City or of the State of California (the "State") or any political subdivision thereof and neither the faith and credit of the City nor the State are pledged to the payment of the principal of or interest on the Series 2014A Bonds. The Authority has no taxing power.

Reference is hereby made to the: (1) Indenture and any and all amendments thereof and supplements thereto, for a description of the terms under which the Series 2014A Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights of the Owners of the Series 2014A Bonds; and (2) Lease and any and all amendments thereof and supplements thereto, for a description of the terms under which the City is required to make Base Rental Payments to the

Trustee, copies of which are on file at the office of the Secretary of the Authority and at the Office of the Trustee. All of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the Owner of this Series 2014A Bond, to all the provisions of which the Owner of this Series 2014A Bond, by acceptance hereof, agrees and consents. Each Owner hereof shall have recourse to all of the provisions of the Indenture and shall be bound by all of the terms and conditions thereof.

The Authority has agreed and covenanted that, for the payment of the interest on and the principal of this Series 2014A Bond and any Bonds authorized by the Indenture when due, there has been created and will be maintained by the Trustee special funds into which all Revenues shall be deposited, and the Authority has allocated such Revenues solely to the payment of the interest on and principal of the Bonds, and the Authority will pay promptly when due the interest on and the principal of this Series 2014A Bond and any other Bonds authorized by the Indenture out of said special funds, all in accordance with the terms and provisions set forth in the Indenture.

The Series 2014A Bonds are subject to redemption as provided in the Second Supplemental Indenture.

Reference is made to the Indenture for the transfer provisions and restrictions applicable to the Series 2014A Bonds.

The Authority and the Trustee may deem and treat the Owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Series 2014A Bond shall be overdue, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Series 2014A Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability on this Series 2014A Bond to the extent of the sum or sums so paid.

The rights and obligations of the Authority and of the Owners of the Series 2014A Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such amendment shall (1) extend the fixed maturity of this Series 2014A Bond, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon or extend the time of payment of interest thereon, without the consent of the Owner of this Series 2014A Bond, (2) reduce the percentage of the Series 2014A Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (3) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or (4) deprive the Owners of the Series 2014A Bonds of the lien created by the Indenture on such Revenue and other assets, without the consent of the Owners of all the Bonds then Outstanding.

If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Series 2014A Bonds the interest thereon and the principal thereof at the times and in the manner stipulated herein and in the Indenture, then the registered owners of such Series 2014A Bonds shall cease to be entitled to the pledge of the Revenues as provided in the Indenture, and all agreements, covenants and other obligations of the Authority to the registered owners of such Series 2014A Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied.

This Series 2014A Bond shall not be entitled to any benefit, protection or security under the Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually executed and dated by the Trustee.

It is hereby certified that all acts and proceedings required by law necessary to make this Series 2014A Bond, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligation of the Authority have been done and taken, and have been in all respects duly authorized.

IN WITNESS WHEREOF, the Public Facilities Financing Authority of the City of San Diego has caused this Series 2014A Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Chair and attested to by the manual or facsimile signature of its Secretary, and has caused this Series 2014A Bond to be dated the Dated Date specified above.

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

By _____
Chair

ATTEST:

By _____
Secretary

FORM OF CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Series 2014A Bonds described in the within mentioned Indenture which has been authenticated and registered on _____, 2014.

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By _____
Authorized Officer

OPINION OF BOND COUNSEL

The following is a true copy of the text of the opinion rendered to the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel to the City, in connection with the original issuance of the Series 2014A Bonds. That opinion is dated as of the date of the original issuance of the Series 2014A Bonds and is premised on the transcript of proceedings examined and the law in effect on the date of such original issuance. A signed copy of that opinion is on file in the office of the Trustee.

Wells Fargo Bank, National Association, as Trustee

[Here Insert Opinion]

[FORM OF ASSIGNMENT OF THE SERIES 2014A BONDS]

For value received the undersigned hereby sells, assigns and transfers unto _____, whose tax identification number is _____, the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ _____, attorney, to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

_____

Dated: _____

NOTE: The signature to this Assignment must correspond with the name as written upon the face of the Series 2014A Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

_____

NOTE: The signature must be guaranteed by an eligible guarantor institution.

EXHIBIT B

FORM OF SERIES 2014A COSTS OF ISSUANCE FUND REQUISITION

To: Wells Fargo Bank, National Association
707 Wilshire Blvd, 17th Floor
Los Angeles, CA 90017
Attn: Corporate Trust Department

Re: Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) Costs of Issuance Fund

Requisition No. _____

The undersigned, on behalf of The City of San Diego (the "City"), hereby requests payment, from the Series 2014A Costs of Issuance Fund identified above, the total amount shown below to the order of the payee or payees named below, as payment or reimbursement for Costs of Issuance in connection with the issuance of the Series 2014A Bonds identified above, as reflected in the related invoice(s) attached hereto. The payee(s), the purpose and the amount of the disbursement requested are as follows:

Payee	***Purpose***	***Amount***
[name and address]		$
	Total	$

The undersigned hereby certify that each obligation mentioned herein has been properly incurred, is a proper charge against the Series 2014A Costs of Issuance Fund and has not been the basis of any previous disbursement from the Series 2014A Costs of Issuance Fund. A copy of the bill or statement for each obligation mentioned herein is attached hereto.

Dated: _____, ____

THE CITY OF SAN DIEGO

By: _____
Debt Management Director [or designee]

By: _____
Comptroller [or designee]

EXHIBIT C

FORM OF SERIES 2014A CONSTRUCTION FUND REQUISITION

To: Wells Fargo Bank, National Association
707 Wilshire Blvd, 17th Floor
Los Angeles, CA 90017
Attn: Corporate Trust Department

Re: Public Facilities Financing Authority of the City of San Diego
Lease Revenue Bonds, Series 2014A
(Capital Improvement Projects)

Requisition No. _____

The undersigned, on behalf of The City of San Diego (the "City"), hereby requests payment from the Series 2014A Construction Fund funded with proceeds of the Series 2014A Bonds identified above, the total amount shown below to the order of the payee or payees named below, as payment or reimbursement for Construction Costs incurred or expenditures made in connection with the 2014A Project, as reflected in the related invoice(s) attached hereto. The payee(s), the purpose and the amount of the disbursement requested are as follows:

Payee	***Purpose***	***Amount***
[name and address]		$
	Total	$

The undersigned, Public Works Director (or designee), hereby certifies that, to the best of his/her knowledge, each obligation mentioned herein has been properly incurred in accordance with City of San Diego policies and procedures, is a proper charge against the Series 2014A Construction Fund and has not been the basis of any previous disbursement from the Series 2014A Construction Fund. A copy of the bill or statement for each obligation mentioned herein is attached hereto.

Dated: _____, _____.

THE CITY OF SAN DIEGO

By: _____
Public Works Director [or designee]

Accepted By: _____
Comptroller [or designee]

EXHIBIT D

FEE SCHEDULE OF TRUSTEE

Corporate Trust Services

Schedule of fees to provide trustee, registrar, and paying agent services

City of San Diego
Lease Revenue Bonds, Series 2014A

Revised December 3, 2013

Acceptance fee	$1,500

A one-time fee for our initial review of governing documents, account set-up and customary duties and responsibilities related to the closing. This fee is payable at closing.

Annual administration fee	$2,000

An annual fee for the trustee, registrar and paying agent duties described in the governing documents; electronic copy trust account statements and requisition processing of four requests per calendar month. Each requisition in excess of four per calendar month will incur a $100 fee. The administration fee is payable annually in advance and is not subject to proration in the event of early termination. The administration fee is guaranteed for three years.

Legal counsel fees and expenses	*None anticipated

*Wells Fargo does not anticipate hiring outside legal counsel and intends to use internal resources to review the governing documents. Should an eligibility opinion be required of in-house counsel, however, there will be a charge of $1,500. Wells Fargo reserves the right, at its sole discretion, to hire outside counsel if deemed necessary or advisable. Fees and expenses of outside legal counsel will be billed at cost. Should a legal opinion of outside counsel to the trustee be required, there may be an additional charge.

Investment fees

Wells Fargo does not charge 12b-1 or sweep fees or asset management fees on funds invested in Wells Fargo Money Market Funds or any other fund offered by our corporate trust department. In addition, there are no transaction fees for up to 24 standard investment transactions per year; each investment transaction in excess of 24 per year will incur a $50 charge.

Fees for the set-up, review and maintenance of 1) a Guaranteed Investment Contract shall be $1,500 annually; 2) a Master Repurchase Agreement shall be $1,500 annually; and 3) a Forward Purchase/Delivery Contract shall be $1,500 annually. In addition, should any investment agreement be substituted, collateralized, or amended, additional charges will apply.

Fees for non-standard agreements, physical securities or other transactions requiring manual processing, or for the investment of funds held outside the bank will be negotiated separately.

Out-of-pocket expenses	At cost

Out-of-pocket expenses will be billed at cost at the sole discretion of Wells Fargo.

Together we'll go far

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Corporate Trust Services
Schedule of fees to provide trustee, registrar, and paying agent services

City of San Diego
Lease Revenue Bonds, Series 2014A

Extraordinary services	Market rate

Fees for services not contemplated at the time the governing documents are executed or not specifically covered elsewhere in this schedule will be determined by market rates for such services.

These services may include, but are not limited to, arbitrage rebate compliance, requisition processing in excess of four per month, tender agent services, changes to credit facilities, amendments to documents, interim bond calls, rate mode changes, physical bond transfers, rating agency questionnaires, default administration, extraordinary administrative time, and the publication of redemption or other notices.

If Wells Fargo determines, in its sole discretion, that outside counsel is necessary or advisable in connection with an event of default, forward delivery agreement, investment agreement, mode change, change in credit facility, supplement, amendment or waiver, or similar event, counsel fees and expenses will be billed as incurred.

Assumptions

This proposal is based upon the following assumptions with respect to the roles of Trustee, Registrar, and Paying Agent. Should any of the assumptions, duties or responsibilities change, we reserve the right to affirm, modify, or rescind this proposal.

- Number of funds/accounts: Not more than twelve (12) per issue
- Interest rate: Fixed
- Frequency of interest payments to holders: Semi annually
- Frequency of principal payments to holders: Not more than annually
- Investment transactions: Not more than twenty-four (24) annually
- Number of monthly requisitions: Four (4)

Terms and conditions

- Should this transaction fail to close through no fault of Wells Fargo Bank, N.A. its acceptance fee, as well as counsel fees and out-of-pocket expenses incurred by Wells Fargo Bank, N.A., may be due and payable.
- Counsel fees and expenses are payable at closing.
- Invoices outstanding for over 30 days are subject to a 1.5% per month late payment penalty.
- Acceptance of the appointment described in this proposal is subject to compliance with the requirements of the USA Patriot Act of 2001 described below, Wells Fargo's satisfactory review of all governing documents, and the execution of the governing documents by all parties.
- This fee proposal is good for 90 days.

Corporate Trust Services
Schedule of fees to provide trustee, registrar, and paying agent services

City of San Diego
Lease Revenue Bonds, Series 2014A

Important information about identifying our customers

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person (individual, corporation, partnership, trust, estate or other entity recognized as a legal person) for whom we open an account.

What this means for you: Before we open an account, we will ask for your name, address, date of birth (for individuals), TIN/EIN or other information that will allow us to identify you or your company. For individuals, this could mean identifying documents such as a driver's license. For a corporation, partnership, trust, estate or other entity recognized as a legal person, this could mean identifying documents such as a Certificate of Formation from the issuing state agency.

Accepted by:	**Submitted by:**
Issuer/Obligor	**Wells Fargo Bank, N.A.**
	Stuart Weiss
Signature	Signature
	Stuart Weiss
Printed name	Printed name
	Vice President
Title	Title
	November 14, 2013
Date	Date

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

RESOLUTION NUMBER FA-2014-2

ADOPTED ON MARCH 11, 2014

RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO AUTHORIZING THE EXECUTION AND DELIVERY OF A SECOND AMENDMENT TO SITE LEASE, A SECOND AMENDMENT TO FACILITIES LEASE, A SECOND SUPPLEMENTAL INDENTURE AND OFFICIAL NOTICE INVITING BIDS; APPROVING THE ISSUANCE AND SALE OF THE AUTHORITY'S LEASE REVENUE BONDS SERIES 2014A BY COMPETITIVE OR NEGOTIATED SALE; APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF THE PRELIMINARY OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION, DELIVERY AND DISTRIBUTION OF THE OFFICIAL STATEMENT; AND APPROVING OTHER DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH.

WHEREAS, The City of San Diego (City), the Successor Agency to the Redevelopment Agency of the City of San Diego, and the Housing Authority of the City of San Diego have heretofore entered into a Third Amended and Restated Joint Exercise of Powers Agreement dated January 1, 2013 (the Joint Powers Agreement), which created and established the Public Facilities Financing Authority of the City of San Diego (the Authority) for the purpose, among others, of issuing its bonds to be used to provide financial assistance to the City to finance and refinance public capital improvements; and

WHEREAS, pursuant to the Government Code of the State of California, Article 4 of Chapter 5 of Division 7 of Title (Act) and the Joint Powers Agreement, the Authority is authorized to issue bonds for financing and refinancing public capital improvements whenever there are significant public benefits; and

WHEREAS, the Authority has previously entered into an Indenture, dated as of July 1, 2012, as supplemented and amended by the First Supplemental Indenture, dated as of July 1, 2013 (the Master Indenture), with Wells Fargo Bank, National Association, as trustee (the Trustee), to provide

for the issuance of lease revenue bonds pursuant to the terms of the Master Indenture for the benefit of the City; and

WHEREAS, pursuant to the Master Indenture, the Authority has issued various series of bonds (the Prior Bonds) to finance certain capital projects and to refund various obligations of the City and the Authority; and

WHEREAS, in connection with the issuance of the Prior Bonds the Authority and the City entered into a Site Lease, dated as of July 1, 2012, as supplemented and amended by the First Amendment to Site Lease, dated as of July 1, 2013 (together, the Master Site Lease) pursuant to which the City leased to the Authority certain real property and the improvements thereon and a Facilities Lease, dated as of July 1, 2012, as supplemented and amended by the First Amendment to Facilities Lease, dated as of July 1, 2013 (together, the Master Facilities Lease) pursuant to which the Authority leased to the City certain real property and the improvements thereon; and

WHEREAS, the Authority has determined that it is desirable, furthers the public purpose and will result in significant public benefits to the citizens of the City, within the meaning of the Act, to assist the City in financing the costs of the acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects of the City (collectively, the Projects) at various locations within the City; and

WHEREAS, in order to accomplish the financing of the Projects and to achieve such public purposes, the Authority has determined to authorize the issuance of not to exceed $71,000,000 aggregate principal amount of its Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) (the Series 2014A Bonds); and

WHEREAS, to accomplish the forgoing, the Authority has determined: to enter into a Second Supplemental Indenture, which supplements and amends the Master Indenture (the Second Supplemental Indenture, and together with the Master Indenture, the Indenture) by and between it and the Trustee; a Second Amendment to Site Lease (the Second Amendment to Site Lease, and

together with the Master Site Lease, the Site Lease) by and between the Authority and the City, and a Second Amendment to Facilities Lease (the Second Amendment to Facilities Lease, and together with the Master Facilities Lease, the Lease), by and between the Authority and the City, under which the City will agree to make Base Rental Payments to the Authority which are calculated to be sufficient to enable the Authority to pay the principal of and interest and premium (if any) on the Prior Bonds and the Series 2014A Bonds when due and payable; and

WHEREAS, the Authority will sell the Series 2014A Bonds by competitive sale, or, alternatively, under the conditions described herein, by negotiated sale pursuant to a Bond Purchase Agreement (the Purchase Agreement) among the Authority, the City and the underwriters to be selected as described herein (collectively, the Underwriters); and

WHEREAS, the City adopted Ordinance Number 20350 (the Bond Ordinance) authorizing and approving (i) the issuance of the Series 2014A Bonds, (ii) the legal documents under and pursuant to which the Series 2014A Bonds will be issued and paid with such changes as permitted by the Bond Ordinance, and (iii) the financing of the Projects, which Bond Ordinance was signed by the Mayor on February 12, 2014 and for which the 30-day referendum period ended on March 14, 2014; and

WHEREAS, there has been presented to this meeting the following documents relating to the issuance of the Series 2014A Bonds:

(a) the proposed form of the Second Amendment to Site Lease;

(b) the proposed form of Second Amendment to Facilities Lease;

(c) the proposed form of Second Supplemental Indenture;

(d) the proposed form of an Official Notice Inviting Bids (the Notice Inviting Bids) pursuant to which the Series 2014A Bonds will be offered for competitive sale;

(e) the proposed form of Purchase Agreement among the City, the Authority and the Underwriters; and

(f) the proposed form of Preliminary Official Statement (Preliminary Official Statement), for use in selling the Series 2014A Bonds (the documents described in paragraphs (a) through (f) are collectively referred to as the Financing Documents); and

WHEREAS, the Authority is authorized to undertake the actions described in this Resolution pursuant to the laws of the State of California; NOW, THEREFORE,

BE IT RESOLVED by the Board of Commissioners of the Public Facilities Financing Authority of the City of San Diego as follows:

Section 1. The Authority hereby finds and determines that the statements set forth above in the recitals to this Resolution are true and correct.

Section 2. The form and content of the Second Amendment to Site Lease are hereby authorized and approved. Any of the Chair of the Authority or Vice Chair of the Authority and each of them or any of their respective designees (each, an Authorized Signatory) are hereby severally authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Second Amendment to Site Lease in substantially the form presented to and considered at this meeting, and the Secretary of the Authority or her specified designees, and each of them, are authorized and directed to attest thereto, with such additions and changes therein as any Authorized Signatory shall determine to be necessary and desirable and shall require or approve and believes to be in the best interests of the Authority, and as are approved as to form by the General Counsel to the Authority or his specified designee, such approvals to be conclusively evidenced by such Authorized Signatory's execution and delivery of the First Amendment to Site Lease.

Section 3. The form and content of the Second Amendment Facilities Lease are hereby authorized and approved. Each Authorized Signatory is hereby severally authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Second Amendment to Facilities Lease in substantially the form presented to and considered at this meeting, and the Secretary of the Authority or her specified designees, and each of them, are authorized and directed to attest thereto, with such additions and changes therein as any Authorized Signatory shall require or approve as being in the best interests of the Authority, and as are approved as to form by the General Counsel to the Authority or his specified designee, such approvals to be conclusively evidenced by such Authorized Signatory's execution and delivery of the Second Amendment to Facilities Lease.

Section 4. The form and content of the Second Supplemental Indenture, pursuant to which the Authority will issue its Series 2014A Bonds, are hereby authorized and approved. Each Authorized Signatory is hereby severally authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Second Supplemental Indenture in substantially the form presented to and considered at this meeting, and the Secretary of the Authority or her specified designees, and each of them, are authorized and directed to attest thereto, with such additions and changes therein as any Authorized Signatory shall determine to be necessary and desirable and shall require or approve and believes to be in the best interests of the Authority, and as are approved as to form by the General Counsel to the Authority or his specified designee, such approvals to be conclusively evidenced by such Authorized Signatory's execution and delivery of the Second Supplemental Indenture.

Section 5. The Authority hereby approves and authorizes the issuance and sale of its Series 2014A Bonds in a principal amount not to exceed $71,000,000 by competitive sale, or, alternatively, under the conditions described herein, by negotiated sale, provided that: (i) the true interest cost of the Series 2014A Bonds does not exceed 7.0% and (ii) the final maturity of the Series 2014A Bonds shall not be later than 30 years following their date of issuance, all as previously

approved by the City Council in the Bond Ordinance. Each Authorized Signatory is authorized to execute and deliver, for and in the name and on behalf of the Authority, the Series 2014A Bonds substantially in the form attached to the Second Supplemental Indenture presented to and considered at this meeting, and the Secretary of the Authority or her specified designees, and each of them, are authorized and directed to attest thereto and affix the seal of the Authority thereon, with such additions and changes as any Authorized Signatory determines to be necessary and desirable and requires or approves and believes to be in the best interests of the Authority, such approvals to be conclusively evidenced by the execution of said Series 2014A Bonds.

Section 6. The form and content of the Notice Inviting Bids, pursuant to which the Authority will offer its Series 2014A Bonds for competitive sale, are hereby authorized and approved. Each Authorized Signatory is hereby severally authorized and directed for and in the name and on behalf of the Authority to cause the Series 2014A Bonds to be sold at competitive sale in accordance with the terms set forth in the preceding paragraph and the terms set forth in the Notice Inviting Bids, to cause a summary of the Notice Inviting Bids to be published in accordance with any notice requirements imposed by law and to award the sale of the Series 2014A Bonds to the winning bidder; provided, however, if an Authorized Signatory, with the advice of the City's Financial Advisor for the Series 2014A Bonds, determines that a competitive sale is not in the best interests of the City due to market conditions or other factors, then the Series 2014A Bonds may be sold at a negotiated sale pursuant to Section 7 below.

Section 7. The form and content of the Purchase Agreement are hereby authorized and approved. In the event that a determination is made as described in Section 5 above to sell the Series 2014A Bonds at a negotiated sale, then each Authorized Signatory is hereby severally authorized and directed for and in the name and on behalf of the Authority, to select one or more underwriters from the City's approved list of underwriters to execute and deliver the Purchase Agreement in connection with the purchase and sale of the Series 2014A Bonds, substantially in the form presented to and

considered at this meeting, with such changes and additions therein as such Authorized Signatory shall determine to be necessary and desirable and shall require or approve and believes to be in the best interests of the City and as are approved as to form by the General Counsel to the Authority or his specified designee, such approvals will be conclusively evidenced by such Authorized Signatory's execution and delivery of the Purchase Agreement.

Section 8. The form and content of the proposed Preliminary Official Statement substantially in the form presented to and considered at this meeting, are hereby approved, with such changes thereto as any Authorized Signatory may require or approve, such approval to be conclusively evidenced by the execution of the certificate described below by an Authorized Signatory. Each Authorized Signatory is hereby severally authorized and directed, for and in the name of and on behalf of the Authority, to execute and deliver an official statement with respect to the Series 2014A Bonds (the Official Statement), in substantially the form of the final Preliminary Official Statement, with such changes thereto as such Authorized Signatory executing and delivering such document shall determine to be necessary and desirable and shall require or approve and believes to be in the best interests of the Authority and the City, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. The use and distribution of electronic or physical copies of the Preliminary Official Statement and the Official Statement to persons who may be interested in the purchase of Series 2014A Bonds is hereby authorized and approved. Each Authorized Signatory, acting alone, is hereby authorized to certify on behalf of the Authority that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission (except for the omission of certain information as permitted by such Rule).

Section 9. All actions heretofore taken by any Authorized Signatory or by any officers, employees, agents or directors of the Authority with respect to the issuance, delivery or sale of the Series 2014A Bonds, or in connection with or related to any of the Financing Documents or of the

other documents referenced herein or related to financing the Projects, are hereby approved, confirmed and ratified. Any Authorized Signatory, the Secretary of the Authority, the General Counsel to the Authority and other officers, employees, agents and directors of the Authority are, and each of the foregoing acting alone or through their specified designee, is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things, take any and all actions, and execute and deliver such documents, agreements and certificates (including, but not limited to, the tax compliance certificate), which they, or any of them, may deem necessary or advisable to effectuate the purposes of this Resolution or of the Financing Documents or the lawful issuance and delivery of the Series 2014A Bonds and to consummate the transactions authorized hereby and evidenced by the Financing Documents. In addition, any Authorized Signatory is hereby authorized to approve additions and changes to the Financing Documents and the other documents authorized by this Resolution (including, but not limited to, establishing or changing the size of any reserve fund securing the Series 2014A Bonds, establishing the redemption provisions of the Series 2014A Bonds, and determining which capital improvement Projects are financed with the proceeds of the Series 2014A Bonds, if believed by the Chief Operating Officer of the City or the Chief Financial Officer of the City, with the advice of the City's Financial Advisor for the Series 2014A Bonds, to be in the best interest of the City in light of market conditions, such determination to be conclusively evidenced by the execution and delivery of the Financing Documents by the City), as such Authorized Signatory shall determine to be necessary and desirable and require or approve and believes to be in the best interests of the Authority, such determination shall be conclusively evidenced by the execution and delivery of such Financing Documents and other documents by the Authority; and provided further that no such addition or changes may be inconsistent with limitations in Sections 5, 6 and 7 hereof.

Section 10. This Resolution shall take effect immediately upon its adoption.

ADOPTED, SIGNED AND APPROVED this 11th day of March, 2014, by the following vote:

AYES:_____

NAYS:_____

ABSENT:_____

VACANT:_____

ABSTAIN:_____

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

_____
Todd Gloria, Chair, Board of Commissioners

Attest:

_____
Secretary to Board of Commissioners

CITY OF SAN DIEGO

MEMORANDUM

DATE: March 10, 2014

TO: Honorable Council President Todd Gloria and Members of the City Council
Public Facilities Financing Authority Board of Commissioners

FROM: Lakshmi Kommi, Debt Management Director

SUBJECT: Items 331 and FA-1, Docket of Tuesday, March 11, 2014
Updates to the 2014 A Bonds Preliminary Official Statement

The Preliminary Official Statement ("POS") dated February 25, 2014 for the proposed 2014 Bonds was electronically distributed to the City Council on February 25, 2014 and docketed for the City Council meeting of March 11, 2014.

Subsequent to the City Council distribution, certain changes and updates were made to the POS. Attached is a complete set of all the marked pages with the updates shown to the POS draft dated February 25, 2014. These revisions were reviewed and signed off by the City's Disclosure Practices Working Group. The key updates to the Appendix A (City's Economic and Financial Information) for the POS include:

- City Budget and Related Matters
- General Fund Reserves
- Storm Water Program
- San Diego City Employees Retirement System and Other Postemployment Benefits
- Litigation Potentially Adversely Affecting the General Fund

Upon the City Council approval, the POS will continue to be updated as necessary until the document is finalized and released to the market. The Council offices will receive electronically any additional updates to the POS from the disclosure counsel (Mr. Robert Whalen, Stradling Yocca Carlson & Rauth) prior to the posting which is currently expected on or about March 20, 2014.

Attachment: Marked pages to the POS, dated March 10, 2014

cc: Mayor Kevin L. Faulconer
Matt Awbrey, Chief of Staff, Mayor's office
Jan I. Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst
Liz Maland, City Clerk
Mary Lewis, Chief Financial Officer
Brant C. Will, Deputy City Attorney
Robert Whalen, Stradling Yocca Carlson and Rauth, Transaction Disclosure Counsel
Diana Jurado-Sainz, Director of Legislative Affairs
Libby Coalson, Docket Liaison

NEW ISSUE — FULL BOOK-ENTRY-ONLY

Fitch: "__"
S&P: "__"
[Include Outlook]
See "RATINGS"

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Series 2014A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Series 2014A Bonds is exempt from State of California personal income tax. See "LEGAL MATTERS — Tax Matters" herein.

$[AMOUNT]
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS
SERIES 2014A
(CAPITAL IMPROVEMENT PROJECTS)

Dated: Date of Delivery Due: October 15, as shown on the inside cover

This cover contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, to obtain information essential to making an informed investment decision.

The Public Facilities Financing Authority of the City of San Diego (the "Authority") is issuing $[AMOUNT] aggregate principal amount of its Lease Revenue Bonds, Series 2014A (Capital Improvement Projects) (the "Series 2014A Bonds") pursuant to the Indenture, dated as of July 1, 2012, as amended and supplemented by the First Supplemental Indenture, dated as of July 1, 2013 (together, the "Master Indenture"), as amended and supplemented by the Second Supplemental Indenture, dated as of April 1, 2014 (the "Second Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

The Series 2014A Bonds are being issued to (i) finance the costs of the acquisition, design, construction, installation, improvement, replacement and equipping of certain capital improvement projects of the City of San Diego (the "City"); and (ii) pay costs of issuance incurred in connection with the issuance of the Series 2014A Bonds. See "PLAN OF FINANCE."

The Series 2014A Bonds are being issued as fully registered bonds, without coupons, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Series 2014A Bonds will be made in book-entry form only, in the principal amount of $5,000 or any multiple thereof. Interest on the Series 2014A Bonds will be payable on April 15 and October 15 of each year, commencing October 15, 2014.

The Series 2014A Bonds are payable from revenues derived from Base Rental Payments paid by the City for the use and occupancy of the Leased Property (each as defined in the Lease (defined below)) as long as the City has such use and occupancy of the Leased Property, and amounts on deposit in the Revenue Fund and the Redemption Fund established under the Indenture, all as set forth in the Indenture. The Authority has leased the Leased Property to the City pursuant to the Facilities Lease, dated as of July 1, 2012, as amended and supplemented by the First Amendment to Facilities Lease, dated as of July 1, 2013 (together, the "Master Facilities Lease"), as amended and supplemented by the Second Amendment to Facilities Lease, dated as of April 1, 2014 (the "Second Amendment to Facilities Lease" and together with the Master Facilities Lease, the "Lease"). The Series 2014A Bonds are also payable from insurance or condemnation awards, if any, arising under the Lease. The Series 2014A Bonds are payable on a parity with four series of bonds currently outstanding under the Master Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS" and "CERTAIN RISK FACTORS."

The Series 2014A Bonds are subject to optional, mandatory sinking fund, and special mandatory redemption, as more fully set forth herein. See "THE SERIES 2014A BONDS – Redemption Provisions."

THE SERIES 2014A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY SECURED SOLELY BY THE BASE RENTAL PAYMENTS OF THE CITY PAYABLE UNDER THE LEASE AND CERTAIN FUNDS HELD UNDER THE INDENTURE, AND ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE FAITH AND CREDIT OF THE CITY NOR THE STATE ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2014A BONDS. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2014A BONDS DO NOT CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION WITH RESPECT TO THE CITY OR ANY OTHER POLITICAL SUBDIVISION OR GOVERNMENTAL ENTITY.

The Series 2014A Bonds will be sold by competitive sale on or about _____, 2014 pursuant to the Official Notice Inviting Bids dated _____, 2014. See APPENDIX G — "OFFICIAL NOTICE INVITING BIDS." For additional information concerning the competitive sale of the Series 2014A Bonds, contact the City's financial advisor, Public Financial Management, Inc., Los Angeles, California. The Series 2014A Bonds are offered when, as and if issued, subject to the opinion on certain legal matters relating to their issuance by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Bond Counsel and Disclosure Counsel to the City. Certain additional legal matters will be passed upon for the City and the Authority by the City Attorney. It is anticipated that the Series 2014A Bonds will be available for delivery through the facilities of DTC in book-entry form on or about _____, 2014.

Dated: _____

CITY OF SAN DIEGO

MAYOR
Kevin L. Faulconer

CITY COUNCIL

Serving as the Board of Commissioners of the
Public Facilities Financing Authority of the City of San Diego

[UPDATE]

Sherri S. Lightner, City Council President Pro Tem *(District 1)*
Vacant *(District 2)*
Todd Gloria, City Council President *(District 3)*
Myrtle Cole *(District 4)*
Mark Kersey *(District 5)*
Lorie Zapf *(District 6)*
Scott Sherman *(District 7)*
David Alvarez *(District 8)*
Marti Emerald *(District 9)*

CITY ATTORNEY

Jan I. Goldsmith

CITY OFFICIALS

Scott Chadwick, *Chief Operating Officer*
Mary Lewis, *Chief Financial Officer*
Gail R. Granewich, *City Treasurer*
Eduardo Luna, *City Auditor*
Rolando Charvel, *Interim City Comptroller*
Andrea Tevlin, *Independent Budget Analyst*
Elizabeth Maland, *City Clerk*

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation

FINANCIAL ADVISOR

Public Financial Management, Inc.

TRUSTEE

Wells Fargo Bank, National Association

General Fund Operating Budget Summary

Set forth in Table A-3 below are the City's actual results on a budgetary basis for Fiscal Year 2012 and Fiscal Year 2013 and the City's Fiscal Year 2014 Adopted Budget for the General Fund. The Fiscal Year 2014 General Fund revenue budget is approximately $1.20 billion and the General Fund expenditure budget is approximately $1.23 billion. For information on the Fiscal Year 2014 Adopted Budget, see "– Fiscal Year 2014 Budget" herein.

TABLE A-3
CITY OF SAN DIEGO
GENERAL FUND
OPERATING BUDGET SUMMARY
Fiscal Years 2012 through 2014
(in thousands)

	Fiscal Year 2012	*Fiscal Year 2013*	*Fiscal Year 2014*
	Actuals on a Budgetary Basis[1]	*Actuals on a Budgetary Basis*[1]	*Adopted Budget*[2]
REVENUE SOURCES:			
Property Tax	$ 408,776	$ 412,204	$ 408,003
Sales Tax[2]	220,277	232,939	248,139
Property Transfer Tax	5,747	6,968	7,027
Transient Occupancy Tax[3]	78,268	83,904	87,858
Licenses and Permits	31,117	32,772	31,827
Fines, Forfeitures, and Penalties	62,976	29,656	29,350
Interest Earnings	930	4,379	859
Franchises	69,071	67,723	68,431
Other Rents and Concessions	45,912	49,036	44,079
~~Motor Vehicle License Fees[4]~~	–	–	–
Revenue from Other Agencies	2,573	8,670	4,234
Charges for Current Services	177,447	155,102	177,117
Transfers from Other Funds	80,785	91,739	87,150
Other Revenue	5,297	8,946	8,976
Total General Fund Revenues and Transfers[~~5~~4]	$ 1,189,176	$ 1,184,038	$ 1,203,048
EXPENDITURES:			
Public Safety	$ 584,151	$ 596,847	$ 632,888
Parks, Recreation, Culture and Leisure	114,098	122,008	131,180
Sanitation and Health	63,896	63,553	72,795
Transportation	60,872	59,371	66,637
Neighborhood Services	16,554	22,992	24,512
General Government and Support	212,483	215,601	233,025
Capital Projects	772	1,183	2,883
Debt Service	6,199	7,632	19,118
Transfers to Other Funds[5]	88,209	91,276	42,455
Total General Fund Expenditures and Transfers[~~6~~4]	$ 1,147,234	$ 1,180,463	$ 1,225,491

(footnotes to Table A-3 appear on next page)

(1) Actuals on a budgetary basis are prepared using the modified accrual basis of accounting except that (1) encumbrances outstanding at year-end are considered expenditures, (2) the increase/decrease in reserve for advances and deposits are considered as additions/deductions of expenditures, and (3) unrealized gains/losses resulting from the change in fair value of investments, proceeds from capital leases, and net income from joint ventures are excluded.

(2) Fiscal Year 2012 includes Proposition 172 safety sales tax revenue of $5.0 million. Starting in Fiscal Year 2013, Proposition 172 General Fund portion of safety sales tax revenue was budgeted in the Transfers from Other Funds category.

(3) Consists of the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy) only. For Fiscal Year 2014, the remaining 5%, or $79.9 million, is budgeted in the Transient Occupancy Tax Fund, of which $34.4 million is budgeted as a transfer to the General Fund in the "Transfers from Other Funds" category.

(4) The ~~City does not budget Motor Vehicle License Fees ("MVLF") revenues due to elimination of MVLF allocations to cities as the result of the adoption of Senate Bill 89 passed in June 2011. The revenue previously allocated to cities has been redirected to fund State public safety grants. The City received an allocation of $0.7 million in MVLF excess revenue from the State in Fiscal Year 2013, however, it is unknown if the City will receive this revenue in future years.~~**Fiscal Year 2014 Adopted General Fund expenditures budget does not match the General Fund revenue budget primarily due to the use of a portion of the General Fund balance which resulted from Fiscal Year 2013 savings.**

(5) The variance in Transfers to other Funds in Fiscal Year 2014 is due to a difference in classification within the Adopted Budget in comparison with actual expenditures. Examples of actual expenditures that are captured under Transfers to Other Funds in Fiscal Years 2012 and 2013, but not reflected in the Transfers to Other Funds in the Adopted Budget for Fiscal Year 2014, include annual debt service payments that are classified under the Debt Service expenditure category, interdepartmental support payments that are spread among departments, and other citywide expenditure items of similar nature.

~~(6) The Fiscal Year 2014 Adopted General Fund expenditures budget does not match the General Fund revenue budget primarily due to the use of a portion of the General Fund balance which resulted from Fiscal Year 2013 savings and the use of fund balance for non-pensionable compensation increases.~~

Source: Table: Fiscal Year 2012 and Fiscal Year 2013: Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego; Fiscal Year 2014: Financial Management, City of San Diego.
Footnotes: Comptroller's Office, City of San Diego; and Financial Management, City of San Diego.

Fiscal Year 2014 Budget

The City's budget for Fiscal Year 2014 (the "Fiscal Year 2014 Adopted Budget") reflects General Fund expenditures of $1.23 billion or approximately 43.9 percent of the City's total Fiscal Year 2014 Adopted Budget of $2.80 billion. The Fiscal Year 2014 Adopted Budget includes an increase in General Fund expenditures of $45 million, or 3.8 percent over the Fiscal Year 2013 actuals for the General Fund. The increase in General Fund expenditures is primarily due to an increase of $33 million in the Annual Retirement Contribution ("ARC")[1] payment to the City's retirement system and $9.8 million for non-pensionable compensation increases, and includes modest service enhancements focused on neighborhood services and public safety needs. The Fiscal Year 2014 Adopted Budget General Fund expenditures do not match the General Fund revenues primarily due to the use of fund balance for non-pensionable compensation increases and the use of Fiscal Year 2013 budgetary surplus. The Fiscal Year 2014 Adopted Budget reflects a net increase of 115.35 full-time equivalent ("FTE") positions or 1.6% from the Fiscal Year 2013 Adopted Budget, and includes the net use of $28.7 million in one-time resources to balance the General Fund budget.

The Fiscal Year 2014 Adopted Budget projects that General Fund revenues will increase by $19 million or 1.6 percent over the Fiscal Year 2013 actuals. The General Fund's four largest revenue sources - property tax (33.9%), sales tax (20.6%), transient occupancy tax ("TOT") (7.3%), and franchise fees (5.7%) - account for approximately $812.4 million or 67.5% of the total General Fund revenues.

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[1] Beginning in Fiscal Year 2015, in accordance with Government Accounting Standard Board accounting rules, the ARC will be replaced by the Actuarially Determined Contribution. See Footnote 2 under the caption "SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM—General."

Fiscal Year 2014 Mid-Year Results and Year-End Projections

The following table sets forth the projected changes in the four major revenues sources to the General Fund for Fiscal Year 2014 that were included in the Fiscal Year 2014 Adopted Budget and that are projected for the end of Fiscal Year 2014, based on actual receipts for the first two quarters of Fiscal Year 2014. See "Major Revenue Sources" below.

Projected Changes in General Fund Major Revenue Sources
($ in millions)

	Fiscal Year 2014 Adopted Budget	*Fiscal Year 2014 Year-End Projections*	*Over/(Under) Budget*	*Variance*
Property Tax	$396.8[1]	$407.7[2]	$10.9	2.7%
Sales Tax[3]	248.1	243.9	(4.2)	-1.7
Transient Occupancy Tax	87.9	86.8	(1.1)	-1.2
Franchise Fees[4]	67.0	68.6	1.5	2.2

(1) Does not include revenues from redevelopment related payments (RPTTF Tax Sharing Pass-Through Payments of $3.0 million and RPTTF Residual Property Tax amounts of $8.2 million). Including revenue from redevelopment payments, the total Fiscal Year 2014 budgeted Property Tax is $408.0 million.

(2) Does not include revenues from redevelopment related payments (RPTTF Tax Sharing Pass-Through Payments of $4.3 million and RPTTF Residual Property Tax amounts of $45.9 million). Including revenue from redevelopment payments, the total Fiscal Year 2014 budgeted Property Tax is $457.9 million.

(3) The sales tax change does not include Proposition 172 safety sales tax revenue.

(4) Does not include the Police Department's towing franchise fees.

Source: Financial Management, City of San Diego.

The Fiscal Year 2014 Mid-Year Budget Monitoring Report, released on February 21, 2014, projects a year-end General Fund budgetary surplus of $50.8 million. In March 2014, of the $50.8 million, the City Council authorized appropriations totaling $22.9 million for certain priority expenditures in Fiscal Year 2014.

Five Year Financial Outlook

The FY 2015-2019 Five-Year Financial Outlook (the "Five Year Outlook") incorporates a variety of economic assumptions and expenditure requirements that will likely influence projected revenues and appropriation needs over the next five years. The Five Year Outlook incorporates the City's projections as of November, 2013 for the next five years for the General Fund's ongoing revenues and expenditures. It also includes projected operational expenditures identified by City departments and resulting projected net annual budgetary impacts on the General Fund. This multi-year planning effort allows the City to prioritize the finite budgetary resources to meet the key expenditure priorities. Typically, the City updates its Five Year Outlook annually in the second quarter of the fiscal year in time to begin evaluating budgetary options and developing the operating budget for the next fiscal year starting on July 1. The Five Year Outlook was released on November 14, 2013 and has not been updated to reflect any new or revised data. As a result, the Five Year Outlook does not reflect the mid-year results described above, nor does it include any revisions to projected expenditures. The Five Year Outlook provides a snapshot of the City's financial outlook at a specific point in time and certain of the budgetary information provided herein is more current than the information in the Five Year Outlook.

The Five Year Outlook projects an estimated $19 million deficit for Fiscal Year 2015 for the City's General Fund baseline budget with a projected surplus of $104 million by Fiscal Year 2019. This projection takes into account key adjustments necessary to fund service levels at the current level. The Five Year Outlook is also adjusted by removing any one-time revenues and expenditures from the current Fiscal Year 2014 Adopted Budget level and includes updated revenue and expenditure projections for Fiscal Year 2015 and beyond. The

Five Year Outlook projects that all four major revenue sources (property tax, sales tax, transient occupancy tax ("TOT"), and franchise fees) will increase in Fiscal Year 2015; however, the rate of increase in outer years is expected to be lower as a result of an over correction from the economic downturn coming to an end and returning to more normal levels of growth. In addition to the major revenue projections, some increases for other General Fund's revenue sources are projected based on various economic assumptions, anticipated events, and historical trend analysis. The Fiscal Year 2015 General Fund expenditures are also projected to increase from Fiscal Year 2014 Adopted Budget levels primarily due to non-pensionable compensation increases approved by City Council and increases in other expenditure categories. Expenditures are projected to increase in outer years due to increases in non-pensionable compensation through Fiscal Year 2018 consistent with the terms of the multiyear labor agreements, increases in pension ADC payments to the City's retirement system, and increases in other expenditure categories, such as contracts or energy costs.

For the Five Year Outlook projections, City departments also submitted a total of $750 million in expenditure needs in various categories over the next five fiscal years. These expenditures include requests that have been previously discussed by the City Council, increases to reduce potential risks to the City, and expenditures to enhance current service levels. If these requests were to be included in the budget, the projected deficit (i.e., projected funding gap) for the baseline budget scenario increases from $19 million to $78 million for Fiscal Year 2015 and gradually decreases to $19 million by Fiscal Year 2019. All of these expenditure requests will not be met within the timeframe of the Five Year Outlook and the projected funding gap is used by the City as a tool for evaluating and prioritizing the City's various General Fund expenditure needs. Two of the more significant expenditure needs are discussed under the captions "General Fund Infrastructure and Deferred Capital Program" and "Storm Water Program." The departmental requests and expenditure projections from the Outlook are being evaluated in conjunction with the annual budget development process and will be prioritized based on the revenue sources projected to be available in Fiscal Year 2015. As required by the City Charter, the Fiscal Year 2015 Proposed Budget will be balanced when the Mayor releases it on April 15, 2014.

Reserves

City Reserve Policy

The City Charter Section 91 requires the City to create and maintain a "General Reserve Fund" to meet cash obligations for the first four months or other necessary period of each Fiscal Year prior to the collection of taxes. The City fulfills this requirement through City's pooled investment fund and if necessary through the sale of tax and revenue anticipation notes.

In 2008, the City Council established a "City Reserve Policy", which sets forth the City's approach to establishing and maintaining adequate reserves across the spectrum of City operations, including the General Fund (the "General Fund Reserves") and Risk Management (the "Risk Management Reserves"). The City Reserve Policy is reviewed biennially, with any updates and changes approved by the City Council. An updated City Reserve Policy for 2014 ("Revised Reserve Policy") was reviewed and approved by the City Council on February 10, 2014. The two significant updates ~~to the current Reserve Policy~~ are, (i) the total General Fund Reserve level is increased to 14% from the previous 8% General Fund reserve level target and, (ii) the City Workers' Compensation Fund Reserve target was lowered from 50% to 25% of the value of outstanding workers' compensation claims in the Workers' Compensation Fund Reserve. See additional description below.

General Fund Reserves

As of June 30, 2013, the total General Fund Reserves were approximately $179.5 million, which represents 16.5% of the General Fund's revenues in Fiscal Year ~~2013 exceeding the City's existing Reserve Policy target level of 8%.~~**2013.** General Fund Reserves consisted of the Emergency Reserve in the Restricted General Fund Balance of approximately $58.5 million and a combination of Assigned and Unassigned General Fund Balance of approximately $121 million.

The Revised Reserve Policy updated in February 2014 restructures the General Fund reserve levels into two primary categories: the Emergency Reserve and the Stability Reserve. The Emergency Reserve target is set at 8% and the Stability Reserve makes up the remaining 6.0% of the overall 14.0% goal under the Revised Policy. Any funds above 14.0% are considered to be Excess Equity which are spendable and unrestricted General Fund fund balance that is not assigned to General Fund Reserves.

Emergency Reserve. The Emergency Reserve is maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other unforeseen catastrophic event. The Emergency Reserve is not to be accessed to meet operating shortfalls or to fund new programs or personnel. This reserve may be expended only if an event is determined to be a public emergency by a two-thirds vote of the City Council, when such expenditures are necessary to ensure the safety of the City's residents and their property.

Stability Reserve. The Stability Reserve is maintained to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. The purpose of this reserve is to provide budgetary stabilization and not serve as an alternative funding source for new programs. Recommendations to appropriate from the Stability Reserve will be brought forward by the Mayor and require approval by a majority of the City Council. In the event this reserve is reduced below the amount established by the policy, pursuant to the policy the Mayor is required to prepare a plan as promptly as conditions warrant to replenish the Stability Reserve balance to policy levels.

~~The~~**As of March 2014, the** Fiscal Year 2014 projected ~~ending unrestricted fund balance is $186.9~~**year end General Fund Reserves are approximately $163.9** million or ~~17.5~~**15.3**% of revenues. Of this amount, $149.8 million, or 14.0% of revenues, meets the **policy** targets for the Emergency and Stability Reserves~~and the remaining $37.0 million is Excess Equity. Per the Revised Reserve Policy, the Excess Equity is spendable and is available for budgeting and appropriation. [The Fiscal Year 2014 Mid-Year Report recommends the appropriation of $20.9 million of the $37.0 million in Excess Equity for Fiscal Year 2014 which leaves $16.1 million in unappropriated Excess Equity.] [To Be Updated Upon Posting of POS]~~.

Risk Management Reserves

Additionally, the City maintains separate Risk Management Reserves in order to provide funding for claims made against the City. The Risk Management Reserves are the Workers' Compensation Fund Reserve, the Long-Term Disability Fund Reserve, and the Public Liability Fund Reserve. See "RISK MANAGEMENT – Self Insurance – Workers' Compensation and Long-Term Disability" and "– Public Liability Insurance" herein.

All operating funds including General Fund and the enterprise funds contribute a pro rata amount equal to a specified rate based on the gross employee salaries paid from all the operating funds, to both the Workers' Compensation Fund Reserve and the Long-Term Disability Fund Reserve. These contributions consist of the funding for current expenditures and for the annual reserve contributions as specified in the Revised Reserve Policy.

Workers' Compensation Fund Reserve. The Workers' Compensation Fund Reserve is maintained as a contingency in the event the annual expense for claims exceeds the annual "pay-go" budgeted amount. Consistent with the Revised Reserve Policy, year to year fluctuations in the City's outstanding liability are factored into the City's Workers' Compensation Fund contributions to achieve a target reserve level equal to 25% of the average outstanding liability for the three most recent fiscal years.

This target is expected to be achieved in Fiscal Year 2014 with the outstanding balance on the Workers' Compensation Reserve projected at $43 million or 25% of the average of the outstanding liability reported in the actuarial valuations for Fiscal Year 2011 through Fiscal Year 2013.

Long-Term Disability Fund Reserve. The Long-Term Disability Fund Reserve is maintained to fund self-insured claims in the event the annual expense for a claim exceeds the annual "pay-go" budgeted amount. The outstanding balance in the Long Term Disability Reserve is projected to be approximately $13.8 million in Fiscal Year 2014. The target level, based on the current value of outstanding liability, is ~~$17~~**17.0** million by the end of Fiscal Year 2016. ~~[~~The City intends to make an additional $1.6 million contribution in Fiscal Year 2014 and a contribution of $1.6 million in Fiscal Year 2016 to meet the target level.~~] [To Be Updated Upon Posting of POS]~~ The City is evaluating the feasibility of purchasing a commercial insurance policy to cover this benefit as an alternative to the current practice of self-insurance.

Public Liability Fund Reserve. The Public Liability Fund Reserve is maintained as a contingency in the event the annual expense for claims exceeds the "pay-go" budgeted amount. Consistent with the Revised Reserve Policy, year to year fluctuations in the City's outstanding liability are factored into the City's Public Liability Fund contributions to achieve certain incremental reserve targets annually and achieve a final target reserve level equal to 50% of current estimated outstanding public liability obligations by Fiscal Year 2019.

The Public Liability Fund Reserve receives an annual allocation solely funded from the City General Fund, as approved by City Council in the annual budget ordinance. The allocation includes funding for current expenditures and for the annual reserve contribution as specified in the Revised Reserve Policy.

The outstanding balance in the Public Liability Fund Reserve is projected to be $32.2 million in Fiscal Year 2014. Based on the annual actuarial valuation for Fiscal Years 2011 through 2013, an annual contribution of $3.2 million is projected for Fiscal Years 2015 through Fiscal Year 2019, in order to meet the 50% target level of the average value of outstanding liability for the three most recent fiscal years by Fiscal Year 2019. ~~[~~The City intends to contribute $3.2 million to this reserve in Fiscal Year 2014 to prefund the contribution that would have been made in Fiscal Year 2015. The next contribution is expected to be made in Fiscal Year 2016.~~] [To Be Updated Upon Posting of POS]~~

Potential Impacts from Federal and State Budget

Federal fiscal policies and State budget actions can impact the General Fund adversely. Direct funding contributed by federal and state governments for the General Fund for Fiscal Year 2014 is projected to be less than one percent (1%) of revenues. Although federal and state contributions are not a major revenue source to the General Fund, federal and State budget decisions can negatively impact the local economy which, in turn, can result in lower revenues to the General Fund from the major sources such as property taxes, sales taxes and TOT revenues.

Given the current uncertainty regarding federal fiscal policy and its impact on the State, and the inherent volatility in the State's revenue system, the City cannot fully anticipate the impacts on the revenues or expenditures of the City. The City cannot predict the extent of any fiscal problems that will be encountered in this or in any future Fiscal Years, and it is not clear what measures will be taken by the State or federal government to address current or future economic conditions. Future federal and State budgets will be affected by national economic conditions and other factors over which the City will have no control. Also, the City cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's budget challenges, or the impact that such actions will have on the City's finances and operations. To the extent that the State budget process results in reduced revenues or increased expenses to the City, the City will be required to make adjustments to its budget. See "STATE BUDGET INFORMATION" herein.

Major Revenue Sources

Property Taxes

Property tax revenue is the City's largest revenue source, representing 33.9% of the total General Fund revenue for the Fiscal Year 2014 Adopted Budget. The County of San Diego (the "County") assesses and

Permit ("NPDES Permit"), which became effective in July 2013. The NPDES Permit covers the City, the County and other municipalities within the County ("Co-Permittees"). ~~A significant change to this~~**The new** permit ~~is that it~~ incorporates ~~the~~ Dissolved Metals and Bacteria Total Maximum Daily Loads ("TMDLs") and Areas of Special Biological Significance ("~~ASBA~~**ASBS**") requirements, ~~thereby~~ making violations of these regulations subject to fines and penalties. Because these standards are not currently being met in many areas, it is possible that the RWQCB could levy fines and penalties on the City of $10,000 per day per violation and the federal Environmental Protection Agency could levy penalties of ~~$27,000~~**16,000** per day per violation. See Note 17 of the City's CAFR for Fiscal Year 2013. Even if the RWQCB or the federal government does not take a compliance action against the City, a third party could file an action against the City or other Co-Permittees seeking damages or seeking an order from the court that the City make certain ~~expenditures related to~~ storm water improvements. ~~The new~~**Currently, there is no pending litigation against the City related to the** NPDES Permit ~~requires all Co-Permittees to come into compliance by calendar year 2018. To begin developing a compliance plan, the~~**.**

The City submitted a Comprehensive Load Reduction Plan ("CLRP") to the Regional Water Quality Control Board in ~~2012.~~**2012, which included a compliance plan for the TMDL and ASBS regulations.** The CLRP identified ways that the City could comply with the TMDLs and ~~ASBA~~**ASBS** requirements~~, and included a preliminary cost estimate of $1.5 to $2.7 billion~~ over **a** 20 ~~years for compliance. The City developed an updated compliance cost estimate~~**year term. A comprehensive storm water program cost model developed** in 2013 as part of a Watershed Asset Management Plan ~~which considers~~**includes the** CLRP, **the** NPDES Permit ~~and~~**,** flood risk management **and deferred capital project** needs. The ~~updated~~ near term (fiscal years 2014 through 2018) ~~compliance~~ cost estimate is approximately $710 million. **This includes estimated flood risk management expenses of $290 million ($83 million operating cost expenditures and approximately $208 million for a combination of deferred capital and future capital program needs to repair existing storm drain pipes and pump stations). Due to current capital project implementation capacity and budgetary priorities, in Fiscal Year 2014 the City will spend an estimated $35 million appropriated for related operating expenses and fund $15 million for capital expenditures. Funding for the operating cost expenditures in Fiscal Year 2015 will be determined in the Fiscal Year 2015 budget which is currently being developed. An additional $42 million for capital expenditures is expected to be allocated in paygo funding and future bond proceeds in Fiscal Year 2015.**

The ~~updated compliance~~ cost estimate for the remainder of the compliance period (fiscal years 2019 through 2031) is ~~approximately~~**anticipated to be** $3.25 billion of which an estimated $2.17 billion is for ~~projected~~ capital expenditures ~~and~~**. Approximately** $1.08 billion **of the cost** is for ~~projected~~ operating expenditures. Because ~~this is a~~**the** new regulation ~~that~~ relies on new and developing technologies, this cost estimate is expected to change over time. **Additionally, the City is currently negotiating with the RWQCB to update the Dissolved Metals TMDL which could result in a cost reduction of approximately $880 million in capital expenditures between FY 2019 and 2031.**

The Five Year Outlook concludes that ~~given the 2018 deadline for compliance with the new permit standards,~~ significant increases in funding for both operating and capital ~~expenses will be required. The Fiscal Year 2014 Adopted Budget includes approximately $35.1 million for operations and maintenance and $27.0 million for capital improvements related to storm water~~**expenditures will be required to meet the 2018** compliance **deadline**. ~~The Five Year Outlook projects that the expenditures for operations and maintenance could increase to $52.1 million in Fiscal Year 2019 and that the capital improvements expenditures could increase to $182 million.~~ The City is ~~working on~~ developing a plan ~~for funding~~**to fund** the increased expenditures ~~related to~~**and implementing a capital program for** compliance with the storm water permit requirements. Currently, the available funding sources are storm water fees, general City revenues and bond proceeds. The City's storm water fees, which have not been increased since 1996, generated approximately $5.7 million in revenue in Fiscal Year 2013 and ~~currently~~ cover only a small portion of the City's annual storm water costs. The City's ability to increase these fees could be limited by objections by property owners or voters. For a discussion of Articles XIIIC and XIIID of the California Constitution, see "LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIIC and XIIID (Proposition 218) of the California Constitution – Article

XIIIC." If the storm water fees are not substantially increased, most of the costs associated with the Watershed Asset Management Plan will be paid from general City revenues. Any increase in General Fund moneys budgeted for storm water management purposes would reduce funds available for other General Fund purposes. Absent new or increased funding sources, the City's storm water liabilities represent an ongoing, multi-year fiscal challenge for the City's General Fund.

Since 2009, approximately $31 million ~~from previously issued~~**in** bond proceeds has been allocated to the Storm Water Division's Capital Improvements Program, including storm ~~drain maintenance~~**drains** and watershed projects. Approximately $~~9.6~~**10** million of the proceeds ~~of~~**from** the Series 2014A Bonds will be ~~applied~~**used** to finance storm drain replacement **and watershed projects**. The City expects to ~~continue to utilize~~**use** proceeds from future ~~capital improvements~~ bond ~~sales~~**issues** to finance storm water program ~~deferred capital costs~~ and water quality capital projects.

In addition to the ~~current~~ compliance cost estimates described above, there may be additional operational storm water needs ~~on various~~**related to** City ~~land~~**-owned property** and facilities (including approximately 26,000 acres of open space, 9,000 acres of community parks, fire stations, police stations and libraries) that could affect the City's General Fund. The City intends to evaluate these operational needs, related costs and budget resources following condition assessment and data gathering for these properties.

STATE BUDGET INFORMATION

The following information concerning the State's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. The following information is provided as supplementary information only, and it should not be inferred from inclusion of this information that the Series 2014A Bonds are payable from State revenues. The Series 2014A Bonds are payable solely from Base Rental Payments to be made by the City under the Lease and certain other moneys held under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS" in the front part of this Official Statement. The Series 2014A Bonds are not a debt of the City, the State, or any of its political subdivisions, and none of the City, the State or any of its political subdivisions is liable thereon.

State Budgeting Process

According to the State Constitution, the Governor is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a majority vote of each house of the State Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, www.govbud.dof.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer at www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

Fiscal Year 2014 State Budget

On June 14, 2013, the State Legislature adopted the State's Fiscal Year 2014 Budget. After line-item vetoes of $40 million, the State's Fiscal Year 2014 Budget was signed by Governor Brown on June 27, 2013. For the first time in several years, corrective measures were not necessary to avoid a year-end deficit in the fiscal

retiree healthcare contribution is expected to be $___ million with a General Fund contribution of $____ million or ____%.

TABLE A-12
CITY OF SAN DIEGO
RETIREE HEALTH CONTRIBUTIONS (ALL PLANS)
Fiscal Years 2010 through 2015[1]
(in thousands)

		Defined Benefit Plans (DB)		*Defined Contribution Plans (DC)*			
Fiscal Year	*DB OPEB ARC*	*City CERBT Contribution*	*City DB OPEB Paygo*	*Retiree Medical Trust Contribution*	*DC Plan Contribution*	*Total City Retiree Health Contribution*	*General Fund Retiree Health Contribution*
2010	$113,426	$25,000	$31,689	$33	N/A	$56,689	$39,640
2011	120,324	25,000	33,868	30	N/A	58,868	42,065
2012[2]	49,061	0	23,857	52	$34,424	58,333	38,474
2013	35,348	1,820	~~36,764~~**3** **6,283**	90	19,679	57,872	40,981
2014[3]	38,096	--	--	84	--	57,883	41,183
2015[4]	38,067						

(1) Data for Fiscal Year 2014 is budgeted. Data for Fiscal Year 2015 is projected. All other data is actual.
(2) In Fiscal Year 2012, in addition to the City's paygo payment of $23.8 million, $13.8 million was drawn from the CERBT for a total City paygo payment of $37.5 million.
(3) Actual distribution of amounts among City CERBT Contribution, City DB OPEB Paygo, and DC Plan Contribution will be determined at the end of Fiscal Year 2014.
(4) Projected.
Source: Risk Management, Financial Management, Comptroller's Office, City of San Diego.

RISK MANAGEMENT

Self-Insurance

The City is self-insured for Workers' Compensation, Long-Term Disability ("LTD") and Public Liability claims. Public Liability, Workers' Compensation, and LTD estimated liabilities as of June 30, 2013 were determined based on results of independent actuarial evaluations and include amounts for claims incurred but not reported and the loss adjustment expenses. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Estimated liabilities for public liability claims have been recorded in the Self Insurance Fund, Sewer Utility Fund, and Water Utility Fund. Table A-13 presents both the liability expense and the liability premium payments of the City for all three funds for the years presented. Amounts charged to the General Fund for claims and premiums vary from year to year based on a variety of factors, including distribution of claims among responsible funds.

Property and Flood Insurance

The City participates in the joint purchase of property insurance and flood insurance through the CSAC-EIA pool (policy term March 31, 2013 through March 31, 2014), which includes flood coverage for all components of the City Property. For a discussion of fire and other property insurance for the City Property (except the Ground Lease Sites), see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS" in the front part of this Official Statement. The City is not required to provide flood insurance for the Leased Property pursuant to the Lease, and in its discretion, may elect to modify the designation of covered properties in the future, in which case it is possible that none of the Leased Property will be covered.

This joint purchase of the City's "all risk" property insurance through the CSAC-EIA pool insures approximately $2.78 billion of City property and provides coverage for loss to City property under the primary policy up to approximately $25 million per occurrence, with a $25,000 deductible. This limit of insurance includes coverage for rental interruption for designated lease financed locations. There is no sharing of limits among the City and member counties of the CSAC-EIA pool, unless the City and member counties are mutually subject to losses due to the same occurrence. Limits and coverage may be adjusted periodically in response to requirements of bond financed projects, acquisitions, and in response to changes in the insurance marketplace. The City can give no assurance that any future losses will be covered or that its insurance provider will be able to cover any such losses.

Earthquake Insurance

The City has access up to $327.5 million of coverage limits, including coverage for rental interruption, for earthquake for designated buildings/structures and certain designated City lease financed locations. Currently, none of the Leased Property is covered by such earthquake insurance. See "SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2014A BONDS – Abatement of Lease Payments" and "– CSAC-EIA Pool" in the front part of this Official Statement. The City is not required to provide earthquake insurance for the Leased Property pursuant to the Lease, and the City, in its discretion, may elect to modify the designation of covered properties in the future. Depending upon the availability and affordability of such earthquake insurance, the City may continue to elect not to purchase such coverage for the Leased Property, or, if the City elects to purchase earthquake insurance for any of the Leased Property, the City may elect to increase the deductible or reduce the coverage at any time. The earthquake coverage is subject to a 5% of total values deductible per unit per occurrence, subject to a minimum of $100,000, effective through March 31, 2014. The City's earthquake coverage is purchased jointly and shared with the member counties in the CSAC-EIA pool. Due to the potential for geographically concentrated earthquake losses, the CSAC-EIA pool is geographically diverse to minimize any potential sharing of coverage in the case of an earthquake. The City can give no assurance that any future losses will be covered by its insurance or that its insurance will be able to pay any covered losses.

Employee Dishonesty and Faithful Performance Insurance

The City is a public agency subject to liability for the dishonest acts, and negligent acts or omissions of its officers and employees acting within the scope of their duty ("employee dishonesty" and "faithful performance"). The City participates in the joint purchase of insurance covering employee dishonesty and faithful performance through the CSAC-EIA pool. Coverage is provided in the amount of $~~10~~15 million per occurrence subject to a $25,000 deductible.

LITIGATION POTENTIALLY ADVERSELY AFFECTING THE GENERAL FUND

No Pending Litigation Regarding the Series 2014A Bonds

There is no litigation against the City pending or, to the knowledge of the executive officers of the City, threatened in any court or other tribunal of competent jurisdiction, state or federal, in any way (i) restraining or

enjoining the issuance, sale or delivery of any of the Series 2014A Bonds; (ii) questioning or affecting the validity of the Series 2014A Bonds; or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Series 2014A Bonds. There are, however, lawsuits and claims pending against the City arising in the ordinary course of the City's activities which, taken individually or in the aggregate, could materially affect the City's finances. Please see note 18 of the City's CAFR for Fiscal Year 2013 for additional information.

Litigation and Regulatory Actions

The City is a defendant in lawsuits pertaining to various matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contracts; alleged violations of law; and condemnation proceedings. The City received approximately 1,966 notices of claims in Fiscal Year 2012 and approximately 1,425 notices of claim in Fiscal Year 2013.

The Office of the City Attorney has prepared the following summary of certain pending claims and lawsuits for which, as of the date of the Official Statement, the City Attorney believes, in the event of an unfavorable outcome for the City, the potential loss could exceed $10 million. All figures provided in this section are preliminary and subject to change. Nothing disclosed herein should be considered an admission by the City. In the event of an adverse ruling, certain pending lawsuits, including those disclosed individually herein, may potentially result in an additional material liability to the City. See Notes 18 and 24 of the City's CAFR for Fiscal Year 2013 for additional information regarding the City's contingent liabilities related to litigation. Please note that the information presented in the CAFR includes citywide liabilities and is not limited to the General Fund. Additionally, the City maintains a Public Liability Fund Reserve to pay, in part, claims against the General Fund. See subsection "Public Liability Fund Reserve" under "Reserves" herein. **With the exception of *Belinda Martinez v. City of San Diego, et al.*, which was filed in Fiscal Year 2014, all cases described herein are also included in the citywide litigation liability in CAFR."**

Belinda Martinez v. City of San Diego, et al.

This case involves a cyclist who was hit by the driver of a motor vehicle while riding on a City street. The plaintiff alleges that the roadway and bike lane were improperly and negligently designed and maintained, creating a dangerous condition. Plaintiff is alleging damages for significant brain injuries and various cognitive and psychological disorders as well as a fractured back and leg. She is claiming damages, including loss of income and earning potential, in excess of $15 million. The City has also filed a cross complaint against the driver.

San Diegans for Open Government v. City of San Diego

San Diegans for Open Government ("SDOG") has filed a lawsuit challenging the renewal of and assessments levied in the City's Tourism Marketing District ("TMD"). If the TMD levy is invalidated and the assessments ordered refunded the total cost would be approximately $32 million. The City has begun to set aside a portion of the assessments collected in a reserve which will be used first to pay refunds in the event of an unfavorable outcome in the lawsuit. There is currently approximately $4.0 million in the reserve and the City plans to increase the balance in the reserve each fiscal year with a target of a $30 million reserve in Fiscal Year 2017 should the case still be unresolved at that point. To the extent that any refunds exceed the amount in the TMD reserve, such refunds will be payable from other City funds.

Border Business Park, Inc. (aka De La Fuente Business Park, Inc.) v. City of San Diego

Starting in 1995, an Otay Mesa developer filed the first of five lawsuits against the City concerning alleged breaches of a 1986 development agreement and inverse condemnation. The developer, Roque De La Fuente, controls all of the plaintiff entities. In the first lawsuit, *Border Business Park, Inc. III*, a jury returned a

verdict of $94.5 million in plaintiff's favor. On appeal, however, the Court of Appeal overturned the jury's verdict and ordered a new trial on the breach of contract claim only. Two other lawsuits, *National Enterprises, Inc.* and *Otay Acquisitions, LLC*, were stayed during the pendency of the *Border Business Park* appeal. Upon remand, the City successfully demurred in each of the three cases, and each was dismissed. Plaintiff subsequently filed appeals in these matters. On June 7, 2010, the California Court of Appeal, Fourth Appellate District, Division Two, reversed the judgments entered in favor of the City on the breach of contract causes of action only. The dismissal of the inverse condemnation causes of action was affirmed. A fourth lawsuit, *Otay Truck Parking, L.P.*, setting forth substantially similar allegations, including an inverse condemnation claim, was filed in August 2009. The fifth lawsuit, Border Business Park, Inc. IV, was filed in April 2011. These matters are currently awaiting the assignment of a new trial date. The possible aggregate exposure of these cases ranges between $0 and $30 million.

De Anza Cove Homeowners Association, Inc. et al. v. City of San Diego et al.

This case, along with other cases based on the same facts, involves residents of the De Anza Mobilehome Park who have filed suit alleging violations by the City of the California Mobilehome Residency laws. The court found the City liable for failing to prepare a tenant impact report when the City sought to close the mobilehome park in 2003. The tenant impact report is being finalized and the range of cost to the City is between $10 and $50 million depending on the length of relocation assistance provided to the mobilehome park residents. A related claim, *Joseph Aglio et al. v. City of San Diego, et al.*, involves residents excluded from the *Homeowners* action either because they had entered into settlement agreements or were evicted from the park. The *Aglio* case involves potential costs to the City of up to $10 million. In both De Anza cases, the City has insurance policies that may cover some or all of the City's costs.

Regional Water Quality Control Board San Diego Region Cleanup and Abatement Order

This action involves the cleanup of San Diego Bay in the area around the National Steel and Shipbuilding Company (NASSCO) shipyard. The action was brought under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 U.S.C. § 9601 *et seq.*, and stems from San Diego Regional Water Quality Control Board Cleanup and Abatement Order No. R9-2012-0024. The City has liability under CERCLA as the former owner and lessor of the shipyard sites and as operator of the City's stormwater system, which discharges to the bay near the shipyards. A preliminary engineering estimate indicates a cleanup cost of approximately $74 million, plus $10 million in additional costs related to regulatory oversight and environmental studies. Actual costs could be higher. The City's share of this cost is expected to be approximately $20 million. The City has tendered claims on insurance policies which, collectively, may cover approximately half of the City's cost. Notwithstanding, this estimate of coverage could be significantly higher or lower.

Cathy Lexin, et al. v City of San Diego

This is an action brought by six former City employees (Plaintiffs), who also served on the San Diego City Employees Retirement System Board of Administration (Board), to recover legal costs incurred defending criminal charges stemming from actions taken by the Board when it approved a pension contribution relief proposal known as Manager's Proposal II or "MP2" in July 2002. The Board's approval was contingent upon receipt of written confirmation that board members were considered unclassified employees under the City Charter for purposes of the City's indemnification policies as there were concerns legal action might be instituted challenging the Board's approval of MP2. The City subsequently adopted Resolution R-297335 requiring the City to "defend, indemnify and hold harmless all past, present and future members of the Retirement Board against all expenses, judgments, settlements, liabilities and other amounts actually and reasonably incurred by them in connection with any claim or lawsuit arising from any act or omission in the scope of the performance of their duties as Board Members under the Charter."

In May 2005, the San Diego County District Attorney charged the Plaintiffs with felony violations of the State's conflict of interest statute, alleging that Plaintiffs had a financial interest in the approval of MP2 due to increased pension benefits available to all City employees under MP2. In January 2010, the California Supreme Court upheld Plaintiffs' motion to dismiss the criminal information, except for one Plaintiff, and the District Attorney subsequently dismiss its case against all Plaintiffs. Plaintiffs then filed this action demanding that the City pay for all defense costs incurred in defending themselves against the District Attorney action.

In March 2012, the trial court granted Plaintiffs' motion for summary judgment, finding that Resolution R-297335 could reasonably be construed to authorize payment of the Plaintiffs' criminal defense costs. Plaintiffs were awarded $5.4 million to indemnify them for previously incurred criminal defense fees and costs, including interest and late fees. Plaintiffs were subsequently awarded an additional $2 million in attorney's fees. The Court of Appeal affirmed the judgment on December 23, 2013 and the City has petitioned the California Supreme Court for review.

INVESTMENT OF FUNDS

Investment of Funds

Amounts in the funds and accounts of the General Fund are invested by the City Treasurer in the City Treasurer's Pooled Investment Fund (the "City Pool") described below and the City accounts for such amounts separately from other funds of the City.

City Pool

In accordance with the Charter of the City and authority granted by the City Council, the City Treasurer is responsible for investing the unexpended cash in the City Pool. Responsibility for the daily investment of funds in the City Pool is delegated to the City's Chief Investment Officer. The City and certain related entities are the only participants in the City Pool; there are no other participants either voluntary or involuntary in the City Pool. The investment objectives of the City Pool are preservation of capital, liquidity and return.

Oversight and Reporting Requirements

The City Treasurer provides both a monthly and quarterly investment report to the Chief Financial Officer, the City Comptroller and the City Council and annually presents the City Treasurer's Investment Policy to the Chief Financial Officer, the City Treasurer's Investment Advisory Committee (the "IAC"), the Budget and Finance Committee, and the City Council. The IAC is comprised of two City employees, currently the Chief Financial Officer and the Director of Debt Management, and three outside investment professionals and is charged with overseeing the review of the City Treasurer's Investment Policy and practices of the City Treasurer and recommending changes thereto. Investments in the City Pool are audited annually by an independent firm of certified public accountants as part of the overall audit of the City's financial statements.

The City's Investments division uses outside services to provide investment portfolio valuations and accounting and reporting services. These services provide monthly portfolio valuation, investment performance statistics, and other portfolio reports that are distributed to the Office of the City Treasurer accounting section and the Office of the Comptroller of the City for review and reconciliation. The Office of the City Treasurer's accounting section prepares a series of monthly reports, including the portfolio market valuation, and distributes these to the Mayor, City Council, Chief Financial Officer, and other officials.

Authorized Investments

Investments in the City Pool are governed by State law and further restricted by the City Treasurer's Investment Policy. The Investment Policy is prepared with safety of principal being the foremost objective.

Property Value and Construction

Residential and non-residential construction declined after peaking in 2005, in part due to the subprime mortgage crisis and the resulting significant increase in the number of foreclosures. However, residential and non-residential construction activity has increased since 2010. Total issued building permits and permit valuation (residential and non-residential) are used as indicators of overall construction activity. In Fiscal Year 2013, construction permits valuation increased by 21.4%, or $355.9 million, from Fiscal Year 2012.

The following Table B-10 sets forth total ~~City assessed value,~~ building permit valuations and the number of new construction permits issued in the City for Fiscal Years 2009 through 2013.

TABLE B-10
CITY OF SAN DIEGO
Assessed Value and Construction Permit Valuation
Fiscal Years 2009 through 2013
($ in thousands)
(unaudited)

	Residential[1]		*Non-Residential*[2]		*Total Permit*
Fiscal Year	*Dwelling Units*	*Assessed Value*[3]	*Permits*	*Assessed Value*[3]	*Assessed Value Estimate*[3]
2009	1,117	$202,268	138	$576,879	$ 779,147
2010	1,147	234,868	76	368,098	602,966
2011	2,024	342,598	98	818,627	1,161,225
2012	2,406	518,091	113	1,142,674	1,660,765
2013	4,629	854,489	111	1,162,254	2,016,743

(1) Residential reflects construction of new structures.
(2) Non-residential reflects construction of new structures whose intended use includes commercial, industrial, and other uses. Each permit is a separate structure.
(3) Valuation figures only include valuation of newly created structures. These figures do not include minor modification work such as interior remodels, reroofs, etc. Total Permit Assessed Value is an estimate determined at time of permit issuance; actuals may vary.

Source: Permit Tracking System Database, Development Services Department, City of San Diego.

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