REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO		CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY)
TO: Public Facilities Financing Authority (PFFA)	FROM (ORIGINATING DEPARTMENT): Debt Management	DATE: 05/24/2013

SUBJECT: PFFA Action – 2013 Lease Revenue Bonds – 2013 Capital Improvement Projects, 2003 Old Town Light Rail Extension Economic Refunding and 2003 Balboa Park/Mission Bay Park Economic Refunding

PRIMARY CONTACT (NAME, PHONE):	SECONDARY CONTACT (NAME, PHONE):
Jyothi Pantulu,(619) 236-6917, 7B	Kevin Werner, (619) 533-6121, 7B

COMPLETE FOR ACCOUNTING PURPOSES

FUND					
DEPT / FUNCTIONAL AREA					
ORG / COST CENTER					
OBJECT / GENERAL LEDGER ACCT					
JOB / WBS OR INTERNAL ORDER					
C.I.P./CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

FUND					
DEPT / FUNCTIONAL AREA					
ORG / COST CENTER					
OBJECT / GENERAL LEDGER ACCT					
JOB / WBS OR INTERNAL ORDER					
C.I.P./CAPITAL PROJECT No.					
AMOUNT	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
Liaison Office		ORIG DEPT.	Kommi, Lakshmi	5/24/2013
		CFO		
		DEPUTY CHIEF		
		COO	Chadwick, Scott	5/28/2013
		CITY ATTORNEY	Will, Brant	5/28/2013
		COUNCIL PRESIDENTS OFFICE	Jurado-Sainz, Diana	5/29/2013

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

1. Authorize the issuance of the Public Facilities Financing Authority of the City of San Diego (the "Authority") Lease Revenue Bonds, Series 2013A and 2013 B (the "2013 Bonds")

i. In a principal amount not to exceed $36.5 million to provide for $35 million in construction proceeds for General Fund Capital Improvement Projects; and

ii. In a principal amount not to exceed $15.5 million to refund outstanding 2003 MTDB Authority Old Town Light Rail Lease Revenue Bonds, and the outstanding 2003 Balboa Park/Mission Bay Park Certificates of Participation, if each refunding issue generates at least 3% in NPV savings.

2. Authorize the execution of related financing documents including the form of First Amendment to the Site Lease, the form of the MTS Site Lease, the form of First Amendment to the Facilities Lease, the form of First Supplemental Indenture, and the form of the Bond Purchase Agreement.

3. Authorize the form and the distribution of preliminary official statement for the 2013 Bonds and the Execution, delivery and distribution of the official statement for the 2013 Bonds.

STAFF RECOMMENDATIONS: Approve the Requested Actions	
SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)	
COUNCIL DISTRICT(S):	All Districts will be served.
COMMUNITY AREA(S):	City-wide
ENVIRONMENTAL IMPACT:	This activity is not a “project” as defined in State CEQA Guidelines, Section 15378 (b)(4).
CITY CLERK INSTRUCTIONS:	

COUNCIL ACTION
EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE: 05/24/2013
ORIGINATING DEPARTMENT: Debt Management
SUBJECT: PFFA Action – 2013 Lease Revenue Bonds – 2013 Capital Improvement Projects, 2003 Old Town Light Rail Extension Economic Refunding and 2003 Balboa Park/Mission Bay Park Economic Refunding
COUNCIL DISTRICT(S): All Districts will be served.
CONTACT/PHONE NUMBER: Jyothi Pantulu/(619) 236-6917, 7B

DESCRIPTIVE SUMMARY OF ITEM:
Authorization of the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds, Series 2013A and 2013 B ("2013 Bonds") in a principal amount not to exceed $36.5 million to provide for $35 million in construction proceeds for General Fund Capital Improvement Projects and in a principal amount not to exceed $15.5 million to refund outstanding 2003 MTDB Authority Old Town Light Rail Lease Revenue Bonds, and the outstanding 2003 Balboa Park/Mission Bay Park Certificates of Participation; and the authorization of the form of all related financing documents, the form and the distribution of preliminary official statement and the execution, delivery and distribution of the official statement.
STAFF RECOMMENDATION:
Approve the Requested Actions
EXECUTIVE SUMMARY OF ITEM BACKGROUND:
The financing ordinance approving the issuance of the 2013 Bonds was introduced on March 11, 2013, and was adopted by the City Council on March 26, 2013 (O-20249). This action included the approval of the financing documents related to the 2013 Bonds (see Staff Report to City Council #13-13 for details).

PFFA, the issuer of the 2013 Bonds, is requested to authorize the issuance of 2013 Bonds and approve all related financing legal documents, including the form of First Amendment to the Site Lease, the form of the MTS Site Lease, the form of First Amendment to the Facilities Lease, the form of First Supplemental Indenture, and the form of the Bond Purchase Agreement. The forms of these financing documents (with the exception of the MTS Site Lease) were previously approved by the City Council on March 26, 2013. The form of the MTS Site Lease was approved by the MTS Board on March 21, 2013, via Resolution No. 13-8.

In addition to the legal documents, PFFA is requested to authorize the form and the distribution of preliminary official statement and the execution, delivery and distribution of the official statement. Concurrent with this action, on June 10, 2013, the City Council is being requested to authorize the 2013 Bonds Preliminary Official Statement (POS). The POS is anticipated to be released to potential investors on or about June 13, 2012.

The 2013 Bonds are expected to be priced during the week of June 17, 2013, followed by bond closing and delivery of proceeds.

EQUAL OPPORTUNITY CONTRACTING INFORMATION:
N/A. This is a PFFA action. PFFA is Joint Powers Authority.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:
On March 11, 2013, Ordinance No. O-20249 was introduced and adopted on March 26, 2013, authorizing the issuance and the related financing documents and Resolution authorizing the Bond Purchase Agreement.
On October 22, 2012, City Council provided the authorization to issue lease revenue bonds generating $25 million in net proceeds to fund certain General Fund Capital Improvement Projects (Resolution Number R-307759).
On October 10, 2012, the Budget and Finance Committee approved the Proposed 2013 CIP Bond Authorization to advance to City Council.

Kommi, Lakshmi
Originating Department

Chadwick, Scott
Deputy Chief/Chief Operating Officer

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

RESOLUTION NUMBER FA-2013-2

ADOPTED ON JUNE 10, 2013

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 FIRST AMENDMENT TO SITE LEASE, AN MTS SITE LEASE, A FIRST AMENDMENT TO FACILITIES LEASE, A FIRST SUPPLEMENTAL INDENTURE AND ONE OR MORE PURCHASE AGREEMENTS; APPROVING THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF THE AUTHORITY'S LEASE REVENUE BONDS AND LEASE REVENUE REFUNDING BONDS; 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 City of San Diego solely as Designated 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 as of January 1, 2013 ("Joint Powers Agreement"), which Joint Powers Agreement created and established the Public Facilities Financing Authority of the City of San Diego ("Authority") for the purpose, among others, of issuing bonds to finance and refinance public capital improvements to further public purposes and for the benefit of the City; and

WHEREAS, pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California ("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 (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 its Lease Revenue Bonds, Series 2012A (Capital Improvement Projects) in the aggregate principal amount of $72,000,000 to finance certain capital projects (the "Series 2012A Bonds") and its Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding) in the aggregate principal amount of $18,745,000 to refund various obligations of the City and the Authority (the "Series 2012B Bonds," and together with the Series 2012A Bonds, the "Prior Bonds"); 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, construction, installation and equipping of certain capital improvement projects of the City (collectively, the "Projects") at various locations within the City, and to refinance the City's Certificates of Participation (1993 Balboa Park/Mission Bay Refunding) (the "2003 Certificates of Participation") and The City of San Diego/MTDB Authority's 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding) (the "2003 Old Town Light Rail Refunding Bonds," and together with the 2003 Certificates of Participation, the "Refunded Bonds") for interest rate savings (the "Refunding"); 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 $36,500,000 aggregate principal amount of its Public Facilities Financing Authority of the City of San Diego

Lease Revenue Bonds (the "Additional Bonds") payable from Base Rental Payments (defined below) to be made by City pursuant to the Lease (defined below); and

WHEREAS, in order to accomplish the refunding of the Refunded Bonds and to achieve interest rate savings, the Authority has determined to authorize the issuance of not to exceed $15,500,000 aggregate principal amount of its Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds (the "Additional Refunding Bonds," and together with the Additional Bonds, the "Bonds"), payable from Base Rental Payments to be made by City pursuant to the Lease; and

WHEREAS, the City and the Authority have determined that the first two series of Bonds to be issued shall be (i) the Authority's Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013 (Capital Improvement Projects and Old Town Light Rail Extension Refunding) (the "Series 2013A Bonds") for the purpose of financing the Projects and refunding the 2003 Old Town Light Rail Refunding Bonds, and (ii) the Authority's Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding) (the "Series 2013B Bonds," and together with the Series 2013A Bonds, the "Series 2013 Bonds") for the purpose of refunding the 2003 Certificates of Participation; and

WHEREAS, to accomplish the forgoing, the Authority has determined: to enter into a First Supplemental Indenture, which supplements and amends the Master Indenture (the "First Supplemental Indenture," and together with the Master Indenture, the "Indenture"); to lease from the City certain interests in real property of the City (the "City Property") pursuant to and as described in a Site Lease, dated as of July 1, 2012 (the "Master Site Lease"), as supplemented and amended by the First Amendment to Site Lease (the "First Amendment to Site Lease," and together with the Master Site Lease, the "City Site Lease"), each by and between the City and the

Authority; to lease from the San Diego Metropolitan Transit System ("MTS") 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 (the "MTS Site Lease"), by and between MTS and the Authority; and to lease the Leased Property to the City pursuant to a Facilities Lease, dated as of July 1, 2012 (the "Master Facilities Lease"), as supplemented and amended by the First Amendment to Facilities Lease (the "First Amendment to Facilities Lease," and together with the Master Facilities Lease, the "Lease"), each 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 2013 Bonds when due and payable; and

WHEREAS, the Authority will sell the Series 2013 Bonds by negotiated sale pursuant to one or more Bond Purchase Agreements (each a "Purchase Agreement") among the Authority, the City and the underwriters therein named (collectively, the "Underwriters"); and

WHEREAS, the City adopted Ordinance No. O-20249 (the "Bond Ordinance") authorizing and approving (i) the issuance of the Series 2013 Bonds, (ii) the legal documents under and pursuant to which the Series 2013 Bonds will be issued and paid with such changes as permitted by the Bond Ordinance, (iii) the financing of the Projects, and (iv) the refunding of the Refunded Bonds, which Bond Ordinance was signed by the Mayor on April 11, 2013 and for which the 30-day referendum period ended on May 12, 2013; and

WHEREAS, the City has by resolution approved the form and content of the proposed Preliminary Official Statement, authorized the preparation of the final official statement, and authorized the distribution of the Preliminary Official Statement and final official statement by the Underwriters to persons interested in purchasing the Series 2013 Bonds; and

WHEREAS, there has been presented to this meeting the following documents relating to the issuance of the Series 2013 Bonds:

a. a proposed form of First Amendment to Site Lease between the City and the Authority under which the City will lease the City Property to the Authority;

b. a proposed form of MTS Site Lease between MTS and the Authority under which MTS will lease the MTS Property to the Authority;

c. a proposed form of First Amendment to Facilities Lease between the Authority and the City under which the Authority will lease the Leased Property to the City;

d. a proposed form of First Supplemental Indenture between the Authority and the Trustee under which the Authority will issue the Series 2013 Bonds;

e. a proposed form of Purchase Agreement among the City, the Authority and the Underwriters; and

f. a proposed form of Preliminary Official Statement ("Preliminary Official Statement"), which the Underwriters will use in marketing the Series 2013 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:

1. The Authority hereby finds and determines that the statements set forth above in the recitals to this Resolution are true and correct.

2. The form and content of the First Amendment to Site Lease, pursuant to which the City leases the City Property to the Authority, 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 First 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.

3. The form and content of the MTS Site Lease, pursuant to which MTS leases the MTS Property to the Authority, 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 MTS 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 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 MTS Site Lease.

4. The form and content of the First Amendment Facilities Lease, pursuant to which the Authority leases the Leased Property to the City, 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 First 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 First Amendment to Facilities Lease.

5. The form and content of the First Supplemental Indenture, pursuant to which the Authority will issue its Series 2013 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 First 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 First Supplemental Indenture.

6. The Authority hereby approves and authorizes the issuance and sale of its Additional Bonds in a principal amount not to exceed $36,500,000 by negotiated sale provided

that: (i) the true interest cost of the Additional Bonds does not exceed 7% and (ii) the final maturity of the Additional 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 Additional Bonds substantially in the form attached to the First 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 Additional Bonds.

7. The Authority hereby approves and authorizes the issuance and sale of its Additional Refunding Bonds in a principal amount not to exceed $15,500,000 by negotiated sale provided that: the Chief Financial Officer of the City or the Chief Operating Officer of the City determines that either: (i) there is an economic benefit in the form of aggregate net present value savings of at least 3 percent, expressed as a percentage of the par amount of the Refunded Bonds refunded; or (ii) the Chief Financial Officer of the City or the Chief Operating Officer of the City determines that refunding all or a portion of the Refunded Bonds is in the best financial interest of the City, 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 Additional Refunding Bonds substantially in the form attached to the First 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 Additional Refunding Bonds.

8. The form and content of the Purchase Agreement 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 one or more Purchase Agreements in connection with the purchase and sale of the Series 2013 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.

9. 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 delivery of the Preliminary Official Statement to the Underwriters. 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 2013 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, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. The distribution by the Underwriters 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 2013 Bonds is hereby authorized and approved. The Authorized Signatories are, and each of them acting alone is, hereby authorized to certify to the Underwriters 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).

10. 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 2013 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 or the Refunding, 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 2013 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 2013 Bonds, establishing the redemption provisions of the Series 2013 Bonds, and determining which capital improvement

Projects are financed with the proceeds of the Additional 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 2013 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 6 and 7 hereof.

11. This Resolution shall take effect immediately upon its adoption.

ADOPTED, SIGNED AND APPROVED this 21 day of May, 2013, 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

Public Facilities Financing Authority of the City of San Diego
Lease Revenue Bonds and Lease Revenue Refunding Bonds,
Series 2013 A and B

FIRST AMENDMENT TO
SITE LEASE
Log of Blanks

Page	Outstanding Items	Responsible Party	Expected Availability
Cover	Document Date	Bond Counsel	Bond Pricing
Cover	Principal Amount of Series 2013 A and B Bonds	Bond Counsel	Bond Pricing
1	Document Date	Bond Counsel	Bond Pricing
2	First Amendment to Facilities Lease Date	Bond Counsel	Bond Pricing
2	Principal Amount of Series 2013 A and B Bonds	Bond Counsel	Bond Pricing
S-1	Signatures	City	Pre-Closing
	Notary Form (2)	City	Pre-Closing
A-12	A-9 to A-14 (2013 Leased Properties)	Bond Counsel	Bond Pricing

RECORDING REQUESTED BY AND)
WHEN RECORDED MAIL TO:)
)
Attn: Charles C. Wolf)
Nixon Peabody LLP)
555 W. Fifth Street, 46th Floor)
Los Angeles, CA 90013)
)

(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.

FIRST AMENDMENT TO SITE LEASE

Dated as of ____ 1, 2013

amending and supplementing the

SITE LEASE

Dated as of July 1, 2012

by and between

THE CITY OF SAN DIEGO

and the

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 AND LEASE REVENUE REFUNDING BONDS
SERIES 2013A
(CAPITAL IMPROVEMENT PROJECTS AND OLD TOWN LIGHT RAIL EXTENSION REFUNDING)

and

$_____
PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE REFUNDING BONDS
SERIES 2013B
(BALBOA PARK/MISSION BAY PARK REFUNDING)

FIRST AMENDMENT TO SITE LEASE

This First Amendment to Site Lease (the "First Amendment to Site Lease") is dated as of ____ 1, 2013, 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 (the "Master Site Lease"), by and between the City and the Authority (as supplemented and amended, 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 (the "Master Indenture"), providing for the issuance of the Authority's Lease Revenue Bonds, Series 2012A (Capital Improvement Projects) in an aggregate principal amount of $72,000,000 (the "Series 2012A Bonds") and Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding) in an aggregate principal amount of $18,745,000 (the "Series 2012B Bonds," and together with the Series 2012A Bonds, 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, which was recorded on July 2, 2012 in the Official Records of the County of San Diego as Instrument No. 2012-0382822, 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, construction, installation and equipping of certain capital improvement projects of the City (collectively, the "2013A Project"); and

WHEREAS, the City has sold its 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Refunding) (the "2003 Certificates of Participation") and The City of San Diego/MTDB Authority has issued its 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding) (the "2003 Old Town Light Rail Refunding Bonds," and together with the 2003 Certificates of Participation, the "Refunded Bonds"); and

WHEREAS, the City has determined it will achieve certain savings and will benefit the inhabitants of the City that the Refunded Bonds be refunded (the "Refunding"); and

WHEREAS, to finance the 2013A Project and provide for the Refunding, the City will enter into this First 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 First Amendment to Site Lease, the Authority and the City are entering into a First Amendment to Facilities Lease, dated as of ___ 1, 2013 (the "First Amendment to Facilities Lease"), which supplements and amends the Facilities Lease, dated as of July 1, 2012 (the "Master Facilities Lease," and as supplemented and amended by the First Amendment to Facilities Lease, the "Lease"), pursuant to which the Authority will lease the City Property, along with certain interest in real property of the San Diego Metropolitan Transit System (the "MTS Property," and collectively with the City Property, the "Leased Property"), to the City and the City is required to make Base Rental Payments sufficient to pay debt service on Prior Bonds, the Series 2013A Bonds, and the Series 2013B Bonds (defined below); and

WHEREAS, to provide funds to finance the 2013A Project and the refund the 2003 Old Town Light Rail Refunding Bonds, the City has requested the Authority to issue 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"), pursuant to the Master Indenture, as supplemented and amended by a First Supplemental Indenture (the "First Supplemental Indenture," and together with the Master Indenture, the "Indenture"), each by and between the Authority and the Trustee; and

WHEREAS, to provide funds to refund of the 2003 Certificates of Participation, the City has requested the Authority to issue its $_____ Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding) (the "Series 2013B Bonds," and together with the Series 2013A Bonds, the "Series 2013 Bonds"), pursuant to the Indenture; 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 2013A Project and the Refunding; and has determined that the 2013A Project, the Refunding 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 First 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, including as supplemented and amended by the First Amendment to Facilities Lease, and, if such terms are not defined in the Lease, then such terms shall have the meanings given such terms pursuant to the Indenture, as it may be amended pursuant to its terms, including as supplemented and amended by the First Supplemental Indenture.

Section 2. **Amendment to Leased Property in Exhibit A**. The Leased 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 First 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 First 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 First 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: _____
Chief Operating Officer

ATTEST

By: _____
Elizabeth Maland, City Clerk

APPROVED AS TO FORM AND LEGALITY:

JAN I. GOLDSMITH, City Attorney

By: _____
Deputy City Attorney

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

By: _____
Todd Gloria, Chair

ATTEST

By: _____
Elizabeth Maland, Secretary

APPROVED AS TO FORM AND LEGALITY:

JAN I. GOLDSMITH, General Counsel

By: _____
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 name(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 name(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

[Insert additional property to be pledged]

RECORDING REQUESTED BY AND)
WHEN RECORDED MAIL TO:)
)
Attn: Charles C. Wolf)
Nixon Peabody LLP)
555 W. Fifth Street, 46th Floor)
Los Angeles, CA 90013)
_____)

(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.

MTS SITE LEASE

Dated as of _____ 1, 2013

by and between the

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

and the

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 AND LEASE REVENUE REFUNDING BONDS
SERIES 2013A
(CAPITAL IMPROVEMENT PROJECTS AND
OLD TOWN LIGHT RAIL EXTENSION REFUNDING)

and

$_____
PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE REFUNDING BONDS
SERIES 2013B
(BALBOA PARK/MISSION BAY PARK REFUNDING

MTS SITE LEASE

This MTS Site Lease (the "MTS Site Lease") is dated as of _____ 1, 2013, and is entered into by and between the SAN DIEGO METROPOLITAN TRANSIT SYSTEM, a regional transportation agency, duly organized and existing pursuant to Division 11 of the Public Utilities Code of the State of California ("MTS"), 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"). (Capitalized terms used in the Whereas clauses which are not defined therein shall have the meaning provided in Section 1.01 hereof).

WITNESSETH:

WHEREAS, The City of San Diego/MTDB Authority issued its 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding) (the "2003 Old Town Light Rail Refunding Bonds"); and

WHEREAS, The City of San Diego (the "City") and MTS are members of the The City of San Diego/MTDB Authority; and

WHEREAS, the City desires to refund the 2003 Old Town Light Rail Refunding Bonds (the "Refunding"), which financed the MTS Old Town Trolley Rail; and

WHEREAS, to facilitate the Refunding, MTS and the Authority will enter into this MTS Site Lease pursuant to which MTS will lease certain interest in real property owned by MTS (the "MTS Property," as more particularly described in Exhibit A hereto), currently encumbered for the 2003 Old Town Light Rail Refunding Bonds, to the Authority; 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 MTS 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 MTS 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:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings given such terms pursuant to the Facilities Lease, dated as of July 1, 2012, as it may be amended pursuant to its terms, including by the First Amendment to Facilities Lease, dated as of _____, 2013 (as amended, the "Lease"), each by and between the City and the Authority, and, if such terms are not defined in the Lease, then such terms shall

have the meanings given such terms pursuant to the Indenture, dated as of July 1, 2012, as it may be amended pursuant to its terms, including by the First Supplemental Indenture, dated as of _____, 2013 (as amended, the "Indenture"), each by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

ARTICLE II

LEASE OF MTS PROPERTY

Section 2.01. **Lease of the MTS Property**. MTS hereby leases to the Authority and the Authority hereby rents from MTS, on the terms and conditions hereinafter set forth, the MTS Property.

Section 2.02. **Term**. The term of this MTS Site Lease shall commence on the Closing Date and shall end on _____, 20__ (the "Termination Date"), unless such term is extended or sooner terminated upon written agreement by the parties hereto. Notwithstanding Section 3.06 of the Lease, on the Termination Date, the MTS Property shall be released from the provisions of the Lease and this MTS Site Lease and no longer part of the Leased Property. The parties hereto agree to execute such documents as shall be necessary to evidence such release.

Section 2.03. **Termination**. The Authority agrees, upon the termination hereof, 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 hereunder, reasonable wear and tear excepted, and agrees that any additions, improvements or alterations to the MTS Property at the time of the termination hereof shall remain thereon and title thereto shall vest in MTS.

Section 2.04. **Rent**. The Authority shall pay to MTS an advance rent of $1.00 as full consideration for this MTS 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 MTS Property or portion thereof as a result of material damage, destruction or condemnation.

Section 2.05. **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 hereby leases the MTS Property to the Authority expressly on said condition and subject to the retained rights of MTS as described in Article III hereof; provided, however, that in the event of default by the City under the Lease, the Authority may exercise the remedies provided in the Lease.

Section 2.06. **Owner in Fee**. MTS covenants that it has the right to lease the MTS Property hereunder free and clear of all liens, claims or encumbrances, except Permitted Encumbrances.

Section 2.07. **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.

Section 2.08. **Quiet Enjoyment**. The Authority at all times during the term hereof shall peaceably and quietly have, hold and enjoy the MTS Property without suit, trouble or hindrance from MTS.

Section 2.09. **City's Access to the MTS Property**. MTS agrees that the City shall 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 shall 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 hereunder.

Section 2.10. **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.

Section 2.11. **Tax Covenant**. MTS hereby 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.

Section 2.12. **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 Section 8.01 of the Lease.

ARTICLE III

RETAINED RIGHTS AND OBLIGATIONS OF MTS

Section 3.01. **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 in Section 3.02 below; to perform any of its other duties; or exercise any of its other rights, as contemplated hereunder.

Section 3.02. **Maintenance of Property by MTS**. MTS agrees that at all times during the term of this 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 shall 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.

Section 3.03. Additions and Improvements. MTS shall have the right during the term of this 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 this MTS Site Lease is not impaired and provided the value of the MTS Property is not impaired. The parties hereto acknowledge and agree that MTS shall 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.

Section 3.04. Taxes, Other Governmental Charges and Utility Charges. MTS will pay during the term of this 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 shall be obligated to pay only such installments as have accrued during the time this MTS Site Lease is in effect.

Section 3.05. 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 Section 7.03 of the Lease.

Section 3.06. Release and Indemnification of the City, the Trustee and the Authority. To the extent permitted by law, MTS shall defend, protect, hold harmless and indemnify the City, the Authority, the Trustee under the Indenture, 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 this 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 shall 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.

Section 3.07. Liens. During the term of this MTS Site Lease, MTS shall 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 Exhibit A attached hereto) 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 shall 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.

Section 3.08. **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.

Section 3.09. **Substitution of MTS Property**. MTS may request the Authority to 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 Section 3.06 of the Lease. The City may consent to such substitution, such consent not to be unreasonably withheld.

Section 3.10. **Assignment by MTS**. Neither this MTS Site Lease nor any interest of MTS herein shall, 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 shall at all times remain liable for the performance of the covenants and conditions on its part to be performed.

ARTICLE IV

EVENTS OF DEFAULT

Section 4.01. **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 hereof,

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 this MTS Site Lease and the Lease shall 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.

Section 4.02. Default by MTS. In the event MTS shall be in default in the performance of any obligation on its part to be performed under the terms hereof, 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 this MTS Site Lease and the Lease shall 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.

ARTICLE V

MISCELLANEOUS

Section 5.01. Waiver of Personal Liability. All liabilities hereunder on the part of the Authority shall be solely corporate liabilities of the Authority, and MTS 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 5.02. Amendments. The terms of this MTS Site Lease shall 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.

Section 5.03. 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 MTS Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 5.04. Notices. All written notices to be given shall be given by first class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to MTS:

San Diego Metropolitan Transit System
[contact information]

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

Section 5.05. 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 5.06. Execution in Counterparts. This MTS 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 5.07. Governing Law. This MTS Site Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

Section 5.08. Subject to Lease. Notwithstanding any provision herein to the contrary, MTS' use and enjoyment of the MTS Property shall be subject to the Lease.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have executed and entered into this MTS Site Lease by their officers thereunder duly authorized as of the day and year first above written.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

By: _____
Authorized Officer

ATTEST

By: _____
Nikki Machado, Clerk of the Board

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO

By: _____
Todd Gloria, Chair

ATTEST

By: _____
Elizabeth Maland, Secretary

APPROVED AS TO FORM AND LEGALITY:

JAN I. GOLDSMITH, General Counsel

By: _____
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 name(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 name(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 MTS PROPERTY

Public Facilities Financing Authority of the City of San Diego
Lease Revenue Bonds and Lease Revenue Refunding Bonds,
Series 2013 A and B

FIRST AMENDMENT TO
FACILITIES LEASE
Log of Blanks

Page	Outstanding Items	Responsible Party	Expected Availability
Cover	Document Date	Bond Counsel	Bond Pricing
Cover	Principal Amount of Series 2013 A and B Bonds	Bond Counsel	Bond Pricing
1	Document Date	Bond Counsel	Bond Pricing
2	Principal Amount of Series 2013 A and B Bonds	Bond Counsel	Bond Pricing
3	Expiry Date	Bond Counsel	Bond Pricing
3	Lease Payment Dates	Bond Counsel	Bond Pricing
3	Lease Year Date	Bond Counsel	Bond Pricing
3	MTS Site Lease Date	Bond Counsel	Bond Pricing
8	Date of Release of MTS Property	Bond Counsel	Bond Pricing
S-1	Signatures	City	Pre-Closing
	Notary Form (2)	City	Pre-Closing
A-12	A-9 to A-14 (2013 Leased Properties)	Bond Counsel	Bond Pricing
B-1	Base Rental Schedule	Bond Counsel	Bond Pricing

RECORDING REQUESTED BY AND)
WHEN RECORDED MAIL TO:)
)
Attn: Charles C. Wolf)
Nixon Peabody LLP)
555 W. Fifth Street, 46th Floor)
Los Angeles, CA 90013)
)

(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.

FIRST AMENDMENT TO FACILITIES LEASE

Dated as of _____ 1, 2013

amending and supplementing the

FACILITIES LEASE

Dated as of July 1, 2012

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 AND LEASE REVENUE REFUNDING BONDS
SERIES 2013A
(CAPITAL IMPROVEMENT PROJECTS AND OLD TOWN LIGHT RAIL EXTENSION REFUNDING)

and

$_____
PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE REFUNDING BONDS
SERIES 2013B
(BALBOA PARK/MISSION BAY PARK REFUNDING)

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FIRST AMENDMENT TO FACILITIES LEASE

This First Amendment to Facilities Lease (the "First Amendment to Facilities Lease"), dated as of ____ 1, 2013, 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 "Master Facilities Lease"), by and between the Authority and the City (as supplemented and amended, the "Lease"). The Master Facilities Lease was recorded on July 2, 2012 in the Official Records of the County of San Diego as Instrument No. 2012-0382823. (Capitalized terms used in the Whereas clauses and not defined therein shall have the meanings provided 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 (the "Master Indenture"), providing for the issuance of the Authority's Lease Revenue Bonds, Series 2012A (Capital Improvement Projects) in an aggregate principal amount of $72,000,000 (the "Series 2012A Bonds") and Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding) in an aggregate principal amount of $18,745,000 (the "Series 2012B Bonds," and together with the Series 2012A Bonds, 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 (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, construction, installation and equipping of certain capital improvement projects of the City (collectively, the "2013A Project"); and

WHEREAS, the City has sold its 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Refunding) (the "2003 Certificates of Participation") and The City of San Diego/MTDB Authority has issued its 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding) (the "2003 Old Town Light Rail Refunding Bonds," and together with the 2003 Certificates of Participation, the "Refunded Bonds"); and

WHEREAS, the City has determined it will achieve certain savings and will benefit the inhabitants of the City that the Refunded Bonds be refunded (the "Refunding"); and

WHEREAS, to finance the 2013A Project and provide for the Refunding, the City will enter into a First Amendment to Site Lease, dated as of even date herewith (the "First Amendment to Site Lease"), which supplements and amends the Master Site Lease (as amended and supplemented by the First Amendment to Site Lease, the "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 (collectively, the "City Property"), and concurrent with execution and delivery of the First Amendment to Site Lease, the Authority will enter into the MTS Site Lease, pursuant to which the Authority will lease from the San Diego Metropolitan Transit System ("MTS") certain interest in real property of MTS (the "MTS Property," and together with the City Property, the "Leased Property," as more particularly described in Exhibit A hereto), and pursuant to this First Amendment to Facilities Lease, the Authority will sublease the Leased Property to the City and the City is required to make Base Rental Payments sufficient to pay debt service on the Prior Bonds and the Series 2013 Bonds (defined below); and

WHEREAS, to provide funds to finance the 2013A Project and the refund the 2003 Old Town Light Rail Refunding Bonds, the City has requested the Authority to issue 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"), pursuant to the Master Indenture, as supplemented and amended by a First Supplemental Indenture (the "First Supplemental Indenture," and together with the Master Indenture, the "Indenture"), each by and between the Authority and the Trustee; and

WHEREAS, to provide funds to refund of the 2003 Certificates of Participation, the City has requested the Authority to issue its $_____ Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding) (the "Series 2013B Bonds," and together with the Series 2013A Bonds, the "Series 2013 Bonds"), pursuant to the Indenture; and

WHEREAS, in recognition of the additional real property included in the Leased Property hereunder the Base Rental Payments shall be increased; 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 2013A Project and the Refunding; and has determined that the 2013A Project, the Refunding 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 First 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 First 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 First 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.

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

"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).

"2013A 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 2013 Bonds, and all Additional Bonds.

"Closing Date" means, with respect to the Series 2013A Bonds, the date the Series 2013A Bonds are issued and delivered to the initial purchasers thereof, and with respect with the Series 2013B Bonds, the date the Series 2013B 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.

"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 this First Amendment to Facilities Lease.

"Lease Payment Date" means, with respect to the Series 2013 Bonds, ____ 10 and _____ 10 of each year commencing _____ __, 20__.

"Lease Year" means, with respect to the Series 2013 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 _____, 20__.

"MTS Site Lease" means the Site Lease, dated as of _____, 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.

"Refunded Bonds" means, collectively, the 2003 Certificates of Participation and the 2003 Old Town Light Rail Refunding Bonds.

"Prior Bonds" means the Series 2012 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 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).

"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.

"Tax Certificate" means, with respect to the Series 2013 Bonds, the tax and nonarbitrage certificate of the Authority and City and any supplemental tax certificate with respect to tax matters relating to the Series 2013 Bonds.

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.

Section 2.04 Amendment to Section 7.05 of the Master Facilities Lease. Section 7.05 of the Master Facilities Lease is hereby amended and supplemented by deleting such section in its entirety and substituting the following therefor:

The City covenants and agrees to deliver or cause to be delivered to the Trustee on the closing date for one or more series of Bonds a CLTA leasehold policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount equal to the principal amount represented by such series of Bonds. Such policy or policies, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the Authority under the Site Lease in the Leased Property, subject only to Permitted Encumbrances.

Section 2.05 Amendment to Definitions. The definition of "Ground Lease Sites" in Section 1.01 of the Master Facilities Lease is hereby amended and supplemented to include the UC Regents Site as described in Exhibit A hereto.

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 First 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 First Amendment to Facilities Lease and the First 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 First Amendment to Facilities Lease and the First Amendment to Site Lease have been fully authorized to execute the same pursuant to a resolution 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 First Amendment to Facilities Lease and the First 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 First Amendment to Facilities Lease and the First 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 First Amendment to Facilities Lease and the First 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 First Amendment to Facilities Lease, the First Amendment to Site Lease, or the First 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 First Amendment to Facilities Lease, the First Amendment to Site Lease, or the First 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 First Amendment to Facilities Lease, the First Amendment to Site Lease, the MTS Site Lease, and the First 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

MTS PROPERTY

Section 4.01 Retained Rights of MTS. The City expressly acknowledges and agrees that its rights to the MTS Property are subject to the retained rights of MTS as described in Article III of the MTS Site Lease.

Section 4.02 Release of MTS Property. Notwithstanding Section 3.06 of the Master Facilities Lease, upon payment in full of the portion of the Series 2013A Bonds allocated to the refunding of the 2003 Old Town Light Rail Refunding Bonds, expected to occur on _____, 20__, the MTS Property shall be released from the provisions of the Lease and the MTS Site Lease and no longer part of the Leased Property. The parties hereto agree to execute such documents as shall be necessary to evidence such release.

Section 4.03 Manufacturer's Warranties. The City appoints MTS its agent and attorney-in-fact during the term of this MTS Site Lease, so long as MTS shall not be in default thereunder, to assert from time to time whatever claims and rights, including warranties relating to the MTS Property, which the City or the Authority may have against the manufacturer or supplier of any materials used in the MTS Property. As between the City and MTS, MTS' sole remedy for the breach of such warranty, indemnification or representation shall be against the manufacturer or supplier of the defective item, and not against the City; nor shall such matter have any effect whatsoever on the obligations of MTS to maintain and operate the MTS Property. MTS expressly acknowledges in the MTS Site Lease that neither the City nor the Authority makes, or has made, any representation or warranty whatsoever as to the existence or

availability of such warranties of the manufacturer or supplier of any item to be incorporated in the MTS Property.

ARTICLE V

USE OF PROCEEDS; TAX COVENANTS

Section 5.01 Use of Proceeds of the Series 2013A Bonds. The parties hereto agree that the proceeds of the Series 2013A Bonds will be used to pay the costs of the 2013A Project, to refund the 2003 Old Town Light Rail Refunding Bonds, and to pay for costs of issuance of the Series 2013A Bonds.

Section 5.02 Use of Proceeds of the Series 2013B Bonds. The parties hereto agree that the proceeds of the Series 2013B Bonds will be used to refund the 2003 Certificates of Participation and to pay for costs of issuance of the Series 2013B Bonds.

Section 5.03 Continuing Disclosure for the Series 2013 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 2013 Bonds. Notwithstanding any other provision of the Lease, failure of the City to comply with the 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 Continuing Disclosure Certificate) or the Owners or beneficial owner of at least 25% aggregate principal amount of Outstanding Series 2013 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 Continuing Disclosure Certificate.

Section 5.04 Tax Covenants for the Series 2013 Bonds. (a) The City covenants that it will use, and will restrict the use and investment of, the proceeds of the Series 2013 Bonds in such manner and to such extent as may be necessary so that: (1) the Series 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 Bonds, the reasonable expectations of the City regarding the amount and use of all the proceeds of the Series 2013 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 2013 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 VI

MISCELLANEOUS

Section 6.01 Survival of Master Facilities Lease. Except as otherwise amended hereby, the Master Facilities Lease shall remain in full force and effect.

Section 6.02 Binding Effect. This First 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 6.03 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 6.04 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 First Amendment to Facilities Lease shall be valid and enforceable to the fullest extent permitted by law.

If for any reason this First 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 6.05 California Law. This First Amendment to Facilities Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

Section 6.06 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 6.07 Execution in Counterparts. This First 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 First 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 First 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 _____
Todd Gloria, Chair

ATTEST:

By _____
Elizabeth Maland, Secretary

APPROVED AS TO FORM AND LEGALITY:

JAN I. GOLDSMITH, General Counsel

By:_____
Deputy General Counsel

THE CITY OF SAN DIEGO

By _____
Chief Operating Officer

ATTEST:

By _____
Elizabeth Maland, City Clerk

APPROVED AS TO FORM AND LEGALITY:

JAN I. GOLDSMITH, City Attorney

By:_____
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 name(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 name(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

[Insert additional property to be pledged]

EXHIBIT B

BASE RENTAL PAYMENT SCHEDULE

Payment Date	Amount	Payment Date	Amount

Public Facilities Financing Authority of the City of San Diego
Lease Revenue Bonds and Lease Revenue Refunding Bonds,
Series 2013 A and B

FIRST SUPPLEMENTAL INDENTURE
Log of Blanks

Page	Outstanding Items	Responsible Party	Expected Availability
Cover	Document Date	Bond Counsel	Bond Pricing
Cover	Principal Amount of Series 2013 A and B Bonds	Bond Counsel	Bond Pricing
1	Document Date	Bond Counsel	Bond Pricing
2	Principal Amount of Series 2013 A and B Bonds	Bond Counsel	Bond Pricing
2	First Amendment to Site Lease Date	Bond Counsel	Bond Pricing
2	MTS Site Lease Date	Bond Counsel	Bond Pricing
2	First Amendment to Facilities Lease Date	Bond Counsel	Bond Pricing
3	Bond Year Date	Bond Counsel	Bond Pricing
4	First Amendment to Facilities Lease Date	Bond Counsel	Bond Pricing
5	First Amendment to Site Lease Date	Bond Counsel	Bond Pricing
5	First Supplemental Indenture Date		
5	Interest Payment Dates	Bond Counsel	Bond Pricing
5	MTS Site Lease Date	Bond Counsel	Bond Pricing
6	Term Bonds Dates	Bond Counsel	Bond Pricing
7	Principal Amount of Series 2013 A and B Bonds	Bond Counsel	Bond Pricing
7	Maturity Schedule for Series 2013 A and B Bonds	Bond Counsel	Bond Pricing
8	First Record Date	Bond Counsel	Bond Pricing
9	Application of Proceeds of Series 2013 A and B Bonds	City	Bond Pricing
9	Date of Sweep of COI Fund	Bond Counsel	Bond Pricing

Page	Outstanding Items	Responsible Party	Expected Availability
11	Optional Redemption Dates of Series 2013 A and B Bonds	Bond Counsel	Bond Pricing
11	Sinking Fund Redemption Dates and Amounts of Series 2013 A and B Bonds	Bond Counsel	Bond Pricing
11-12	Sinking Fund Redemption Dates and Amounts of Series 2013 A and B Bonds	Bond Counsel	Bond Pricing
S-1	Signatures	City Trustee	Pre-Closing
A-1	Series 2013 A and B Bond Number, Amount, Interest Rate, Maturity Date, Dated Date, CUSIP	Bond Counsel	Bond Pricing
A-2	Principal Amount of Series 2013 A and B Bonds	Bond Counsel	Bond Pricing
A-2	First Supplemental Indenture Date	Bond Counsel	Bond Pricing
A-2	First Amendment to Facilities Lease Date	Bond Counsel	Bond Pricing
A-4	Signatures	City	Pre-Closing
A-5	Date and Signature	Trustee	Pre-Closing
A-6	Assignment Information	Bond Owner	Time of Assignment
B-1	COI Fund Requisition	City	Time of Requisition
C-1	Construction Fund Requisition	City	Time of Requisition

FIRST SUPPLEMENTAL INDENTURE

Dated as of _____, 2013

Amending and Supplementing the

INDENTURE

Dated as of July 1, 2012

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 AND LEASE REVENUE REFUNDING BONDS
SERIES 2013A
(CAPITAL IMPROVEMENT PROJECTS AND OLD TOWN LIGHT RAIL EXTENSION REFUNDING)

and

$_____
PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO
LEASE REVENUE REFUNDING BONDS
SERIES 2013B
(BALBOA PARK/MISSION BAY PARK REFUNDING)

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FIRST SUPPLEMENTAL INDENTURE

This FIRST SUPPLEMENTAL INDENTURE, dated as of ____ 1, 2013 (the "First 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 (the "Master Indenture"), by and between the Authority and the Trustee (as supplemented and amended, the "Indenture"). (Capitalized terms used in the Whereas clauses that are not defined therein have the meanings provided in Section 12.01 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 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 to finance certain capital projects (the "Series 2012A Bonds") and its Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding) in the aggregate principal amount of $18,745,000 to refund various obligations of the City and the Authority (the "Series 2012B Bonds," and together with the Series 2012A Bonds, the "Prior Bonds");

WHEREAS, the City has sold its 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Refunding) (the "2003 Certificates of Participation") and The City of San Diego/MTDB Authority has issued its 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding) (the "2003 Old Town Light Rail Refunding Bonds," and together with the 2003 Certificates of Participation, the "Refunded Bonds"); 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, 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 entered 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, construction, installation and equipping of certain capital improvement projects in various locations within the City (collectively, the "2013A Project") and that it will achieve certain savings and will benefit the inhabitants of the City to refund the 2003 Old Town Light Rail Refunding Bonds, and in order to provide funds for such financing and refinancing, the City has requested the Authority to issue 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") in the aggregate principal amount of $_____ pursuant to the Master Indenture, as amended and supplemented by this First Supplemental Indenture; and

WHEREAS, the City has determined it will achieve certain savings and will benefit the inhabitants of the City to refund the 2003 Certificates of Participation, and in order to provide funds for such refinancing, the City has requested the Authority to issue its Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding) (the "Series 2013B Bonds," and together with the Series 2013A Bonds, the "Series 2013 Bonds") in the aggregate principal amount of $_____ pursuant to the Master Indenture, as amended and supplemented by this First Supplemental Indenture; and

WHEREAS, in order to provide for the payment, equally and ratably, of the Prior Bonds and the Series 2013 Bonds, the City has leased certain real property of the City and will lease additional 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 Site Lease, dated as of ___ 1, 2013, the Authority will lease from the San Diego Metropolitan Transit System ("MTS") 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 _____, 2013 (the "MTS Site Lease"), by and between MTS and the Authority, and the Authority will lease the Leased Property to the City pursuant to the Facilities Lease, dated as of July 1, 2012 (the "Master Facilities Lease"), as supplemented and amended by a First Amendment to Facilities Lease, dated as of ___ 1, 2013 (the "First Amendment to Facilities Lease," and together with the Master Facilities Lease, the "Lease"), under which the City will be required to make base rental payments to the Authority which will be 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 2013 Bonds when due and payable; and

WHEREAS, in order to provide for the authentication and delivery of the Series 2013 Bonds, to establish and declare the terms and conditions upon which the Series 2013 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 First Supplemental Indenture; and

WHEREAS, the Authority has determined that all acts and proceedings required by law necessary to make the Series 2013 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 First 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 First Supplemental Indenture have been in all respects duly authorized.

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE WITNESSETH, that to secure the payment of the principal of, premium, if any, and interest on the Series 2013 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 2013 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 2013 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 2013 Bonds, as follows:

ARTICLE XII

DEFINITIONS; AUTHORIZATION AND PURPOSE OF SERIES 2013 BONDS; EQUAL SECURITY

Section 12.01 Definitions. Except as otherwise provided in this Section 12.01, 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.

"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.

"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 2013 Bonds shall commence on the respective Closing Date and end on _____, 20__.

"Bonds" means the Prior Bonds, the Series 2013 Bonds and any Additional Bonds, authorized by and at any time Outstanding pursuant to the Indenture.

"Certificate of Completion" means, with respect to the 2013A Project, a Certificate of the City filed with the Trustee stating that the 2013A Project, which was financed with the proceeds of the Series 2013 Bonds deposited into the Series 2013A 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 2013A Bonds, the date the Series 2013A Bonds are issued and delivered to the initial purchasers thereof, and with respect to the Series 2013B Bonds, the date the Series 2013B Bonds are issued and delivered to the initial purchasers thereof.

"Construction Costs" means, with respect to the Series 2013A Bonds, all costs of acquiring, constructing, installing or improving the 2013A 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 2013A 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 or improvement of the 2013A Project, including reimbursement to the Authority or the City for all advances and payments made in connection with the 2013A Project prior to or after delivery of the Series 2013 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 or improvement of the 2013A 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, construction, installation and improvement, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction, installation or improvement of the 2013A 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, construction, installation or improvement of the 2013A Project.

"Continuing Disclosure Certificate" means, with respect to the Series 2013 Bonds, that certain Continuing Disclosure Certificate relating to the each series of the Series 2013 Bonds, executed by the City and dated the respective 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 ___ 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 ___ 1, 2013, by and between the City, as lessor, and the Authority, as lessee.

"First Supplemental Indenture" means this First Supplemental Indenture, dated as of ___ 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 First Supplemental Indenture.

"Interest Payment Date" means, with respect to the Series 2013 Bonds, each _____ 15 and _____ 15, commencing _____, 20__, 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.

"Master Indenture" means the Indenture, dated as of July 1, 2012, by and between the Authority and the Trustee.

"MTS Site Lease" means the Site Lease, dated as of _____, 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 2013A Bonds, the original purchaser(s) of the Series 2013A Bonds upon their delivery by the Trustee on the applicable Closing Date and with respect to the Series 2013B Bonds, the original purchaser(s) of the Series 2013B Bonds upon their delivery by the Trustee on the applicable Closing Date.

"Prior Bonds" means the Series 2012 Bonds.

"Refunded Bonds" means, collectively, the 2003 Certificates of Participation and the 2003 Old Town Light Rail Refunding 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 2013 Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Section 14.03 hereof.

"Series 2013 Rebate Fund" means the fund by that name established and held by the Trustee pursuant to Section 16.02 hereof.

"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 Section 14.05 hereof.

"Series 2013A Construction Fund" means the fund by that name established and held by the Trustee pursuant to Section 14.04 hereof.

"Series 2013B Bonds" means the Authority's Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding).

"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.

"Tax Certificate" means, with respect to the Series 2013 Bonds, the tax and nonarbitrage certificate of the Authority and City and any supplemental tax certificate with respect to tax matters relating to the Series 2013 Bonds.

"Term Bonds" means, with respect to the Series 2013 Bonds, the Series 2013 Bonds maturing on _____, 20____, and on _____, 20__.

Section 12.02 Authorization and Purpose of Series 2013 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 2013 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 2013 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 2013 Bonds in the manner and form provided in this First Supplemental Indenture. Accordingly, the Authority

hereby authorizes the issuance of the Series 2013 Bonds pursuant to the Master Indenture and this First Supplemental Indenture for the purposes described herein.

Section 12.03 Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, the Master Indenture and this First 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 First 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 12.04 Actions by Authority and City. Except as otherwise expressly provided herein, for all purposes of this First 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 XIII

ISSUANCE OF SERIES 2013 BONDS

Section 13.01 Authorization of Series 2013A Bonds. The Authority hereby authorizes the issuance of the Series 2013A Bonds, which shall constitute special obligations of the Authority, for the purpose of providing funds: to finance the 2013A Project, to refund the 2003 Old Town Light Rail Refunding Bonds, and to pay Costs of Issuance related thereto.

The Series 2013A Bonds are hereby designated the "Public Facilities Financing Authority of the City of San Diego, Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013A (Capital Improvement Projects and Old Town Light Rail Extension Refunding)." The aggregate principal amount of Series 2013A Bonds initially issued and Outstanding under the Indenture shall equal $_____. At any time after the execution of this First Supplemental Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Written Request of the Authority, deliver the Series 2013A 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 13.02 Terms of the Series 2013A Bonds. The Series 2013A 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 2013A Bond shall have more than one maturity date. The Series 2013A 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	Principal Amount	Interest Rate

Section 13.03 Authorization of Series 2013B Bonds. The Authority hereby authorizes the issuance of the Series 2013B Bonds, which shall constitute special obligations of the Authority, for the purpose of providing funds: to refund the 2003 Certificates of Participation and to pay Costs of Issuance related thereto.

The Series 2013B Bonds are hereby designated the "Public Facilities Financing Authority of the City of San Diego, Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding." The aggregate principal amount of Series 2013B Bonds initially issued and Outstanding under the Indenture shall equal $_____. At any time after the execution of this First Supplemental Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Written Request of the Authority, deliver the Series 2013B 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 13.04 Terms of the Series 2013B Bonds. The Series 2013B 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 2013B Bond shall have more than one maturity date. The Series 2013B 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	Principal Amount	Interest Rate

Section 13.05 Common Terms of the Series 2013 Bonds. Except as otherwise provided in Section 13.07 of the Master Indenture, interest on the Series 2013 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 2013 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 2013 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 2013 Bonds shall be payable in lawful money of the United States of America.

Each Series 2013 Bond shall be dated as of the applicable 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 _____, 20__, in which event it shall bear interest from the applicable Closing Date; provided, however, that if, as of the date of authentication of any Series 2013 Bond, interest thereon is in default, such Series 2013 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Section 13.06 Form and Execution of Series 2013 Bonds. The Series 2013 Bonds and the authentication and registration endorsement and assignment to appear thereon shall be substantially in the form set forth on Exhibit A-1 and A-2 hereto. The Chair or Vice Chair of the Authority is hereby authorized and directed to execute each of the Series 2013 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 2013 Bonds shall cease to be such officer before the delivery of the Series 2013 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 2013 Bonds. Only those Series 2013 Bonds bearing thereon a certificate of authentication and registration in substantially the form set forth in Exhibits A-1 and A-2 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 2013 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 XIV

APPLICATION OF PROCEEDS; ESTABLISHMENT OF FUNDS

Section 14.01 Application of Proceeds of Sale of Series 2013A Bonds.

(a) Upon the receipt of payment for the Series 2013A Bonds on the applicable Closing Date of $_____ (being the principal amount of the Series 2013A Bonds of $_____, less an underwriter's discount of $_____, plus/minus a net original issue premium/discount of $_____), the Trustee shall apply the proceeds of sale thereof as follows:

(i) The Trustee shall deposit the amount of $_____ in the Series 2013A Construction Fund for the purpose of paying the costs of the 2013A Project.

(ii) The Trustee shall transfer the amount of $_____ to the 2003 Old Town Light Rail Refunding Bonds Trustee, [which amount together with the $_____ received by the 2003 Old Town Light Rail Refunding Bonds Trustee from prior funds and accounts established in connection with the 2003 Old Town Light Rail Refunding Bonds], will be used for the purpose of refunding the 2003 Old Town Light Rail Refunding Bonds.

(iii) The Trustee shall deposit the amount of $_____ in the Series 2013A 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 14.02 Application of Proceeds of Sale of Series 2013B Bonds.

(a) Upon the receipt of payment for the Series 2013B Bonds on the applicable Closing Date of $_____ (being the principal amount of the Series 2013B Bonds of $_____, less an underwriter's discount of $_____, plus/minus a net original issue premium/discount of $_____), the Trustee shall apply the proceeds of sale thereof as follows:

(i) The Trustee shall transfer the amount of $_____ to the 2003 Certificates of Participation Trustee, [which amount together with the $_____ received by the 2003 Certificates of Participation Trustee from prior funds and accounts established in connection with the 2003 Certificates of Participation], will be used for the purpose of refunding the 2003 Certificates of Participation.

(ii) The Trustee shall deposit the amount of $_____ in the Series 2013B 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 14.03 Establishment and Application of Series 2013 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 2013 Costs of Issuance Fund," within which is established separate subaccounts designated as the "Series 2013A Costs of Issuance Account" and the "Series 2013B Costs of Issuance Account." Notwithstanding any other provision of this First Supplemental Indenture, the Series 2013 Cost of Issuance Fund is not pledged to, nor does it secure, the Bonds.

The moneys in the Series 2013 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 _____, 20__, or upon the earlier Written Request of the City, all amounts remaining in the Series 2013 Costs of Issuance Fund shall be transferred by the Trustee to the Series 2013A

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 14.04 Establishment and Application of Series 2013A Construction Fund.

(a) The Trustee shall establish and maintain a fund designated as the "Series 2013A Construction Fund." Notwithstanding any other provision of this First Supplemental Indenture or the Master Indenture, the Series 2013A Construction Fund is not pledged to, nor does it secure, the Bonds.

(b) The Trustee shall hold the moneys in the Series 2013A 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 2013A 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 2013A 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 14.05 Series 2013A 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 2013A 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 2013 Bonds pursuant to Section 15.01(c) hereof.

ARTICLE XV

REDEMPTION OF SERIES 2013 BONDS

Section 15.01 Terms of Redemption.

(a) Optional Redemption of Series 2013A Bonds. The Series 2013A Bonds maturing on or before _____, 20__ are not subject to optional redemption prior to their respective stated maturities. The Series 2013A Bonds maturing on or after _____, 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 Lease Payments, on any date on or after _____, 20__, from any available source of funds of the City, at a redemption price equal to the principal amount of the Series 2013A 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) No Optional Redemption of Series 2013B Bonds. The Series 2013B Bonds are not subject to optional redemption prior to their respective stated maturities.

(c) Series 2013A Sinking Fund Redemption. The Series 2013A Bonds maturing on _____, 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 2013A Bonds Sinking Account, on each semi-annual principal payment date commencing _____, 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 Series 2013A Bonds maturing on _____, 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 2013A Bonds Sinking Account, on each semi-annual principal payment date commencing _____, 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.

Provided, however, that if some but not all of the Series 2013A Bonds maturing on or after _____, 20__ (the "2013A Term Bonds") have been optionally redeemed as described above, the total amount of all future sinking account payments with respect to such redeemed 2013A Term Bonds will be reduced by the aggregate principal amount of such 2013A Term Bonds so redeemed, to be allocated among the sinking account payments for such 2013A 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.

(d) Special Mandatory Redemption From Insurance or Condemnation Proceeds of Series 2013 Bonds. Both the Series 2013A Bonds and the Series 2013B 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 15.02 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 2013A 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 Series 2013A Term Bonds, otherwise required to be redeemed on the following principal payment 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 six-month period ending on the semi-annual principal payment 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 principal payment date pursuant to mandatory sinking fund payment (and corresponding mandatory redemption obligation) as set forth in Section 15.01(c) 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 15.01(c) 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 XVI

PARTICULAR COVENANTS

Section 16.01 Tax Covenants for Series 2013 Bonds. The Authority covenants to and for the benefit of the Owners of the Series 2013 Bonds that, notwithstanding any other provisions of this First 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 2013 Bonds or the moneys and investments held in the funds and accounts established under this First Supplemental Indenture which would cause the Series 2013 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 2013 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 2013 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 2013 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 2013 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

In furtherance of the covenants in this Section 16.01, the Authority shall execute, deliver and comply with the provisions of the Tax Certificate for the Series 2013 Bonds, which is by this reference incorporated into this First Supplemental Indenture and made a part of this First Supplemental Indenture as if set forth in this First Supplemental Indenture in full including all of the defined terms therein, and by its acceptance of this First Supplemental Indenture the Trustee acknowledges receipt of such Tax Certificate and acknowledges its incorporation in this First 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 2013 Bonds, to all funds and accounts created under this First Supplemental Indenture and all moneys on deposit to the credit of any fund or account).

Section 16.02 Rebate Fund for the Series 2013 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 2013 Rebate Fund for the Series 2013 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 2013 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 2013 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 2013 Bonds, for payment to the federal government of the United States of America.

All amounts deposited into or on deposit in the Series 2013 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 2013 Rebate Fund by the Trustee from deposits by the City, if and to the extent required, so that the balance in the Series 2013 Rebate Fund shall equal the Rebate Requirement for the Series 2013 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 16.02, other than from moneys held in the funds and accounts created under this First 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 2013 Rebate Fund in Permitted Investments. Moneys shall not be transferred from the Series 2013 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 2013 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 2013 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 2013 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 2013 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 16.02, Section 16.01 and the Tax Certificate shall survive the defeasance or payment in full of the Series 2013 Bonds.

ARTICLE XVII

THE TRUSTEE

Section 17.01 Compensation. The Authority shall pay to the Trustee from time to time compensation for all services rendered under this First 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 First 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 XVIII

AMENDMENTS TO MASTER INDENTURE

Section 18.01 Amendment to Section 4.01(c) of the Master Indenture. The Master Indenture is amended and supplemented by deleting Section 4.01(c) in its entirety and substituting the following therefor:

(c) 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 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 18.02 Amendment to Section 4.04(b) of the Master Indenture. The Master Indenture is amended and supplemented by deleting Section 4.04(b) in its entirety and substituting the following therefor:

(b) Notwithstanding any other provision of the Indenture, in the case of any optional redemption of the Bonds, the notice of redemption shall state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds on the anticipated redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the 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 Bonds to be optionally redeemed, such event shall not constitute an Event of Default, the Trustee shall send written notice to the Owners and to the Securities Depositories to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes of this Indenture.

Section 18.03 Amendment to Section 5.04 of the Master Indenture. The Master Indenture is amended and supplemented by deleting Section 5.04 in its entirety and substituting the following therefor:

Redemption Fund. The Trustee shall establish and maintain the Redemption Fund, amounts in which shall 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.

ARTICLE XIX

MISCELLANEOUS

Section 19.01 Survival of Master Indenture. Except as otherwise amended hereby, the Master Indenture shall remain in full force and effect.

Section 19.02 Severability of Invalid Provisions. If any one or more of the provisions contained in this First Supplemental Indenture or in the Series 2013 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 First Supplemental Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this First Supplemental Indenture, and this First 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 First Supplemental Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Series 2013 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this First Supplemental Indenture may be held illegal, invalid or unenforceable.

Section 19.03 Notices. All written notices to be given under this First 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 Operating 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, CA 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 19.04 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 2013 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 First Supplemental Indenture.

Section 19.05 Successor Is Deemed Included in All References to Predecessor. Whenever in this First 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 First 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 19.06 Execution in Several Counterparts. This First 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 19.07 Governing Law. This First 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 First 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 First 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 _____
Todd Gloria, Chair

Attest:

_____
Elizabeth Maland, Secretary

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By _____
Authorized Officer

EXHIBIT A-1

FORM OF SERIES 2013A BOND

No. _____ $_____

UNLESS THIS SERIES 2013A BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SERIES 2013A 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 AND LEASE REVENUE REFUNDING BONDS,
SERIES 2013A
(CAPITAL IMPROVEMENT PROJECTS AND
OLD TOWN LIGHT RAIL EXTENSION REFUNDING)

Interest Rate	Maturity Date	Dated Date	CUSIP
_____		_____, 2013	

REGISTERED OWNER:

PRINCIPAL SUM:

The Public Facilities Financing Authority of the City of San Diego (the "Authority"), a joint exercise of powers authority created by The City of San Diego (the "City") and the Redevelopment Agency of the City of San Diego (the "Agency") pursuant to California Government Code Sections 6500 et seq. 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 2013A 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 2013A Bond shall be payable in lawful money of the United States of America at the designated corporate trust office of the Trustee in upon presentation and

surrender of this Series 2013A 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 2013A Bond is issued in book-entry form, payment of interest on this Series 2013A Bond due on or before the maturity or prior redemption, thereof shall be made to the person in whose name such Series 2013A Bond is registered, as of the Record Date preceding the applicable Interest Payment Date, on the registration books kept by the Trustee at its designated corporate trust 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 2013A Bonds received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds. Interest on this Series 2013A 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 2013A 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 and Lease Revenue Refunding Bonds, Series 2013A (Capital Improvement Projects and Old Town Light Rail Extension Refunding)" (the "Series 2013A 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 ___1, 2013 (the "First 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"). Also outstanding under the Indenture are the Authority's Prior Bonds which, together with the Series 2013A Bonds, the Series 2013B 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 (the "Master Facilities Lease"), as supplemented and amended by the First Amendment to Facilities Lease, dated as of ____ 1, 2013 (the "First Amendment to Facilities Lease," and together with the Master Facilities Lease, 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 2013A 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 2013A 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 2013A Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights of the Owners of the Series 2013A 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 designated corporate trust 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 2013A Bond, to all the provisions of which the Owner of this Series 2013A 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 2013A 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 2013A 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 2013A Bonds are subject to redemption as provided in the First Supplemental Indenture.

Reference is made to the Indenture for the transfer provisions and restrictions applicable to the Series 2013A 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 2013A 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 2013A Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability on this Series 2013A 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 2013A 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 2013A 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 2013A Bond, (2) reduce the percentage of the Series

2013A 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 2013A 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 2013A 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 2013A 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 2013A Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied.

This Series 2013A 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 2013A 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 2013A Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Vice Chair and attested to by the manual or facsimile signature of its Secretary, and has caused this Series 2013A 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 2013A Bonds described in the within mentioned Indenture which has been authenticated and registered on _____.

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 Nixon Peabody LLP, as Bond Counsel to the City, in connection with the original issuance of the Series 2013A Bonds. That opinion is dated as of the date of the original issuance of the Series 2013A 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 2013A 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 2013A 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 A-2

FORM OF SERIES 2013B BOND

No. _____ $_____

UNLESS THIS SERIES 2013B BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SERIES 2013B 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 REFUNDING BONDS, SERIES 2013B
(BALBOA PARK/MISSION BAY PARK REFUNDING)

Interest Rate	Maturity Date	Dated Date	CUSIP
_____		_____, 2013	

REGISTERED OWNER:

PRINCIPAL SUM:

The Public Facilities Financing Authority of the City of San Diego (the "Authority"), a joint exercise of powers authority created by The City of San Diego (the "City") and the Redevelopment Agency of the City of San Diego (the "Agency") pursuant to California Government Code Sections 6500 et seq. 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 2013B 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 2013B Bond shall be payable in lawful money of the United States of America at the designated corporate trust office of the Trustee in upon presentation and surrender of this Series 2013B 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 2013B Bond is issued in book-entry form, payment of interest on this Series 2013B Bond due on or before the maturity or prior redemption, thereof shall be made to the person in whose name such Series 2013B Bond is registered, as of the Record Date preceding the applicable Interest Payment Date, on the registration books kept by the Trustee at its designated corporate trust 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 2013B Bonds received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds. Interest on this Series 2013B 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 2013B 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 Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding)" (the "Series 2013B 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 ___1, 2013 (the "First 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"). Also outstanding under the Indenture are the Authority's Prior Bonds which, together with the Series 2013B Bonds, the Series 2012A 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 (the "Master Facilities Lease"), as supplemented and amended by the First Amendment to Facilities Lease, dated as of ____ 1, 2013 (the "First Amendment to Facilities Lease," and together with the Master Facilities Lease, 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 2013B 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 2013B 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 2013B Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights of the Owners of the Series 2013B 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 designated corporate trust 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 2013B Bond, to all the provisions of which the Owner of this Series 2013B 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 2013B 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 2013B 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 2013B Bonds are subject to redemption as provided in the Indenture.

Reference is made to the Indenture for the transfer provisions and restrictions applicable to the Series 2013B 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 2013B 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 2013B Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability on this Series 2013B 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 2013B 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 2013B 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 2013B Bond, (2) reduce the percentage of the Series 2013B 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 2013B 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 2013B 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 2013B 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 2013B Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied.

This Series 2013B 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 2013B 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 2013B Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Vice Chair and attested to by the manual or facsimile signature of its Secretary, and has caused this Series 2013B Bond to be dated the Dated Date specified above.

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

By _____
Vice Chair

ATTEST:

By _____
Secretary

FORM OF CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Series 2013B Bonds described in the within mentioned Indenture which has been authenticated and registered on _____.

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 Nixon Peabody LLP, as Bond Counsel to the City, in connection with the original issuance of the Series 2013B Bonds. That opinion is dated as of the date of the original issuance of the Series 2013B 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 2013B 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 2013B 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 2013 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 2013 Costs of Issuance Fund

Requisition No. _____

The undersigned, on behalf of The City of San Diego (the "City"), hereby requests payment, from the Series 2013 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 2013 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 2013 Costs of Issuance Fund and has not been the basis of any previous disbursement from the Series 2013 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 her designee]

By: _____
Comptroller [or his designee]

EXHIBIT C

FORM OF SERIES 2013A 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 and Lease Revenue Refunding Bonds, Series 2013A
(San Diego Old Town Light Rail Transit Extension Refunding)

Requisition No. _____

The undersigned, on behalf of The City of San Diego, hereby requests payment from the Series 2013A Construction Fund funded with proceeds of the Series 2013 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 2013A 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 his designee), hereby certifies that each obligation mentioned herein has been properly incurred, is a proper charge against the Series 2013A Construction Fund and has not been the basis of any previous disbursement from the Series 2013A 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 his designee]

Accepted By: _____
Comptroller [or his designee]

EXHIBIT D

FEE SCHEDULE OF TRUSTEE

Trustee acceptance fee **$1,500.00**

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 trustee administration fee (per series) **$2,000.00**

An annual fee for the trustee duties described in the governing documents; electronic copy trust account statements and requisition processing of two requests per calendar month. Each requisition in excess of four per calendar month will incur a $100 fee. The administration fee is guaranteed for three years, payable annually in advance and is not subject to proration in the event of early termination.

Refunding escrow agent administration fee (if applicable) **$750.00**

For services of the agent described in the Refunding Escrow Agent Agreement. This fee is payable annually in advance per year or portion thereof and is not subject to proration in the event of early termination.

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.

We only charge for out-of-pocket expenses in response to specific tasks assigned by the client. Therefore, we cannot anticipate what specific out-of-pocket items will be needed or what corresponding expenses will be incurred. Such possible expenses could be for, but are not limited to, travel expenses to attend closing or other meetings, express mail and messenger charges.

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.

Public Facilities Financing Authority of the City of San Diego
Lease Revenue Bonds and Lease Revenue Refunding Bonds,
Series 2013 A and B

BOND PURCHASE AGREEMENT
Log of Blanks

Page	*Outstanding Items*	*Responsible Party*	*Expected Availability*
1	Principal amount of Bonds (2x)	Underwriters and City	Bond Pricing
1	Date of Bond Purchase Agreement	Underwriters and City	Bond Pricing
2	Principal amount of Bonds	Underwriters and City	Bond Pricing
2	Purchase price of Bonds	Underwriters and City	Bond Pricing
2	Net original issue premium	Underwriters and City	Bond Pricing
2	Net original issue discount	Underwriters and City	Bond Pricing
2	Underwriting discount	Underwriters and City	Bond Pricing
2	As of Date of First Supplemental Indenture	Bond Counsel	Bond Pricing
3	As of Date of First Amendment to Site Lease	Bond Counsel	Bond Pricing
3	As of Date of MTS Site Lease	Bond Counsel	Bond Pricing
3	As of Date of First Amendment to Facilities Lease	Bond Counsel	Bond Pricing
3	As of Date of MTS Sublease	Bond Counsel	Bond Pricing
4	Date of Preliminary Official Statement	Disclosure Counsel	Upon Posting of Preliminary Official Statement
4	Date of Closing	Underwriters and City	Bond Pricing
5	Date of adoption of Authority Resolution	Authority	Date of adoption of Authority Resolution
9	Date of adoption of City Ordinance	City	Date of adoption of City Ordinance
9	Date of effectiveness of City Ordinance	City	Date of adoption of City Ordinance

Page	*Outstanding Items*	*Responsible Party*	*Expected Availability*
9	Date of adoption of City Resolution Approving Preliminary Official Statement and Official Statement	City	Date of adoption of City Resolution Approving Preliminary Official Statement and Official Statement
9	Date of final passage of City Resolution Approving Preliminary Official Statement and Official Statement	City	Date of adoption of City Resolution Approving Preliminary Official Statement and Official Statement
14	Appendix in which the Book Entry Only System disclosure will be located	Disclosure Counsel	Prior to Posting of Preliminary Official Statement
17	Bond Ratings	City, Rating Agencies and Financial Advisor	Before the Preliminary Official Statement is posted
18	Determination as to necessity or desirability of defeasance opinions	Bond Counsel	Before the Preliminary Official Statement is Posted
S-1	All Signatories	Indicated Parties	Bond Pricing
I-1	Principal amounts, maturity dates, interest rates, yields and prices	Underwriters and City	Bond Pricing
I-1	Bond maturities not subject to optional redemption, maturities subject to optional redemption, maturities subject to mandatory sinking fund redemption, sinking fund redemption date and principal amount of Bonds to be redeemed	Underwriters and City	Bond Pricing
I-2	Bond maturities subject to mandatory sinking fund redemption, sinking fund redemption date and principal amount of Bonds to be redeemed	Underwriters and City	Bond Pricing
A-1	Date of Supplemental Opinion (also Date of Closing)	Underwriters and City	Bond Pricing
A-1	Principal Amount of Bonds	Underwriters and City	Bond Pricing
A-1	Date of Bond Purchase Agreement	Underwriters and City	Bond Pricing
A-1	As of Date of First Amendment to Site Lease	Bond Counsel	Bond Pricing
A-1	As of Date of MTS Site Lease	Bond Counsel	Bond Pricing
A-1	As of Date of First Amendment to Facilities Lease	Bond Counsel	Bond Pricing
A-1	As of Date of MTS Sublease	Bond Counsel	Bond Pricing

Page	*Outstanding Items*	*Responsible Party*	*Expected Availability*
A-1	As of Date of First Supplemental Indenture	Bond Counsel	Bond Pricing
A-1	Date of Official Statement	Underwriters and City	Bond Pricing
B-1	Date of Disclosure Counsel Opinion (also Date of Closing)	Underwriters and City	Bond Pricing
B-1	Principal Amount of Bonds	Underwriters and City	Bond Pricing
B-1	Date of Preliminary Official Statement	Underwriters and City	Upon Posting of Preliminary Official Statement
B-1	Date of Official Statement	Underwriters and City	Bond Pricing
B-1	As of Date of First Amendment to Site Lease	Bond Counsel	Bond Pricing
B-1	As of Date of MTS Site Lease	Bond Counsel	Bond Pricing
B-1	As of Date of First Amendment to Facilities Lease	Bond Counsel	Bond Pricing
B-1	As of Date of MTS Sublease	Bond Counsel	Bond Pricing
B-1	As of Date of First Supplemental Indenture	Bond Counsel	Bond Pricing
C-1	Date of City Attorney Opinion (also Date of Closing)	Underwriters and City	Bond Pricing
C-1	Principal Amount of Bonds (2x)	Underwriters and City	Bond Pricing
C-1	Date of Bond Purchase Agreement	Underwriters and City	Bond Pricing
C-1	City Ordinance Number	City	Docketing of Ordinance
C-1	Date of adoption of City Ordinance	City	Date of adoption of City Ordinance
C-1	Ordinance Effective Date	City	Date of adoption of City Ordinance
C-1	Resolution number of Resolution Authorizing Preliminary Official Statement and Official Statement	City	Docketing of Resolution Authorizing Preliminary Official Statement and Official Statement
C-1	Date of adoption of Resolution Authorizing Preliminary Official Statement and Official Statement	City	Date of adoption of Resolution Authorizing Preliminary Official Statement and Official Statement
C-1	Date of final passage of Resolution Authorizing Preliminary Official Statement and Official Statement	City	Date of final passage of Resolution Authorizing Preliminary Official Statement

Page	*Outstanding Items*	*Responsible Party*	*Expected Availability*
			and Official Statement
C-1	Authority Resolution Date	Authority	Date of adoption of Authority Resolution
C-1	Not to Exceed Principal Amount of Bonds	Authority	Prior to Docketing of Authority Resolution
D-1	Principal Amount of Bonds	Underwriters and City	Bond Pricing
D-1	Date of Issuance of the Bonds	Underwriters and City	Bond Pricing
D-1	Bond maturities where less than 10% were sold to the public	Underwriters and City	Bond Pricing
D-1	Aggregate of the initial offering prices of the Bonds	Underwriters and City	Bond Pricing
D-1	Determination of whether the amount of the Reserve Fund Requirement was reasonably	Underwriters and City	Bond Pricing
D-2	Signatory	Indicated Party	Bond Pricing
D-2	Date of Closing	Underwriters and City	Bond Pricing

HDW - 2/15/13 DRAFT

BOND PURCHASE AGREEMENT

$[2013 Par]
Public Facilities Financing Authority
of the City of San Diego
Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013

[Pricing Date]

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:

Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of itself and as representative (the "**Representative**") of the other underwriter 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 $[2013 Par] aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease

Revenue Refunding Bonds, Series 2013 (the "**Bonds**"). The Bonds will be issued on the Closing Date (as hereinafter defined) in the principal amount of $[2013 Par]. 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 $[Purchase Price], being the principal amount of the Bonds, plus a net original issue premium/discount of $[OIP/OID] and less an Underwriters' discount of $[UW Discount].

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) 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, tax 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 (the "**Master Indenture**"), as amended and supplemented by the First Supplemental Indenture, dated as of [As of Date] (the "**First 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 its Lease Revenue Bonds, Series 2012A (Capital Improvement Projects) in the aggregate principal amount of $72,000,000 (the "**Series 2012A Bonds**") and its Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding) in the aggregate principal amount of $18,745,000 (the "**Series 2012B Bonds**," and together with the Series 2012A Bonds, the "**Prior Bonds**") pursuant to the Master Indenture. 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 (the "**Master Site Lease**"), by and between the City and the Authority. Pursuant to the Facilities

Lease, dated as of July 1, 2012 (the "**Master Facilities Lease**"), by and between the Authority and the City, the City subleases the Original Leased 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 First Amendment to Site Lease, dated as of [As of Date] (the "**First 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 Authority will also lease certain real property (the "**MTS Property**") from the San Diego Metropolitan Transit System (the "**MTS**") pursuant to the Site Lease, dated as of [As of Date] (the "**MTS Site Lease**"), by and between the Authority and the MTS. The City will lease the City Property and the MTS Property (collectively, the "**Leased Property**") from the Authority pursuant to the First Amendment to Facilities Lease, dated as of [As of Date] (the "**First Amendment to Facilities Lease**" and, together with the Master Facilities Lease, the "**Lease**"), by and between the City and the Authority, and sublease the MTS Property to the MTS pursuant to the Sublease Agreement, dated as of [As of Date] (the "**MTS Sublease**"), by and between the City and the MTS. Pursuant to the Master Indenture, the Authority assigns to the Trustee, for the benefit of the owners from time to time of the Prior Bonds and the Bonds all Revenues (as defined in the Master Indenture) and all of the rights of the Authority in the Lease (except for certain rights to indemnification set forth therein) and in the Site Lease (except for certain rights to indemnification set forth therein).

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 Master 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, construction, installation and equipping of certain capital improvement projects in various locations in the City (ii) refund the City of San Diego/MTDB Authority 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding) and The City of San Diego 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding) (collectively, the "**Refunded Bonds**"), and (iii) 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 [POS Date] 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 [Closing Date], 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 Nixon Peabody LLP ("**Bond Counsel**") in Los Angeles, 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 and Nonarbitrage 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 [Authority Resolution Date] approving and authorizing the issuance of the Bonds and the execution and delivery by the Authority of this Bond Purchase Agreement, the First Amendment to Site Lease, the MTS Site Lease, the First Amendment to Facilities Lease, the First 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 First Amendment to Site Lease, the MTS Site Lease, the First Amendment to Facilities Lease, the First 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 First Amendment to Site Lease, the MTS Site Lease, the First Amendment to Facilities Lease, the First 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 Operating 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, the MTS Sublease 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 [Ordinance Adoption Date] and effective as of [Ordinance Effective Date] 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 First Amendment to Site Lease, the First Amendment to Facilities Lease, the MTS Sublease, the Continuing Disclosure Certificate and this Bond Purchase Agreement, and the resolution of the City adopted on [City Resolution Adoption Date] and approved for final passage on [City Resolution Final Passage Date] 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 First Amendment to Site Lease, the First Amendment to Facilities Lease, the MTS Sublease, 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 First Amendment to Site Lease, the First Amendment to Facilities Lease, the MTS Sublease, 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 First Amendment to Site Lease, the First Amendment to Facilities Lease, the MTS Sublease, 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 the City has no reason to believe that such financial statements have not been prepared in accordance with generally accepted accounting principles consistently applied, and except as disclosed in the Preliminary Official Statement and the Official Statement or otherwise disclosed in writing to the Representative, there has not been any materially adverse change in the financial condition of the City or in its operations since June 30, 2012 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change; 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 date hereof 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 Nixon Peabody LLP ("**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 Hawkins Delafield & Wood LLP, 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, 2012; financial, demographic, statistical and economic data and projections; assumptions; and information relating to the book-entry-only system, including information in APPENDIX E ["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 First Amendment to Site Lease, the MTS Site Lease, the First Amendment to Facilities Lease, the First 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 principal amount of the Bonds;

(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) [an opinion or opinions of Bond Counsel to the effect that the moneys or securities set aside for the payment of the Refunded Bonds upon the redemption thereof are authorized under the indenture or trust agreement, as the case may be, under which the Refunded Bonds were issued (the "**Refunded Bonds Governing Document**") and the obligations and pledges of the Authority under the Refunded Bonds Governing Document and agreements related thereto are discharged and defeased;]

(xxii) a certificate of a duly authorized official of the trustee for the Refunded Bonds to the effect that the Refunded Bonds have been paid and discharged in accordance with the Refunded Bonds Governing Document;

(xxiii) 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) if between the date hereof and the date which is not less than 25 days after the End of the Underwriting Period (as hereinafter defined) for the Bonds, an event occurs, or facts or conditions become known of which the Authority or the City has knowledge which in the reasonable opinion of counsel to the Underwriters or counsel to the Authority or the City, might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to 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, the Authority or the City, as applicable, will notify the Representative, and, if in the opinion of the Representative or the City, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority and the City will forthwith prepare and furnish to the Underwriters (at the expense of the City) (i) a reasonable number of copies, which may be electronic copies, of an amendment of or supplement to the Official Statement, and (ii) a posting on EMMA of an amendment or supplement to the Official Statement (in each case in form and substance satisfactory to the Representative) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading. If such notification shall be subsequent to the Closing, the Authority and the City shall forthwith provide to the Underwriters such certificates as the Underwriters may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the City will furnish such information with respect to itself and the Authority as the Underwriters may from time to time reasonably request;

(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 which is 25 days after the End of the Underwriting Period for the Bonds, 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) as used herein and for the purposes of the foregoing, the term "**End of Underwriting Period**" for the Bonds shall mean the earlier of (i) the Closing Date unless the Authority and the City shall have been notified in writing to the contrary by the Representative on or prior to the Closing Date or (ii) the date on which the End of the Underwriting Period for the Bonds has occurred under the Rule, provided, however, that the Authority and the City may treat as the End of the Underwriting Period for the Bonds the date specified as such in a notice from the Representative stating the date which is the End of the Underwriting Period;

(d) 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;

(e) 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

(f) 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:

Bank of America Merrill Lynch
333 S. Hope Street, Suite 2310
Los Angeles, CA 90071
Attn: Jeffrey Bower

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.

[Remainder of page intentionally left blank.]

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.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, for itself and as Representative of

RAYMOND JAMES MORGAN KEEGAN

By: _____
Managing Director

Accepted as of the date hereof:
PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO

By:_____
Name: Todd Gloria
Title: Chair

CITY OF SAN DIEGO

By:_____
Name:
Title: Chief Operating 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

$[2013 Par]
Public Facilities Financing Authority of the City of San Diego
Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013

Maturity Schedule

Maturity Date	Principal Amount	Interest Rate	Yield	Price

Redemption Provisions

Optional Redemption. The Bonds maturing on or before ____ 15, 20__ are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after ___ 15, 20__, shall be subject to optional redemption, in whole or in part, on any date on or after ___ 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 _____ 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 Bonds Sinking Account, on each semi-annual principal payment date commencing _____ 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 ____ 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 Bonds Sinking Account, on each semi-annual principal payment date commencing _____ 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

[Closing Date]

City of San Diego
San Diego, California

Public Facilities Financing Authority of the City of San Diego
San Diego, California

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Representative
of the Underwriters (defined below)
Los Angeles, 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 "Legal Opinion") concerning the validity of (a) $[2013 Par] aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013 (the "Bonds"). This supplemental opinion is rendered pursuant to Section 8(c)(iii) of the Bond Purchase Agreement, dated [Pricing Date] ("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.

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 [As of Date] (collectively, the "Site Lease"), by and between the City and the Authority; the Site Lease, dated as of [As of Date] (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 [As of Date] (collectively, the "Facilities Lease"), by and between the Authority and the City; the Sublease Agreement, dated as of [As of Date] (the "MTS Sublease"), by and between the City and the MTS; the Indenture, dated as of July 1, 2012, as amended and supplemented by the First Supplemental Indenture, dated as of [As of Date] (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 and Nonarbitrage 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 (a) the Securities Act of 1933 as amended (the "1933 Act") and the applicable rules, regulations and interpretations under the 1933 Act, and (b) the Official Statement, dated [Pricing Date], 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 express no view herein with respect to the laws of any jurisdiction other than the State of California and Federal securities law of the United States of America. The only opinions rendered hereby shall be those expressly stated as such herein, and no opinion shall be implied or inferred as a result of anything contained herein or omitted herefrom. The opinions and conclusions hereinafter expressed are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions and conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or such events do occur or any other matters come to our attention after the date hereof. We have assumed, without undertaking to verify, the genuineness of the documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the City and the Authority. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with all the covenants, in the Facilities Lease, the Site Lease, the MTS Site Lease, the MTS Sublease, the Indenture, the Tax Certificate, the Continuing Disclosure Certificate, and the other documents presented to us. The accuracy of certain of those representations and certifications, and compliance by the City and the Authority with certain of their covenants, may be necessary for interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants subsequent to the issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. The rights and obligations under the Bonds, the Facilities Lease, the Site Lease, the MTS Site Lease, the MTS Sublease, the Indenture, the Continuing Disclosure Certificate, the Tax Certificate and other documents, and their enforceability, may be subject to 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 limitations on legal remedies against charter cities and joint power authorities in the State of California (the "State"). We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence, nor do we express any opinion with respect to the state or quality of title to, or interest in, any of the Leased Property described in or subject to the Facilities Lease, the MTS Site Lease, the MTS Sublease, the Site Lease or the accuracy or sufficiency of the description of any such property contained therein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto, except as expressly set forth in paragraph 2 below.

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.

(2) The statements contained in the Official Statement under the captions "THE SERIES 2013 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 2013 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.

(3) It is not necessary in connection with the sale of the Bonds to the public to register the Bonds under the 1933 Act or to qualify the Indenture under the 1939 Act.

The Underwriters may rely on our Legal Opinion as if it were addressed to them.

This opinion is furnished by us as Bond Counsel to the City. No attorney-client relationship has existed or exists between our Firm and the Authority or the Underwriters in connection with the Bonds or by virtue of this supplemental opinion. This supplemental opinion is furnished to the Authority solely for your benefit in your capacity as issuer of the Bonds and to the Underwriters solely for your benefit in your capacity as Underwriters in connection with the original issuance and delivery of the Bonds, and may not be provided, quoted or otherwise referred to, or relied upon by you for any other purpose or by any other person. This opinion is not intended to, and may not, be relied upon by the holders or owners of the Bonds or by any other person to whom it is not specifically addressed. We do not undertake to advise you of any subsequent events or developments which might affect the statements contained herein. Our engagement with respect to this matter has terminated as of the date hereof, and we disclaim any obligation to update this opinion.

Respectfully submitted,

APPENDIX B

DISCLOSURE COUNSEL OPINION

[Closing Date]

City of San Diego
San Diego, California

Public Facilities Financing Authority of the City of San Diego
San Diego, 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) $[2013 Par] aggregate principal amount of the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013 (the "Bonds"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Official Statement (identified below).

As Disclosure Counsel, we have examined and relied upon: the Preliminary Official Statement, dated [POS Date], relating to the Bonds (the "Preliminary Official Statement"); the Official Statement, dated [Pricing Date], 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 [As of Date] (collectively, the "Site Lease"), by and between the City and the Authority; Site Lease, dated as of [As of Date] (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 [As of Date] (collectively, the "Facilities Lease"), by and between the Authority and the City; the Sublease Agreement, dated as of [As of Date] (the "MTS Sublease"), by and between the City and the MTS; the Indenture, dated as of July 1, 2012, as amended and supplemented by the First Supplemental Indenture, dated as of [As of Date] (collectively, the "Indenture"), by and between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"); a Tax and Nonarbitrage 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 express no view herein with respect to the laws of any jurisdiction other than Federal securities law of the United States of America. The only views expressed herein shall be those expressly stated as such herein, and no views shall be implied or inferred as a result of anything contained herein or omitted herefrom. The views hereinafter expressed are based on an analysis

of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such views may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or such events do occur, or any other matters come to our attention after the date hereof. We are not expressing, with your permission, any opinion or view on, and we have assumed without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and certificates presented to us, the correctness of the legal conclusions contained in the opinions presented to us, and the due and legal execution and validity of such documents and certificates. We have assumed the due execution and delivery of the Refunded Bonds, and that all records, documents, certificates and opinions that we have reviewed, and signatures thereon, are complete and genuine. Furthermore, we have assumed compliance with all the covenants in the Facilities Lease, the Site Lease, the MTS Site Lease, the MTS Sublease, the Indenture, the Tax Certificate and the other documents presented to us. The accuracy of certain of those representations and certifications, and compliance by the City and the Authority with certain of their covenants, may be necessary for interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants subsequent to the issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. The rights and obligations under the Bonds, the Facilities Lease, the Site Lease, the MTS Site Lease, the MTS Sublease, the Indenture, the Tax Certificate and other documents, and their enforceability, may be subject to 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, and to the limitations on legal remedies against charter cities and counties and joint power authorities in the State of California. We express no opinion or view with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence, nor do we express any opinion or view with respect to the state or quality of title to, or interest in, any of the Leased Property described in or subject to the Facilities Lease, the MTS Site Lease, the MTS Sublease or the Site Lease or the accuracy or sufficiency of the description of any such property contained therein.

In accordance with our understanding with the City to assist the City, in part, concerning its responsibilities with respect to the Official Statement, we have rendered, as Disclosure Counsel, certain limited legal advice and assistance to the City in the course of the preparation of the Preliminary Official Statement and the Official Statement. We have not been engaged by the City for the purpose of, and we are not, passing upon, and we do not assume any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement, and we have not been engaged to, and we have not, independently verified the accuracy, completeness or fairness of any such statements. However, in our capacity as Disclosure Counsel, we have participated in certain telephonic conferences with representatives and employees of the City, the City Attorney's Office, Public Resources Advisory Group, as the City's Financial Advisor, Hawkins Delafield & Wood, LLP, as City Disclosure Counsel, the Underwriters, their counsel and others, during which conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Based on our participation in the above-mentioned conferences (which did not extend beyond the date of the Official Statement), and in reliance thereon and on the records,

documents, certificates, opinions and matters described above and subject to the qualifications set forth herein, we advise you as a matter of fact and not legal opinion that, during the course of our engagement as Disclosure Counsel to the City on this matter, no facts came to the attention of the attorneys in our firm rendering legal services in connection with such representation which caused us to believe the Preliminary Official Statement (including Appendix A) as of its date and the Official Statement (including Appendix A thereto) as of its date and as of this date (except for any information listed below, as to which we express no view) contained or contains any untrue statement of a material fact, or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. We express no view as to: (a) Appendix E to the Preliminary Official Statement or Appendix E to the Official Statement; (b) any other financial, accounting, economic, statistical, engineering or demographic data or forecasts, debt service schedules, numbers, charts, tables, graphs, estimates, projections, appraisals, assumptions or expressions of opinion included or incorporated by reference in the Preliminary Official Statement, or the Appendices thereto, or the Official Statement, or the Appendices thereto, or omitted therefrom; (c) any CUSIP number included or omitted therefrom; and (d) any information about the book entry system, The Depository Trust Company or the initial reoffering yields or prices of the Bonds. No responsibility is undertaken, or view expressed or rendered, with respect to any other disclosure documents, material or activity.

The preceding paragraph is not a legal opinion but is in the nature of negative factual advice based on certain limited activities performed by specific lawyers in our firm in our role as Disclosure Counsel, which limited activities do not purport to encompass all activities that the City may be responsible to undertake with respect to the Preliminary Official Statement and the Official Statement.

This letter is furnished by us as Disclosure Counsel to the City. No attorney-client relationship has existed or exists between our firm and the Authority in connection with the Bonds, the Preliminary Official Statement, the Official Statement or by virtue of this letter. This letter is furnished by us to the City and Authority in connection with the original issuance and delivery of the Bonds, is solely for your benefit and is not to be used circulated quoted, or otherwise referred to, or relied upon by you for any other purpose, or by any other person. This letter is not intended to, and may not, be relied upon by the holders or owners of the Bonds or by any other person to whom it is not specifically addressed. We do not undertake to advise you of any subsequent events or developments which might affect the statements contained herein. Our engagement with respect to this matter has terminated as of the date hereof, and we disclaim any obligation to update this letter.

Respectfully submitted,

APPENDIX C

CITY ATTORNEY OPINION

[Closing Date]

Public Facilities Financing Authority
202 C Street
San Diego, California 92101

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Representative
of the Underwriters (defined below)
Los Angeles, California

Re: $[2013 Par] Public Facilities Financing Authority of the City of San Diego
Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013

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 [Pricing Date] (the "Bond Purchase Agreement"), by and between the City and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the Underwriters named therein, with respect to $[2013 Par] aggregate principal amount of the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013 (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. O-_____ of the City Council of the City ("Council") adopted on [Ordinance Adoption Date] and effective as of [Ordinance Effective Date] Approving the Forms of and Authorizing the Execution and Delivery of One or More Amendments to Site Lease, Amendments to Facilities Lease and Bond Purchase Agreements; 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 Lease Revenue Refunding Bonds; and Approving Other Documents and Actions in Connection Therewith ("Ordinance"); (ii) Resolution R-_____ of the Council adopted on [City Resolution Adoption Date] and approved for final passage on [City Resolution Final Passage Date], 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 Lease Revenue Refunding Bonds and (iii) a Resolution of the Board of Commissioners of the Authority adopted on [Authority Resolution Date], Authorizing the Execution and Delivery of a First Amendment to Site Lease, an MTS Site Lease, a First Amendment to Facilities Lease, a First Supplemental Indenture and a Purchase Agreement; Approving the Issuance and Sale of Not to Exceed $_____ Principal Amount of the Authority's Lease Revenue Bonds and Lease Revenue

Refunding Bonds; 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 MTS Sublease, (vii) the Bond Purchase Agreement and (viii) 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, the MTS Sublease 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 Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Representative"), as representative of itself and Raymond James Morgan Keegan (collectively, the "Underwriters"), in connection with the issuance by the Public Facilities Financing Authority (the "Issuer") of $[2013 Par] aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013 (the "Bonds") on [Closing Date], 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 Bonds (the "Sale Date") that the first prices at which at least 10% of each maturity of the 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 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 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 Bonds with the following maturities:]. [For the 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 Bonds exceeded the expected fair market value of the Bonds as of the Sale Date.

5. The aggregate of the initial offering prices of the Bonds was not greater than $_____, taking into account net premium on the Bonds.

[5. The amount of the Reserve Fund Requirement is reasonably required in that it was a material factor in selling the Bonds at the lowest possible yield (given other characteristics of the Bonds), and the funding of the Reserve Fund in the amount of the Reserve Fund Requirement is reasonable and customary in marketing similar issues of governmental obligations.]

We understand that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and by Nixon Peabody LLP, in connection with rendering its opinion to the Issuer that the interest on the 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.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,
on behalf of itself and as Representative of the Underwriters

By: _____
[Name]
[Title]

Dated: [Closing Date]

SCHEDULE A

LOG OF BLANKS

for

Preliminary Official Statement

relating to

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO LEASE REVENUE BONDS AND LEASE REVENUE REFUNDING BONDS SERIES 2013A (CAPITAL IMPROVEMENT PROJECTS AND OLD TOWN LIGHT RAIL EXTENSION REFUNDING)

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO LEASE REVENUE REFUNDING BONDS SERIES 2013B (BALBOA PARK/MISSION BAY PARK REFUNDING)

Page	Item	Responsible Party	Time of Completion
Cover	Dated date of Preliminary Official Statement	Bond Counsel	Date POS is posted
Cover	Ratings	Bond Counsel	When ratings issued
Cover	Aggregate principal amount of Series 2013A Bonds and Series 2013B Bonds	Bond Counsel	Following pricing
Cover	Dates of delivery	Bond Counsel	Following pricing
Cover	Dated date of Final Official Statement (FOS)	Bond Counsel	Following pricing
Inside Cover	MATURITY SCHEDULES	Bond Counsel	Following pricing
1	Aggregate principal amount of Series 2013A and Series 2013B Bonds	Bond Counsel	Following pricing
5, 6	Redemption Provisions	Bond Counsel	Following pricing
9	Date(s) of redemption of 2003 Old Town Light Rail Refunding Bonds and 2003 Certificates of Participation	Bond Counsel	Date POS is posted
10	ESTIMATED SOURCES AND USES OF FUNDS	Bond Counsel/Financial Advisor	Following pricing
11	DEBT SERVICE SCHEDULE	Bond Counsel/Financial Advisor	Following pricing
31	Maturity dates for Discount Bonds	Bond Counsel	Following pricing
31	Maturity dates for Premium Bonds	Bond Counsel	Following pricing
34	Ratings	Bond Counsel	When ratings received
35	UNDERWRITING – Purchase Price	Bond Counsel	Following pricing
37	Authority Signature	Authority	Date FOS is posted
37	City Signature	City	Date FOS is posted
A-11	Final City Budget Information	Bond Counsel	Following adoption of Budget
B-6	2012 First Quarter Taxable Transactions Data	Bond Counsel	Date POS is posted, if data is available
B-11	County Per Capita Personal Income Data	Bond Counsel	Date POS is posted, if data is available

C-4	Expiry Date	Bond Counsel/City	Following pricing
C-11	Maturity Dates for Term Bonds	Bond Counsel	Following pricing
C-14	Date proceeds in 2013 Costs of Issuance Fund will be transferred to Series 2013A Construction Fund	Bond Counsel	Following pricing
C-54	Termination Date for MTS Site Lease	Bond Counsel	Following pricing
D-1	Aggregate principal amount of Series 2013A and Series 2013B Bonds	Bond Counsel	Following pricing
D-3	Maturity date for Discount Bonds	Bond Counsel	Following pricing
F-1	Aggregate principal amount of Series 2013A and Series 2013B Bonds	Bond Counsel	Following pricing
F-2	Date of Official Statement	Bond Counsel	Following pricing

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2013

NEW ISSUE — FULL BOOK-ENTRY-ONLY

Fitch: [___]
S&P: [___]
See "RATINGS"

In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Authority and the City described herein, interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on the Series 2013 Bonds is exempt from personal income taxes of the State of California under present state law. See "TAX MATTERS" regarding certain other tax considerations.

$_____*
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS AND
LEASE REVENUE REFUNDING BONDS
SERIES 2013A
(CAPITAL IMPROVEMENT PROJECTS AND
OLD TOWN LIGHT RAIL EXTENSION REFUNDING)

$_____*
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE REFUNDING BONDS
SERIES 2013B
(BALBOA PARK/MISSION BAY PARK REFUNDING)

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 $_____* 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 $_____* 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 2013A Bonds, the "Series 2013 Bonds") pursuant to the Indenture, dated as of July 1, 2012 (the "Master Indenture"), as amended and supplemented by the First Supplemental Indenture, dated as of July 1, 2013 (the "First 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 2013A Bonds are being issued to (i) finance the costs of the acquisition, design, construction, installation and equipping of certain capital improvement projects of the City of San Diego (the "City"); (ii) refund all the outstanding City of San Diego/MTDB Authority 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding) and (iii) pay costs of issuance incurred in connection with the issuance of the Series 2013 Bonds. The Series 2013B Bonds are being issued to (i) refund all of the outstanding City of San Diego 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding) and (ii) pay costs of issuance incurred in connection with the issuance of the Series 2013 Bonds. See "PLAN OF FINANCE AND REFUNDING."

The Series 2013 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 2013 Bonds will be made in book-entry form only, in the principal amount of $5,000 or any multiple thereof. Interest on the Series 2013 Bonds will be payable on April 15 and October 15 of each year, commencing October 15, 2013.

The Series 2013 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 (the "Master 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 with the Master Facilities Lease, the "Lease"). The Series 2013 Bonds are also payable from insurance or condemnation awards, if any, arising under the Lease. The Series 2013 Bonds are payable on a parity with the Authority's Lease Revenue Bonds Series 2012A (Capital Improvement Projects) and the Authority's Lease Revenue Refunding Bonds Series 2012B (Fire and Life Safety Facilities Refunding), which are also payable from Base Rental Payments made by the City for the use and occupancy of the Leased Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS" and "CERTAIN RISK FACTORS."

The Series 2013A Bonds are subject to optional, mandatory sinking fund, and special mandatory redemption, and the Series 2013B Bonds are subject to special mandatory redemption, as more fully set forth herein. See "THE SERIES 2013 BONDS – Redemption Provisions."

* Preliminary, subject to change.

THE SERIES 2013 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 2013 BONDS. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2013 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 2013 Bonds are offered when, as and if issued, subject to the opinion on certain legal matters relating to their issuance by Nixon Peabody LLP, 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, and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. It is anticipated that the Series 2013A Bonds and the Series 2013B Bonds will be available for delivery through the facilities of DTC in book-entry form on or about July ___, 2013 and August ___, 2013, respectively.

BofA Merrill Lynch **Raymond James**

Dated: _____, 2013

MATURITY SCHEDULE*

$_____*

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS AND
LEASE REVENUE REFUNDING BONDS
SERIES 2013A
(CAPITAL IMPROVEMENT PROJECTS AND
OLD TOWN LIGHT RAIL EXTENSION REFUNDING)
(BASE CUSIP NUMBER: 797299)[1]

Maturity Date	Principal Amount	Interest Rate	Yield[2]	CUSIP[1]

$_____ _____% Term Bond due October 15, 20__, Yield[2]: _____%, CUSIP[1]: 797299___

---

* Preliminary, subject to change.

1 Copyright 2013, American Bankers Association. CUSIP numbers herein are provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association, and are set forth herein for the convenience of reference only. None of the City, the Authority, Bond Counsel, Disclosure Counsel, the Underwriters or the Financial Advisor assume any responsibility for the accuracy of such numbers.

2 Reoffering yields are furnished by the Underwriters. Neither the Authority nor the City takes any responsibility for the accuracy thereof.

C Priced to the par call date of October 15, 20__.

MATURITY SCHEDULE*

$_____*

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE REFUNDING BONDS
SERIES 2013B
(BALBOA PARK/MISSION BAY PARK REFUNDING)
(BASE CUSIP NUMBER: 797299)[1]

Maturity Date	Principal Amount	Interest Rate	Yield[2]	CUSIP[1]

* Preliminary, subject to change.

[1] Copyright 2013, American Bankers Association. CUSIP numbers herein are provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association, and are set forth herein for the convenience of reference only. None of the City, the Authority, Bond Counsel, Disclosure Counsel, the Underwriters or the Financial Advisor assume any responsibility for the accuracy of such numbers.

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

CITY OF SAN DIEGO

MAYOR
Bob Filner

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

Sherri S. Lightner, City Council President *Pro Tem* (*District 1*)
Kevin Faulconer (*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, *Interim Chief Operating Officer*
Greg Bych, *Interim Chief Financial Officer*
Gail R. Granewich, *City Treasurer*
Eduardo Luna, *City Auditor*
Kenton C. Whitfield, *City Comptroller*
Andrea Tevlin, *Independent Budget Analyst*
Elizabeth Maland, *City Clerk*

BOND COUNSEL AND DISCLOSURE COUNSEL
Nixon Peabody LLP

FINANCIAL ADVISOR
Public Resources Advisory Group

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 2013 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 2013 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 Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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 Underwriters 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 2013 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 Underwriters may overallot or effect transactions which stabilize or maintain the market prices of the Series 2013 Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2013 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 Underwriters.

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

**$_____*
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS AND
LEASE REVENUE REFUNDING BONDS
SERIES 2013A
(CAPITAL IMPROVEMENT PROJECTS AND
OLD TOWN LIGHT RAIL EXTENSION REFUNDING)**

**$_____*
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE REFUNDING BONDS
SERIES 2013B
(BALBOA PARK/MISSION BAY PARK REFUNDING)**

INTRODUCTION

This Introduction contains only a brief summary of certain of the terms of the Series 2013 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 $_____* 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 $_____* 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 2013A Bonds, the "Series 2013 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 2013 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 2013 Bonds are being issued pursuant to the Indenture, dated as of July 1, 2012 (the "Master Indenture"), as amended and supplemented by the First Supplemental Indenture, dated as of July 1, 2013 (the "First 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 2013A Bonds are being issued to (i) finance the costs of the acquisition, design, construction, installation and equipping of certain capital improvement projects of the City of San Diego (the "City"); (ii) refund all the outstanding City of San Diego/MTDB Authority 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding) (the "2003 Old Town Light Rail Refunding Bonds") and (iii) pay costs of issuance incurred in connection with the issuance of the Series 2013 Bonds. The Series 2013B Bonds are being issued to (i) refund all of the outstanding City

* Preliminary, subject to change.

of San Diego 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding) and (ii) pay costs of issuance incurred in connection with the issuance of the Series 2013 Bonds. See "PLAN OF FINANCE AND REFUNDING."

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, and $18,745,000 aggregate principal amount of its Lease Revenue Refunding Bonds, Series 2012B (Fire and Life Safety Facilities Refunding) (the "Series 2012B Bonds," and together with the Series 2012A Bonds, the "Series 2012 Bonds"), to refund various obligations of the City and the Authority. The Series 2012 Bonds, the Series 2013 Bonds and any Additional Bonds (hereinafter defined) issued pursuant to a Supplemental Indenture are collectively referred to herein as the "Bonds." The Series 2012 Bonds are payable on a parity with the Series 2013 Bonds from Base Rental Payments made by the City for the use and occupancy of the Leased Property. The Series 2012 Bonds are currently outstanding in the amount of $89,815,000.

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 (the "Master Site Lease"), as amended and supplemented by the First Amendment to Site Lease, dated as of July 1, 2013 (the "First 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 will lease from the San Diego Metropolitan Transit System ("MTS") certain interests in real property of MTS (the "MTS 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. 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 (the "Master 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 with the Master Facilities Lease, the "Lease"), each by and between the Authority and the City. 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.

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 2013 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 2013 BONDS – Abatement of Lease Payments" and APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE LEASE – Rental Payments – *Rental Abatement*."

Indenture and Security for the Bonds

The Bonds, including the Series 2013 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 the Bonds. 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.

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 Series 2012 Bonds and the Series 2013 Bonds, subject to the conditions precedent set forth in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS – Additional Bonds."

Bondholders' Risks

There are a number of risks associated with the purchase of the Series 2013 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 2012, which includes the City's audited basic financial statements as of and for the fiscal year ended June 30, 2012. 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 2013 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 2013 BONDS

General Terms

The Series 2013 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 two pages immediately following the cover page of this Official Statement. The Series 2013 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 2013 Bonds will be made in book-entry form only in the principal amount of $5,000 or any multiple thereof. Interest on the Series 2013 Bonds will be payable on April 15 and October 15 of each year (each, an "Interest Payment Date"), commencing October 15, 2013. The Trustee will make payments of the principal of and interest on the Series 2013 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 2013 Bonds. See APPENDIX E — "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Except as otherwise provided in the Indenture, interest on the Series 2013 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 2013 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 2013 Bonds upon maturity or earlier redemption of such Series 2013 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 2013A Bonds.* The Series 2013A Bonds maturing on or before October 15, 20__ are not subject to optional redemption prior to their respective stated maturities. The Series 2013A 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 2013A 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).

No Optional Redemption of Series 2013B Bonds.* The Series 2013B Bonds are not subject to optional redemption prior to their respective stated maturities.

Mandatory Sinking Fund Redemption of Series 2013A Bonds.* The Series 2013A 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 2013A Bonds Sinking Account, on each sinking fund redemption date commencing _____, 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 2013A 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 2013A Bonds Sinking Account, on each sinking fund redemption date commencing _____, 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:

* Preliminary, subject to change.

Sinking Fund Redemption Date	Principal Amount to be Redeemed or Purchased

*Maturity date

Provided, however, that if some but not all of the Series 2013A Bonds maturing on or after October 15, 20__ (the "2013A Term Bonds") have been optionally redeemed as described above, the total amount of all future sinking account payments with respect to such redeemed 2013A Term Bonds will be reduced by the aggregate principal amount of such 2013A Term Bonds so redeemed, to be allocated among the sinking account payments for such 2013A 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. Both the Series 2013A Bonds and the Series 2013B 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 2013 Bonds of a particular maturity are to be redeemed, the Trustee will select the Series 2013 Bonds to be redeemed from all Series 2013 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 2013 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 2013 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 2013 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 2013 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 2013 Bonds (or all Series 2013 Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Series 2013 Bonds within a maturity are called for redemption) bond numbers of the Series 2013 Bonds to be redeemed, the maturity or maturities of the Series 2013 Bonds to be redeemed and in the case of Series 2013 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 2013 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 2013 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 2013 Bonds, the notice of redemption will state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Series 2013 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 2013 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 2013 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 2013 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 2013 Bonds called for optional redemption or for such lesser portion of such Series 2013 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 2013 Bonds called for optional redemption. Any such direction to the Trustee must: (i) be in writing; (ii) state either that all the Series 2013 Bonds called for redemption therein identified are to be purchased or, if less than all of the Series 2013 Bonds called for redemption are to be purchased, identify those Series 2013 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 2013 Bonds on the date which otherwise would be the redemption date of such Series 2013 Bonds. Any of the Series 2013 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 2013 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 2013 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 2013 Bonds on the scheduled redemption date for such redemption. To pay the purchase price of such Series 2013 Bonds, the Trustee will use money deposited by the City with the Trustee for such purpose. The Trustee will not purchase the Series 2013 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 2013A Term Bonds, to direct the Trustee to use and withdraw amounts on deposit as sinking account payments for the 2013A Term Bonds, at any time for the purchase by the

City (or the Trustee on behalf of the City) of 2013A 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 2013A 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 2013A 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 2013A 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 2013A 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 2013A 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 2013 Bonds. The Series 2013 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 2013 Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Series 2013 Bonds. So long as the Series 2013 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners of the Series 2013 Bonds will mean Cede & Co., and will not mean the ultimate purchasers of the Series 2013 Bonds. Payments by the Trustee of the principal of and interest on the Series 2013 Bonds and any notice with respect to any Series 2013 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 2013 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 AND REFUNDING

Plan of Finance

The City will apply approximately $35 million of the proceeds of the Series 2013A Bonds to finance the acquisition, design, construction, installation and equipping of various capital improvement projects of the City, including: three libraries, a fire station, street resurfacing, concrete street projects, sea wall repairs, storm water watershed and mitigation projects and other capital projects.

Plan of Refunding

In addition to providing funds to finance various capital improvement projects of the City, proceeds of the Series 2013 Bonds will be used to refund two outstanding obligations of the City.

The City will apply a portion of the proceeds of the Series 2013A Bonds (excluding amounts applied to finance the capital improvement projects mentioned above and costs of issuance) to redeem all of the outstanding 2003 Old Town Light Rail Refunding Bonds. The City of San Diego/MTDB Authority issued the 2003 Old Town Light Rail Refunding Bonds on May 20, 2003 to, among other things, refund the City of San Diego/MTDB Authority 1993 Lease Revenue Bonds (San Diego Old Town Light Rail Transit Extension) originally issued to finance a portion of the acquisition, equipping and construction of an extension to the San Diego Light Rail Transit System to Old Town San Diego. The redemption of the 2003 Old Town Light Rail Refunding Bonds will be effected by transferring a portion of the proceeds of the Series 2013A Bonds to Wells Fargo Bank, National Association, as trustee for the owners of the 2003 Old Town Light Rail Refunding Bonds, for payment of the redemption price on _____, 2013.

The City will apply the proceeds of the Series 2013B Bonds (excluding amounts applied to costs of issuance) to redeem all of the outstanding City of San Diego 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding) (the "2003 Certificates of Participation"). The 2003 Certificates of Participation were executed and delivered on June 17, 2003 to, among other things, refund the City's outstanding Certificates of Participation (Balboa Park and Mission Bay Park Capital Improvements Program), Series 1993 originally issued to finance various capital improvement projects related to Balboa Park and Mission Bay Park. The redemption of the 2003 Certificates of Participation will be effected by transferring a portion of the proceeds of the Series 2013B Bonds to Wells Fargo Bank, National Association, as trustee for the owners of 2003 Certificates of Participation, for payment of the redemption price on _____, 2013.

ESTIMATED SOURCES AND USES OF FUNDS

The sources of funds to be received from the sale of the Series 2013 Bonds and the proposed uses of the Series 2013 Bond proceeds are estimated to be in the amounts shown below.

	Series 2013A Bonds	Series 2013B Bonds	Total
SOURCES OF FUNDS			
Principal Amount			
[Plus / Less] [Net] Original Issue [Premium / Discount]			
Total Sources			
USES OF FUNDS			
Deposit to the Series 2013A Construction Fund			
Redemption of 2003 Old Town Light Rail Refunding Bonds			
Redemption of 2003 Certificates of Participation			
Costs of Issuance[1]			
Total Uses			

(1) Includes fees and costs associated with the issuance of the Series 2013 Bonds, including, but not limited to, trustee fees, underwriters' discount, financial advisor fees and expenses, bond counsel fees and expenses, disclosure counsel fees and expenses, rating agency fees, title insurance costs, appraisal fees, printing costs and eligible City staff costs.

DEBT SERVICE SCHEDULE

The following table summarizes the debt service requirements of the Authority's outstanding Series 2012 Bonds and the Series 2013 Bonds payable from Base Rental Payments made by the City pursuant to the Lease:

Date	Debt Service on Outstanding Series 2012 Bonds	Series 2013A		Series 2013B		Total Series 2013 Debt Service	Fiscal Year Aggregate Parity Debt Service[1]
		Principal	Interest	Principal	Interest		
	$	$	$	$	$	$	$
TOTAL	$	$	$	$	$	$	$

[1] Represents total debt service on the Series 2012 Bonds and the Series 2013 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.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS

General

The Series 2013 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 2013 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 2013 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 2013 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 2013 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 currently includes flood coverage for all components of the City Property (except the Ground Lease Sites), earthquake coverage in limited amounts for certain scheduled locations and coverage for rental interruption for designated locations. 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. See "– CSAC-EIA Pool" and "– MTS Property Insurance" 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 Reserve Fund

The City will not establish or maintain a reserve fund for the Series 2013 Bonds nor is there a reserve fund for the Series 2012 Bonds. Amounts held or to be held in a 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 Series 2012 or the Series 2013 Bonds.

Parity Bonds

As of April 15, 2013, the Authority had $89,815,000 aggregate principal amount of Bonds outstanding under the Indenture. Currently, the Series 2012 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 Series 2012 Bonds and the Series 2013 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 2013 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 (or will require tenants of the Leased Property, at their 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 2013 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. See APPENDIX C — "SUMMARY OF LEGAL DOCUMENTS – THE MTS SITE LEASE – *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 2013 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

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 or 2013 at an aggregate value of approximately $171 million. 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. The table below provides additional information concerning the Leased Property.

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SUMMARY OF LEASED PROPERTY

Site	Address[1]	General Description	Original Completion Date	Approx. Acreage of Site	Approx. Building Square Footage
Hilton San Diego Resort (Ground Lease)[2]	1775 E. Mission Bay Dr.	Ground lease under a resort hotel and related facilities	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, parking and related facilities	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 an administrative building, and underground parking	Not applicable	2.87	Not applicable
Mission Valley Library	2123 Fenton Parkway	Public library and parking	2002	2.00	18,930
Fire Communications Building	3750 Kearny Villa Rd.	Fire communications building and related facilities	1990	1.47	11,563
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 #37	11640 Spring Canyon	Fire station	2001	1.09	8,400
Fire Station #44	10011 Black Mountain Rd.	Fire station and related facilities	2000	1.64	9,400
Northeastern Police Station	13396 Salmon River Rd.	Police station and related facilities	1989	3.07	16,500
Mingei International Museum and Art Institute Building (House of Charm)	1439 El Prado, Balboa Park	Two museums and three theater rehearsal spaces	1996	1.64	63,500
Light Rail Transit System Maintenance Yard Portion[3]	1535 Newton Ave.	Maintenance Yard 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) MTS Property.
Source: City of San Diego.

Ground Lease Sites

The ground lease sites described in the table above (collectively, the "Ground Lease Sites") each consist 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 2013 BONDS – Fire and Extended Coverage Insurance" and "– Use and Occupancy Insurance."

The Base Rental Payments to be made by the City are obligations of the City payable from its General Fund and any other legally available funds of the City. 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 2013 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 2012, 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.

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. 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 2013 Bonds and has pledged none of its moneys, funds or assets toward the payment of any amount due in connection with the Series 2013 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 2013 Bonds. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Series 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2013 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 2013 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 2013 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 2013 BONDS – Abatement of Rental 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 2013 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 Mission Valley Library and the Light Rail Transit System Maintenance Yard 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 2013 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 2013 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" 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 2013 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 2013 Bonds (including Bond Counsel's legal opinion) will be qualified, as to the enforceability of the Series 2013 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" 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 2013 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 2013 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 2013 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.

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 City of San Diego Redevelopment Agency (the "Former RDA") was dissolved as of February 1, 2012 pursuant to State legislation that dissolved all such redevelopment agencies statewide. 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 exposure to the General Fund could be material. See APPENDIX A — "CITY BUDGET AND RELATED MATTERS – Former Redevelopment Agency."

State of California Financial Condition

Although improving, the State is still facing continuing financial and budget stress, 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. For more information regarding the State's financial condition, see APPENDIX A — "CITY GOVERNMENT AND FINANCIAL INFORMATION – STATE BUDGET INFORMATION."

Sequestration

The Budget Control Act of 2011 (the "Budget Control Act") provided for increases in the federal debt limit and established procedures designed to reduce the federal budget deficit. The Budget Control Act provided that a failure by Congress to otherwise reduce the deficit would result in sequestration: automatic, generally across-the-board spending reductions. These reductions began on March 1, 2013 pursuant to an executive order that reduced budgetary authority for expenditures subject to sequestration. Approximately one-half of the spending cuts are related to the military and this could result in a reduction in military spending in 2013 of approximately $40 billion, and $500 billion over ten years.

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.

According to the San Diego Military Economic Impact Study (the "Military Study") released in June 2012 by the San Diego Military Advisory Council, approximately 25% of the jobs in the County are directly and indirectly related to the military. According to the Military Study, there are over 100,000 active duty military personnel and 30,000 full-time civilian workers directly employed by the military throughout the County, and absent sequestration, the level of military employment was expected to remain steady in 2013. The Military Study found direct defense-related spending by the military in the County was $20.6 billion for the federal fiscal year ending September 30, 2012 and, absent sequestration, was projected to remain at approximately $20.7 billion in the federal fiscal year ending September 30, 2013. The Department of Defense has announced it will furlough civilian and military employees in response to the sequestration beginning in July 2013. Actions by the Department of Defense relating to sequestration could result in reductions in military expenditures in the County.

Other sectors of the City and County economy, such as consumer spending, taxable sales and job growth, may also be impacted by sequestration. 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.

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."

Tax Law Proposals

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 Underwriters 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 report for Fiscal Years 2011 and 2012 in compliance with its continuing disclosure undertakings.

FINANCIAL STATEMENTS FOR FISCAL YEAR 2012

The City's CAFR for Fiscal Year 2012, which includes the City's audited basic financial statements as of and for the fiscal year ended June 30, 2012, is made available through EMMA at http://emma.msrb.org/EA512713-EA399724-EA796781.pdf.

The City's basic financial statements as of June 30, 2012 and for the year then ended have been audited by Macias Gini & O'Connell LLP as stated in its report appearing therewith. 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

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2013 Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2013 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2013 Bonds. Pursuant to the Indenture, the Lease, and the tax and nonarbitrage certificate executed by the Authority and the City in connection with the issuance of the Series 2013 Bonds (the "Tax Certificate"), the Authority and the City have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2013 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority and the City have made certain representations and certifications in the Indenture, the Lease, and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Authority and the City described above, interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2013 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Bond Counsel is also of the opinion that interest on the Series 2013 Bonds is exempt from personal income taxes of the State of California under present State law. Bond counsel expresses no opinion as to other state or local tax consequences arising with respect to the Series 2013 Bonds nor as to

the taxability of the Series 2013 Bonds or the income therefrom under the laws of any state other than California.

Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2013A Bonds maturing on October 15, 20__ through October 15, 20__, and the Series 2013B Bonds maturing on October 15, 20__ through October 15, 20__, inclusive (collectively the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2013 Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The Series 2013A Bonds maturing on October 15, 20__ through October 15, 20__, and the Series 2013B Bonds maturing on October 15, 20__ through October 15, 20__, inclusive (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2013 Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Series 2013 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Series 2013 Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2013 Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2013 Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2013 Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as APPENDIX D — "FORM OF BOND COUNSEL OPINION." Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2013 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2013 Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2013 Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2013 Bonds from gross income for federal or state income tax purposes, or otherwise. We note that in 2011, and again in 2012 and in 2013, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Series 2013 Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series 2013 Bonds may occur. Prospective purchasers of the Series 2013 Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 2013 Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2013 Bonds may affect the tax status of interest on the Series 2013 Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2013 Bonds, or the interest thereon, if any action is taken with respect to the Series 2013 Bonds or the proceeds thereof upon the advice or approval of other counsel.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Series 2013 Bonds and with regard to the tax-exempt status of the interest on the Series 2013 Bonds (see "TAX MATTERS") are subject to the legal opinion of Nixon Peabody LLP, Bond Counsel to the City. The signed legal opinion of Bond Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Series 2013 Bonds, will be delivered to the initial purchasers of the Series 2013 Bonds at the time of original delivery of the Series 2013 Bonds.

The proposed form of the legal opinion of Bond Counsel is set forth in APPENDIX D — "FORM OF BOND COUNSEL OPINION." The legal opinion to be delivered may vary that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distributions of it by recirculation of this Official Statement or otherwise will create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the

opinion subsequent to its date. In rendering its opinion, Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Series 2013 Bonds, which Bond Counsel will not have independently verified.

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 Nixon Peabody LLP, Disclosure Counsel, and the City Attorney. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP. Bond Counsel, Disclosure Counsel and Underwriters' Counsel will receive compensation contingent upon the sale and delivery of the Series 2013 Bonds.

Nixon Peabody LLP has served as Disclosure Counsel to the City and in such capacity has advised the City with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement or omitted therefrom and has not undertaken to independently verify any of such statements or information. Rather, the City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the delivery of the Series 2013 Bonds, Disclosure Counsel will deliver a letter to the City which advises the City, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to attention of the attorneys at such firm rendering legal services in connection with such firm's role as Disclosure Counsel which caused them to believe that this Official Statement as of its date and as of the date of delivery of the Series 2013 Bonds contained or contains any untrue statement of a material fact or omitted or 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. No purchaser or holder of the Series 2013 Bonds, or other person or party other than the City, will be entitled to or may rely on such letter or Nixon Peabody LLP having acted in the role of Disclosure Counsel to the City.

Mayor's and City Attorney's Certifications

The Mayor and the City Attorney will each be providing, as required by the San Diego Municipal Code, a written certification to the City Council that, to the best of his knowledge, the Official Statement does not make any 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 under which they were made, not misleading. As a condition to such certifications, the Mayor and the City Attorney are each requiring the inclusion in this Official Statement of the language indicated below.

The City Attorney's Language

Upon taking office on December 3, 2012, Mayor Bob Filner implemented new policies involving the role of the City Attorney over the City Attorney's objection. Under these policies, the Mayor's office is pursuing policy initiatives without consulting with, or seeking the legal advice of, the City Attorney's office and, under these policies, the Mayor has stated that he will decide legalities. The City Attorney believes these policies run contrary to the City Charter. Among the practical effects of these policies are that the City Attorney's knowledge of the activities of the Mayor and the City and the opportunity to provide legal guidance are limited. These policies heighten the risk that there may be material facts involving legal issues of which the City Attorney is not aware and has had no opportunity to affect.

The Mayor's Language

I have reviewed the City Attorney's language quoted above, and I disagree completely with what purports to be a description of my policies regarding the role of the City Attorney. It is wrong both on the facts and on the law. I have not implemented any such referenced policies, either formally or informally. Furthermore, pursuant to the City Charter, the "City Attorney shall be the chief legal adviser of, and attorney for the City" and as such the City Attorney is required to "prepare in writing all ordinances, resolutions, contracts, bonds, or other instruments in which the City is concerned." Any such document that is not so prepared would be invalid and unenforceable.

The City Attorney's Opinion

The City Attorney's office has advised (see quoted language above) that it cannot represent that it is aware of all material City operations or legality of actions taken by the Mayor's office. Nevertheless, the City Attorney (1) has reviewed and consents to the disclosure under the heading "Litigation," and (2) will provide upon closing of the Bonds its standard legal opinions, including, without limitation, regarding the due execution, delivery and enforceability of the legal documents entered into by the City.

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 2013 Bonds or financing documents, or in any way contesting or affecting the validity of the Series 2013 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 2013 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 2013 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 2013 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 not 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 2013 Bonds.

The City expects to furnish to each rating agency such information and materials as it may request. The City, however, assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. The failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Series 2013 Bonds. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price and marketability of such Series 2013 Bonds.

UNDERWRITING

Pursuant to the terms and conditions of the Bond Purchase Agreement for the Series 2013 Bonds (the "Bond Purchase Agreement") among the City, the Authority and Merrill Lynch, Pierce Fenner & Smith Incorporated, as representative of itself and the underwriters named in the Bond Purchase Agreement (collectively, the "Underwriters"), the Underwriters have agreed to purchase the Series 2013 Bonds from the City and the Authority at an aggregate purchase price of $_____ (consisting of the par amount of the Series 2013 Bonds, [plus / less] $_____ [net] original issue [premium / discount] and less underwriters' discount of $_____.

The Bond Purchase Agreement provides, among other things, that the obligations of the Underwriters are subject to certain terms and conditions precedent, and that the Underwriters will be obligated to purchase all of the Series 2013 Bonds offered under the Bond Purchase Agreement, if any of the Series 2013 Bonds offered thereunder are purchased.

The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2013 Bonds to the public. The Underwriters may offer and sell the Series 2013 Bonds to certain dealers (including dealers depositing Series 2013 Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers. After the initial public offering, the public offering prices of the Series 2013 Bonds may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, for which they received or will receive customary fees and expenses.

The City intends to use a portion of the proceeds from this offering to redeem the 2003 Old Town Light Rail Refunding Bonds and 2003 Certificates of Participation. To the extent an Underwriter or an affiliate thereof is an owner of 2003 Old Town Light Rail Refunding Bonds or 2003 Certificates of Participation, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Series 2013A Bonds or the Series 2013B Bonds contemplated herein in connection with such 2003 Old Town light Rail Refunding Bonds or 2003 Certificates of Participation being redeemed by the City.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL ADVISOR

Public Resources Advisory Group has acted as Financial Advisor to the City in conjunction with the issuance of the Series 2013 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 2013 Bonds. The Financial Advisor will receive compensation contingent upon the sale and delivery of the Series 2013 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. Because of this limited participation, 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 2013 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: _____
Chair

THE CITY OF SAN DIEGO

By: _____
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 2013 BONDS" in the front part of this Official Statement, the Series 2013 Bonds (as defined in this Official Statement) are payable solely from the Base Rental Payments to be made by the City under the Lease and certain other money held by the Trustee under the Indenture. The Series 2013 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.

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 9,841 employees as of June 30, 2012, 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 of California (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 certified public accountant. The City's most recent financial statements for the Fiscal Year ended June 30, 2012 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 2012) 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 the 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 Five-Year Financial 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 City's most recently published outlook is the Fiscal Year 2014-2018 Five-Year Financial Outlook (the "*Fiscal Year 2014-2018 Financial Outlook*"), which was released on October 24, 2012 and is the basis for the Fiscal Year 2014 budget.

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 a May Revision to the proposed budget, which contains the Mayor's recommended changes to the budget based on up-to-date policy related issues and revised current Fiscal Year-end expenditure and revenue projections.

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 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 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 Council's first public hearing on final budget decisions for the upcoming fiscal year. This allows the 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 2008 through 2012.

TABLE A-1
CITY OF SAN DIEGO
BALANCE SHEET FOR THE GENERAL FUND
Fiscal Years 2008 through 2012
(in thousands)
(audited)

ASSETS	**2008**	**2009**	**2010**	**2011**	**2012**
Cash or Equity in Pooled Cash & Investments[1]	$91,439	$86,667	$101,059	$222,352	$236,030
Receivables:					
Taxes – Net[2]	76,527	69,438	67,070	66,170	84,110
Accounts – Net[1]	11,195	13,891	8,569	12,359	9,846
Claims – Net	78	130	214	214	214
Notes and Loans[3]	--	--	--	--	21,094
Accrued Interest	2,395	906	493	498	477
Grants[1]	--	--	--	1	--
From Other Funds[4]	1,600	1,500	1,000	6,510	1,600
Investment in Joint Venture	1,981	1,824	1,688	2,055	--
Advances to Other Funds	--	--	--	--	--
Advances to Other Agencies	9	--	--	45	44
Land Held for Resale[1]	--	--	--	9,403	7,769
Prepaid Items	82	886	--	--	1,707
Cash and Investments for TRANS Repayment[5]	116,383	--	--	--	--
Total Assets	**$301,689**	**$175,242**	**$180,093**	**$319,607**	**$362,891**
LIABILITIES					
Accounts Payable[6]	$8,005	$3,789	$15,446	$16,765	$18,172
Accrued Wages and Benefits[1]	22,265	27,642	27,469	36,475	40,838
Due to Other Funds[7]	2,479	2,095	220	--	7,769
Due to Other Agencies	--	--	17	26	34
Unearned Revenue	784	663	--	2,563	--
Deferred Revenue	27,375	26,661	21,558	17,661	17,005
Contracts and Notes Payable[5]	116,000	--	360	369	523
Total Liabilities	**$176,908**	**$60,850**	**$65,070**	**$73,859**	**$84,341**
FUND EQUITY					
Post-GASB 54[1]					
Nonspendable[8]				--	$22,140
Restricted				$145,880	102,104
Committed[9]				1,183	44,831
Assigned[9]				38,153	--
Unassigned				60,532	109,475
Total Fund Equity				**$245,748**	**$278,550**
Total Liabilities & Fund Equity				**$319,607**	**$362,891**
Pre-GASB 54					
Reserves:					
Reserved for Encumbrances[10]	$43,853	$32,071	$6,307		
Reserved for Advances & Deposits	9	--	--		
Reserved for Investment in Joint Venture	1,981	1,824	1,689		
Unreserved:					
Designated for Unrealized Gains	2,737	1,943	1,816		
Designated for Subsequent Years' Expenditures	862	207	197		
Undesignated[11]	75,339	78,347	105,014		
Total Fund Equity	**$124,781**	**$114,392**	**$115,023**		
Total Liabilities & Fund Equity	**$301,689**	**$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 Redevelopment Agency.

(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 Redevelopment Agency.

(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) Fiscal Years 2009 through 2012 tax and revenue anticipation notes ("TRANs") were issued and repaid within the same Fiscal Year, while the Fiscal Year 2008 TRAN was a 13 month note.

(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. The ERP financial system was implemented in Fiscal Year 2010.

(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 Redevelopment Agency.

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

(9) 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 moving to Committed.

(10) 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.

(11) 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 2008 - 2012 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, 2008 through 2012
(in thousands)
(audited)

	2008	2009	2010	2011	2012
REVENUES[1]					
Property Taxes[2]	$384,273	$398,743	$391,382	$384,023	$408,776
Sales Taxes[3]	235,579	212,918	192,650	215,873	227,650
Transient Occupancy Taxes[4]	83,730	73,765	65,222	73,399	78,268
Other Local Taxes	71,594	72,432	73,260	70,994	74,818
Licenses and Permits	33,815	31,249	28,024	28,621	31,117
Fines, Forfeitures and Penalties[5]	31,083	32,467	30,179	31,598	62,976
Revenues from Federal Agencies	4,086	4,268	2,859	1,431	1,608
Revenues from Other Agencies[6]	14,236	8,915	6,007	8,773	969
Revenues from Private Sources	--	--	14	1,016	--
Revenues from Use of Money and Property	44,577	41,461	40,615	49,923	51,679
Charges for Current Services	87,263	133,117	127,536	181,006	181,682
Other Revenue	3,297	5,296	7,859	4,505	6,239
Total Revenues	**$993,533**	**$1,014,631**	**$965,607**	**$1,051,162**	**$1,125,782**
EXPENDITURES[1]					
Current:					
General Government and Other Support Services	$225,570	$243,057	$230,270	$259,782	$233,122
Neighborhood Services[7]	18,563	17,255	15,845	25,767	60,255
Public Safety	562,975	584,986	563,475	574,248	586,663
Parks, Recreation and Culture	119,125	116,391	121,269	114,375	112,569
Transportation	66,162	72,635	62,884	42,704	58,772
Sanitation and Health	48,995	67,867	73,461	66,320	62,874
Capital Projects	--	--	--	776	894
Debt Service:					
Principal Retirement	2,204	818	2,640	10,391	11,580
Interest	5,720	3,106	2,888	5,030	3,580
Total Expenditures	**$1,049,314**	**$1,106,115**	**$1,072,732**	**$1,099,393**	**$1,130,309**
EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENDITURES	(55,781)	(91,484)	(107,125)	(48,231)	(4,527)
OTHER FINANCING SOURCES (USES)[1]					
Transfers from Proprietary Funds[8]	5,896	6,267	5,723	1,983	17,013
Transfers from Other Funds[9]	94,562	105,059	140,595	158,874	74,273
Transfers to Proprietary Funds[10]	(5,358)	(4,043)	(10,157)	(2,852)	(30,234)
Transfers to Other Funds	(46,470)	(26,031)	(28,426)	(22,601)	(36,390)
Net Income (Loss) from Joint Venture	(116)	(157)	--	--	--
Proceeds from the Sale of Capital Assets	--	--	21	--	3
TOTAL OTHER FINANCING SOURCES (USES)	**$48,514**	**$81,095**	**$107,756**	**$135,404**	**$24,665**
Extraordinary Gain[11]	--	--	--	--	12,664
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(7,267)	(10,389)	631	87,173	32,802
FUND BALANCE AT JULY 1[12]	**132,048**	**124,781**	**114,392**	**158,575**	**245,748**
FUND BALANCE AT FOLLOWING JUNE 30	**$124,781**	**$114,392**	**$115,023**	**$245,748**	**$278,550**

(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.

(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.

(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 Redevelopment Agency.

(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 Redevelopment 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.

Source: Table: Fiscal Years 2008 - 2012 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, the City's General Fund Fiscal Year 2013 Adopted Budget and its Fiscal Year 2014 Proposed Budget (not including adjustments made as a result of the Fiscal Year 2014 May Revision (as defined below)).

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

	Fiscal Year 2012 Actuals on a Budgetary Basis[1]	Fiscal Year 2013 Adopted Budget	Fiscal Year 2014 Proposed Budget[2]
REVENUE SOURCES:			
Property Tax [3]	$408,776	$387,135	$402,169
Sales Tax[4]	220,277	236,258	248,139
Property Transfer Tax	5,747	6,359	6,968
Transient Occupancy Tax[5]	78,268	81,711	89,245
Licenses and Permits	31,117	31,900	31,427
Fines, Forfeitures, and Penalties	62,976	31,406	29,350
Interest Earnings	930	1,354	859
Franchises	69,071	71,679	68,431
Other Rents and Concessions	45,912	41,216	44,079
Motor Vehicle License Fees[6]	--	--	--
Revenue from Other Agencies	2,573	3,526	4,118
Charges for Current Services	177,447	181,413	177,530
Transfers from Other Funds[4] [5]	80,785	73,421	89,145
Other Revenue	5,297	3,838	4,923
Total General Fund Revenues and Transfers[7]	**$1,189,176**	**$1,151,216**	**$1,196,383**
EXPENDITURES:			
Public Safety	$584,151	$595,022	$623,052
Parks, Recreation, Culture and Leisure	114,098	123,613	130,185
Sanitation and Health	63,896	67,520	72,033
Transportation	60,872	65,549	65,090
Neighborhood Services	16,554	19,616	20,984
General Government and Support	212,483	220,970	227,650
Capital Projects	772	-	-
Debt Service[8]	6,199	16,564	19,118
Transfers	88,209	55,089	42,254
Total General Fund Expenditures and Transfers[9]	**$1,147,234**	**$1,163,943**	**$1,200,367**

(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) Column does not include updates from the Fiscal Year 2014 May Revision. For information on the Fiscal Year 2014 May Revision, see "-Fiscal Year 2014 Proposed Budget" herein.

(footnotes continued on following page)

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(3) As a result of the dissolution of the City's Redevelopment Agency, Fiscal Year 2012 Actuals and Fiscal Year 2014 Proposed Budget amounts include pass-through tax sharing residual payments from the Redevelopment Property Tax Trust Fund of $23.6 million and $7.9 million, respectively. The Fiscal Year 2013 Adopted Budget does not include those payments in the property tax revenue category. The pass-through tax sharing payment of $2.5 million was budgeted in the Transfers from Other Funds category. It is projected that the City will receive $3.3 million in pass-through tax sharing payments and $8.4 million in residual payments in Fiscal Year 2013.

(4) 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 ($6.9 million) is budgeted in the Transfers from Other Funds category.

(5) Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy) only. For Fiscal Year 2014, the remaining 5%, or $81.1 million, is budgeted in the Transient Occupancy Tax Fund, of which $35.9 million is budgeted as a transfer to the General Fund in the "Transfers from Other Funds" category.

(6) 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.

(7) In Fiscal Year 2012, the excess of budgetary expenditures over revenues is primarily the result of outstanding encumbrances as of June 30, 2012.

(8) The increase in debt service budgeted in Fiscal Year 2013 is primarily due to $8.0 million of debt service for the General Fund's portion of the McGuigan settlement payment. While the McGuigan settlement payment is categorized in Debt Service for the Fiscal Year 2013 Budget, this line item is categorized in Transfers from Other Funds in the Fiscal Year 2012 actuals.

(9) The Fiscal Year 2013 Adopted General Fund expenditures budget does not match the General Fund revenue budget due to re-budgeting of $12.7 million from Fiscal Year 2012 surplus. The Fiscal Year 2014 Proposed General Fund expenditures budget does not match the General Fund revenue budget primarily due to re-budgeting of $4.0 million from Fiscal Year 2013 budgetary surplus.

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

The City's total Fiscal Year 2013 Adopted Budget (the "Fiscal Year 2013 Adopted Budget") of $2.75 billion included $1.16 billion for General Fund operations and $1.37 billion for operations of the City's Enterprise Funds and other fund activities. Another $214.9 million was budgeted for capital improvement projects throughout the City. As shown in Table A-3, General Fund budgeted revenues of $1.15 billion represented a decrease of $38.0 million or 3.2% from Fiscal Year 2012 actuals. General Fund budgeted expenditures of $1.16 billion represented an increase of $16.7 million or 1.5% from the Fiscal Year 2012 actuals.

Fiscal Year 2013 Year-End Budget Monitoring Report

The Fiscal Year 2013 Year-End Budget Monitoring Report (the "Fiscal Year 2013 Year-End Budget Monitoring Report") was released on May 21, 2013. The Fiscal Year 2013 Year-End Budget Monitoring Report presents projections of year-end revenues and expenditures for the General Fund and other funds with budgeted personnel. Projections were developed using actual (unaudited) data from July 2012 through March 2013, which provides nine accounting periods of activity and departments' projected spending trends for the remainder of Fiscal Year 2013.

The Fiscal Year 2013 Adopted Budget included the use of $12.7 million of Fiscal Year 2012 fund balance. Subsequent to the adoption of the budget, the City Council approved a payment of $0.5 million to Civic San Diego, which increased the total budgeted use of fund balance to $13.2 million. The Fiscal Year 2013 Mid-Year Budget Monitoring Report projected General Fund expenditures to exceed revenues by $7.7 million at fiscal year-end, which was $5.5 million less than the Fiscal Year 2013 Adopted Budget anticipated. As a result of the $5.5 million budgetary surplus projected in the Fiscal Year

2013 Mid-Year Budget Monitoring Report, the City Council approved an expenditure appropriation increase of $1.1 million for two downtown public restrooms (Portland Loos), the Balboa Park Centennial Celebration, and the extension of the emergency winter homeless shelter. These approved expenditure appropriation adjustments further increased the total budgeted use of fund balance to $14.3 million.

Based on the year-end projections included in the Fiscal Year 2013 Year-End Budget Monitoring Report, it is anticipated that Fiscal Year 2013 will end with a net $7 million of revenues over budget and a net $10 million in expenditure savings. This represents a $17.0 million improvement from the Fiscal Year 2013 budget as of March 30, 2013. Of the $17.0 million budgetary surplus, $4.0 million was recommended for use in the Fiscal Year 2014 Proposed Budget and an additional $10.0 million has been included in the May Revision to the Fiscal Year 2014 Proposed Budget. The remaining $3.0 million of projected budgetary surplus will remain in the fund balance of the General Fund.

Presented below are growth rates in Fiscal Year 2013 for the major revenue sources based on the Fiscal Year 2013 Year-End Budget Monitoring Report.

Projected Changes in General Fund Major Revenue Sources
Fiscal Year 2013 Year-End Budget Monitoring Report Projection
Compared with Fiscal Year 2012 Actuals[(1)]

Property Tax[(2)]	0.7%
Sales Tax[(3)]	6.3%
Transient Occupancy Tax	5.9%
Franchise Fees	-3.9%

(1) The above percentages reflect General Fund percent changes in these revenue sources.
(2) The property tax change of 0.7% does not include pass-through tax-sharing and residual payments.
(3) The sales tax change does not include Proposition 172 safety sales tax revenue.
Source: Financial Management, City of San Diego.

Fiscal Year 2014 Proposed Budget

The City's proposed budget for Fiscal Year 2014 (the "Fiscal Year 2014 Proposed Budget") reflects General Fund expenditures of $1.20 billion or approximately 43.6% of the City's total Fiscal Year 2014 Proposed Budget of $2.75 billion. The Fiscal Year 2014 Proposed General Fund expenditures represent an increase of $36.4 million or 3.1% over the Fiscal Year 2013 Adopted Budget. The increase in General Fund expenditures is primarily due to an increase of $33.0 million in the Annual Required Contribution ("ARC") payment to the City's retirement system, and includes modest service enhancements primarily focused on neighborhood services and public safety needs. The Fiscal Year 2014 Proposed General Fund expenditures budget does not match the General Fund revenue budget due to re-budgeting of $4.0 million from Fiscal Year 2013 surplus. The Fiscal Year 2014 Proposed General Fund Budget reflects a net increase of 60.29 FTE positions, and includes the net use of $25.9 million in one-time resources to balance the General Fund budget.

The Fiscal Year 2014 Proposed General Fund projects that revenues will increase by $45.2 million or 3.9% over the Fiscal Year 2013 Adopted Budget. The General Fund's four largest revenue sources - property tax, sales tax, transient occupancy tax ("TOT"), and franchise fees - account for approximately $807.9 million or 67.5% of the total General Fund revenues. The Fiscal Year 2014 major revenue projections are based on Fiscal Year 2013 year-end projections and assume an improved economic outlook when compared to previous years. The Fiscal Year 2014 property tax revenue growth is projected to be 1.5%, which assumes an improvement in the local real estate market. The Fiscal Year 2014 sales tax revenue growth is projected to be 5.5%, which assumes continued increases in sales tax

receipts experienced throughout Fiscal Year 2013. The Fiscal Year 2014 TOT growth is projected to be 6.0%, which assumes continued increases in local tourism and business travel. Despite the projected increases in the General Fund major revenues, there is some uncertainty related to the impacts of sequestration and the across-the-board federal spending cuts that might affect the City's economy. The direct impacts to the City's General Fund are uncertain at this time. The City will continue to monitor the impacts of sequestration and its impacts to the City's General Fund budget. See "CERTAIN RISK FACTORS – Sequestration" in the front part of this Official Statement.

The following table reflects growth rates in the Fiscal Year 2014 May Revision Budget for the major revenues based on the Fiscal Year 2013 Year-End Budget Monitoring Report.

Projected Changes in General Fund Major Revenue Sources
Fiscal Year 2014 May Revision Budget Compared with Fiscal Year 2013 Year-End Budget Monitoring Report Projection[(1)]

Property Tax	2.3%
Sales Tax[(2)]	6.0%
Transient Occupancy Tax	6.0%
Franchise Fees	0.9%

(1) The above percentages reflect General Fund percent changes in these revenue sources.
(2) The sales tax change does not include Proposition 172 safety sales tax revenue.
Source: Financial Management, City of San Diego.

On May 21, 2013, the Mayor released a May Revision to the Fiscal Year 2014 Proposed Budget (the "Fiscal Year 2014 May Revision"), which includes adjustments to various department budgets as well as updates to major revenue projections. The Fiscal Year 2014 May Revision also includes the use of one-time resources to fund one-time expenditures and ongoing resources to fund ongoing expenditures. As reflected in the Fiscal Year 2014 Projected Budget, the Fiscal Year 2014 May Revision continues to focus on public safety, neighborhood services and infrastructure.

As a result of the changes included in the Fiscal Year 2014 May Revision, expenditures in the proposed General Fund budget for Fiscal Year 2014 increased by $13.6 million. These expenditures are primarily funded by an increase in projected property tax revenue for Fiscal Year 2014, tobacco settlement revenue, and the use of the budgetary surplus projected in the Fiscal Year 2013 Year-End Budget Monitoring Report. Based on the changes included in the Fiscal Year 2014 May Revision, the Fiscal Year 2014 Adopted Budget is estimated to be $1.20 billion in revenues and $1.21 billion in expenditures.

[TO BE UPDATED IN JUNE] On June __, 2013, the City Council adopted the Fiscal Year 2014 budget of $_____ billion, approximately $___ million [higher / lower] than the Fiscal Year May 2014 Revision of $____ billion. The most significant additions to the Fiscal Year 2014 May Revision include [additional staffing for the Police and Fire-Rescue (lifeguards) departments and funding for economic development activities.]

State Budget Impacts

The City has reviewed the enacted Fiscal Year 2013 State Budget (the "Fiscal Year 2013 State Budget"), the Governor's proposed budget for Fiscal Year 2014 (the "Governor's Fiscal Year 2014 Budget") and the May Revision to the Governor's Fiscal Year 2014 Budget (the "Governor's May Revision"). The Fiscal Year 2013 State Budget included $16.6 billion of actions to end Fiscal Year 2013 with a balanced budget. The Fiscal Year 2013 State Budget assumed the passage of The Schools and

Local Public Safety Protection Act at the November 2012 election ("Proposition 30"). Proposition 30 passed at the November 2012 election, and temporarily increased the State sales tax and personal income taxes for high income individuals. The Governor's Fiscal Year 2014 Budget estimated a $2.4 billion operating surplus at the end of Fiscal Year 2013, which would be used to erase the deficit that remained after Fiscal Year 2012 and leave a small surplus for Fiscal Year 2014. Due to higher than anticipated personal income tax receipts, State General Fund revenues are $2.8 billion higher than anticipated in the Governor's Fiscal Year 2014 Budget. The Governor has indicated that additional revenues will primarily be used for schools. The City is monitoring fiscal measures taken by the State for their potential effects on General Fund revenues and expected cash flows.

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 the continuing economic downturn. Future State budgets could 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 future 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.

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. 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 there remains considerable uncertainty regarding such liabilities, each is discussed below.

Generally, there are at least five ways in which the dissolution of the Former RDA and the liabilities of the Successor Agency could have a potentially material negative impact on the General Fund. First, in the event that the City and the Former RDA entered into an agreement whereby the Former RDA agreed to reimburse the City for costs associated with redevelopment activities, or the City and the Former RDA entered into a loan agreement and any such agreement is invalidated, the City's General Fund will no longer receive those reimbursement or loan payments. Second, the State may exercise claw-back provisions to recover payments to the City that were made before any agreements between the City and the Former RDA were invalidated. Third, with respect to the City's role as the successor housing entity, litigation is pending that could result in the City being required to undertake affordable housing activities without the provision of any resources to fund such activities. Fourth, the City, as the Successor Agency, may be required, as part of the State's due diligence review, to transfer uncommitted cash and cash equivalents to the San Diego County Auditor Controller ("County Auditor") in excess of funds available, requiring the City to loan the Successor Agency the difference. Finally, the administrative cost allowance received by the Successor Agency to fund its operations may be inadequate, requiring the City to lend the Successor Agency additional funds. In the event that the City loans funds to the Successor Agency, there is no assurance that those funds will be repaid.

It is difficult to predict the full scope of the potential impacts to the General Fund at this time, and the circumstances are constantly evolving as the Successor Agency continues to wind down the operations of the Former RDA. In the Fiscal Year 2013 budget, the City identified approximately $28 million in reserves that could be utilized to mitigate certain potential impacts. The City will carry forward the existing reserve into Fiscal Year 2014, and will likely need to set aside additional reserves in the future for the same purpose. One positive impact of the dissolution of the Former RDA is that the City receives, as general property tax distributions, approximately 21% of the property tax revenues no longer needed by the Successor Agency. This additional revenue can be used to mitigate the financial impacts on the General Fund associated with the dissolution of the Former RDA or to fund other City activities.

The categories of potential impacts to the City's General Fund associated with the dissolution of the Former RDA include, but are not necessarily limited to, the following:

Loss of Reimbursement for Annual Bond Debt Service Payments: Subject to limited exceptions, the dissolution laws purport to invalidate agreements between the City and the Former RDA. The State has invalidated several City/RDA agreements including, among others, a reimbursement agreement for annual debt service related to the Petco Park professional baseball stadium improvements and a reimbursement agreement for a portion of the annual debt service related to the Convention Center Phase II expansion. The invalidation of these agreements means that the City cannot rely upon redevelopment funds to reimburse the City's General Fund for the annual debt service payments for those two projects. As a result, the General Fund would bear the entire debt service cost for such obligations as was done prior to entering into the reimbursement agreements. The City and the Successor Agency filed a lawsuit in Sacramento Superior Court to challenge the invalidation of the Petco Park debt reimbursement agreement. A hearing on the merits of that lawsuit is expected to occur in September 2013. The total amount of debt service for these two obligations is budgeted in the City's proposed General Fund budget for Fiscal Year 2014.

Invalidation of Other Interagency Agreements: The State has also invalidated several other City/RDA agreements, including agreements not specifically discussed below. The State invalidated the Project-Based Cooperation Agreement that would have allowed the City to carry out various redevelopment projects on the Former RDA's behalf utilizing redevelopment funds and the long-term debt agreement comprising numerous loans in the aggregate amount of approximately $194 million related to the formation of redevelopment project areas and the implementation of redevelopment activities within those project areas. The City and the Successor Agency filed a lawsuit in Sacramento Superior Court to challenge the invalidation of the long-term debt agreement. A hearing on the merits of that lawsuit is expected to occur in October 2013.

The State also has preliminarily invalidated two agreements requiring the Former RDA to repay federal Section 108 loans related to redevelopment activities in City Heights and Naval Training Center ("NTC"). The outstanding debt owed on those two Section 108 loans is approximately $1.6 million for City Heights and approximately $6 million for NTC. Finally, the State has preliminarily invalidated an agreement requiring the Former RDA to reimburse the City for certain project management and inspection expenses related to the construction of the Harbor Drive Pedestrian Bridge. The City has submitted an unpaid invoice of approximately $664,000 to the Successor Agency for this construction project. If the invalidation of the above-described agreements remains in effect, the City will not be able to receive any future payments under those agreements. However, a private developer is contractually required to make all future payments owed by the City under the City Heights Section 108 loan.

State Controller's Claw-Back Rights: The State has certain claw-back rights that may be exercised if the State Controller retroactively determines that certain transfers between the City and the Former RDA that occurred on or after January 1, 2011 were ineligible or unauthorized. The State

Controller can order the City to return transferred funds to the Successor Agency, which presumably would be required to transfer the funds to the County Auditor for pro rata distribution to the local taxing entities. Non-monetary assets (e.g., real estate) would be disposed of in accordance with the dissolution laws. The State Controller is completing the asset transfer review in at least two separate steps, with the first step examining only asset transfers that occurred during a 13-month period from January 1, 2011 through January 31, 2012 (i.e., the date immediately before the Former RDA's dissolution). The State Controller is expected to issue a written report in 2013 concerning the 13-month period covered in the first step of the asset transfer review, and may issue one or more additional written reports in the future addressing asset transfers that occurred on or after February 1, 2012. The asset transfer review reports are expected to include a demand by the State Controller that the City must reimburse the Successor Agency related to any ineligible fund transfers under invalidated City/RDA agreements.

The payments that could be subject to this claw-back procedure from January 1, 2011 to the present include, but are not necessarily limited to: (a) approximately $22.6 million of aggregate payments made in Fiscal Year 2012 and Fiscal Year 2013 under the Petco Park debt reimbursement agreement; (b) $4.5 million of aggregate payments made in Fiscal Year 2012 and Fiscal Year 2013 under the Convention Center Phase II debt reimbursement agreement; (c) approximately $867,000 comprising one payment made in Fiscal Year 2012 under the long-term debt agreement; and (d) approximately $1.6 million of aggregate payments made in Fiscal Year 2011 through Fiscal Year 2013 under NTC Section 108 loan agreements. Although the City has generally reimbursed the Successor Agency for prior transfers of funds under the Project-Based Cooperation Agreement, the State Controller may seek to claw back any funds that the City expended under the Project-Based Cooperation Agreement without the benefit of a valid contract in favor of a third party. The amount of any potential exposure related to the Project-Based Cooperation Agreement is unknown at this time. It is not anticipated that the asset transfer review will result in the compelled transfer of any non-monetary assets, such as real estate, from the City to the Successor Agency.

State Controller's General Audit Rights: In addition to the asset transfer review, it is anticipated that the State Controller will conduct one or more future audits to examine whether the Former RDA and the Successor Agency have made authorized payments in accordance with approved documents. If any such audit identifies any discrepancies or improper payments, there may be additional exposure to the City's General Fund. It is impossible to predict the amount of such exposure, if any, at this time.

Alleged Affordable Housing Obligations: 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 California Community Redevelopment Law despite the dissolution of all redevelopment agencies and the elimination of tax increment revenue. The Coalition's lawsuit is presently structured as a defendants' class action, in which the Coalition has designated the Successor Agency to represent the interests of all 17 local successor agencies and has designated the County to represent the interests of all local taxing entities, including the City. The Successor Agency intends to oppose its designated role as a representative of the class of local successor agencies. 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.

Two-Part Due Diligence Review: The dissolution laws require an independent accounting firm to complete a two-part due diligence review ("DDR") of the housing assets and non-housing assets of the Successor Agency to determine the amount of uncommitted cash or cash equivalents available for transfer by the Successor Agency to the County Auditor. The State issued a final determination letter on the

accountant's report for the housing DDR in late March 2013, concluding that the Successor Agency must pay approximately $13.3 million in uncommitted housing cash to the County Auditor. The Successor Agency initiated litigation in Sacramento County Superior Court to challenge the State's determination. The Successor Agency contends that all of the pertinent housing funds must be retained in order to fulfill any historical, unmet affordable housing obligations in the event that the Coalition prevails in its pending litigation discussed above. The Successor Agency further contends that the State's demand is improperly inflated by approximately $5.3 million due to incorrect adjustments made by the State. A hearing on the merits of this lawsuit is expected to occur in September 2013. In the meantime, the Successor Agency will be required to pay the full demanded amount of approximately $13.3 million under protest and with a full reservation of rights. In order to allow the Successor Agency to make the full payment, the City may loan approximately $2.3 million to the Successor Agency. If the Successor Agency is unsuccessful in the lawsuit, the City loan would likely not be repaid. The accountant's report on the non-housing DDR is nearly completed and will be presented in May 2013. The State's final determination on the non-housing DDR is expected in June or July 2013. At this time, it is too early to predict whether the non-housing DDR may result in any exposure to the City's General Fund.

Funding Shortfall for Administrative Costs: During the current six month funding period ending June 30, 2013, the Successor Agency may have a funding shortfall of up to approximately $1.64 million for payment of administrative costs. Due to several factors, the actual funding shortfall could be substantially less. The City and the Successor Agency filed a lawsuit in Sacramento County Superior Court to challenge the State's decisions leading to the funding shortfall for administrative costs. A hearing on the merits of this lawsuit is expected to occur in July 2013. In the meantime, the City may issue a loan to the Successor Agency of up to $1.64 million to cover the funding shortfall. If the City and the Successor Agency prevail in the lawsuit, the City will receive a repayment of the loan. If not, then the loan will be treated as a contribution to the Successor Agency and an expense against the City's General Fund. Based on the State's determination letter for the period from July 1, 2013 through December 1, 2013, the City and the Successor Agency do not expect any similar funding shortfall during that six month period. However, a funding shortfall could occur in any future funding period if the administrative cost allowance is insufficient and if alternative funding sources (such as revenues generated from properties owned by the Successor Agency) to cover any funding gap are insufficient or are rejected by the State.

Storm Water Program

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. The City is a co-permittee funded under a National Pollution Discharge Elimination System Permit ("NPDES Permit") for its storm water program. Pursuant to the NPDES Permit, the City is obligated to undertake substantial capital improvements and implement new operations and maintenance procedures for its storm water program ("NPDES Permit Requirements"). If the City is not able to or chooses not to increase its storm water fees to pay for the NPDES Permit Requirements, or if such fees are reduced pursuant to the exercise of the initiative power under Article XIIIC of the California Constitution, the City will have to identify another plan of finance. Such plan of finance may include additional General Fund moneys not previously budgeted for such purpose. Compliance with the NPDES Permit and Total Maximum Daily Loads ("TMDLs") has created a significant impact on the City's General Fund budget, and management of the permit remains a budget priority. The City expects to utilize proceeds from future capital improvements bond sales to finance storm water program deferred capital costs and water quality capital projects.

A new NPDES Permit was adopted on May 8, 2013, and will become effective in July 2013. The NPDES Permit covers the City, the County and other municipalities within the County ("Permittees"). A

significant change to this permit is that it incorporates the Bacteria TMDL, thereby making these violations of regulations subject to fines and penalties. The City was required to submit 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 this TMDL, and included a preliminary cost estimate of $1.5 to $2.7 billion over 20 years for compliance. Because this is a new regulation that relies on new and developing technologies, this cost estimate is expected to change over time. The new NPDES Permit will also increase the City's cost for water quality monitoring, and includes additional development criteria that will increase the cost for new public capital projects as well as private development. It resulted in liability to Permittees because compliance will now be based on immediately meeting water quality standards at each storm water outfall. Because these standards are not currently being met in many areas, it is possible that even if the Water Quality Control Board does not take a compliance action against the City, a third party could file an action against the City or other Permittees.

The Storm Water Department's Fiscal Year 2013 Adopted Budget is $36.5 million. In Fiscal Year 2014, the City will continue to fund programs in accordance with the NPDES Permit Requirements including conducting public outreach and monitoring activities. The Fiscal Year 2014 Proposed Budget includes $35.0 million for the Storm Water Department's activities. In addition, the City will apply approximately $5 million of the proceeds of the Series 2013A Bonds to finance pollution prevention programs, storm water watershed and mitigation projects. For a discussion of Article XIIIC of the California Constitution, see "LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIIC and XIIID (Proposition 218) of the California Constitution – Article XIIIC."

Major Revenue Sources

Property Taxes

Property tax revenue is the City's largest revenue source, representing 33.6% of the total General Fund revenue estimated for each of the Fiscal Year 2013 Adopted Budget and the Fiscal Year 2014 Proposed 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. 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.

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 2013 Property Tax Budget. The Fiscal Year 2013 Adopted Budget included $387.1 million in property tax revenues, consisting of $282.6 million of 1% property tax levy and $104.5 million of "in-lieu of VLF" property tax revenue. Property tax revenue represented 33.6% of the Fiscal Year 2013 Adopted Budget. The year-end projection for property tax revenue in the Fiscal Year 2013 Year-End

Budget Monitoring Report is $388.0 million (including "in-lieu of VLF" property tax revenue), which is $0.9 million above the property tax revenues in the Fiscal Year 2013 Adopted Budget. The projected increase in property tax revenue over the budgeted amount is primarily due to lower property tax refunds. The Fiscal Year 2013 Adopted Budget included a $2.5 million tax sharing pass-through payment within the Transfers from Other Funds category. However, as a result of the dissolution of the Former RDA, the tax sharing pass-through payment will be received as part of the Recognized Obligations Payment Schedule ("ROPS") and will be recognized as property tax revenue. The Fiscal Year 2013 year-end property tax projection includes a total tax sharing pass-through payment of $3.3 million based on previously approved ROPS. In addition to tax sharing pass-through payments, the City will be receiving 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 after ROPS requirements have been met. The year-end projection includes an anticipated residual property tax payment of $8.4 million. The total Fiscal Year 2013 property tax year-end projection is $406.5 million, which includes these additional property tax distributions.

Fiscal Year 2014 Property Tax Budget. While the local residential housing market has experienced increases in home sales in Fiscal Year 2013, this does not greatly impact the projected growth rate in property tax revenues for Fiscal Year 2014 due to a lag between the time assessed valuation is set by the County Assessor's Office (reflecting the entire calendar year) and the time property tax revenue is received by the City. Stabilization in home sales and a reduction in foreclosures experienced since 2011 may indicate a recovery in upcoming fiscal years from the negative impacts of the recession that began in December 2007.

The Fiscal Year 2014 Proposed Budget includes property tax revenues of $402.2 million, which assumes 1.5% growth over Fiscal Year 2013 year-end projections of base property tax (Proposition 13) revenues and "in-lieu of motor vehicle license fee" payment. The $402.2 million property tax budget consists of an estimated $288.6 million in 1% property tax levy revenues, $105.7 "in-lieu of motor vehicle license fee" payment, $2.6 million in tax sharing pass-through payments from the Former RDA, and $5.3 million in anticipated residual property tax payments.

The Fiscal Year 2014 May Revision includes $408.0 million in property tax revenues, representing an increase of approximately $5.8 million in property tax revenue from the $402.2 million of budgeted property tax revenues in the Fiscal Year 2014 Proposed Budget. The increase is based on a preliminary estimated increase in the City's assessed valuation of 2.6% for Fiscal Year 2014.

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

TABLE A-4
ASSESSED VALUATION[(1)(2)(3)]
Fiscal Years Ended June 30, 2004 through 2013
(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
2004	$105,730,848	$7,167,011	$112,897,859	$5,171,957	$107,725,902	8.54
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

(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, 2012 is the official assessment date for property taxes due during Fiscal Year 2013.
(2) Does not include state assessed utility property.
(3) The table does not include incremental value for redevelopment project areas ($16.9 billion for Fiscal Year 2013).
(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 2004 – 2012: Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego.
Fiscal Year 2013: MuniServices, LLC.

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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 2003 through 2012
(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
2003	$181,687	$175,943	96.84%	$180,036	99.09%
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

(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 2012 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 2013. For the Fiscal Year 2012 Tax Roll, refer to the Unaudited Statistical Section, Table 7 "Principal Property Tax Payers," in the Fiscal Year 2012 CAFR.

TABLE A-6
PRINCIPAL PROPERTY TAXPAYERS IN CITY OF SAN DIEGO[(1)(2)(3)]
Tax Roll for Fiscal Year 2013
(in thousands, except for percentages)
(unaudited)

Taxpayers	Type of Business	Assessed Valuation[(4)]	Percentage of Net Assessed Valuation[(5)]	Amount of Tax[(6)]
Kilroy Realty, LP	Real Estate	$1,506,263	0.85%	$16,743
Irvine Co.	Real Estate	1,454,270	0.82	16,165
Qualcomm, Inc	Electronics	1,313,238	0.74	14,597
Sunstone Park	Real Estate	782,232	0.44	8,695
Host Hotels Resorts LP	Hotel Management	765,593	0.43	8,510
Arden Realty Ltd. Partnership	Real Estate	469,184	0.27	5,215
Fashion Valley Mall, LLC	Developer	467,185	0.26	5,193
Pfizer, Inc	Pharmaceuticals	464,537	0.26	5,163
OCSD Holdings	Real Estate	444,560	0.25	4,941
Seaworld Parks	Entertainment	429,109	0.24	4,770
TOTAL		$8,096,170	4.59%	$89,991

(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, 2012 is the official assessment date for property taxes due during Fiscal Year 2013.
(2) Utility Companies excluded.
(3) The table includes incremental value for redevelopment project areas.
(4) Total assessed valuation includes both secured and unsecured property; does not include supplemental assessments.
(5) Using total Net Assessed Valuation of $176.5 billion (includes incremental value for redevelopment project areas) for Fiscal Year 2013.
(6) 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 20.5% and 20.7% of the total projected General Fund revenue in the Fiscal Year 2013 Adopted Budget and the Fiscal Year 2014 Proposed Budget, respectively.

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 (in 2023, unless retired prior to maturity), 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.

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 2013 Sales Tax Budget. The Fiscal Year 2013 Adopted Budget included a total of $236.3 million in sales tax revenue, assuming 5.3% growth for the fiscal year. Sales tax revenue represented 20.5% of the Fiscal Year 2013 Adopted Budget, and consisted of $175.4 million in sales tax revenue and $60.9 million in triple-flip reimbursements. The year-end projection for sales tax revenue in the Fiscal Year 2013 Year-End Budget Monitoring Report is $234.1 million (excluding Proposition 172 safety sales tax), which is $2.2 million below the sales tax revenues in the Fiscal Year 2013 Adopted Budget. The decreased year-end projection is mainly due to the State Board of Equalization's estimated Fiscal Year 2013 triple-flip payment to the City being lower than anticipated in the Fiscal Year 2013 Adopted Budget. The City experienced positive growth in sales tax revenue throughout Fiscal Year 2012 and that trend has continued into the second quarter of Fiscal Year 2013, with gains reported in most sectors of taxable sales. Actual cash sales tax receipts for the second quarter of Fiscal Year 2013 increased by 5.2% compared to receipts in the same quarter in Fiscal Year 2012. 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-4-1" for historic taxable transactions in the City.

Fiscal Year 2014 Sales Tax Budget. In April 2013, the California Employment Development Department reported the City's unemployment rate at 7.0% and the State's unemployment rate at 8.5%. With the unemployment rate for the State still above the national unemployment rate of 7.1%, a 5.5% growth rate for sales tax was used for the Fiscal Year 2014 Proposed Budget. The Fiscal Year 2014 Proposed Budget included $248.1 million in sales tax revenues (excluding Proposition 172 safety sales tax), which included the property tax reimbursement that the City receives as a result of the triple-flip. There are no revisions to this revenue source included in the Fiscal Year 2014 May Revision.

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") (formerly the San Diego Convention and Visitors Bureau), there

were more than 32.3 million visitors to the County in calendar year 2012, compared to 31.1 million in 2011. The number of visitors in calendar year 2013 is projected to grow to 33.0 million. Although the region remains a popular vacation spot, the City can provide no assurance that any continued or future economic weakness will not have an adverse impact on tourism in San Diego during the next Fiscal Year or for any longer period.

Fiscal Year 2013 Transient Occupancy Tax Budget. The Fiscal Year 2013 Adopted Budget included TOT revenues totaling $156.0 million, of which $81.7 was budgeted to the General Fund and the remaining revenue was budgeted in Special Promotional Programs. General Fund TOT revenue represented 7.1% of the Fiscal Year 2013 Adopted Budget. The year-end projection for Citywide TOT revenue in the Fiscal Year 2013 Year-End Budget Monitoring Report is $158.2 million, representing a $2.2 million or 1.4% increase from the TOT revenues in the Fiscal Year 2013 Adopted Budget. The General Fund portion of the year-end projection for TOT revenue is $82.9 million, representing a $1.2 million or 1.5% increase from the TOT revenues in the Fiscal Year 2013 Adopted Budget.

The growth in TOT revenue is anticipated to be moderate as the economy as whole continues on a slow path to recovery. Although growth in tourism activity for the upcoming fiscal year is expected to be tempered when compared to growth in recent fiscal years, it is still anticipated to be positive and to continue through calendar years 2013 and 2014, according to information from the Tourism Authority. The current projection for TOT revenue is based on the forecasts for the two main factors affecting revenue levels: room demand and the average daily room rate ("ADR"). The Tourism Authority projected room demand growth of 1.7% for calendar year 2013 and projects that ADR will increase to $135.33 in calendar year 2013. See APPENDIX B—"DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY –Table B-6" for historical transient occupancy tax data.

Fiscal Year 2014 Transient Occupancy Tax Budget. The Fiscal Year 2014 Proposed Budget included $170.4 million in total TOT revenues, assuming a 6.0% growth rate over the Fiscal Year 2013 year-end projection. Of the total budgeted amount, $89.2 million in TOT revenue will be allocated to the General Fund. The remaining funds were allocated to Special Promotional Programs, which includes the one-cent Council discretionary TOT funding budgeted to be transferred to the General Fund and TOT allocated for reimbursement of General Fund tourism related expenditures. The Fiscal Year 2014 May Revision includes $167.7 million in Citywide TOT revenues, representing a $2.7 million decrease from the TOT revenues in the Fiscal Year 2014 Proposed Budget. The General Fund portion of the projected total TOT revenues is $87.9 million, representing a $1.3 million decrease from the General Fund portion of revenues in the Fiscal Year 2014 Proposed Budget. The City has experienced growth in receipts over the past two calendar years, and growth in tourism activity is expected to continue through the remainder of calendar year 2013 and into 2014. 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 2013 Franchise Fees Budget. The Fiscal Year 2013 Adopted Budget included $71.7 million in franchise fee revenue for the General Fund, which represented 6.2% of the total budget. The projection for franchise fees in the Fiscal Year 2013 Year-End Budget Monitoring Report is $68.0 million, which is a 5.2%, or $3.7 million, decrease from the Fiscal Year 2013 Adopted Budget. The decrease projection is primarily due to less SDG&E franchise fee revenue as a result of decreased natural gas prices.

Fiscal Year 2014 Franchise Fees Budget. The Fiscal Year 2014 Proposed General Fund Budget includes $68.4 million in franchise fee revenue, which comprises 5.7% of the General Fund revenue budget. There are no revisions to this revenue source included in the Fiscal Year 2014 May Revision.

San Diego Gas & Electric. The Fiscal Year 2013 Adopted Budget included $37.7 million in SDG&E franchise fee revenue for the General Fund. The projection for SDG&E revenue in the Fiscal Year 2013 Year-End Budget Monitoring Report is $34.9 million, which is a decrease of 7.4% or $2.8 million over the franchise fee revenue in the Fiscal Year 2013 Adopted Budget. The Fiscal Year 2014 Proposed General Fund Budget for SDG&E franchise fee revenue of $35.6 million is based on the Fiscal Year 2013 year-end projection of actual receipts and assumes a 2.0% growth rate for Fiscal Year 2014. There are no revisions to this revenue source included in the Fiscal Year 2014 May Revision.

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 2013 Adopted Budget for cable franchise fee revenue was $19.4 million. The projection for cable revenue in the Fiscal Year 2013 Year-End Budget Monitoring Report is $18.7 million, which is a decrease of 3.6% or $0.7 million from the cable revenues in the Fiscal Year 2013 Adopted Budget. The Fiscal Year 2014 Proposed Budget for cable franchise fee revenue of $19.4 million is based on the Fiscal Year 2013 year-end revenue projection and assumes a 4.0% growth rate for Fiscal Year 2014. There are no revisions to this revenue source included in the Fiscal Year 2014 May Revision.

Refuse Haulers and Other Franchises. Revenue from private refuse haulers is based on the total amount of refuse hauled annually. The Fiscal Year 2013 Adopted Budget included $10.0 million in refuse hauler revenues for the General Fund. The projection for refuse haulers revenue in the Fiscal Year 2013 Year-End Budget Monitoring Report is $10.0 million, which is equivalent to the Fiscal Year 2013 Adopted Budget. The City also anticipates an additional $2.8 million in franchise fees from the EDCO and Sycamore Landfill facilities and $1.7 million from other franchise fee sources. The Fiscal Year 2014 Proposed 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. There are no revisions to this revenue source included in the Fiscal Year 2014 May Revision.

Reserves

City Reserve Policy

The City maintains a "General Reserve Fund" pursuant to Section 91 of the Charter. Section 91 requires that the reserve be maintained in an amount sufficient to meet all legal demands against the City Treasury for the first four months or other necessary period of each Fiscal Year prior to the collection of taxes. The General Reserve Fund may be expended only in the event of a public emergency by the affirmative vote of two-thirds of the City Council.

In accordance with Charter Section 91, the City Council approved a "City Reserve Policy" in July 2008. The City Council approved a revised City Reserve Policy in December 2011, which sets forth the City's approach to establishing and maintaining adequate reserves across the spectrum of City operations, including the General Fund and Risk Management. The target level for the General Fund Reserves is 8% of annual General Fund revenues. Of that 8% target, a minimum of 5% is to be made up of an Emergency Reserve (referred to in the Charter and above as the "General Reserve Fund"), which may be expended only in the event of a public emergency by the affirmative vote of two-thirds of the City Council. The reserve targets and expected year of achievement for the City's Risk Management Reserves are as follows: (i) 50% of the value of outstanding public liability claims by Fiscal Year 2019, (ii) 50% of the value of outstanding workers' compensation claims by Fiscal Year 2019 and (iii) $12.0 million for long-term disability claims by Fiscal Year 2014. According to the City Reserve Policy, the General Fund contributions to the Public Liability Fund Reserve and the Workers' Compensation Fund Reserve will be reassessed every two years and incorporated into the budget process, in order to ensure that the reserve targets are met in a manner that is balanced with other budget priorities. Revisions to the City Reserve Policy are currently underway to reflect updated target contributions to the City's Risk Management Reserves.

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Table A-7 provides a summary of fund balances in certain City reserves as of June 30, 2012.

TABLE A-7
RESERVES
(in thousands, except for percentages)
(unaudited)

	Target Level	Fiscal Year 2012 Actual (%)	Fiscal Year 2012 Actual ($)	Target Fiscal Year
General Fund Reserve	8% of General Fund revenue	15%	$167,981	2012
Public Liability Fund Reserve[(1)]	50% of outstanding claims	42%	$50,039	2019
Workers' Compensation Fund Reserve[(2)]	50% of outstanding claims	20%	$31,863	2019
Long-Term Disability Fund Reserve[(3)]	$12,000	88%	$10,595	2014

(1) The Reserve Policy target for Fiscal Year 2012 was 14% of outstanding claims or $17.1 million. The Public Liability Reserve fund balance as of June 30, 2012, includes the $27.0 million wildfire settlement with SDG&E. This amount is budgeted to be transferred out in Fiscal Year 2014 with $12.9 million returned to the General Fund and $3.4 million to the Enterprise Funds. Also See "– Risk Management Reserves" below.

(2) The Reserve Policy target for Fiscal Year 2012 was 23% of outstanding claims or $34.3 million.

(3) The Reserve Policy target for Fiscal Year 2012 was 68% or $8.11 million.

Source: Fiscal Year 2012 Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego.

General Fund Reserves

The General Fund Reserves include the Emergency Reserve, Appropriated Reserve and Unassigned General Fund Balance. At June 30, 2012, the General Fund Reserve (approximately $168 million) consisted of $58.5 million of the Emergency Reserve in the Restricted General Fund Balance, as well as the entire Unassigned General Fund Balance of approximately $109.5 million. The City expects the General Fund Reserves to be above the 8% target in Fiscal Year 2013, in the amount of $170.0 million or 14.5% of General Fund revenues, as indicated in the Fiscal Year 2013 Year-End Budget Monitoring Report. The General Fund Reserve is projected to be $156.0 million or 13.0% of General Fund revenues, which is above the 8.0% reserve target for Fiscal Year 2014.

Emergency Reserve. An Emergency Reserve is to be maintained for the purpose of sustaining General Fund operations in the case of a natural disaster or unforeseen catastrophic event caused by human activity, such as a terrorist attack. The Emergency Reserve will not be accessed to meet operating shortfalls or to fund new programs or personnel. This reserve may be expended only in the event of a public emergency, as determined by a two-thirds vote of the City Council, when such expenditures are necessary to ensure the safety, lives, and property of the City and its inhabitants. The Emergency Reserve target level is 8% of annual General Fund revenues. If the City Emergency Reserve is less than the 8% target, the balance in the Emergency Reserve will be combined with the balances in the Appropriated Reserve and Unassigned General Fund Balance to calculate the General Fund Reserves level. However, at no time will the balance in the Emergency Reserve fall below 5% of General Fund revenues, unless such requirement is specifically waived through an action of the City Council due to an unforeseen emergency requiring the use of the Emergency Reserve.

Appropriated Reserve. An Appropriated Reserve may be maintained for the purpose of paying for unanticipated operational needs that arise during the Fiscal Year, and were not anticipated during the budget process. Funds appropriated to this reserve will be identified and appropriated to a single account

within the General Fund annual budget. There will be no maximum or minimum amount appropriated to this reserve in any given year. Any funds that are not expended in a given Fiscal Year will revert back to the General Fund Unassigned Fund Balance and may then be reappropriated in the subsequent year, consistent with the City Reserve Policy. Recommendations to use these funds would be brought forward by the Mayor and would require approval by a majority of the City Council.

Unassigned General Fund Balance. The Unassigned General Fund Balance includes all amounts not restricted, committed, or assigned for a certain purpose. Unassigned amounts are available for any governmental purpose and can be appropriated in the event of an unanticipated requirement for additional funds where the Emergency Reserve would not be appropriate. Should the funds in the Appropriated Reserve be exhausted in a Fiscal Year, the Unassigned General Fund balance may be used. Recommendations to appropriate funds from the Unassigned General Fund balance will be initiated by the Mayor and will require approval by a majority of the City Council.

Risk Management Reserves

The City also maintains Risk Management Reserves in order to provide funding sources for certain claims made against the City. The Risk Management Reserves include the Workers' Compensation Fund Reserve, the Public Liability Fund Reserve and the Long-Term Disability Fund Reserve.

All operating funds contribute an amount, equal to a specified rate multiplied by the gross employee salaries paid from such operating fund, to both the Workers' Compensation Fund Reserve and the Long-Term Disability Fund Reserve. These contributions include funding for current expenditures from each Fund Reserve and funding for the annual reserve contributions as specified in the City Reserve Policy.

The Public Liability Fund Reserve receives an annual transfer, approved by City Council in the budget ordinance, from the General Fund. The allocation includes funding for current expenditures from the Public Liability Fund Reserve and funding for the annual reserve contribution as specified in the City 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. Pursuant to the City Reserve Policy, the Workers' Compensation Fund contributions have been smoothed over seven years (starting in Fiscal Year 2013). This means that fluctuations in the City's outstanding liability are factored into the City's Workers' Compensation Fund contributions roughly over a seven-year period, to achieve certain incremental reserve targets annually and achieve a final target reserve level equal to 50% of current estimated outstanding workers' compensation obligations by Fiscal Year 2019. This target level requires that approximately $5.9 million be contributed annually for Fiscal Years 2013-2019 to the Workers' Compensation Fund Reserve. In Fiscal Years 2012 and 2013, operating expenses in the Workers' Compensation Fund were higher than budgeted, resulting in the reserve targets being underfunded by $2.5 million in Fiscal Year 2012 and $2.3 million in Fiscal Year 2013. These shortfalls are due to increasing claim costs, which have been on the rise since Fiscal Year 2012. As a result, $4.8 million is required to achieve the 27% goal of value of outstanding claims in Fiscal Year 2013 in accordance with the City Reserve Policy. The $4.8 million is included in the Fiscal Year 2013 Year-End Budget Monitoring Report to cover the shortfall and to be able to achieve the 27% goal in Fiscal Year 2013. In addition, the Fiscal Year 2014 Proposed Budget includes a $5.9 million contribution to the Workers' Compensation Reserve which is the Fiscal Year 2014 target contribution needed to achieve the 30% goal of value of outstanding claims in Fiscal Year 2014. Revisions to the City Reserve Policy are

currently underway to reflect updated target contributions. See "RISK MANAGEMENT – Self Insurance – Workers' Compensation and Long-Term Disability" herein.

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. Pursuant to the City Reserve Policy, the Public Liability Fund contributions have been smoothed over seven years (starting in Fiscal Year 2013). This means that fluctuations in the City's outstanding liability are factored into the City's Public Liability Fund contributions roughly over a seven-year period, 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 Fiscal Year 2013 projected year-end Public Liability Fund Reserve is $50.2 million, which includes the $27 million SDG&E settlement received in Fiscal Year 2012 and exceeds the target by $30.5 million. The SDG&E settlement amount is, however, budgeted to be transferred of out of this reserve in Fiscal Year 2014, with $12.9 million returned to the General Fund and $3.4 million to the Enterprise Funds. The Fiscal Year 2014 Proposed Budget also includes a $4.8 million contribution to the Public Liability Fund, resulting in a projected balance of $38.6 million in Fiscal Year 2014. Based on the annual actuarial valuation, this reserve level would be 13% above the 24% of outstanding claims goal for the Public Liability Reserve in Fiscal Year 2014. In addition, the reserve contribution for Fiscal Year 2015 through Fiscal Year 2019 is now projected to be $2.6 million annually instead of $6.1 million as stated in the City Reserve Policy. Revisions to the City Reserve Policy are currently underway to reflect the updated targeted contributions. For additional information regarding public liability insurance, see "RISK MANAGEMENT – Self Insurance – *Public Liability Insurance*" herein.

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. Pursuant to the City Reserve Policy, the reserve target for this fund is $12.0 million and is expected to be achieved by Fiscal Year 2014. While this target is anticipated to be met in Fiscal Year 2014, revisions to the City Reserve Policy are currently underway to reflect a new target based on the current value of outstanding liability. The Fiscal Year 2014 Proposed Budget includes a $1.9 million contribution to the Long-Term Disability Fund Reserve. 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. The goal of the Long Term Disability Reserve is to transition to a fully insured long term disability program, thus eventually eliminating the liability from the City's financial statements. For additional information regarding long-term disability, see "RISK MANAGEMENT – Self Insurance – Workers' Compensation and Long-Term Disability" herein.

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 2013 Bonds are payable from State revenues. The Series 2013 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 2013 BONDS" in the front part of this Official Statement. The Series 2013 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 2013 State Budget

On June 27, 2012, Governor Brown signed into law the Fiscal Year 2013 State Budget. The Fiscal Year 2013 State Budget closed a $15.7 billion budget gap, with $8.1 billion in expenditure reductions, $6 billion in temporary taxes and other targeted revenue, and $2.5 billion in loan repayment extensions, transfers and other solutions. The Fiscal Year 2013 State Budget projected a year-end reserve of almost $1 billion. The Fiscal Year 2013 Budget assumed the passage of Proposition 30, which passed at the November 2012 election. Proposition 30 temporarily raised the State sales tax from 7.25% to 7.5%, and increased income taxes on individuals earning in excess of $250,000 a year. The sales tax increase expires in 2016, and the personal income tax increases expires in 2018. The Fiscal Year 2013 State Budget decreased General Fund spending to $91.3 billion from Fiscal Year 2012 levels.

Fiscal Year 2014 State Budget

Governor Brown released the Governor's Fiscal Year 2014 Budget on January 10, 2013, and issued the Governor's May Revision on May 14, 2013. The Governor's Fiscal Year 2014 Budget reflected a significant improvement in the State's finances, due to prior budgetary restraint, revenues generated due to Proposition 30, and general economic recovery. The Governor's Fiscal Year 2014 Budget projected State General Fund revenues of $98.5 billion in Fiscal Year 2014. The Governor's May Revision forecast that State General Fund revenues in Fiscal Year 2013 will be $2.8 billion greater than anticipated in the Governor's Fiscal Year 2014 Budget. However, the influx in higher revenues projected for Fiscal Year 2013 is anticipated to be short-lived. The Governor's May Revision revised projected State General Fund revenues for Fiscal Year 2014 to $97.2 billion, $1.3 billion lower than the projection in the Governor's Fiscal Year 2014 Budget. The Governor's May Revision adjusted the Fiscal Year 2014 State General Fund revenues because the Governor's Fiscal Year 2014 Budget incorrectly assumed the federal government would extend the 2 percent payroll tax holiday and that federal sequestration would not take effect. The Governor's May Revision also cut its forecast of personal income growth in 2013 almost in half, from 4.3 percent to 2.2 percent. The Governor's Fiscal Year 2014 Budget proposed $97.7 billion in State General Fund spending, a 5 percent increase from Fiscal Year 2013; however, due to the forecasted decrease in personal income growth, the Governor's May Revision decreased State General Fund expenditures to $96.4 billion.

The Governor's Fiscal Year 2014 Budget also forecasted an approximate $1 billion surplus at the end of Fiscal Year 2014, to be used as a reserve for future Fiscal Years. The Governor's May Revision

maintains the $1 billion surplus reserve. The Governor's Fiscal Year 2014 Budget and Governor's May Revision indicate a transition from several years of budget deficits to a budget in which expenditures and revenues are generally in balance.

The Governor's Fiscal Year 2014 Budget is a "baseline" budget, in which State-supported program and service levels established in Fiscal Year 2013 will continue through Fiscal Year 2014. The most notable exception to the baseline budget is that the Governor's Fiscal Year 2014 Budget proposed a 5% increase in revenues for the State's public university systems. The Governor's Fiscal Year 2014 Budget also proposed a solution to the "Wall of Debt"- debts, deferrals and budgetary obligations which have accumulated over the past decade. The Governor's Fiscal Year 2014 Budget proposed dedicating $4.2 billion to paying down the Wall of Debt, which totaled almost $35 billion at the end of Fiscal Year 2011. The Governor's May Revision predicted the Wall of Debt will be reduced to below $5 billion by the end of Fiscal Year 2017. Other key components of the Governor's Fiscal Year 2014 Budget included a new Proposition 98 K-12 school funding formula and implementation procedures for the federal Patient Protection and Affordable Care Act. The Governor's May Revision proposed modest modifications to these proposals.

Effect of State Budget on General Fund Revenues

For several years, the State has 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 2013 is established at $1.626 billion. Using the Fiscal Year 2013 Proposed Budget, the appropriations subject to the limit (i.e., proceeds of taxes, excluding debt service on voter-approved debt and qualified capital outlays) were calculated to be $793.9 million, which was $831.7 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 1 of Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and Section 2 thereof 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 – Redevelopment Agencies" 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

[TO BE UPDATED]

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 February 22, 2013, MEA represented approximately 4,674 employees; AFSCME Local 127 represented approximately 1,683 employees; POA represented approximately 1,815 employees; IAFF Local 145 represented approximately 791 employees; Teamsters Local 911 represented approximately 313 employees; and DCAA represented approximately 143 employees. The City had approximately 734 unrepresented employees.

Contracts for Fiscal Year 2010 through 2013

Beginning in Fiscal Year 2010, the City either negotiated or imposed a general salary freeze and 6% reduction in overall compensation for all labor organizations and for unrepresented employees which continues through Fiscal Year 2013. [For Fiscal Year 2013, on June 18, 2012, the City Council approved memoranda of understanding with all recognized employee organizations which would maintain the status quo, including the 6% reduction in compensation for another year. Unrepresented employees will also be subject to the ongoing 6% reduction in overall compensation. The various labor organizations and unrepresented employees achieved the 6% reduction in overall compensation in different ways as described below.]

MEA: MEA implemented its 6% reduction through a 52 hour mandatory furlough and a 3% salary reduction.

AFSCME Local 127: AFSCME Local 127 implemented its 6% reduction principally through the elimination of a 5.4% retirement offset contribution.

POA: POA implemented its 6% reduction principally through the elimination of a 4.1% retirement offset contribution and a 1.5% salary reduction.

IAFF Local 145: Local 145 implemented its 6% reduction principally through the elimination of a 4.3% retirement offset contribution.

Teamsters Local 911: Teamsters Local 911 implemented its 6% reduction principally through a 52 hour mandatory furlough and a 3% reduction of the retirement offset contribution.

DCAA: DCAA implemented its 6% reduction principally through a 32 hour mandatory furlough and the elimination of a 3.2% retirement offset contribution.

Unrepresented: For unrepresented employees the 6% reduction was principally implemented through eliminated retirement offset contributions, and salary reductions.

SAN DIEGO CITY EMPLOYEE'S RETIREMENT SYSTEM

[TO BE UPDATED]

The City faces significant financial challenges in addressing an unfunded pension liability of approximately $2.28 billion as of June 30, 2012. The challenges posed by the unfunded pension liability are significant and pose a threat to the future financial health of the City.

General

San Diego City Employees' Retirement System ("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 of Administration (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 working half-time or greater 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. SDCERS also prepares its own CAFR, the most recent of which is for Fiscal Year 2012.

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 2013 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 2013 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 2013 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 under this caption 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-8
CITY OF SAN DIEGO PLAN MEMBERSHIP
As of June 30, 2012 (actual member count)

	General	Safety	Total by Classification
Active Members	5,468	2,253	7,721
Inactive Members	2,353	542	2,895
Retirees, Disabled and Beneficiaries	4,472	2,819	7,291
DROP Participants[1]	487	427	914
Total Members, as of June 30, 2012	12,780	6,041	18,821

[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 2012.

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 ARC is recommended 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, 2012 Annual Actuarial Valuation of SDCERS, dated January 4, 2013 (the "2012 Valuation"). The 2012 Valuation will serve as the basis for the City's pension contribution for Fiscal Year 2014. The City's actual annual pension contribution may differ from the ARC based on a number of factors discussed below, but in no case is the pension contribution expected to be less than the ARC.

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 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, 2012 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 2013, 15 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 2012 Valuation, this resulted in an equivalent single amortization period for the UAAL of 15.1117 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 2012 Valuation. The actuarial assumptions reflect recommendations approved by the SDCERS Board in September 2011 based on the last SDCERS Experience Study, which compared assumed versus actual experience for various actuarial factors from July 1, 2007 through June 30, 2010. The current actuarial assumptions were initially adopted for the Fiscal Year 2011 Valuation.

1. Investment Return Rate: 7.5% per year, net of both administrative and investment expenses.

2. Inflation Rate: 3.75% per year, compounded annually.

3. Interest Credited to Member Contributions: 7.5% compounded annually.

4. Projected Salary Increases Due to Inflation: 0% in Fiscal Year 2014, 3.75% thereafter (a freeze had also been assumed in Fiscal Year 2013).

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[1] 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 5.1%, while the market value of assets decreased by 1.0% from June 30, 2011 to June 30, 2012. As of June 30, 2012, the market value of plan assets was approximately $4.800 billion, and the actuarial value was $4.982 billion.

[1] 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.

Forthcoming GASB Statements

In Fiscal Year 2014, GASB 67, which applies to pension plans, will replace the current GASB 25, and in Fiscal Year 2015, GASB 68, which applies to plan sponsors, will replace the current GASB 27. GASB 67 and 68 will require additional disclosures, which will be implemented in future valuations. Also, GASB 67 and 68 do not include the concept of an ARC which, as noted above, is the most important factor in establishing the City's contribution to SDCERS. SDCERS intends to review its funding policy in light of the new GASB statements to determine the basis for the City's contributions in Fiscal Year 2015 and beyond.

Funding Status

According to the 2012 Valuation, at June 30, 2012, the City had a UAAL of $2.279 billion and a funded ratio of 68.6%. The UAAL increased by $101.5 million over the UAAL at the 2011 Valuation, which was $2.178 billion, and the funded ratio increased by 0.1%. The primary causes for the increase in the UAAL were investment experience less than projected which increased the UAAL by $91.4 million and a liability experience loss of $40.2 million.

Table A-9 below sets forth the City's portion of SDCERS' historical funding progress for Fiscal Years 2003 through 2012.

TABLE A-9
CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS
Fiscal Years 2003 through 2012
($ 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
2003	$2,375,431	$2,780,080	$3,532,626	67.2%	78.7%	$1,157,195	$ 752,546	$533,595	216.9%
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	5,963,550	78.2	73.9	1,303,204	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	2,069,121	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

(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. Methodologies and assumptions are discussed above.
(5) Covered payroll includes all elements of compensation paid to active City employees on which contributions to the pension plan are based.
Source: SDCERS Comprehensive Annual Financial Report for 2003 through 2012 Valuations; Cheiron Actuarial Valuation as of June 30, 2012; Comptroller's Office, City of San Diego.

Preservation of Benefits Plan

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. Payments related to the POB Plan are funded annually by the City. Depending on whether the City has any retirees whose pension benefits exceed IRC section 415(b) limits in any given year, the City may have a POB Plan contribution.

Citywide and General Fund Pension Contributions

The City's total budgeted pension contribution for Fiscal Year 2013 is $232.8 million. This includes a pension plan contribution of $231.1 million, which is equal to the pension plan ARC, and an estimated POB plan contribution of $1.7 million (which includes a POB Plan ARC of $1.3 million and an additional contribution of $0.4 million). The General Fund's proportionate share of the City's total budgeted pension contribution is $181.4 million, or 77.9% of the total City's pension contribution. 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 ARC, and an estimated POB plan contribution of $1.7 million. Thus, 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-10 sets forth the City's pension contributions and the General Fund's share for Fiscal Years 2010 through 2014.

TABLE A-10
CITY OF SAN DIEGO
PENSION CONTRIBUTION
Fiscal Years 2010 through 2014
($ In Thousands)

Fiscal Year ended (June 30)	Pension Plan ARC	POB Plan ARC	Total ARC[1]	Total Pension Contribution	Additional Contribution (underfunding)	General Fund Pension Contribution
2010	$154,200	$1,000	$155,200	$193,880	$38,680	$152,785
2011	229,100	1,817	230,917	230,423	(494)	182,913
2012	231,200	1,269	232,469	232,828	359	181,363
2013[2]	231,100	1,314	232,414	232,800	386	181,442
2014[2]	275,400	708	276,108	277,142	1,034	214,377

(1) Includes core pension ARC and POB Plan ARC. See Note 12 in City's Fiscal Year 2012 CAFR for more information on ARC and POB. Per IRS guidelines, the City may not pre-fund the POB Plan. Therefore, plan contributions may differ from the ARC in any given year.

(2) Data for Fiscal Years 2013 and 2014 are budgeted amounts. All other data are actual. The total pension and General Fund contributions assume a POB Plan contribution of $1.7 million for Fiscal Year 2013 and a POB Plan contribution of $1.7 million for Fiscal Year 2014.

Source: Fiscal Years 2010 - 2012 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego; Cheiron Actuarial Valuation as of June 30, 2012; Fiscal Year 2013 and 2014: Financial Management, City of San Diego. Footnotes: Comptroller's Office, City of San Diego, and 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 7.5% per year and the projections are calculated as if the returns were to be 7.5% each and every year, which is unlikely to occur as experience never conforms to assumptions from year to year. 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) ARC payments than presented in the table.

TABLE A-11
CITY OF SAN DIEGO ACTUARIAL FUNDING PROJECTIONS
Fiscal Years 2014 through 2023
(earnings as assumed)

Fiscal Year Ending June 30	Investment Return Rate	Annual Required Contribution (millions)	ARC as Percentage of Payroll	UAAL (billions)
2014	7.50%	$275.4	58%	$2.28
2015	7.50	281.3	60	2.31
2016	7.50	286.4	63	2.28
2017	7.50	290.9	66	2.24
2018	7.50	295.0	69	2.17
2019	7.50	299.1	72	2.10
2020	7.50	303.1	75	2.00
2021	7.50	307.0	78	1.89
2022	7.50	310.9	82	1.77
2023	7.50	314.8	85	1.63

Source: Cheiron Actuarial Valuation as of June 30, 2012.

Pension Reform Ballot Initiative

An initiative titled "Comprehensive Pension Reform for San Diego" (Proposition B) was approved by voters on June 5, 2012. Generally, the measure amends the City Charter to provide all new City employees hired on or after the effective date of the amendments, 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. This limitation on the City's negotiating authority is in effect until June 30, 2018. Pensionable pay increases may be authorized with a 2/3 vote of the City Council following preparation of an actuarial report that discloses the impact of any proposed increases in compensation or benefits on the City's defined benefit plan.

[TO BE UPDATED] 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. The decision of the PERB board may also be appealed to the Fourth District Court of Appeal. This litigation may delay or preclude the implementation of some or all of the Proposition B amendments to the City Charter.] Notwithstanding the Proposition B litigation, the 2012 Valuation assumes the validity of Proposition B.

Proposition B resulted in increased costs to the City of $27 million for Fiscal Year 2014. This is largely a result of the level dollar amortization method for the non-Police UAAL used by Cheiron in calculating the ARC. Proposition B did not increase the City's UAAL.

POSTEMPLOYMENT HEALTHCARE BENEFITS

[TO BE UPDATED]

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 5,968 retirees, and 1,891 active employees as of June 30, 2012. 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.

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, 2012 ("2012 OPEB Valuation"), dated October 11, 2012, 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 2012 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: 30 years, open.

4. Actuarial Asset Valuation Method: Fair Value.

5. Discount Rate: 7.06% (6.40% in Fiscal Year 2011).

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: 9.0% for Fiscal Year 2012, 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 2012 OPEB Valuation, at June 30, 2012, the City had a DB OPEB Plan UAAL of $449.1 million and a funded ratio of 18.85%. The DB OPEB Plan UAAL decreased by approximately $682 million over the OPEB UAAL at the 2011 OPEB Valuation, which was $1.131 billion, and the funded ratio increased from 9.34%. As discussed above, this decrease in the DB OPEB Plan UAAL is largely attributable to certain health-eligible employees and retirees opting out of the DB OPEB Plan. There was also a $154.7 million liability gain as of June 30, 2012. An actuarial liability gain reduces the UAAL of the City and is caused by actual experience costs being less than the assumed costs. The City's liability gain as of June 30, 2012 is primarily due to premium rates remaining unchanged from the previous year, removal of certain benefits from some participants and reduced value of other benefits, and lowering trend rate assumptions.

The following table shows the City's DB OPEB Plan funding progress for Fiscal Years 2008 through 2012:

TABLE A-12
CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS (DB OPEB PLAN)
Fiscal Years 2008 through 2012
($ 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[1]
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

(1) Represents DB OPEB Plan only.
Source: Fiscal Years 2008 – 2012 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.

In Fiscal Year 2012, the City's total retiree healthcare contribution was $58.3 million. The General Fund's proportionate share of this contribution was $38.5 million, or approximately 66%. In Fiscal Year 2013, the City's total retiree healthcare contribution is expected to be $57.8 million and the General Fund's proportionate share is expected to be $41.0 million or approximately 70.9%. In Fiscal Year 2014, the City's budgeted total retiree healthcare contribution is expected to be $57.9 million with a General Fund contribution of $41.2 million or 71.2%.

TABLE A-13
CITY OF SAN DIEGO
RETIREE HEALTH CONTRIBUTIONS (ALL PLANS)
Fiscal Years 2010 through 2014[(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[(3)]	35,347	1,847	36,178	46	19,775	57,846	41,023
2014[(4)]	33,856			83		57,905	41,203

(1) Data for Fiscal Years 2013 and 2014 is budgeted. 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) Contributions based on estimated actuals through March 2013, and projections for the remainder of Fiscal Year 2013.
(4) 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.

Source: Fiscal Year 2010 – 2012: Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego; Fiscal Year 2013: Comptroller's Office; Fiscal Year 2014: Proposed Budget, Financial Management, 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, 2012 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-14 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-14
CITY OF SAN DIEGO
LIABILITY CLAIMS AND PREMIUMS
Fiscal Years 2008 through 2012

Fiscal Year	Liability Claims Payments and Settlement Costs[1]	Liability Premium Payments
2008	$28,043,000	$4,487,500
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

(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 2008 - 2012: 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 2012 and to date in Fiscal Year 2013, 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 Fiscal Year 2014-2018 Financial 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 Fiscal Year 2014-2018 Financial Outlook addresses reserves for the Public Liability Fund. See "Reserves" herein.

Employee Group Health Insurance

The City 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.

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 2013 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 2012 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 2013 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 2013 Bonds; (ii) questioning or affecting the validity of the Series 2013 Bonds; or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Series 2013 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 2012 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, as of May 8, 2013 had received approximately 1,275 notices of claims for the current fiscal year.

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.

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 to 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.

All estimates of potential loss in the event of an adverse ruling are subject to change without notice, and, except as required by the Bond Purchase Agreement, the City disclaims any undertaking to update the information concerning pending litigation or asserted claims for matters which may thereafter be brought to the attention of the City. In the event of an adverse ruling, certain pending lawsuits, including those disclosed individually herein, have a reasonable possibility of resulting in an additional liability to the City, in the aggregate, ranging from $0 to $147 million. See Note 18 of the City's CAFR for Fiscal Year 2012.

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 March 31, 2013, approximately 8% of the pool investments mature within 62 days, 14% within 92 days, 24% within 184 days, 41% within 1 year, 76% within 2 years, 95% within 3 years, and 100% within 5 years (on a cumulative basis). As of March 31, 2013, the City Treasurer's Pooled Investment Fund had a weighted average maturity of 1.42 years (520 days) and its weighted average yield was 0.42%. 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 0.38 years and the Core portfolio had a duration of 1.65 years as of March 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 0.38% for every 1% increase in market interest rates while the Core portfolio should decrease in market value by 1.65% 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-15 sets forth information concerning the City Pool at March 31, 2013.

TABLE A-15
CITY OF SAN DIEGO POOLED INVESTMENT FUND
At March 31, 2013
(in thousands)
(unaudited)

Investment Instrument	Book Value	Fair Value	Percent of Total[1]
U.S. Treasury Notes	$975,325	$976,671	42.36%
Agency Discount Notes	49,911	49,985	2.17
Agency Notes & Bonds	733,430	734,508	31.86
Commercial Paper	149,715	149,831	6.50
Corporate Notes & Bonds	90,427	90,996	3.93
Local Agency Investment Fund	49,604	49,604	2.15
Repurchase Agreement	21,000	21,000	0.91
Negotiable Certificates of Deposit	150,000	150,081	6.52
Asset Backed Securities	82,862	82,920	3.60
TOTAL INVESTMENTS	$2,302,274	$2,305,596	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.

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BONDED AND OTHER INDEBTEDNESS

Long-Term Obligations

As of June 30, 2012, the City had $481,630,000 aggregate principal amount of long-term General Fund lease obligations outstanding, and $37,422,000 of other obligations outstanding.

Table A-16 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, 2012.

TABLE A-16
CITY OF SAN DIEGO
GENERAL FUND LEASE OBLIGATIONS AND OTHER GENERAL FUND OBLIGATIONS[1]
As of June 30, 2012
(in thousands)

Fiscal Year	General Fund Lease Obligations[2]	Other[3][4]	Total Principal and Interest Payable
2013	$40,409	$10,512	$50,921
2014	40,399	10,484	50,883
2015	40,409	10,455	50,864
2016	40,410	1,431	41,841
2017	40,417	1,401	41,818
Thereafter	565,146	11,108	576,254
Subtotal	$767,190	$45,391	$812,581
Less Interest Portion	(285,560)	(7,969)	(293,529)
Total Principal Portion	$481,630	$37,422	$519,052

(1) Unaudited
(2) Includes the Convention Center Expansion Financing Authority's Lease Revenues Bonds, Series 2012A of the 1998 Lease Revenue Bonds were defeased on June 20, 2012, and therefore are not included in this category.
(3) 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 2013 subsidy is $465,790 resulting in a net lease payment of $1,052,656 after accounting for the subsidy. The amounts above reflect total lease payments.
(4) 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-17 provides a summary list of long-term general fund supported obligations outstanding as of June 30, 2012 and March 31, 2013.

TABLE A-17
CITY OF SAN DIEGO
GENERAL FUND SUPPORTED OBLIGATIONS[1]
(in thousands)

	Principal Outstanding as of June 30, 2012	Principal Outstanding as of March 31, 2013
General Fund Lease Commitments		
Certificates of Participation		
2003 – Balboa Park/Mission Bay Park Refunding[2]	$ 7,240	$ 6,745
Lease Revenue Bonds		
2002 – Fire and Life Safety Facilities Project	20,545	
2003 – City/MTDB Authority Old Town Light Rail Refunding[3]	10,025	10,025
2007 – Ballpark Project	138,200	134,090
2010A – Master Refunding Bonds	165,180	160,275
2012A – Convention Center Expansion Financing Authority Refunding Bonds	140,440	140,440
2012A – Deferred Capital Improvement Project Bonds		72,000
2012B – Fire and Life Safety Refunding Bonds		18,745
Total Principal of General Fund Lease Commitments	**$481,630**	**$542,320**
Other		
2011 – Qualified Energy Conservation Bonds (Broad Spectrum Street Lighting)	$ 12,391	$ 11,636
McGuigan Settlement Modification	25,031	17,001
Total Other	**$ 37,442**	**$ 28,637**
Total Principal Outstanding	**$519,052**	**$570,957**

(1) Unaudited
(2) A portion of the proceeds of the Series 2013B Bonds will be used to redeem all of the 2003 Certificates of Participation Balboa Park/Mission Bay Park Refunding Bonds.
(3) A portion of the proceeds of the Series 2013A Bonds will be used to redeem all of the 2003 City/MTDB Authority Old Town Light Rail Refunding Bonds.
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, 2012, were outstanding in an aggregate principal amount equal to $56.6 million.

Future Additional General Fund Lease Financings

From time to time, the City issues lease revenue bonds to fund various capital improvements and projects. The City Council approved a deferred capital program funding plan in March 2012 that describes the City's General Fund deferred capital improvement needs. Deferred capital improvements include needed structural repairs to existing City facilities, including roof replacement, heating and

cooling system upgrades, and improvements to storm drains, streets and sidewalks. The City estimates that its deferred capital improvement needs, excluding those related to water and wastewater enterprises, are approximately $898 million as of February 2012. The City's 2009A Lease Revenue Bonds (subsequently refunded with the 2010A Lease Revenue Bonds) and the 2012A Lease Revenue Bonds together funded approximately $178 million of deferred capital needs. Additionally, approximately $15 million from the proposed Series 2013A Bonds will finance various street improvements identified in the City's deferred capital improvement plan. In accordance with the current funding plan, the City expects to issue approximately $80-$90 million annually in Fiscal Years 2014-2018 in General Fund supported 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 General Fund 5-year Financial Outlook.

The City also anticipates issuing other obligations over the next two-three years to finance an expansion of the San Diego Convention Center, which is expected to be funded through obligations supported primarily by special tax revenue from a newly formed Convention Center Facilities District ("CCFD") combined with some General Fund supplemental revenue and a San Diego Port District contribution. The formation of the CCFD and the special tax to be levied therein received a successful judicial validation on April 18, 2013. This project is subject to other approvals, including approval by the California Coastal Commission, which may or may not be granted.

Although the City has no current plans to borrow for capital needs other than as described above, it is possible that the City may issue additional obligations in the future. 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 2004 to 2012 ranged from approximately $111 million to $163 million. For the purpose of Fiscal Year 2013 interim cash flow needs, the City issued $100,685,000 2012-13 Tax and Revenue Anticipation Notes, Series A (the "2012-13 TRANs"), on July 2, 2012. The 2012-13 TRANs will mature on June 28, 2013. The City has transferred all of the required set aside amounts into a set aside account for tax and revenue anticipation notes to pay the principal and interest on the 2012-13 TRANs when they mature.

Based on current cash flow projections, the City expects to have necessary cash to meet the appropriated expenditures in Fiscal Year 2014. The City does not currently anticipate issuing tax and revenue anticipation notes in the first quarter of Fiscal Year 2014. If a cash need arises during Fiscal Year 2014, the City may issue notes in the second quarter of Fiscal Year 2014.

The following Table A-18 presents a 10-year history of the City's tax and revenue anticipation notes:

TABLE A-18
CITY OF SAN DIEGO GENERAL FUND
TAX AND REVENUE ANTICIPATION NOTES
Fiscal Years 2004 through 2013
(in thousands)

Fiscal Year	*Principal Amount*
2004	$110,900
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

Source: Debt Management Department, City of San Diego.

Operating Lease Commitments

The City has entered into various General Fund operating leases under which the City must make annual payments to rent facilities necessary for City operations. Such operating lease commitments totaled $9.3 million for Fiscal Year 2013. The City will continue to lease office space. Future fiscal year lease commitments will be determined by current lease terms, new terms from amendments to existing leases, or new leases consistent with the City's facility plan.

Overlapping Debt and Debt Ratios

Table A-19 presents a statement of direct and overlapping bonded debt (the "Debt Statement") of the City as of June 30, 2012. 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 2013 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 [May 31, 2013], there was one 1915 Act Assessment District and two 1984 Act Reassessment District bond issues with aggregate outstanding principal of $14,724,923, and six Community Facilities District bond issues with outstanding principal of $112,005,000.

The reserve funds for each of the City's outstanding Assessment District and Community Facilities District bond issues were fully funded as of [May 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.

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TABLE A-19
CITY OF SAN DIEGO
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
As of June 30, 2012
(in thousands, except for percentages)
(unaudited)

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/12	% Applicable	City's Share of Debt 6/30/12
Metropolitan Water District	$ 196,545	8.966%	$ 17,622
Palomar Community College District	318,574,	26.397	84,094
San Diego Community College District	949,293	99.922	948,553
Poway Unified School District School Facilities Improvement District Nos. 2002-1 and 2007-1	351,148	67.867 - 68.338	239,157
San Diego Unified School District	1,850,844	99.925	1,849,456
Sweetwater Union High School District	334,479	20.970	70,140
San Ysidro School District	133,903	82.842	110,928
Other School, High School and Community College Districts	1,185,899	Various	69,507
Grossmont Healthcare District	221,902	8.384	18,604
Palomar Pomerado Health System	479,863	32.247	154,741
City of San Diego	-	100.	-
City of San Diego Special Assessment/Special Tax Bonds (1)	136,370	100.	136,370
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	28,305	100.	28,305
North City West School District Community Facilities District	76,378	100.	76,378
Poway Unified School District Community Facilities Districts	294,048	99.609-100.	293,911
San Dieguito Union High School District Community Facilities District No. 95-1	30,753	81.063	24,929
Sweetwater Union High School District Community Facilities Districts	27,112	11.543-100.	21,693
Other Special District 1915 Act Bonds	16,854	Various	1,653
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			$4,146,041
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	$395,115	46.945%	$ 185,487
San Diego County Pension Obligations	787,113	46.945	369,510
San Diego Superintendent of Schools Certificates of Participation	18,750	46.945	8,802
Palomar Community College District General Fund Obligations	5,820	26.397	1,536
Poway Unified School District Certificates of Participation	34,784	71.249	24,783
Sweetwater Union High School District Certificates of Participation	11,325	20.970	2,375
Chula Vista School District General Fund Obligations	148,925	5.297	7,889
San Ysidro School District Certificates of Participation	43,946	82.842	36,406
Other School, High School and Community College District Certificates of Participation	135,675	Various	6,547
City of San Diego Revenue Bonds, Lease Revenue Bonds, and Certificates of Participation (2)	481,630	100.	481,630
Otay Municipal Water District Certificates of Participation	58,245	7.881	4,590
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			$1,129,555
Less: Otay Municipal Water District Certificates of Participation			4,590
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			$1,124,965
GROSS COMBINED TOTAL DIRECT(3)			$5,275,596
NET COMBINED TOTAL DEBT			$5,271,006

Ratios to 2011-12 Assessed Valuation:

Direct Debt ($0)	0.00%
Total Gross Direct and Overlapping Tax and Assessment Debt	2.98%
Total Net Debt and Overlapping Tax and Assessment Debt	2.97%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt ($481,630) (4)	0.30%
Gross Combined Total Debt	3.29%
Net Combined Total Debt	3.28%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: $0

(1) Amounts reconcile to Note 19, Total Special Assessment/Special Tax Bonds, of Fiscal Year 2012 CAFR.

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(2) Amounts for Total Debt reconcile to Note 5, Total Revenue Bonds/Lease Revenue Bonds/COPs, of Fiscal Year 2012 CAFR.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Percentage of overlapping agency's assessed valuation located within boundaries of the city.
(4) Percentage of overlapping agency's assessed valuation located within boundaries of the City.

Source: Fiscal Year 2012 Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller's Office, City of San Diego.

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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 are the latest available; however, the current state of the economy at City, County, State and national levels may not be reflected in the data discussed below because more up-to-date publicly available information is not available. 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 the Official Statement. The Series 2013 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 7,653.

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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 April 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 April[2] 2013
(Not Seasonally Adjusted)

	Calendar Year					*April 2013[2]*
	2008	*2009*	*2010*	*2011*	*2012*	
Civilian Labor Force						
City of San Diego[1]						
Employed	649,900	627,500	628,600	635,500	650,100	668,200
Unemployed	41,400	66,600	74,000	70,800	63,700	49,900
Unemployment Rates						
City[1]	6.0%	9.6%	10.5%	10.0%	8.9%	7.0%
County[1]	6.0	9.6	10.5	10.0	8.9	7.0
California[1]	7.2	11.3	12.4	11.8	10.5	8.5
United States[3]	5.8	9.3	9.6	8.9	8.1	7.1

(1) Estimates are revised annually in March and April.
(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 April of 2013 was 718,100, of which approximately 49,900 persons were unemployed. Based on preliminary estimates of the EDD as of May 17, 2013, the City's unemployment rate of 7.0% in April of 2013, on a seasonally unadjusted basis, matched that of the County at 7.0% and was below the unemployment rate of the State, which was 8.5%. The City's unemployment rate was also below that of the United States, which was 7.1%. 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 April 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 April 2013[1]
(In Number of Jobs By Industry)

Industry Category	*2009*	*2010*	*2011*	*2012*	*2013[5]*
Services[2]	580,900	578,900	587,400	604,900	619,400
Government	224,500	230,400	229,000	227,600	232,400
Federal	43,700	47,000	46,700	46,700	46,500
State and Local	180,800	183,500	182,200	180,900	185,900
Trade	172,200	170,800	174,700	179,100	177,500
Wholesale	40,600	40,100	41,300	43,500	43,400
Retail	131,600	130,700	133,400	135,600	134,100
Manufacturing	95,300	92,900	93,100	93,400	93,500
Nondurable Goods	22,200	21,900	22,200	22,800	22,500
Durable Goods	73,100	71,000	70,900	70,700	70,900
Financial Activities[3]	69,800	67,200	67,600	69,500	69,900
Construction	61,100	55,400	55,200	56,300	56,200
Transportation, Warehousing & Utilities	27,300	26,500	26,100	27,600	28,600
Mining & Logging	400	400	400	400	400
TOTAL NONFARM[4]	1,231,300	1,222,500	1,233,400	1,258,800	1,277,800

(1) Estimates are revised annually in March.
(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 calculations.
(5) Preliminary as of May 2013.
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-4-1 sets forth taxable transactions in the City for calendar years 2007 through 2011 [and the following Table B-4-2 sets forth taxable transactions in the City for the first quarter of calendar years 2011 and 2012], the most recent period for which State Board of Equalization data is available. See APPENDIX A-"CITY GOVERNMENT AND FINANCIAL INFORMATION-Major Revenue Sources" for a discussion of the City's assumptions regarding trends of taxable transactions and sales tax revenues for Fiscal Year 2013 and Fiscal Year 2014.

TABLE B-4-1
CITY OF SAN DIEGO
TAXABLE TRANSACTIONS
Calendar Years 2007 through 2011
(In Thousands)

	2007	*2008*	*2009*[1]	*2010*[1]	*2011*[1]
Retail and Food Services					
Apparel	$ 959,509	$ 1,123,736	$ 1,358,011	$ 1,476,887	$ 1,608,393
General Merchandise	2,272,494	1,995,887	1,443,341	1,505,694	1,571,106
Food	881,871	828,471	864,733	874,855	909,541
Eating and Drinking	2,617,392	2,682,884	2,582,572	2,674,975	2,888,953
Home Furnishings and Appliances	655,097	749,808	1,005,324	1,064,083	1,132,638
Building Materials	1,098,559	865,280	707,657	735,040	795,649
Motor Vehicles and Parts	2,237,019	1,852,953	1,606,349	1,720,348	1,884,077
Service Stations	1,656,784	1,847,002	1,319,720	1,527,002	1,850,576
Other Retail Stores	2,321,276	2,045,273	1,481,096	1,483,428	1,550,568
Total Retail and Food Services	$ 14,700,001	$ 13,991,295	$ 12,368,802	$ 13,062,313	$ 14,191,502
All Other Outlets	5,356,105	5,422,964	4,795,162	4,816,619	5,306,003
TOTAL ALL OUTLETS[2]	$ 20,056,106	$ 19,414,259	$ 17,163,965	$ 17,878,932	$ 19,497,504

(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.

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

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[TO BE UPDATED]

TABLE B-4-2
CITY OF SAN DIEGO
TAXABLE TRANSACTIONS
2011 First Quarter and 2012 First Quarter
(in Thousands)*

Type of Business	*2011 First Quarter*	*2012 First Quarter*
Retail and Food Services		
Apparel	$ 334,416	
General Merchandise	343,825	
Food	208,380	
Eating and Drinking	661,905	
Home Furnishings and Appliances	266,620	
Building Materials	190,764	
Motor Vehicles and Parts	461,394	
Service Stations	432,373	
Other Retail Stores	368,610	
Total Retail and Food Services	$ 3,268,287	
All Other Outlets	1,251,086	
TOTAL ALL OUTLETS	$ 4,519,372	

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

[Total taxable sales in the City during the first quarter of calendar year 2012 [increased/decreased] by approximately [___]%, compared to the same period of the prior year.]

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* *To be updated when/if First Quarter 2012 data is made available prior to printing.*

Tourism

The tourism industry is the County's third largest industry in terms of business revenue generation, following manufacturing and the military. 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 prepared by the San Diego Tourism Authority (formerly the San Diego Convention and Visitors Bureau) 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 2008 through 2012. See "APPENDIX A-"CITY GOVERNMENT AND FINANCIAL INFORMATION-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 2008 through 2012
(in thousands)

Fiscal Year	*Amount*
2008	$159,348
2009	140,657
2010	123,879
2011	139,545
2012	148,795

(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 2012 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, 69.7% 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 same time last year.

In addition, most of the County's major tourist attractions, including the world-renowned San Diego Zoo, the San Diego Zoo's Safari Park 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 Gas Lamp 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 $21.6 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 June 2012 (the "Military Study") prepared by the San Diego Military Advisory Council ("SDMAC"). The Authority has not 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.

Approximately 25% of the jobs in the County are directly and indirectly related to the military. There are over 100,000 active duty military personnel and 30,000 full-time civilian workers directly employed by the military throughout the County. Absent sequestration, the level of military employment was expected to remain steady in 2013. The direct defense-related spending by the military in the County was $20.6 billion for the federal fiscal year ending September 30, 2012 and is projected to remain at approximately $20.7 billion in the federal fiscal year ending September 30, 2013. 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.

Efforts by the federal government to reduce the federal deficit have negatively impacted military spending throughout the country and in the County. Effective March 1, 2013, automatic spending cuts (referred to as sequestration) to numerous federal programs began to be implemented. Approximately one-half of the spending cuts are related to the military and this could result in a reduction in military spending in 2013 of approximately $40 billion, and approximately $500 billion over ten years. The Department of Defense has announced it will furlough civilian and military employees in response to the sequestration beginning in July 2013.

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.

Top Ten Principal Employers

The following Table B-8 sets forth the top 10 principal employers in the City for Fiscal Year 2012.

TABLE B-8
CITY OF SAN DIEGO
TOP TEN PRINCIPAL EMPLOYERS
Fiscal Year 2012
(unaudited)

Employer	*Number of Employees*	*Percentage of Total Employment*[1]
University of California San Diego[2]	28,071	3.95%
United States Navy[3]	27,869	3.92
Sharp Healthcare[4]	15,366	2.16
San Diego County	15,171	2.13
San Diego Unified School District	13,633	1.92
Qualcomm, Inc.	11,877	1.67
City of San Diego[5]	9,841	1.38
Kaiser Permanente	7,425	1.04
UC San Diego Medical Center	6,039	0.85
San Diego Gas & Electric Co.[6]	5,028	0.71
Total Top Employers	**140,320**	**19.72%**

(1) Percentage based on total employment of 711,500 provided by the EDD Labor Force Data.
(2) Employee count includes full and part time, academic and support staff.
(3) Employee count includes Navy personnel only (civilian/military).
(4) Employee count is companywide.
(5) Employee count is provided by the City of San Diego, Office of the Comptroller – Payroll Division.
(6) Employee count does not include Sempra Energy or other affiliate companies.
Source: Fiscal Year 2012 Comprehensive Annual Financial Report, Statistical Section (Unaudited), Comptroller's Office, City of San Diego.

Personal Income [TO BE UPDATED]

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	[_____]	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.

Property Value and Construction

[TO BE UPDATED] 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 2012, construction permits valuation increased by 43%, or $499.5 million from Fiscal Year 2011.

[*] *To be updated if/when data becomes available.*

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 2008 through 2012.

TABLE B-10
CITY OF SAN DIEGO
Assessed Value and Construction Permit Valuation
Fiscal Years 2008 through 2012
($ in thousands)
(unaudited)

[TO BE UPDATED]

	Residential[1]		*Non-Residential*[2]		
Fiscal Year	***Dwelling Units***	***Assessed Value***[3]	***Permits***	***Assessed Value***[3]	***Total Permit Assessed Value Estimate***[3]
2008	2,228	$437,934	175	$931,648	$1,369,582
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

(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 2008 through 2012.

TABLE B-11
COUNTY OF SAN DIEGO
FORECLOSURE ACTIVITY
Calendar Years 2008 through 2012

[TO BE UPDATED]

Calendar Year	*Foreclosures*	*Total Number of Housing Units*[1]	*% of Total Housing Units*
2008	19,577	1,140,654	1.72%
2009	15,487	1,145,548	1.35
2010	13,467	1,158,076[2]	1.16
2011	12,216	1,161,720	1.05
2012	7,195	1,165,818	0.62

(1) As of January 1 of the indicated year.
(2) County of San Diego Total Number of Housing Units for calendar year 2010 was calculated based on 2010 census data.
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 2012 compared to calendar year 2011. In addition, foreclosures have dropped during this time frame as well. There were 22,101 notices of default recorded in the County in calendar year 2011, which decreased to 16,597 notices recorded in 2012. Furthermore, there were 12,216 foreclosures in the County in calendar year 2011, which decreased by 41% to 7,195 foreclosures in 2012. As of April 30, 2013, there were 2,697 notices of default and 1,490 foreclosures thus far in calendar year 2013.

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 2013 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.

"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 2013 Bonds will commence on the respective Closing Date and end on April 15, 2014.

"Bonds" means the Prior Bonds, the Series 2013 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 2013A Project, a Certificate of the City filed with the Trustee stating that the 2013A Project, which was financed with the proceeds of the Series 2013 Bonds deposited into the Series 2013A 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 2013A Bonds, the date the Series 2013A Bonds are issued and delivered to the initial purchasers thereof, and with respect to the Series 2013B Bonds, the date the Series 2013B 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 2013A Bonds, all costs of acquiring, constructing, installing or improving the 2013A Project, including but not limited to:

(a) 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 2013A Project;

(b) 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 or improvement of the 2013A Project, including reimbursement to the Authority or the City for all advances and payments made in connection with the 2013A Project prior to or after delivery of the Series 2013 Bonds;

(c) 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 or improvement of the 2013A Project;

(d) 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, construction, installation and improvement, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction, installation or improvement of the 2013A Project; and

(e) 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, construction, installation or improvement of the 2013A 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 2013 Bonds, that certain Continuing Disclosure Certificate relating to each series of the Series 2013 Bonds, executed by the City and dated the respective 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 First 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 2013 Bonds, each April 15 and October 15, commencing October 15, 2013, 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.

"Leased Property" means the property more particularly described in an exhibit to the Lease.

"Lease Payment Date" means, with respect to the Series 2013 Bonds, April 10 and October 10 of each year commencing October 10, 2013.

"Lease Year" means, with respect to the Series 2013 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, 2014.

"Master Indenture" means the Indenture, dated as of July 1, 2012, 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 2013A Bonds, the original purchaser(s) of the Series 2013A Bonds upon their delivery by the Trustee on the applicable Closing Date and with respect to the Series 2013B Bonds, the original purchaser(s) of the Series 2013B Bonds upon their delivery by the Trustee on the applicable 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 2013 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.

"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.

"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).

"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.

"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 2013 Bonds, the tax and nonarbitrage certificate of the Authority and City and any supplemental tax certificate with respect to tax matters relating to the Series 2013 Bonds.

"Term Bonds" means, with respect to the Series 2013 Bonds, the Series 2013A Bonds maturing on October 15, 20____, and on 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 First 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 First 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 First 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 2013 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 2013 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 2013 Costs of Issuance Fund," within which is established separate subaccounts designated as the "Series 2013A Costs of Issuance Account" and the "Series 2013B Costs of Issuance Account." Notwithstanding any other provision of the First Supplemental Indenture, the Series 2013 Cost of Issuance Fund is not pledged to, nor does it secure, the Bonds.

The moneys in the Series 2013 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 First 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 _____, 20__, or upon the earlier Written Request of the City, all amounts remaining in the Series 2013 Costs of Issuance Fund will be transferred by the Trustee to the Series 2013A 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 2013A Construction Fund.

(a) The Trustee will establish and maintain a fund designated as the "Series 2013A Construction Fund." Notwithstanding any other provision of the First Supplemental Indenture or the Master Indenture, the Series 2013A Construction Fund is not pledged to, nor does it secure, the Bonds.

(b) The Trustee will hold the moneys in the Series 2013A Construction Fund separate and apart from all other funds held by the Trustee and will use such moneys, as provided by the First 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 First 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 2013A 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 2013A 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.

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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 Bonds.

The Authority covenants to and for the benefit of the Owners of the Series 2013 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 2013 Bonds or the moneys and investments held in the funds and accounts established under the First Supplemental Indenture which would cause the Series 2013 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 2013 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 2013 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 2013 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 2013 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

In furtherance of the tax covenants for the Series 2013 Bonds, the Authority will execute, deliver and comply with the provisions of the Tax Certificate for the Series 2013 Bonds, which is incorporated into the First Supplemental Indenture and made a part of the First Supplemental Indenture as if set forth in the First Supplemental Indenture in full including all of the defined terms therein, and by its acceptance of the First Supplemental Indenture the Trustee acknowledges receipt of such Tax Certificate and acknowledges its incorporation in the First 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 2013 Bonds, to all funds and accounts created under the First Supplemental Indenture and all moneys on deposit to the credit of any fund or account).

Rebate Fund for the Series 2013 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 2013 Rebate Fund for the Series 2013 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 2013 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 2013 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 2013 Bonds, for payment to the federal government of the United States of America.

All amounts deposited into or on deposit in the Series 2013 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 2013 Rebate Fund by the Trustee from deposits by the City, if and to the extent required, so that the balance in the Series 2013 Rebate Fund will equal the Rebate Requirement for the Series 2013 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 First 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 2013 Rebate Fund in Permitted Investments. Moneys will not be transferred from the Series 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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;

<u>then</u> 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 2013 Bonds.

(a) The City covenants that it will use, and will restrict the use and investment of, the proceeds of the Series 2013 Bonds in such manner and to such extent as may be necessary so that: (1) the Series 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 Bonds, the reasonable expectations of the City regarding the amount and use of all the proceeds of the Series 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 subheading "—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 _____, 20___ (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 subheading "—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 OPINIONS

_____, 2013

City of San Diego
San Diego, California

Public Facilities Financing Authority of the City of San Diego
San Diego, California

We have acted as Bond Counsel to the City of San Diego (the "City") in connection with the issuance of [$_____ aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds, Series 2013A (Capital Improvement Projects and Old Town Light Rail Extension Refunding) (the "Series 2013A Bonds")] [$_____ aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding) (the "Series 2013B Bonds"] dated the date hereof. In such connection, we have reviewed: (i) Site Lease, dated as of July 1, 2012 (the "Master Site Lease"), as amended and supplemented by the First Amendment to Site Lease, dated as of July 1, 2013 (the "First Amendment to Site Lease" and together with the Master Site Lease, the "Site Lease"), each by and between the City and the Public Facilities Financing Authority of the City of San Diego (the "Authority"); (ii) Facilities Lease, dated as of July 1, 2012 (the "Master Facilities Lease"), as amended and supplemented, including as supplemented by the First Amendment to Facilities Lease, dated as of July 1, 2013 (the "First 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 (the "Master Indenture"), as supplemented by the First Supplemental Indenture, dated as of July 1, 2013 (the "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 and Nonarbitrage 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 opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or such events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Series 2013[A][B] Bonds is concluded with their issuance on this date and we disclaim any obligation to update this opinion. We have assumed and relied on, without undertaking to verify, the genuineness of the documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the

due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the City and the Authority. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with the covenants, of the City and the Authority in the Site Lease, the Lease, the Indenture, the Tax Certificate and other relevant documents to which each is a party. The rights and obligations under the Series 2013[A][B] Bonds, the Site Lease, the Lease, the Indenture, and their enforceability, may be subject to 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 limitations on legal remedies against charter cities and joint power authorities in the State of California (the "State"). We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence, nor do we express any opinion with respect to the state or quality of title to, or any interest in, any of the Lease Property described in or subject to the Site Lease or the Lease or the accuracy or sufficiency of the description of any such property contained therein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2013[A][B] Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, we are of the following opinions:

1. The Series 2013[A][B] Bonds constitute the valid and binding limited obligations of the Authority as provided in the Indenture.

2. The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of principal and interest on the Series 2013[A][B] Bonds and any Additional Bonds which may subsequently be issued under the Indenture, of the Revenues and other amounts held by the Trustee in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. The Lease and the Site Lease have been duly authorized, executed and delivered by the City and the Authority and constitute the valid and binding obligations of the City and of the Authority, respectively, enforceable against the City and the Authority in accordance with the terms thereof. [The MTS Site Lease has been duly authorized, executed and delivered by [MTS and] the Authority and constitutes the valid and binding obligation of [MTS and] the Authority, enforceable against [MTS and] the Authority in accordance with the terms thereof.] The obligation of the City to make the Base Rental Payments during the term of the Lease constitutes a valid and binding obligation of the City, payable from funds of the City lawfully available therefor, and does not constitute a debt of the City or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

4. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Series 2013[A][B] Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2013[A][B] Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of Series 2013[A][B] Bonds. Pursuant to the

Indenture, the Lease, and the Tax Certificate, the Authority and the City have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2013[A][B] Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, Authority and the City have made certain representations and certifications in the Indenture, the Lease, and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Series 2013[A][B] Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2013[A][B] Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

5. Interest on the Series 2013[A][B] Bonds is exempt from personal income taxes of the State under present state law.

6. Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2013[A][B] Bonds maturing on October 15, 20___ (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2013[A][B] Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

In rendering the opinions set forth in paragraphs 4 and 6 above, we are relying upon representations and covenants of the Authority and the City in the Indenture, the Lease, and the Tax Certificate concerning the investment and use of Series 2013[A][B] Bond proceeds, the rebate to the federal government of certain earnings thereon, and the use of the property and facilities financed and refinanced with the proceeds of the Series 2013[A][B] Bonds. In addition, we have assumed that all such representations are true and correct and that the Authority and the City will comply with such covenants. We express no opinion with respect to the exclusion of the interest on the Series 2013[A][B] Bonds from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the Authority or the City fails to comply with such covenants, unless such failure to comply is based on our advice or opinion.

Except as stated in paragraphs 4 through 6, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Series 2013[A][B] Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2013[A][B] Bonds, or the interest thereon, if any action is taken with respect to the Series 2013[A][B] Bonds or the proceeds thereof upon the advice or approval of other counsel.

We call attention to the fact that the opinions expressed herein and the exclusion from gross income for federal income tax purposes of the interest on the Series 2013[A][B] Bonds may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

None of the City, the Authority, the Trustee or the Underwriters can or do give any assurances that DTC, the Participants or others will distribute payments of principal of or interest on the Series 2013 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 Underwriters 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 2013 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 Underwriters believe to be reliable, but none of the City, the Authority or the Underwriters 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 2013 Bonds. The Series 2013 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 2013 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 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013 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 2013 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 2013 Bonds, except in the event that use of the book-entry system for the Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 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 2013 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 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013 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 2013 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2013 Bonds may wish to ascertain that the nominee holding the Series 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE SERIES 2013 BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2013 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 2013 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 2013 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 UNDERWRITERS 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 2013 BONDS TO BE REDEEMED IN THE EVENT OF REDEMPTION OF LESS THAN ALL SERIES 2013 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 2013 BONDS. NO ASSURANCE CAN BE GIVEN BY THE CITY, THE AUTHORITY THE TRUSTEE OR THE UNDERWRITERS 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 2013 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 2013 Bonds, and the Authority does not select another qualified securities depository, the Authority shall deliver one or more Series 2013 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 2013 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 _____, 2013 in connection with $_____ aggregate principal amount of Public Facilities Financing Authority of the City of San Diego 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 $_____ aggregate principal amount of Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding) (the "Series 2013B Bonds" and together with the Series 2013A Bonds, the "Series 2013 Bonds"). The Series 2013 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 2013 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 2013 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 2013 Bonds (including persons holding Series 2013 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2013 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.

"*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 2013 Bonds required to comply with the Rule in connection with the offering of the Series 2013 Bonds.

"*Official Statement*" means the Official Statement dated _____, 2013, prepared and distributed in connection with the initial sale of the Series 2013 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, 2013 (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 Obligation and General Fund Lease 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. If the document included by reference is a final official statement, it must be available from the MSRB. 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 2013 Bonds, 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

* The City will not establish or maintain a reserve fund for the Series 2013 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 2013 Bonds.

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 2013 Bonds, if material, 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 2013 Bonds, or other events affecting the tax status of the Series 2013 Bonds;

(iii) modifications to rights of the holders of the Series 2013 Bonds;

(iv) bond calls[***];

(v) release, substitution or sale of property securing repayment of the Series 2013 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 2013 Bonds. If such termination occurs prior to the final maturity of the Series 2013 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

[***] Any scheduled redemption of Series 2013 Bonds pursuant to mandatory sinking fund redemption requirements does not constitute a Notice Event within the meaning of the Rule.

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(a), 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 2013 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 2013 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 2013 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 2013 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 2013 Bonds may commencing 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 2013 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, and the City agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2013 Bonds.

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 2013 Bonds, and shall create no rights in any other person or entity.

13. Record Keeping. The City shall maintain records of all Annual Reports and notices of material Notice Events including the content of such disclosure, the names of the entities with whom the such disclosure were filed and the date of filing such disclosure.

14. 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 2013A (Capital Improvement Projects and Old Town Light Rail Extension Refunding) and Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds, Series 2013B (Balboa Park/Mission Bay Park Refunding)
Date of Issuance:	_____, 2013

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 _____, 2013 with respect to the Series 2013 Bonds. The City anticipates that the Annual Report will be filed by _____.

Dated:_____

_____
On behalf of the City

Office of
The City Attorney
City of San Diego

MEMORANDUM

(619) 236-6220

DATE: June 13, 2013

TO: Council President and Members of the City Council

FROM: Brant C. Will, Deputy City Attorney

SUBJECT: Disclosure Responsibilities under Federal Securities Laws – Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B

A. Introduction

On June 18, 2013, the City Council will consider the adoption of a resolution to approve the form of the Preliminary Official Statement (POS) and to authorize the execution, delivery and distribution of an Official Statement for the issuance and sale of the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A (2013A Bonds) and Lease Revenue Refunding Bonds Series 2013B (2013B Bonds, collectively, the Bonds).

The City Council adopted Ordinance No. O-20249 (Ordinance) on March 26, 2013 and the Ordinance was approved by the Mayor on April 11, 2013. That action approved the issuance of the Bonds as well as the forms of the financing documents. We recommend that you review the Ordinance as well as Report to City Council No. 13-13, dated February 19, 2013 (Report No. 13-13) and Report to City Council No. 13-28, dated March 8, 2013 (Report No. 13-28, collectively, the Financing Reports). You should also review the Executive Summary for the present action, dated June 10, 2013 (POS Report). Defined terms not otherwise defined in this memorandum have the meanings set forth in the POS. This memorandum provides guidance with respect to your disclosure responsibilities under the federal securities laws for the issuance of the Bonds.

Pursuant to the Ordinance, the Council has approved the issuance of the Bonds in a principal amount not to exceed $51 million, including $36.5 million to provide approximately $35 million in bond proceeds for General Fund capital improvement projects and $15.5 million to refund outstanding City of San Diego/MTDB 2003 Lease Revenue Refunding Bonds (MTDB Bonds) and the City of San Diego 2003 Certificates of Participation (Balboa Park/Mission Bay

Park Refunding)(Park Bonds) The refunded MTDB Bonds and Park Bonds must meet the net present value savings of 3% as set forth in the City's Debt Policy and described in Report No. 13-13. The City expects to close the 2013A Bonds in July 2013 and the 2013B Bonds in August 2013.

The Bonds will be issued by the Public Facilities Financing Authority (Authority) and are structured as lease revenue bonds. The City will lease City-owned property to the Authority under a Site Lease. Under a separate Site Lease the Metropolitan Transit System (MTS) will lease MTS-owned property to the Authority to support the refunding of the MTDB Bonds. The Authority will then lease all of the property (the Leased Property), back to the City under the Facilities Lease. The Bonds are payable by the Authority from rental payments made by the City under the Facilities Lease to the Authority for the use and occupancy of the Leased Property. The Leased Property consists of various City and MTS-owned properties. The annual lease payments made by the City are equal to the annual debt service on the Bonds.

B. **Disclosure Responsibilities**

As a Councilmember, you have significant responsibilities imposed upon you by the federal securities laws. The City has taken a number of specific actions to assist you in meeting those responsibilities. The City Council has adopted a comprehensive Disclosure Ordinance, established a Disclosure Practices Working Group (DPWG), and has had the benefit of guidance from the City Attorney's Office and the City's outside general Disclosure Counsel, John McNally. You should also bring to bear the disclosure training session recently conducted by Mr. McNally and the City Attorney's Office as you consider the POS before you.

Federal Securities Law

A Memorandum dated July 9, 2008, to the City Council from Deputy City Attorney Brant Will and John McNally, entitled "Federal Securities Law Responsibilities regarding Review of Disclosure Documents," (copy attached), set forth a consensus recommendation for the Council's review of Preliminary and final Official Statements. The Memorandum quoted from the SEC's Orange County 21(a) Report (1996), characterized such report as "the principal authoritative guidance regarding a Council member's review" of Official Statements, and concluded that Council members should "review and approve Official Statements [relating to] the City's . . . financings." We commend that Memorandum to your attention once again.

Outlined below are the key features of the process that the City has implemented for review and approval of the Preliminary Official Statement for the Bonds (Preliminary Official Statement). Certifications required by the Disclosure Controls and Procedures are attached to this Memorandum. We have also set forth certain questions that you should ask yourself as you consider the approval of the Preliminary Official Statement.

Ordinance (O-19320, as amended)

	Completed
• Mayor provides written certification to City Council regarding no material mistakes or omissions (Mun. Code § 22.4112(a))	✓
• City Attorney provides written certification to City Council regarding no material mistakes or omissions (Mun. Code § 22.4112(a))	✓
• CFO provides certification to City Council regarding portions of CAFR in OS (Mun. Code § 22.4112(b))	✓

Disclosure Controls and Procedures

• Director of Debt Management certifies to DPWG that Disclosure Controls and Procedures were followed by Financing Group in preparation of OS (section 4.3 B.)	✓
• Debt Manager, together with Deputy City Attorney for Finance, shall maintain a log of OS reviewers/preparers (section 4.3.B.3.)	✓
• Directors or other responsible staff members of certain City departments shall provide transmittal letter to DPWG regarding portions of OS reviewed in form attached to Controls and Procedures as Ex. D	✓
• SDCERS shall provide a certification regarding portions of the OS relating to pension matters (section 4.3.E)	✓
• City Attorney's Office provides letter regarding litigation in form attached as Ex. H (section 4.3. F.)	✓
• CFO provides letter in form attached as Ex. I (section 4.3.G.)	✓
• DPWG transmits OS to Mayor and City Attorney using letter in form attached as Ex. L (section 5.3)	✓

Kroll Report

• "City Council [should] have at least two weeks to review substantially completed drafts of a preliminary offering statement before it is asked to vote to approve the final document."	✓

Your due diligence and disclosure obligations are significant relative to the issuance of the Bonds. As a preliminary matter, each Councilmember should determine whether he or she has a ***business relationship with any participant*** connected with this financing. It is the position of the Securities and Exchange Commission that the existence of financial and business relationships or arrangements, including political contributions, could indicate the existence of

actual or potential conflicts of interest, breaches of duty, or less than arms' length transactions. If there are any such relationships or arrangements these should be discussed with the City Attorney.

Each Councilmember should also consider if he or she has any material information of which the financing team may not be aware. If there is any such information, you should bring such information to the attention of City staff and the appropriate financing professionals. Finally, each Councilmember must develop for himself or herself a basis of knowledge, at a minimum, to answer the following questions (these questions are intended solely as a guide, and you are free to make any other enquiries that you deem relevant):

1. ***For what purpose are the Bonds being issued***? The Bonds will be issued to fund certain capital projects and to refund the outstanding MTDB Bonds and Park Bonds. See Report No. 13-13 pp. 2-3 and the Preliminary Official Statement pp. 1-2.

2. ***What is the term and source of repayment of the Bonds? Is there any City general fund exposure?*** The term of the new money portion of the 2013A Bonds is 30 years. The term of the 2013A and 2013B refunding bonds will match the maturity of the outstanding MTDB Bonds and Park Bonds. See pp. 1-2 of the Preliminary Official Statement. The Bonds are special, limited obligations of the Authority secured solely by the lease payments of the City payable under the Facilities Lease and certain funds held under the Indenture. The full faith and credit of the City is not pledged to the payment of the principal of or interest on the Bonds, however, the City does covenant in the Indenture to budget the lease payments. See the Preliminary Official Statement pp. 12-13, 22.

3. ***What are the types of risks that could cause the source of repayment to be insufficient to repay the Bonds?*** See the Preliminary Official Statement pp. 22-29.

4. ***What rights do Bondholders have in the event of a default on the Bonds?*** See the Preliminary Official Statement under the heading of "Limited Recourse on Default, Re-letting of Leased Property" "Enforcement of Remedies," and "No Acceleration on Default," pp. 25-26.

5. ***What is the legal structure of the transaction?*** See Report No. 13-13 pp. 4-5 and the Preliminary Official Statement pp. 12-13.

6. ***What limitations are contained in the authorization for the Bonds?*** See Report No. 13-13 pp. 1-4 and, generally, the Ordinance.

7. ***Are the Bonds considered debt for the purposes of the State Constitution or the City Charter?*** No. The City's obligation to make lease payments to the Authority is not debt that requires voter approval under either the City Charter or the California Constitution. The City's obligation to make lease payments is considered a contingent obligation because it is subject to abatement, which

means the City is not legally required to make lease payments unless it has the use and occupancy of the Leased Property. The City is required to budget and make lease payments from any general funds legally available to it. However, the City is not obligated to levy or pledge any form of taxation. See the Preliminary Official Statement pp. 13-14.

8. ***Will the Bonds be issued on a tax-exempt basis?*** Yes, the Bonds will be issued on a tax-exempt basis. Bond Counsel will deliver an opinion at closing concluding that under existing statutes and court decisions and assuming continuing compliance with certain tax covenants, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986. See Preliminary Official Statement at pp. 30-32.

Developments Subsequent to Approval of the Resolution: Assuming the City Council determines to adopt the resolution approving the form of the Preliminary Official Statement and authorizing the execution, delivery and distribution of the Official Statement for the Bonds, the City Council must ensure that any material information obtained after the approval of the resolution, but prior to the issuance of the Bonds, is provided to the financing team. It is expected that the POS will be printed on or about June 20, 2013. The 2013A Bonds are expected to close on July 11, 2013 and the 2013B Bonds are expected to close on August 6, 2013. If members of the City Council become aware of information that could have a material bearing on the transactions, they have the responsibility to share such information with the finance team. Any revisions to the form of the Preliminary Official Statement as presented at this meeting will be reviewed by DPWG and provided to Council before printing and distribution to investors.

If you have any questions regarding this memorandum please feel free to contact Brant Will at (619) 533-5684.

cc: Bob Filner, Mayor
Jan Goldsmith, City Attorney
Scott Chadwick, Interim Chief Operating Officer
Greg Bych, Interim Chief Financial Officer
Lakshmi Kommi, Director of Debt Management
Andrea Tevlin, Independent Budget Analyst
John McNally, Hawkins Delafield & Wood LLP, Outside Disclosure Counsel

MEMORANDUM

July 9, 2008

To: City Council

From: Brant C. Will
Deputy City Attorney, Finance and Disclosure Unit

John M. McNally
Hawkins Delafield & Wood LLP (outside Disclosure Counsel)

Re: Federal Securities Law Responsibilities re Review of Disclosure Documents

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This memorandum is intended to provide guidance to City Council members regarding their responsibilities under the federal securities laws to review disclosure documents. In particular, this memorandum identifies determinations for the Council to make to ensure it is complying with such responsibilities, including determinations as to which responsibilities it wishes to undertake directly and which responsibilities it wishes to delegate to management (i.e., the COO, CFO, financial staff), in coordination with the office of the City Attorney, operating through the Disclosure Practices Working Group ("DPWG"). For purposes of this memorandum, the term "disclosure document" means any document reasonably likely to reach investors or the trading markets and thus includes, among other documents, official statements, financial statements, continuing disclosure reports, rating agency presentation material and other discrete communications to which a reasonable investor could attach significance. (see § 22.4107(a)(1) of the Municipal Code).

The current state of the law, relying principally upon the SEC's Orange County Report[1] and the Disclosure Ordinance[2], was analyzed in two prior memoranda[3] that were provided to City Council members. Rather than again providing a detailed analysis of the principal legal sources, this memorandum reflects our considered judgment of your responsibilities, taking into account the SEC's interpretive releases and enforcement actions, the

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[1] SEC Rel. No. 34-36761 (Jan. 24, 1996), "Report of investigation in the matter of County of Orange, California as it relates to the conduct of the members of the Board of Supervisors."

[2] Ordinance O-19320 (Oct. 11, 2004), as amended by Ordinances O-19612 (May 2, 2007) and O-19717 (Feb. 19, 2008).

[3] Memorandum from Mark D. Blake to Councilmember Frye, dated April 14, 2008, "Council responsibilities under federal securities laws for Rating Agency Material," and Memorandum from John M. McNally to City Council, dated May 14, 2007, "Federal Securities Law Responsibilities re Review of 2003 CAFR." See also letter from Bryan Cave LLP to Les Girard, dated Oct. 29, 2001, "Re: Review of Disclosure Documents as to Lease Revenue Bonds 2001".

Disclosure Ordinance, and all other relevant sources and guidelines, tempered by the practicalities of establishing an efficient process that does not impede the day-to-day operation of the City.

The principal authoritative guidance regarding a Council member's review of disclosure documents is the SEC's Orange County 21(a) Report (1996). The purpose of the Report was framed by the SEC as follows:

> The Commission is issuing this Report to emphasize the responsibilities under the federal securities laws of local government officials who authorize the issuance of municipal securities and related disclosure documents and *the critical roles such officials play* with respect to the representations contained in the Official Statements for those securities. . . . When, for example, a public official has knowledge of facts bringing into question the issuer's ability to repay the securities, it is reckless for that official to approve disclosure to investors without taking steps appropriate under the circumstances to prevent the dissemination of materially false or misleading information regarding those facts . . . *such steps could have included becoming familiar with the disclosure documents and questioning the issuer's officials, employees or other agents about the disclosure of those facts.* (emphasis added)

The SEC staff has advised, in interpreting the Orange County Report, that members of legislative bodies may delegate certain disclosure responsibilities, but are still obligated to exercise "reasonable attention to providing accurate disclosure":

> Their responsibilities [members of legislative body approving disclosure documents], however, do include some reasonable attention to providing accurate disclosure to the investors who buy their bonds and notes.
>
> May public officials reasonably rely on lawyers, financial advisors, underwriters and governmental employees? Absolutely - just as officials of public companies do. That reliance however -- must be reasonable.[4]

[4] Remarks of William R. McLucas, Director, Division of Enforcement, SEC, before the Government Finance Officers Association, addressing the Orange County Report (Jan. 30, 1996).

The Disclosure Ordinance was written with the intent of ensuring full and accurate disclosure *by the City*:

- "new disclosure controls and procedures . . . to ensure [A] the accuracy of *the City's* disclosures and [B] *the City's* compliance with all applicable federal and state securities laws" § 22.4105(a)

- "Such disclosure controls and procedures shall address the accuracy of information *disclosed by the City* in connection with securities issued by the related entities." § 22.4105(b)

- "Disclosure Practices Working Group shall be responsible for . . . reviewing the form and content of all of the City's documents and materials prepared, issued, or distributed in connection with the City's disclosure obligations *relating to its securities*." § 22.4107(a)(1)

In the course of last few years, as the Disclosure Ordinance and the related Controls and Procedures have been implemented, the DPWG, in addition to its primary role to protect the City, has been directed by Council to expand the scope of the documents subject to its review to include those related entities for which Council members serve as directors (e.g., the Housing Authority) or for which Council acts as the legislative body (e.g., Redevelopment Agency or Community Facilities Districts). This memorandum is intended to be responsive to such direction.

In considering the appropriate manner of review for the disclosure documents referenced in Appendix A as part of fulfilling Council's responsibilities, each Council member should ask himself or herself the following questions:[5]

1. Am I satisfied that the processes followed [assuming compliance with the Disclosure Ordinance and the related Controls and Procedures] in preparing the disclosure document have been reasonably designed to produce accurate and reliable information?

2. Do I have a reasonable basis to have confidence in the integrity and competence of the members of the DPWG (e.g., management, the City Attorney's disclosure attorneys, and outside disclosure counsel)?

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[5] Adopted from the advice provided by the Independent Consultant to the Audit Committee members regarding their responsibilities in reviewing CAFRs.

3. Do I know anything that would cause me to question the accuracy of the disclosures or that would indicate that there is a risk that those disclosures may be misleading?

4. With reference to the disclosure documents, do I know of any potentially material issues or "red flags" that should be brought to the attention of management or the DPWG or for which I would like a further explanation (that is, is there information of which I have actual knowledge that would lead me to believe that the disclosure document contains materially misleading information)?

As summarized in the attached chart (Appendix A), we are recommending that Council members, *acting in their capacity as Council members,* undertake the following responsibilities: (a) review and approve Official Statements backed by the City's General Fund and Water and Wastewater backed financings, and (b) receive and file the CAFR, upon completion of the audit and transmittal by the Audit Committee (as was done for the 2003-2006 CAFRs). The Council should consider what role is appropriate for it to play regarding review and approval of (1) Rule 15c2-12 annual filings, (2) rating agency presentations, and (3) postings on the City's investor information webpage. The Council may determine to delegate the responsibility to review and approve such documents to the DPWG, but such delegation is only proper if a Councilmember has answered "yes" to questions 1 and 2 above, and "no" to questions 3 and 4. Any different answer would require the Councilmember to reconsider the process that should be followed, including his or her own role in the process.

Pursuant to continuing disclosure agreements the City has executed in accordance with Rule 15c2-12, the City is responsible for filing annual reports for 26 distinct bond financings, resulting in 13 filings each calendar year. The large number of such financings makes it difficult to have both the DPWG and the Council review such documents. More importantly, the content of such filings is largely derived from audited financial statements which, in addition to review by DPWG, are also reviewed by the Audit Committee and Council.

In addition to the financial statements of the City, there are financial statements of blended component units and discretely presented component units. The two discretely presented component units, the Convention Center Corporation and the Housing Commission, have stand-alone financial statements. The blended component units are included within the City' financial statements, although two of such units, RDA and SDCERS, have stand-alone financial statements. The Council also should decide the extent to which it may wish to review, or delegate to the DPWG the review of, any such financial statements. In general, such statements are setting forth financial information that is operational in nature and which may not be material to investors in either the City's securities or the securities of any such units. On the other hand, the Council, *not acting as the Council but acting in the other capacities listed in Appendix A,* receives and files the financial statements of SDHC and RDA. As a result, the Council may determine that it wants such financial statements reviewed by DPWG. If that were to occur, DPWG would need the appropriate personnel of SDHC and RDA to assist in any such review. In addition, in light of the additional burden such reviews could impose upon the DPWG when it is reviewing other City disclosures, the DPWG may properly determine to delegate

review of the SDHC and RDA financial statements to certain of its members, working together with appropriate personnel of such entities.

Should you have a concern about a disclosure issue at any time, your best course of action is to communicate such concern in writing to an appropriate representative of management, with a copy to the City Attorney and outside disclosure counsel. In this way, you can discharge your responsibilities under the federal securities laws, and best assure that steps will be taken to incorporate such information into the City's disclosure material.

This memorandum has been reviewed by, and received the concurrence of, both the City Attorney and the Independent Consultant.

	Approved by DPWG	Approved by City Council
Official Statements		
General Fund Securities	✓	✓
Water/Wastewater	✓	✓
Housing Authority	✓	✓[1]
Tobacco Corporation	✓	Not Required[2]
Redevelopment Agency	✓	✓[3]
CFDs/Assessment Districts	✓	✓[4]
City's Financial Statements (CAFRs)	✓	✓[5]
Stand-alone Financial Statements		
Discretely Presented Component Units		
SDCCC	No	Not Required
SDHC	TBD	Yes[6]
Blended Component Units		
RDA	TBD	Yes[7]
SDCERS	No	Not Required
15c2-12 Annual Filings	✓	Not Required
Rating Agency Presentations	✓	Not Required
Postings on Investor Information Webpage	✓	Not Required
Press releases and other misc. materials not posted on Investor Information Webpage	No	No

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1 Council acting as the Housing Authority.

2 By ordinance, the Council "acknowledged" the "execution and delivery by the [Tobacco] Corporation" of the Corporation's Official Statement.

3 Council acting as the legislative body of the Redevelopment Agency.

4 Council acting as the legislative body of the Community Facilities Districts.

5 "Received and filed."

6 City Council, acting in its capacity as the Housing Authority, approves the financial statements of SDHC.

7 City Council serves as the governing board of the RDA.

CERTIFICATION TO CITY COUNCIL OF THE PRELIMINARY OFFICIAL STATEMENT FOR THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO LEASE REVENUE BONDS AND LEASE REVENUE REFUNDING BONDS SERIES 2013A AND LEASE REVENUE REFUNDING BONDS SERIES 2013B

City Council:

I have reviewed the Preliminary Official Statement for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B (Disclosure Document), and I have met with and asked questions of the Financing Group, the Disclosure Group, any Contributor, any other person who reviewed or drafted any section of the Disclosure Document, and any other person that I thought necessary or appropriate. I hereby certify that, to the best of my knowledge, the Disclosure Document does not make any 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 under which they were made, not misleading.

Bob Filner

Bob Filner,
Mayor

5/31/13
Date

Office of
The City Attorney
City of San Diego

MEMORANDUM

DATE: June 12, 2013

TO: Council President and Members of the City Council

FROM: Jan I. Goldsmith, City Attorney

SUBJECT: Certification Regarding Preliminary Official Statement for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B

I hereby certify to the City Council, pursuant to Municipal Code §22.4112(a) that, to the best of my knowledge as of the date set forth above, the Preliminary Official Statement for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B (Disclosure Document) does not make any 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 under which they were made, not misleading.

This certification is made subject to the following understandings:

1. I have not participated in any meetings of the Disclosure Practices Working Group ("DPWG") at which the Disclosure Document was considered.

2. My certification is provided in reliance on the accuracy and veracity of various certifications provided by City staff to the Financing Group as well as various certifications provided to DPWG regarding the information provided in the Disclosure Document and the procedures followed in its preparation.

3. I have reviewed the Disclosure Ordinance (O-19320, as amended), the DPWG Disclosure Controls and Procedures, and the memorandum to the City Council regarding the Council's disclosure responsibilities under Federal securities law (Council Memorandum). My certification is provided in reliance on the understanding that the steps outlined in the Council Memorandum were completed as set forth therein.

Drafts: Appendixes version 16
POS version 14
Labor Relations, J. Dawson June 12, 2013

4. This certification only covers those matters within my official purview as City Attorney.

Jan I. Goldsmith
City Attorney

JIG:bcw

Certification of Interim Chief Financial Officer

City Council:

I have reviewed Preliminary Official Statement for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B (Disclosure Document), and compared the City's Fiscal Year ended June 30, 2012 Comprehensive Annual Financial Report (CAFR) with the Disclosure Document. In addition, I have reviewed the Disclosure Document in full to identify any material misstatement or omission in any sections that contain or omit descriptions of information prepared by or of material interest to the Interim Chief Financial Officer. I hereby certify that, to the best of my knowledge as of the date set forth below:

1. The Disclosure Document fairly presents, in all material respects, the financial condition and results of operations of the City of San Diego;

2. The Disclosure Document does not make any 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 under which they were made, not misleading; and

3. The financial statements and other financial information from the CAFR included in such Disclosure Document, fairly present in all material respects the financial condition and results of operations of the City of San Diego as of, and for, the periods presented in the CAFR.

Greg Bych, Interim Chief Financial Officer

Date: May 31, 2013

Certification by Director of Debt Management to Disclosure Practices Working Group

Disclosure Practices Working Group:

To the best of my knowledge and judgment, the Disclosure Controls and Procedures were implemented in the preparation of the Preliminary Official Statement for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B (Disclosure Document) that will be considered by the City Council at the Council meeting of June 10, 2013.

Dated: 5/30/2013

Lakshmi Kommi
Director of Debt Management

SDCERS
San Diego City Employees' Retirement System

City of San Diego Disclosure Practices Working Group:

I am a duly authorized representative of the San Diego City Employees' Retirement System (SDCERS), with the title indicated below, and I hereby certify as follows:

1. I have reviewed the information, including tables, on the attached pages of the May 28, 2013 draft pension disclosure under the heading "San Diego City Employees' Retirement System," including the subheadings therein of "General," "Actuarial Assumptions and Methods," "Forthcoming GASB Statements," "Funding Status," "Preservation of Benefits Plan," "Citywide and General Fund Pension Contributions," "Prospective Funding Status," and "Pension Reform Ballot Initiative," which I have been advised will be included in the Preliminary Official Statement (Disclosure Document) for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B (Bonds). It is my understanding that the additional edits on the attached pages will be included in the pension disclosure for City Council approval.

2. To the best of my knowledge, after undertaking whatever verification procedures that I thought were appropriate, such information is fair and accurate, and does not contain any material mistakes. I am not certifying as to whether the information is complete for the intended purposes, but I will bring to the attention of the Interim Chief Financial Officer of the City of San Diego (the CFO) any suggestions that I may have regarding the completeness of the disclosure.

3. This certification is made as of the date set forth below and will continue in effect through the delivery date of the bonds being offered by the Disclosure Document unless I advise the CFO otherwise. The expected delivery date for the Disclosure Document is June 13, 2013. If the delivery date changes, the CFO will notify me in writing of any such change.

4. I understand that the term "material" is not subject to exact definition as it relates to what would influence the decision of a reasonable investor regarding his or her decision to purchase the bonds being offered by the Disclosure Document. Solely for purposes of this certificate, and without any judgment as to whether such amount is material, I will advise the Interim CFO of any correction to the numbers related to SDCERS set forth under the captions referenced in section 1 above, and will advise the Interim CFO of any litigation, pending or threatened, against SDCERS in excess of $10 million. I do not personally represent SDCERS in litigation or threatened litigation, but in executing this certificate I have consulted with SDCERS' general counsel regarding any such litigation.

Mary Lewis

Mary Lewis, Chief Financial Officer
May 31, 2013

401 West A Street, Suite 400 • San Diego, CA 92101 • TEL: 619.525.3600 • FAX: 619.595.0357 • www.sdcers.org

Transmittal of Preliminary Official Statement by Financing Group to Disclosure Practices Working Group

Disclosure Practices Working Group:

The Financing Group has, with respect to the Preliminary Official Statement relating to the issuance of the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B (Disclosure Document) to the best of the individual knowledge of its members: (i) performed the responsibilities set forth in subsection B. of Section 4.3 of the Disclosure Controls and Procedures, (ii) obtained all the approvals and source documentation described in said Section 4.3, and (iii) in the best judgment of the individual members of the Financing Group and in reliance on the information provided by other City departments as listed in the Contributor Log and certifications to be provided by Department Directors, the Disclosure Document was in substantially final form when it was submitted to the Disclosure Practices Working Group, with information to be updated as indicated in the Disclosure Document or as otherwise required.

Dated: 5/30/13

Jyothi Pantulu, Debt Manager,
Department of Debt Management

Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B Financing Group:

Charles C. Wolf, Nixon Peabody LLP (Transaction Disclosure Counsel)
Brant Will, Deputy City Attorney
Jyothi Pantulu, Debt Manager
Kevin Werner, Debt Coordinator
Irina Kumits, Deputy Director, Financial Management
Rolando Charvel, Director of Financial Reporting, Comptroller's Office

Letter from City Attorney's Office Regarding Litigation

Financing Group:

The litigation section of the Preliminary Official Statement 2013B (Disclosure Document) for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B (Bonds) has been reviewed by the appropriate attorneys, and the included disclosure reflects all material pending litigation. For purposes of this letter, the term "material" means (i) any litigation commenced against the City seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, or contesting or affecting the validity or enforceability of, the pledge of revenue for, or the power of the City to issue, the Bonds, (ii) any litigation or pending regulatory action the potential exposure for which is greater than $10,000,000. In the event of any material change to such information between the date of this letter and the scheduled delivery date for the bonds, I shall immediately advise the Financing Group.

5/30/13

Brant Will,
Deputy City Attorney for Finance and Disclosure

Transmittal by Asset Manager of Real Estate Assets Department to Financing Group

I am the Principal Appraiser of the Real Estate Assets Department. The Real Estate Assets Department provided only the information set forth under the heading of "the Leased Property" in the Preliminary Official Statement (Disclosure Document) for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B (Bonds). The information provided by the Real Estate Assets Department included in the Disclosure Document was prepared, provided and reviewed by me and other individuals in my office according to the respective responsibilities of such individuals. To the extent I did not prepare such information, I relied exclusively on the other individuals in my office, as well as other individuals from other City Departments and outside financial and legal professionals engaged by the City, to ensure the accuracy and completeness of the information in the Disclosure Document. My certification is also provided in reliance on the accuracy of the certifications prepared and signed by the various Department Directors for the sections of the POS that were prepared by their various departments. To the best of my knowledge I have reviewed and complied with the procedures set forth in Section 4.3(c) of the Disclosure Controls and Procedures. In the event of any material change to the information set forth above in the Disclosure Document between the date of this letter and the scheduled delivery date for the Bonds, I shall promptly advise the Financing Group.

Dated: 5/31/13

Roger P. Bush, MAI
State Certified-General Appraiser
AG011409

Transmittal by Interim Chief Financial Officer

Financing Group:

I have reviewed the information in the Preliminary Official Statement for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B (Disclosure Document) including particularly the financial disclosures, and I have compared the financial disclosures in the Disclosure Document to the City's Fiscal Year ended June 30, 2012 Comprehensive Annual Financial Report. To the best of my knowledge as of the date set forth below, there are no material misstatements or omissions in any sections of the Disclosure Document that contain descriptions of information prepared by or of interest to the Office of the Chief Financial Officer. In the event of any material change to the attached disclosure between the date of this letter and the scheduled delivery date for the Bonds, I shall immediately advise the Financing Group.

Dated: May 31, 2013

Greg Bych
Interim Chief Financial Officer

Letter from Transportation and Storm Water Deputy Director to Financing Group

I have reviewed the information in the Preliminary Official Statement (Disclosure Document) for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B (Bonds) under the heading "Storm Water Program." The information provided by my office and only with respect to the storm water information therein has been reviewed by me and/or individuals in my office. I relied on the individuals in my office, as well as other individuals from other City Departments and outside financial and legal professionals engaged by the City, to ensure the accuracy and completeness of the information in the Disclosure Document. Comments and feedback were discussed through a variety of communication methods including email, phone, individual communications and meetings. I have records and will maintain records of the individuals in my office who were responsible for providing such information in the Disclosure Document.

I have reviewed and complied with the procedures set forth in Section 4.3(c) of the Disclosure Controls and Procedures. Also, I attended the federal securities law training seminar conducted by the City's outside disclosure. In the event of any material change to the information under the heading "Storm Water Program," and only with respect to the storm water information therein, between the date of this letter and the delivery date for the Bonds I shall promptly advise the Financing Group.

Dated: 5/30/13

Kris McFadden, Deputy Director, Transportation & Storm Water Department, Storm Water Division

Transmittal by Chief Investment Officer

I have reviewed Preliminary Official Statement (Disclosure Document) for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B (Bonds) under the heading "Investment of Funds" in Appendix A thereto. The information provided by our office in the Investment of Funds section has been reviewed by me and/or individuals in my office. I relied on the individuals in my office, as well as other individuals from other City Departments and outside financial and legal professionals engaged by the City, to ensure the accuracy and completeness of the information in the Disclosure Document. Comments and feedback were discussed through a variety of communication methods including email, phone, individual communications and meetings. I have records and will maintain records of the individuals in my office who were responsible for providing such information in the Disclosure Document.

I have reviewed and complied with the procedures set forth in Section 4.3(c) of the Disclosure Controls and Procedures. Also, I attended the federal securities law training seminar conducted by the City's outside disclosure. In the event of any material change to the information under the Investment of Funds section in the Disclosure Document between the date of this letter and the delivery date for Bonds I shall promptly advise the Financing Group.

Dated: 5-30-2013

Kent J. Morris, Chief Investment Officer

Transmittal by Human Resources Director

Financing Group:

I have reviewed the information in the Preliminary Official Statement (Disclosure Document) for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B (Bonds) under the heading of "Labor Relations" in Appendix A thereto. In the event of any material change to the disclosure therein between the date of this letter and the scheduled delivery date for the Bonds I shall immediately advise the Financing Group.

Judy von Kalinowski
Acting Human Resources Director

Dated: 6/18/13

Letter from Risk Management Director to Financing Group

I have reviewed the information in the Preliminary Official Statement (Disclosure Document) for the Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds and Lease Revenue Refunding Bonds Series 2013A and Lease Revenue Refunding Bonds Series 2013B (Bonds) under the heading "Risk Management" and the subheading "*Risk Management Reserves*" under the heading "Reserves" (Risk Management Sections). The information provided by my office in the Risk Management Sections and only with respect to the risk management information therein has been reviewed by me and/or individuals in my office. I relied on the individuals in my office, as well as other individuals from other City Departments and outside financial and legal professionals engaged by the City, to ensure the accuracy and completeness of the information in the Disclosure Document. Comments and feedback were discussed through a variety of communication methods including email, phone, individual communications and meetings. I have records and will maintain records of the individuals in my office who were responsible for providing such information in the Disclosure Document.

I have reviewed and complied with the procedures set forth in Section 4.3(c) of the Disclosure Controls and Procedures. Also, I attended the federal securities law training seminar conducted by the City's outside disclosure. In the event of any material change to the information in the Risk Management Sections, and only with respect to the risk management information therein, between the date of this letter and the delivery date for the Bonds I shall promptly advise the Financing Group.

Dated: 6/13/13

Valerie Vanderwaghe Acting Risk Mgmt Director

for Greg Bych, Risk Management Director

CITY OF SAN DIEGO

M E M O R A N D U M

DATE: June 14, 2013

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
via Scott Chadwick, Interim Chief Operating Officer
via Greg Bych, Interim Chief Financial Officer

SUBJECT: Items S-501 and FA-1, Docket of Tuesday, June 18, 2013
Updates to the 2013 Bonds Preliminary Official Statement

The draft Preliminary Official Statement ("POS") dated May 28, 2013 for the 2013 Bonds was electronically distributed to the City Council on May 28, 2013 and docketed for the City Council meeting of June 10, 2013. Subsequently, the City Council approved the labor agreements with each of the employee organizations and also adopted the Fiscal Year 2014 Budget. Due to these Council actions and resulting changes to the City government and financial information section (Appendix A to the POS), staff requested that the authorization of the POS be continued to the City Council meeting of June 18, 2013.

Attached for your reference are all the marked pages with the updates shown to the POS draft dated May 28, 2013. These updates were reviewed and signed off by the Disclosure Practices Working Group. The following is the list of the core updates made to the POS:

- POS Main Body
  - Ratings
  - Security and Sources of Payment for the Series 2013 Bonds
- Appendix A
  - City Budget and Related Matters
  - Limitations on Taxes and Appropriations
  - Labor Relations
  - San Diego City Employees Retirement System and Other Postemployment Benefits
- Appendix B
  - Demographic and Economic Information

In addition to the above, the enclosed marked pages of the POS also include other routine narrative updates. The POS will continue to be updated as necessary until the document is

finalized and distributed to the market. The City Council offices will electronically receive all subsequent updates from the disclosure counsel (Mr. Chuck Wolf, Nixon Peabody LLP) prior to the POS posting.

Subject to the City Council approval on June 18, the POS is expected to be released on June 20, 2013.

Attachment: Marked pages to the POS, dated June 14, 2013

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2013

NEW ISSUE — FULL BOOK-ENTRY-ONLY

Fitch: ~~[___]~~"A+"
S&P: ~~[___]~~"A+"
See "RATINGS"

In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Authority and the City described herein, interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on the Series 2013 Bonds is exempt from personal income taxes of the State of California under present state law. See "TAX MATTERS" regarding certain other tax considerations.

$_____*
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS AND
LEASE REVENUE REFUNDING BONDS
SERIES 2013A
(CAPITAL IMPROVEMENT PROJECTS AND
OLD TOWN LIGHT RAIL EXTENSION REFUNDING)

$_____*
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE REFUNDING BONDS
SERIES 2013B
(BALBOA PARK/MISSION BAY PARK REFUNDING)

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 $_____* 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 $_____* 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 2013A Bonds, the "Series 2013 Bonds") pursuant to the Indenture, dated as of July 1, 2012 (the "Master Indenture"), as amended and supplemented by the First Supplemental Indenture, dated as of July 1, 2013 (the "First 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 2013A Bonds are being issued to (i) finance the costs of the acquisition, design, construction, installation and equipping of certain capital improvement projects of the City of San Diego (the "City"); (ii) refund all the outstanding City of San Diego/MTDB Authority 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding) and (iii) pay costs of issuance incurred in connection with the issuance of the Series 2013 Bonds. The Series 2013B Bonds are being issued to (i) refund all of the outstanding City of San Diego 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding) and (ii) pay costs of issuance incurred in connection with the issuance of the Series 2013 Bonds. See "PLAN OF FINANCE AND REFUNDING."

The Series 2013 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 2013 Bonds will be made in book-entry form only, in the principal amount of $5,000 or any multiple thereof. Interest on the Series 2013 Bonds will be payable on April 15 and October 15 of each year, commencing October 15, 2013.

The Series 2013 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 (the "Master 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 with the Master Facilities Lease, the "Lease"). The Series 2013 Bonds are also payable from insurance or condemnation awards, if any, arising under the Lease. The Series 2013 Bonds are payable on a parity with the Authority's Lease Revenue Bonds Series 2012A (Capital Improvement Projects) and the Authority's Lease Revenue Refunding Bonds Series 2012B (Fire and Life Safety Facilities Refunding), which are also payable from Base Rental Payments made by the City for the use and occupancy of the Leased Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS" and "CERTAIN RISK FACTORS."

The Series 2013A Bonds are subject to optional, mandatory sinking fund, and special mandatory redemption, and the Series 2013B Bonds are subject to special mandatory redemption, as more fully set forth herein. See "THE SERIES 2013 BONDS – Redemption Provisions."

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* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

ESTIMATED SOURCES AND USES OF FUNDS

The sources of funds to be received from the sale of the Series 2013 Bonds and the proposed uses of the Series 2013 Bond proceeds are estimated to be in the amounts shown below.

	Series 2013A Bonds	Series 2013B Bonds	Total
SOURCES OF FUNDS			
Principal Amount			
[Plus / Less] [Net] Original Issue [Premium / Discount]			
Total Sources			
USES OF FUNDS			
Deposit to the Series 2013A Construction Fund			
Redemption of 2003 Old Town Light Rail Refunding Bonds			
Redemption of 2003 Certificates of Participation			
Costs of Issuance(1)			
Underwriters' Discount			
Total Uses			

(1) Includes fees and costs associated with the issuance of the Series 2013 Bonds, including, but not limited to, trustee fees, ~~underwriters' discount,~~ financial advisor fees and expenses, bond counsel fees and expenses, disclosure counsel fees and expenses, rating agency fees, title insurance costs, and appraisal fees~~, printing costs and eligible City staff costs.~~.

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 2013 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 2013 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 ~~currently~~ includes flood ~~coverage~~insurance and use and occupancy insurance for all ~~components~~ of the City Property (~~except~~excluding the Ground Lease Sites~~),~~) but does not include earthquake ~~coverage~~insurance or use and occupancy insurance in ~~limited amounts for certain scheduled locations and coverage for rental interruption for designated locations.~~ 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" and "– MTS Property Insurance" 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 Reserve Fund

The City will not establish or maintain a reserve fund for the Series 2013 Bonds nor is there a reserve fund for the Series 2012 Bonds. Amounts held or to be held in a 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 Series 2012 or the Series 2013 Bonds.

Parity Bonds

As of April 15, 2013, the Authority had $89,815,000 aggregate principal amount of Bonds outstanding under the Indenture. Currently, the Series 2012 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.

policies, either formally or informally. Furthermore, pursuant to the City Charter, the ~~"~~'City Attorney shall be the chief legal adviser of, and attorney for the ~~City"~~City' and as such the City Attorney is required to ~~"~~'prepare in writing all ordinances, resolutions, contracts, bonds, or other instruments in which the City is concerned~~."~~.' Any such document that is not so prepared would be invalid and unenforceable~~.~~."

The City Attorney's Opinion. The City Attorney's office has advised (see quoted language above) that it cannot represent that it is aware of all material City operations or legality of actions taken by the Mayor's office. Nevertheless, the City Attorney (1) has reviewed and consents to the disclosure under the heading "Litigation," and (2) will provide upon closing of the Bonds its standard legal opinions, including, without limitation, regarding the due execution, delivery and enforceability of the legal documents entered into by the City.

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 2013 Bonds or financing documents, or in any way contesting or affecting the validity of the Series 2013 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 2013 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 2013 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 ~~"____"~~"A+" with stable outlook and ~~"____"~~"A+" with stable outlook, respectively, to the Series 2013 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 not 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 2013 Bonds.

The City expects to furnish to each rating agency such information and materials as it may request. The City, however, assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. The failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or

APPENDIX A

CITY GOVERNMENT AND FINANCIAL INFORMATION

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 2013 BONDS" in the front part of this Official Statement, the Series 2013 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 2013 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 9,841 employees as of June 30, 2012, 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~~ of California (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.

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 ~~a~~in May ~~Revision~~revisions to the proposed budget, which contains the Mayor's recommended changes to the budget based on up-to-date policy related issues and revised current Fiscal Year-end expenditure and revenue projections.

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 2008 through 2012.

(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 ~~Redevelopment Agency.~~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 ~~Redevelopment Agency~~Former RDA.

(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) Fiscal Years 2009 through 2012 tax and revenue anticipation notes ("TRANs") were issued and repaid within the same Fiscal Year, while the Fiscal Year 2008 TRAN was a 13 month note.

(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. The ERP financial system was implemented in Fiscal Year 2010.

(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 ~~Redevelopment Agency~~Former RDA.

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

(9) 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 moving to Committed.

(10) 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.

(11) 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 2008 - 2012 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego.
Footnotes: Comptroller's Office, City of San Diego.

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(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.

(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.

(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 ~~Redevelopment Agency~~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 ~~Redevelopment Agency~~Former RDA.

(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.

Source: Table: Fiscal Years 2008 - 2012 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, the City's General Fund Fiscal Year 2013 Adopted Budget and its Fiscal Year 2014 Proposed Budget~~ (not including adjustments made as a result of the Fiscal Year 2014 May Revision (as defined below)).~~ . This table does not include updates from the Fiscal Year 2014 May Revision, the Supplement to the Fiscal Year 2014 May Revision, or City Council approved changes to the Fiscal Year 2014 Proposed Budget. Following the City Council's adoption of the Fiscal Year 2014 Proposed Budget on June 10, 2013, which is subject to mayoral veto and subsequent changes, the General Fund budget is approximately $1.23 billion. For information on the Fiscal Year 2014 May Revision, the Supplement to the Fiscal Year 2014 May Revision and City Council approved changes to the Fiscal Year 2014 Proposed 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 Actuals on a Budgetary Basis[1]	Fiscal Year 2013 Adopted Budget	Fiscal Year 2014 Proposed Budget[2]
REVENUE SOURCES:			
Property Tax [3]	$408,776	$387,135	$402,169
Sales Tax[4]	220,277	236,258	248,139
Property Transfer Tax	5,747	6,359	6,968
Transient Occupancy Tax[5]	78,268	81,711	89,245
Licenses and Permits	31,117	31,900	31,427
Fines, Forfeitures, and Penalties	62,976	31,406	29,350
Interest Earnings	930	1,354	859
Franchises	69,071	71,679	68,431
Other Rents and Concessions	45,912	41,216	44,079
Motor Vehicle License Fees[6]	--	--	--
Revenue from Other Agencies	2,573	3,526	4,118
Charges for Current Services	177,447	181,413	177,530
Transfers from Other Funds[4] [5]	80,785	73,421	89,145
Other Revenue	5,297	3,838	4,923
Total General Fund Revenues and Transfers[7]	**$1,189,176**	**$1,151,216**	**$1,196,383**
EXPENDITURES:			
Public Safety	$584,151	$595,022	$623,052
Parks, Recreation, Culture and Leisure	114,098	123,613	130,185
Sanitation and Health	63,896	67,520	72,033
Transportation	60,872	65,549	65,090
Neighborhood Services	16,554	19,616	20,984
General Government and Support	212,483	220,970	227,650
Capital Projects	772	-	-
Debt Service[8]	6,199	16,564	19,118
Transfers	88,209	55,089	42,254
Total General Fund Expenditures and Transfers[9]	**$1,147,234**	**$1,163,943**	**$1,200,367**

(1) ~~(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) Column does not include updates from the Fiscal Year 2014 May Revision. For information on the Fiscal Year 2014 May Revision, see "-Fiscal Year 2014 Proposed Budget" herein.~~

(footnotes continued on following page)
(footnotes continued from previous page)

(2) Column does not include updates from the Fiscal Year 2014 May Revision, the Supplement to the Fiscal Year 2014 May Revision, or City Council approved changes to the Fiscal Year 2014 Proposed Budget. For information on the Fiscal Year 2014 May Revision and the Supplement to the Fiscal Year 2014 May Revision, see "-Fiscal Year 2014 Budget" herein.

(3) As a result of the dissolution of the ~~City's Redevelopment Agency~~Former RDA, Fiscal Year 2012 Actuals and Fiscal Year 2014 Proposed Budget amounts include pass-through tax sharing residual payments from the Redevelopment Property Tax Trust Fund of $23.6 million and $7.9 million, respectively. The Fiscal Year 2013 Adopted Budget does not include those payments in the property tax revenue category. The pass-through tax sharing payment of $2.5 million was budgeted in the Transfers from Other Funds category. It is projected that the City will receive $3.3 million in pass-through tax sharing payments and $8.4 million in residual payments in Fiscal Year 2013.

(4) 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 ($6.9 million) is budgeted in the Transfers from Other Funds category.

(5) Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy) only. For Fiscal Year 2014, the remaining 5%, or $81.1 million, is budgeted in the Transient Occupancy Tax Fund, of which $35.9 million is budgeted as a transfer to the General Fund in the "Transfers from Other Funds" category.

(6) 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.

(7) In Fiscal Year 2012, the excess of budgetary expenditures over revenues is primarily the result of outstanding encumbrances as of June 30, 2012.

(8) The increase in debt service budgeted in Fiscal Year 2013 is primarily due to $8.0 million of debt service for the General Fund's portion of the McGuigan Settlement (as defined herein) payment. While the McGuigan Settlement payment is categorized in Debt Service for the Fiscal Year 2013 Budget, this line item is categorized in Transfers from Other Funds in the Fiscal Year 2012 actuals.

(9) The Fiscal Year 2013 Adopted General Fund expenditures budget does not match the General Fund revenue budget due to re-budgeting of $12.7 million from Fiscal Year 2012 surplus. The Fiscal Year 2014 Proposed General Fund expenditures budget does not match the General Fund revenue budget primarily due to re-budgeting of $4.0 million from Fiscal Year 2013 budgetary surplus.

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

The City's total Fiscal Year 2013 Adopted Budget (the "Fiscal Year 2013 Adopted Budget") of $2.75 billion included $1.16 billion for General Fund operations and $1.37 billion for operations of the City's enterprise funds and other fund activities. Another $214.9 million was budgeted for capital improvement projects throughout the City. As shown in Table A-3, General Fund budgeted revenues of $1.15 billion represented a decrease of $38.0 million or 3.2% from Fiscal Year 2012 actuals. General Fund budgeted expenditures of $1.16 billion represented an increase of $16.7 million or 1.5% from the Fiscal Year 2012 actuals.

Fiscal Year 2013 Year-End Budget Monitoring Report

The Fiscal Year 2013 Year-End Budget Monitoring Report (the "Fiscal Year 2013 Year-End Budget Monitoring Report") was released on May 21, 2013. The Fiscal Year 2013 Year-End Budget Monitoring Report presents projections of year-end revenues and expenditures for the General Fund and other funds with budgeted personnel. Projections were developed using actual (unaudited) data from July 2012 through March 2013, which provides nine accounting periods of activity and departments' projected spending trends for the remainder of Fiscal Year 2013.

The Fiscal Year 2013 Adopted Budget included the use of $12.7 million of Fiscal Year 2012 fund balance. Subsequent to the adoption of the budget, the City Council approved a payment of $0.5 million to Civic San Diego, which increased the total budgeted use of fund balance to $13.2 million. The Fiscal Year 2013 Mid-Year Budget Monitoring Report projected General Fund expenditures to exceed revenues by $7.7 million at fiscal year-end, which was $5.5 million less than the Fiscal Year 2013 Adopted Budget anticipated. ~~As a result of the $5.5 million budgetary surplus projected in the Fiscal Year 2013 Mid-Year Budget Monitoring Report~~In light of the foregoing, the City Council approved an expenditure appropriation increase of $1.1 million for two downtown public restrooms (Portland Loos), the Balboa Park Centennial Celebration, and the extension of the emergency winter homeless shelter. These approved expenditure appropriation adjustments further increased the total budgeted use of fund balance to $14.3 million.

Based on the year-end projections included in the Fiscal Year 2013 Year-End Budget Monitoring Report, it is anticipated that Fiscal Year 2013 will end with a net $7 million of revenues over budget and a net $10 million in expenditure savings. This represents a $17.0 million improvement from the Fiscal Year 2013 budget as of March 30, 2013. Of the $17.0 million budgetary surplus, $4.0 million was recommended for use in the Fiscal Year 2014 Proposed Budget and an additional $10.0 million has been included in the May Revision to the Fiscal Year 2014 Proposed Budget. The remaining $3.0 million of projected budgetary surplus will remain in the fund balance of the General Fund.

Presented below are growth rates in Fiscal Year 2013 for the major revenue sources based on the Fiscal Year 2013 Year-End Budget Monitoring Report.

Projected Changes in General Fund Major Revenue Sources
Fiscal Year 2013 Year-End Budget Monitoring Report Projection
Compared with Fiscal Year 2012 Actuals[(1)]

Property Tax[(2)]	0.7%
Sales Tax[(3)]	6.3%
Transient Occupancy Tax	5.9%
Franchise Fees	-3.9%

(1) The above percentages reflect General Fund percent changes in these revenue sources.
(2) The property tax change of 0.7% does not include pass-through tax-sharing and residual payments.
(3) The sales tax change does not include Proposition 172 safety sales tax revenue.
Source: Financial Management, City of San Diego.

Fiscal Year 2014 ~~Proposed~~ Budget

The City's proposed budget for Fiscal Year 2014 (the "Fiscal Year 2014 Proposed Budget") reflects General Fund expenditures of $1.20 billion or approximately 43.6% of the City's total Fiscal Year 2014 Proposed Budget of $2.75 billion. The Fiscal Year 2014 Proposed General Fund expenditures represent an increase of $36.4 million or 3.1% over the Fiscal Year 2013 Adopted Budget. The increase in General Fund expenditures is primarily due to an increase of $33.0 million in the Annual Required Contribution ("ARC") payment to the City's retirement system, and includes modest service enhancements primarily focused on neighborhood services and public safety needs. The Fiscal Year 2014 Proposed General Fund expenditures budget does not match the General Fund revenue budget due to re-budgeting of $4.0 million from Fiscal Year 2013 surplus. The Fiscal Year 2014 Proposed General Fund Budget reflects a net increase of 60.29 FTE positions, and includes the net use of $25.9 million in one-time resources to balance the General Fund budget.

The Fiscal Year 2014 Proposed General Fund Budget projects that revenues will increase by $45.2 million or 3.9% over the Fiscal Year 2013 Adopted Budget. The General ~~Fund's~~Fund's four largest revenue sources - property tax, sales tax, transient occupancy tax ("TOT"), and franchise fees - account for approximately $807.9 million or 67.5% of the total General Fund revenues. The Fiscal Year 2014 major revenue projections are based on Fiscal Year 2013 year-end projections and assume an improved economic outlook when compared to previous years. The Fiscal Year 2014 property tax revenue growth is projected to be 1.5%, which assumes an improvement in the local real estate market. The Fiscal Year 2014 sales tax revenue growth is projected to be 5.5%, which assumes continued increases in sales tax receipts experienced throughout Fiscal Year 2013. The Fiscal Year 2014 TOT growth is projected to be 6.0%, which assumes continued increases in local tourism and business travel. Despite the projected increases in the General Fund major revenues, there is some uncertainty related to the impacts of sequestration and the across-the-board federal spending cuts that might affect the City's economy. The direct impacts to the City's General Fund are uncertain at this time. The City will continue to monitor the impacts of sequestration and its impacts to the City's General Fund budget. See "CERTAIN RISK FACTORS – Sequestration" in the front part of this Official Statement.

The following table reflects growth rates in the Fiscal Year 2014 May Revision Budget for the major revenues based on the Fiscal Year 2013 Year-End Budget Monitoring Report.

Projected Changes in General Fund Major Revenue Sources
Fiscal Year 2014 May Revision Budget Compared with Fiscal Year 2013 Year-End Budget Monitoring Report Projection[(1)]

Property Tax	2.3%
Sales Tax[(2)]	6.0%
Transient Occupancy Tax	6.0%
Franchise Fees	0.9%

(1) The above percentages reflect General Fund percent changes in these revenue sources.
(2) The sales tax change does not include Proposition 172 safety sales tax revenue.
Source: Financial Management, City of San Diego.

On May 21, 2013, the Mayor released a May Revision to the Fiscal Year 2014 Proposed Budget (the "Fiscal Year 2014 May Revision"), which includes adjustments to various department budgets as well as updates to major revenue projections. The Fiscal Year 2014 May Revision also includes the use of one-time resources to fund one-time expenditures and ongoing resources to fund ongoing expenditures. As reflected in the Fiscal Year 2014 ~~Projected~~Proposed Budget, the Fiscal Year 2014 May Revision continues to focus on public safety, neighborhood services and infrastructure.

As a result of the changes included in the Fiscal Year 2014 May Revision, expenditures in the proposed General Fund budget for Fiscal Year 2014 increased by $13.6 million. These expenditures are primarily funded by an increase in projected property tax revenue for Fiscal Year 2014, tobacco settlement revenue, and the use of the budgetary surplus projected in the Fiscal Year 2013 Year-End Budget Monitoring Report. ~~Based on the changes included in the Fiscal Year 2014 May Revision, the Fiscal Year 2014 Adopted Budget is estimated to be $1.20 billion in revenues and $1.21 billion in expenditures.~~

~~[TO BE UPDATED IN JUNE] On June __, 2013, the City Council adopted the Fiscal Year 2014 budget of $_____ billion, approximately $___ million [higher / lower] than the Fiscal Year May 2014 Revision of $____ billion. The most significant additions to the Fiscal Year 2014 May Revision include [additional staffing for the Police and Fire-Rescue (lifeguards) departments and funding for economic development activities.]~~Subsequent to the release of the Fiscal Year 2014 May Revision, the Mayor

released the Supplement to the Fiscal Year 2014 May Revision on June 5, 2013 (the "Supplement to the Fiscal Year 2014 May Revision"), which reflects amendments to the Fiscal Year 2014 Proposed Budget and supplements the Fiscal Year 2014 May Revision. The amendments primarily include expenditure adjustments due to increases in projected non-pensionable compensation in the amount of $13.0 million as a result of agreements with the City's labor organizations (collectively, the "New Labor Agreements"). Of this $13.0 million expenditure adjustment, $9.8 million will come from the General Fund Reserves and $3.2 million will come from enterprise fund reserves and special funds. Each of the New Labor Agreements is for a five-year term to include non-pensionable compensation increases consistent with the passage of Proposition B, which amended the City Charter on July 20, 2012.

On June 28, 2013, the San Diego City Employees' Retirement System Board of Administration (the "SDCERS Board") will consider a revised actuarial valuation that reflects the impacts of the New Labor Agreements on the City's pension ARC. Based on preliminary information provided in April 2013 by the San Diego City Employees' Retirement System actuary, Cheiron, Inc. ("Cheiron"), the estimated reduction to the City's pension ARC in Fiscal Year 2014 is $25.2 million ($19.5 million in the General Fund). A formal actuarial valuation is currently being performed by Cheiron and actual savings may differ from the original estimate.

The Fiscal Year 2014 Proposed Budget includes a citywide pension ARC payment of $275.4 million. If the SDCERS Board approves a new valuation reflecting the terms of the New Labor Agreements on June 28, 2013, the City's payment to SDCERS on July 1, 2013 will be reduced to reflect the revised ARC amount. This would result in a projected General Fund surplus for Fiscal Year 2014, which would offset the use of General Fund Reserves in the Fiscal Year 2014 Budget. However, if the SDCERS Board does not approve the adjustment to the pension ARC, General Fund Reserves will be used to fund the non-pensionable compensation increases in Fiscal Year 2014. [TO BE UPDATED UPON THE AVAILABILITY OF REVISED VALUATION]

On June 10, 2013, the City Council adopted the Fiscal Year 2014 Budget of approximately $2.79 billion with a General Fund budget of approximately $1.23 billion. The City Council's adoption of the Fiscal Year 2014 Budget is subject to veto by the Mayor and any subsequent City Council action as provided by the City Charter. The Fiscal Year 2014 General Fund Budget is approximately $7.5 million higher than the Supplement to the Fiscal Year 2014 May Revision of approximately $1.22 billion. [BUDGET ACTIONS TO BE UPDATED AS RECEIVED]

State Budget Impacts

The City has reviewed the enacted Fiscal Year 2013 State Budget (the "Fiscal Year 2013 State Budget"), the Governor's proposed budget for Fiscal Year 2014 (the "Governor's Fiscal Year 2014 Budget") and the May Revision to the Governor's Fiscal Year 2014 Budget (the "Governor's May Revision"). The Fiscal Year 2013 State Budget included $16.6 billion of actions to end Fiscal Year 2013 with a balanced budget. The Fiscal Year 2013 State Budget assumed the passage of The Schools and Local Public Safety Protection Act at the November 2012 election ("Proposition 30"). Proposition 30 passed at the November 2012 election, and temporarily increased the State sales tax and personal income taxes for high income individuals. The Governor's Fiscal Year 2014 Budget estimated a $2.4 billion operating surplus at the end of Fiscal Year 2013, which would be used to erase the deficit that remained after Fiscal Year 2012 and leave a small surplus for Fiscal Year 2014. Due to higher than anticipated personal income tax receipts, State General Fund revenues are $2.8 billion higher than anticipated in the Governor's Fiscal Year 2014 Budget. The Governor has indicated that additional revenues will primarily be used for schools. The City is monitoring fiscal measures taken by the State for their potential effects on General Fund revenues and expected cash flows.

Table A-7 provides a summary of fund balances in certain City reserves as of June 30, 2012.

TABLE A-7
RESERVES
(in thousands, except for percentages)
(unaudited)

	Target Level	Fiscal Year 2012 Actual (%)	Fiscal Year 2012 Actual ($)	Target Fiscal Year
General Fund Reserve	8% of General Fund revenue	15%	$167,981	2012
Public Liability Fund Reserve[(1)]	50% of outstanding claims	42%	$50,039	2019
Workers' Compensation Fund Reserve[(2)]	50% of outstanding claims	20%	$31,863	2019
Long-Term Disability Fund Reserve[(3)]	$12,000	88%	$10,595	2014

(1) The Reserve Policy target for Fiscal Year 2012 was 14% of outstanding claims or $17.1 million. The Public Liability Reserve fund balance as of June 30, 2012, includes the $27.0 million wildfire settlement with SDG&E. ~~This amount~~$16.3 million of the settlement with SDG&E is budgeted to be transferred out in Fiscal Year 2014 with $12.9 million returned to the General Fund and $3.4 million to the enterprise funds. Also See "– Risk Management Reserves" below.

(2) The Reserve Policy target for Fiscal Year 2012 was 23% of outstanding claims or $34.3 million.

(3) The Reserve Policy target for Fiscal Year 2012 was 68% or $8.11 million.

Source: Fiscal Year 2012 Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego.

General Fund Reserves

The General Fund Reserves include the Emergency Reserve, Appropriated Reserve and Unassigned General Fund Balance. At June 30, 2012, the General Fund Reserve (approximately $168 million) consisted of $58.5 million of the Emergency Reserve in the Restricted General Fund Balance, as well as the entire Unassigned General Fund Balance of approximately $109.5 million. The City expects the General Fund Reserves to be above the 8% target in Fiscal Year 2013, in the amount of $170.0 million or 14.5% of General Fund revenues, as indicated in the Fiscal Year 2013 Year-End Budget Monitoring Report. ~~The General Fund Reserve is projected to be $156.0 million or 13.0% of General Fund revenues, which is above the 8.0% reserve target for Fiscal Year 2014.~~As described above under "-Fiscal Year 2013 Budget-*Fiscal Year 2013 Year-End Budget Monitoring Report*," of the $17.0 million budgetary surplus anticipated at the end of Fiscal Year 2013, approximately $14.0 million was re-budgeted in Fiscal Year 2014. The remaining $3.0 million of projected budgetary surplus will remain in the fund balance of the General Fund.

As detailed in the Supplement to the Fiscal Year 2014 May Revision, General Fund personnel expenditures will increase by approximately $9.8 million as a result of the New Labor Agreements. The $9.8 million will be funded using General Fund Reserves in Fiscal Year 2014. In addition, $4.0 million in expenditure increases approved by the City Council on June 10, 2013 will also be funded using General Fund Reserves. This will result in projected General Fund Reserves of $142.2 million or 11.8% of General Fund revenues. As discussed under "-Fiscal Year 2014 Budget" above, the expenditures from General Fund Reserves could be offset with savings from the City's pension ARC payment as a result of the New Labor Agreements.

Emergency Reserve. An Emergency Reserve is to be maintained for the purpose of sustaining General Fund operations in the case of a natural disaster or unforeseen catastrophic event caused by human activity, such as a terrorist attack. The Emergency Reserve will not be accessed to meet operating

reserve level equal to 50% of current estimated outstanding workers' compensation obligations by Fiscal Year 2019. This target level requires that approximately $5.9 million be contributed annually for Fiscal Years 2013-2019 to the Workers' Compensation Fund Reserve. In Fiscal Years 2012 and 2013, operating expenses in the Workers' Compensation Fund were higher than budgeted, resulting in the reserve targets being underfunded by $2.5 million in Fiscal Year 2012 and $2.3 million in Fiscal Year 2013. These shortfalls are due to increasing claim costs, which have been on the rise since Fiscal Year 2012. As a result, $4.8 million is required to achieve the 27% goal of value of outstanding claims in Fiscal Year 2013 in accordance with the City Reserve Policy. The $4.8 million is included in the Fiscal Year 2013 Year-End Budget Monitoring Report to cover the shortfall and to be able to achieve the 27% goal in Fiscal Year 2013. In addition, the Fiscal Year 2014 Proposed Budget includes a $5.9 million contribution to the Workers' Compensation Reserve which is the Fiscal Year 2014 target contribution needed to achieve the 30% goal of value of outstanding claims in Fiscal Year 2014. Revisions to the City Reserve Policy are currently underway to reflect updated target contributions. See "RISK MANAGEMENT – Self Insurance – Workers' Compensation and Long-Term Disability" herein.

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. Pursuant to the City Reserve Policy, the Public Liability Fund contributions have been smoothed over seven years (starting in Fiscal Year 2013). This means that fluctuations in the City's outstanding liability are factored into the City's Public Liability Fund contributions roughly over a seven-year period, 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 Fiscal Year 2013 projected year-end Public Liability Fund Reserve is $50.2 million, which includes the $27 million SDG&E settlement received in Fiscal Year 2012 and exceeds the target by $30.5 million. $16.3 million of the SDG&E settlement amount is, however, budgeted to be transferred ~~of~~ out of this reserve in Fiscal Year 2014, with $12.9 million returned to the General Fund and $3.4 million to the enterprise funds. The Fiscal Year 2014 Proposed Budget also includes a $4.8 million contribution to the Public Liability Fund, resulting in a projected balance of $38.6 million in Fiscal Year 2014. Based on the annual actuarial valuation, this reserve level would be 13% above the 24% of outstanding claims goal for the Public Liability Reserve in Fiscal Year 2014. In addition, the reserve contribution for Fiscal Year 2015 through Fiscal Year 2019 is now projected to be $2.6 million annually instead of $6.1 million as stated in the City Reserve Policy. Revisions to the City Reserve Policy are currently underway to reflect the updated targeted contributions. For additional information regarding public liability insurance, see "RISK MANAGEMENT – Self Insurance – *Public Liability Insurance*" herein.

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. Pursuant to the City Reserve Policy, the reserve target for this fund is $12.0 million and is expected to be achieved by Fiscal Year 2014. While this target is anticipated to be met in Fiscal Year 2014, revisions to the City Reserve Policy are currently underway to reflect a new target based on the current value of outstanding liability. The Fiscal Year 2014 Proposed Budget includes a $1.9 million contribution to the Long-Term Disability Fund Reserve. 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. The goal of the Long Term Disability Reserve is to transition to a fully insured long term disability program, thus eventually eliminating the liability from the City's financial statements. For additional information regarding long-term disability, see "RISK MANAGEMENT – Self Insurance – Workers' Compensation and Long-Term Disability" herein.

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 ~~2013~~2014 is expected to be established at ~~$1.626~~$[_____] billion. Using the Fiscal Year ~~2013 Proposed~~2014 Budget, the appropriations subject to the limit (i.e., proceeds of taxes, excluding debt service on voter-approved debt and qualified capital outlays) ~~were~~have been calculated to be ~~$793.9~~$[_____] million, which ~~was $831.7~~is $[_____] 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 ~~1~~2 of Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and ~~Section 2 thereof~~ 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,

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

~~**[TO BE UPDATED]**~~

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 ~~February 22~~June 12, 2013, ~~MEA represented~~ the City has approximately 4,~~674~~ 733 MEA-represented employees; 1,700 AFSCME Local 127-represented ~~approximately 1,683~~ employees; 1,850 POA-represented ~~approximately 1,815~~ employees; 812 IAFF Local 145-represented ~~approximately 791~~ employees; 339 Teamsters Local 911-represented ~~approximately 313~~ employees; 141 DCAA-represented employees; and ~~DCAA represented approximately 143 employees. The City had approximately 734~~744 unrepresented employees.

Labor Contracts ~~for Fiscal Year 2010 through 2013~~

Beginning in Fiscal Year 2010, the City ~~either~~ negotiated or imposed a general salary freeze and 6~~%~~ percent reduction in overall compensation for all ~~labor~~employee organizations and for unrepresented employees, which ~~continues~~continued through Fiscal Year 2013. On June 10, 2013~~. [For Fiscal Year~~

~~2013, on June 18, 2012~~, the City Council approved ~~memoranda of understanding~~the tentative New Labor Agreements with ~~all~~ each of the City's recognized employee organizations~~ which would~~. It is expected that the City Council will vote on the New Labor Agreements in July 2013. If approved, the New Labor Agreements will establish the terms and conditions of employment for all represented employees for Fiscal Year 2014 through Fiscal Year 2018.

Each employee organization has agreed that the salary schedules and salary ranges established in the Fiscal Year 2011 Salary Ordinance (San Diego Ordinance O-19952 adopted on May 4, 2010) will remain in place from Fiscal Year 2014 through Fiscal Year 2018. As a result, 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 ~~status quo, including~~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 has 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~~% reduction in~~ percent compensation ~~for another year. Unrepresented~~reduction in the first three Fiscal Years, with reopeners in Fiscal Years 2017 and 2018 to meet and confer solely regarding increases to non-pensionable compensation. Each employee organization is receiving the partial restoration of the 6 percent compensation reduction through different non-pensionable pay components.

MEA: In Fiscal Year 2014, most MEA-represented employees will have their mandatory furlough hours reduced to 26 hours. The 52 hours of mandatory furlough is eliminated for employees in specified public safety support-related classifications, such as police and fire dispatchers, police investigative service officers, police records clerks, criminalists, public works dispatchers, and others. MEA-represented employees will also ~~be subject to the ongoing 6% reduction~~ have an increase to their annual flexible benefit allotment. The retirement offset contribution of 0.4 percent for MEA-represented employees will be eliminated in Fiscal Year 2014, which is consistent with San Diego Charter Section 141.2. The pay reduction for hourly MEA-represented employees will be reduced from 3 percent to 1.25 percent. In Fiscal Year 2015, the remaining 26 hours of mandatory furlough will be eliminated for those MEA-represented employees who had mandatory furloughs reduced in Fiscal Year 2014. In Fiscal Years 2015 and 2016, the annual flexible benefit allotments will 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 various labor organizations and~~ 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: In Fiscal Year 2014, the 52 hours of mandatory furlough for employees represented by Teamsters Local 911 will be eliminated. The retirement offset contribution of 2.3 percent for Teamster Local 911 represented employees will be eliminated in Fiscal Year 2014, consistent with San Diego Charter Section 141.2. 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: In Fiscal Year 2014, the 32 hours of mandatory furlough for employees represented by the DCAA will be eliminated. In Fiscal Years 2014 through 2016, these employees will also receive an increase in their annual flexible benefit allotments. From Fiscal Years 2014 through 2016, these 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: In Fiscal Year 2014, unrepresented employees ~~achieved the 6% reduction in overall compensation in different ways as described below.]~~will have their 6.4 percent reduction in compensation, which was taken through elimination of retirement offset contributions and a salary reduction, modified. The salary reduction of 3 percent will be lowered to 1.25 percent for unrepresented, non-safety and lifeguard employees in Fiscal Year 2014. The salary reduction of 1.9 percent will be lowered to 0.15 percent for unrepresented, police safety employees and the salary reduction of 1.7 percent will be eliminated for unrepresented, fire safety employees in Fiscal Year 2014. However, unrepresented employees are not parties to the New Labor Agreements and compensation for unrepresented employees can change year to year.

~~*MEA*: MEA implemented its 6% reduction through a 52 hour mandatory furlough~~See also sections on "CITY BUDGET AND ~~a 3% salary reduction.~~

~~*AFSCME Local 127*: AFSCME Local 127 implemented its 6% reduction principally through~~RELATED MATTERS" and "SAN DIEGO CITY EMPLOYEES RETIREMENT SYSTEM" for impacts of labor contracts on the ~~elimination of a 5.4% retirement offset contribution.~~

~~*POA*: POA implemented its 6% reduction principally through the elimination of a 4.1% retirement offset contribution and a 1.5% salary reduction.~~

~~*IAFF Local 145*: Local 145 implemented its 6% reduction principally through the elimination of a 4.3% retirement offset contribution.~~

~~*Teamsters Local 911*: Teamsters Local 911 implemented its 6% reduction principally through a 52 hour mandatory furlough~~City's Fiscal Year 2014 Budget and ~~a 3% reduction of the retirement offset contribution.~~

~~*DCAA*: DCAA implemented its 6% reduction principally through a 32 hour mandatory furlough and the elimination of a 3.2% retirement offset contribution.~~

~~*Unrepresented*: For unrepresented employees the 6% reduction was principally implemented through eliminated retirement offset~~pension contributions~~, and salary reductions~~.

SAN DIEGO CITY ~~EMPLOYEE'S~~EMPLOYEES' RETIREMENT SYSTEM

~~**[TO BE UPDATED]**~~

The City faces significant financial challenges in addressing an unfunded pension liability of approximately $2.28 billion as of June 30, 2012. The challenges posed by the unfunded pension liability are significant and pose a threat to the future financial health of the City.

General

The San Diego City Employees' Retirement System ("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 ~~of Administration (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 working half-time or greater 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. SDCERS also prepares its own CAFR, the most recent of which is for Fiscal Year 2012.

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 2013 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 2013 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 2013 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 under this caption 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-8
CITY OF SAN DIEGO PLAN MEMBERSHIP
As of June 30, 2012 (actual member count)

	General	Safety	Total by Classification
Active Members	5,468	2,253	7,721
Inactive Members	2,353	542	2,895
Retirees, Disabled and Beneficiaries	4,472	2,819	7,291
DROP Participants[1]	487	427	914
Total Members, as of June 30, 2012	12,780	6,041	18,821

(2) 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 2012.

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~~City's ARC is ~~recommended~~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, 2012 Annual Actuarial Valuation of SDCERS, dated January 4, 2013 (the "2012 Valuation"). The 2012 Valuation will serve as the basis for the City's pension contribution for Fiscal Year 2014. The City's actual annual pension contribution may differ from the ARC based on a number of factors discussed below, but ~~in no case is~~ the pension contribution is not expected to be less than the ARC.

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 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, 2012 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 2013, 15 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 2012 Valuation, this resulted in an equivalent single amortization period for the UAAL of 15.1117 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

Table A-9 below sets forth the City's portion of SDCERS' historical funding progress for Fiscal Years 2003 through 2012.

TABLE A-9
CITY OF SAN DIEGO
SCHEDULE OF FUNDING PROGRESS
Fiscal Years 2003 through 2012
($ 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
2003	$2,375,431	$2,780,080	$3,532,626	67.2%	78.7%	$1,157,195	$ 752,546	$533,595	216.9%
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	5,963,550	78.2	73.9	1,303,204	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	2,069,121	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

(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. Methodologies and assumptions are discussed above.
(5) Covered payroll includes all elements of compensation paid to active City employees on which contributions to the pension plan are based.

Source: SDCERS Comprehensive Annual Financial Report for 2003 through 2012 Valuations; Cheiron Actuarial Valuation as of June 30, 2012; Comptroller's Office, City of San Diego.

Preservation of Benefits Plan

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. ~~Payments related to the POB Plan are funded annually by the City. Depending on whether the City has any retirees whose pension benefits exceed IRC section 415(b) limits in any given year, the City may have a POB Plan contribution.~~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 ARC 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 amount of such payments depends on the amount of pension benefits earned in excess of the IRC Section 415(b) limit in any particular fiscal year. See "Table A-10" below. The actuarial liability for the POB Plan as of June 30, 2012 was $7.5 million, and this entire amount is unfunded.

Citywide and General Fund Pension Contributions

The City's total budgeted pension contribution for Fiscal Year 2013 is $232.8 million. This includes ~~a~~the pension plan ~~contribution~~ARC of $231.1 million, which is equal to the City's pension plan ~~ARC~~contribution, and an estimated POB Plan contribution of $1.7 million~~ (which includes a~~. The City's pension plan payment is typically made on July 1 of each fiscal year. POB Plan ~~ARC of $1.3 million and~~

~~an additional contribution of $0.4 million).~~contributions are made on a monthly basis as payments are owed to beneficiaries.

For Fiscal Year 2013, the General Fund's proportionate share of the City's total budgeted pension contribution is $181.4 million, or 77.9% of the total City's pension contribution. The City's total budgeted projected 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 ARC, and an estimated POB plan contribution of $1.7 million. Thus, 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.

See "CITY BUDGET AND RELATED MATTERS-Fiscal Year 2014 Budget" herein for a description of the actuarial valuation performed by Cheiron in light of the New Labor Agreements and their impact on the City's payments to SDCERS.

Table A-10 sets forth the City's pension contributions and the General Fund's share for Fiscal Years 2010 through 2014.

TABLE A-10
CITY OF SAN DIEGO
PENSION CONTRIBUTION
Fiscal Years 2010 through 2014
($ In Thousands)

Fiscal Year ended (June 30)	Pension Plan ARC	POB Plan ARC	Total Plan ARC~~(1)~~	~~Total~~ Pension Plan Contribution	~~Additional~~ POB Plan Contribution ~~(underfunding)~~	Total Pension Contribution(1)		General Fund Pension Contribution
2010	$154,200	$1,000	$155,200	$192,517(2)	$1,362	$193,880	~~$38,680~~	$152,785
2011	229,100	1,817	230,917	229,100	1,323	230,423	~~(494)~~	182,913
2012	231,200	1,269	232,469	231,200	1,687	232,828	~~359~~	181,363
2013(~~2~~3)	231,100	1,314	232,414	231,100	1,700	232,800	~~386~~	181,442
2014(~~2~~3)	275,400	708	276,108	275,442	1,700	277,142	~~1,034~~	214,377

(1) ~~Includes core~~ Comprised of the pension ~~ARC~~ plan contribution and the POB Plan ~~ARC. See Note 12 in City's~~contribution; may not add up due to rounding.

(2) In Fiscal Year ~~2012 CAFR for more information on ARC and POB. Per IRS guidelines, the City may not pre-fund the POB Plan. Therefore, plan~~2010, in addition to the required contributions ~~may differ from the ARC in any given year.~~, the City contributed approximately $38.3 million in satisfaction of a class action settlement ("McGuigan Settlement") related to underfunding of the pension plan. $32.8 million of this amount was financed. See "McGuigan Settlement Modification" in Table A-17.

(~~2~~3) Data for POB Plan contribution, total pension contribution, and General Fund pension contribution for Fiscal Years 2013 and 2014 are budgeted amounts~~. All other data are actual. The total pension and General Fund contributions assume a POB Plan contribution of $1.7 million for Fiscal Year 2013 and a POB Plan contribution of $1.7 million~~; pension plan contribution for Fiscal Year 2014 is a budgeted amount. All other data are actuals.

Source: Fiscal Years 2010 - 2012 Comprehensive Annual Financial Reports, Comptroller's Office, City of San Diego; Fiscal Years 2010 – 2012 SDCERS Comprehensive Annual Financial Reports; Cheiron Actuarial Valuation as of June 30, 2012; Fiscal Year 2013 and 2014: Financial Management and Comptroller's Office, City of San Diego.
Footnotes: Comptroller's Office, City of San Diego, and 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 7.5% per year and the projections are calculated as if the returns were to be 7.5% each and every year, which is unlikely to occur ~~as experience never conforms to assumptions from year to year.~~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) ARC payments than presented in the table.

TABLE A-11
CITY OF SAN DIEGO ACTUARIAL FUNDING PROJECTIONS
Fiscal Years 2014 through 2023
(earnings as assumed)

Fiscal Year Ending June 30	Investment Return Rate	Annual Required Contribution (millions)	ARC as Percentage of Payroll	UAAL (billions)
2014	7.50%	$275.4	58%	$2.28
2015	7.50	281.3	60	2.31
2016	7.50	286.4	63	2.28
2017	7.50	290.9	66	2.24
2018	7.50	295.0	69	2.17
2019	7.50	299.1	72	2.10
2020	7.50	303.1	75	2.00
2021	7.50	307.0	78	1.89
2022	7.50	310.9	82	1.77
2023	7.50	314.8	85	1.63

Source: Cheiron Actuarial Valuation as of June 30, 2012.

Pension Reform Ballot Initiative

An initiative titled "Comprehensive Pension Reform for San Diego" (Proposition B) was approved by voters on June 5, 2012. Generally, the measure amends the City Charter to provide all new City employees hired on or after the effective date of the amendments, 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. This limitation on the City's negotiating authority is in effect until June 30, 2018. Pensionable pay increases may be authorized with a 2/3 vote of the City Council following preparation of an actuarial report that discloses the impact of any proposed increases in compensation or benefits on the City's defined benefit plan.

~~[TO BE UPDATED]~~ 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. The decision of the PERB board may also be appealed to the Fourth District Court of Appeal. This litigation may delay or preclude the implementation of some or all of the Proposition B amendments to the City Charter.] Notwithstanding the Proposition B litigation, the 2012 Valuation assumes the validity of Proposition B.

cooling system upgrades, and improvements to storm drains, streets and sidewalks. The City estimates that its deferred capital improvement needs, excluding those related to water and wastewater enterprises, are approximately $898 million as of February 2012. The City's 2009A Lease Revenue Bonds (subsequently refunded with the 2010A Lease Revenue Bonds) and the 2012A Lease Revenue Bonds together funded approximately $178 million of deferred capital needs. Additionally, approximately $15 million from the proposed Series 2013A Bonds will finance various street improvements identified in the City's deferred capital improvement plan. In accordance with the current funding plan, the City expects to issue approximately $80-$90 million annually in Fiscal Years 2014-2018 in General Fund supported 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 General Fund 5-year Financial Outlook.

The City also anticipates issuing other obligations over the next two-three years to finance an expansion of the San Diego Convention Center, which is expected to be funded through obligations supported primarily by special tax revenue from a newly formed Convention Center Facilities District ("CCFD") combined with some General Fund supplemental revenue and a San Diego Port District contribution. The formation of the CCFD and the special tax to be levied therein received a successful judicial validation on April 18, 2013. This project is subject to other approvals, including approval by the California Coastal Commission, which may or may not be granted.

Although the City has no current plans to borrow for capital needs other than as described above, it is possible that the City may issue additional obligations in the future. 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 2004 to 2012 ranged from approximately $111 million to $163 million. For the purpose of Fiscal Year 2013 interim cash flow needs, the City issued $100,685,000 2012-13 Tax and Revenue Anticipation Notes, Series A (the "2012-13 TRANs"), on July 2, 2012. The 2012-13 TRANs will mature on June 28, 2013. The City has transferred all of the required set aside amounts into a set aside account for tax and revenue anticipation notes to pay the principal and interest on the 2012-13 TRANs when they mature.

Based on current cash flow projections, the City expects to have the cash necessary ~~cash~~ to meet the appropriated expenditures in Fiscal Year 2014~~. The City~~ and, therefore, does not currently anticipate issuing tax and revenue anticipation notes~~ in the first quarter of Fiscal Year 2014~~. If a cash need arises during Fiscal Year 2014, the City may issue notes in the second quarter of Fiscal Year 2014.

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TABLE A-19
CITY OF SAN DIEGO
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
As of June 30, 2012
(in thousands, except for percentages)
(unaudited)

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/12	% Applicable	City's Share of Debt 6/30/12
Metropolitan Water District	$ 196,545	8.966%	$ 17,622
Palomar Community College District	318,574~~,~~	26.397	84,094
San Diego Community College District	949,293	99.922	948,553
Poway Unified School District School Facilities Improvement District Nos. 2002-1 and 2007-1	351,148	67.867 - 68.338	239,157
San Diego Unified School District	1,850,844	99.925	1,849,456
Sweetwater Union High School District	334,479	20.970	70,140
San Ysidro School District	133,903	82.842	110,928
Other School, High School and Community College Districts	1,185,899	Various	69,507
Grossmont Healthcare District	221,902	8.384	18,604
Palomar Pomerado ~~Health System~~Hospital District	479,863	32.247	154,741
City of San Diego	-	100.	-
City of San Diego Special Assessment/Special Tax Bonds [1]	136,370	100.	136,370
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	28,305	100.	28,305
North City West School District Community Facilities District	76,378	100.	76,378
Poway Unified School District Community Facilities Districts	294,048	99.609-100.	293,911
San Dieguito Union High School District Community Facilities District ~~No. 95-1~~	30,753	81.063	24,929
Sweetwater Union High School District Community Facilities Districts	27,112	11.543-100.	21,693
Other Special District 1915 Act Bonds	16,854	Various	1,653
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			$4,146,041
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	$395,115	46.945%	$ 185,487
San Diego County Pension Obligations	787,113	46.945	369,510
San Diego Superintendent of Schools Certificates of Participation	18,750	46.945	8,802
Palomar Community College District General Fund Obligations	5,820	26.397	1,536
Poway Unified School District Certificates of Participation	34,784	71.249	24,783
Sweetwater Union High School District Certificates of Participation	11,325	20.970	2,375
Chula Vista School District General Fund Obligations	148,925	5.297	7,889
San Ysidro School District Certificates of Participation	43,946	82.842	36,406
Other School, High School and Community College District Certificates of Participation	135,675	Various	6,547
City of San Diego Revenue Bonds, Lease Revenue Bonds, and Certificates of Participation [2]	481,630	100.	481,630
Otay Municipal Water District Certificates of Participation	58,245	7.881	4,590
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			$1,129,555
Less: Otay Municipal Water District Certificates of Participation			4,590
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			$1,124,965
GROSS COMBINED TOTAL DIRECT[3]			$5,275,596
NET COMBINED TOTAL DEBT			$5,271,006

Ratios to 2011-12 Assessed Valuation:	
Direct Debt ($0)	0.00%
Total Gross Direct and Overlapping Tax and Assessment Debt	2.98%
Total Net Debt and Overlapping Tax and Assessment Debt	2.97%
Ratios to Adjusted Assessed Valuation:	
Combined Direct Debt ($481,630) [4]	0.30%
Gross Combined Total Debt	3.29%
Net Combined Total Debt	3.28%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: $0

(1) Amounts reconcile to Note 19, Total Special Assessment/Special Tax Bonds, of Fiscal Year 2012 CAFR.

(continued on next page)

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 ~~are the latest available; however, the current state~~speak only as of the ~~economy at City, County, State~~dates indicated and ~~national levels~~ may ~~not be reflected in the data discussed below because more up-to-date publicly available information is not available~~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 ~~the Official Statement.~~such information. The Series 2013 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 7,653.

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Taxable Sales

The following Table B-4~~-1~~ sets forth taxable transactions in the City for calendar years 2007 through 2011~~[and the following Table B-4-2 sets forth taxable transactions in the City for the first quarter of calendar years 2011 and 2012]~~,, the most recent period for which State Board of Equalization data is available. See APPENDIX A-"CITY GOVERNMENT AND FINANCIAL INFORMATION-Major Revenue Sources" for a discussion of the City's assumptions regarding trends of taxable transactions and sales tax revenues for Fiscal Year 2013 and Fiscal Year 2014.

TABLE B-4~~-1~~
CITY OF SAN DIEGO
TAXABLE TRANSACTIONS
Calendar Years 2007 through 2011
(In Thousands)

	2007	*2008*	*2009*[1]	*2010*[1]	*2011*[1]
Retail and Food Services					
Apparel	$ 959,509	$ 1,123,736	$ 1,358,011	$ 1,476,887	$ 1,608,393
General Merchandise	2,272,494	1,995,887	1,443,341	1,505,694	1,571,106
Food	881,871	828,471	864,733	874,855	909,541
Eating and Drinking	2,617,392	2,682,884	2,582,572	2,674,975	2,888,953
Home Furnishings and Appliances	655,097	749,808	1,005,324	1,064,083	1,132,638
Building Materials	1,098,559	865,280	707,657	735,040	795,649
Motor Vehicles and Parts	2,237,019	1,852,953	1,606,349	1,720,348	1,884,077
Service Stations	1,656,784	1,847,002	1,319,720	1,527,002	1,850,576
Other Retail Stores	2,321,276	2,045,273	1,481,096	1,483,428	1,550,568
Total Retail and Food Services	$ 14,700,001	$ 13,991,295	$ 12,368,802	$ 13,062,313	$ 14,191,502
All Other Outlets	5,356,105	5,422,964	4,795,162	4,816,619	5,306,003
TOTAL ALL OUTLETS[2]	$ 20,056,106	$ 19,414,259	$ 17,163,965	$ 17,878,932	$ 19,497,504

(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.

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

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~~[TO BE UPDATED]~~

~~**TABLE B-4-2**~~
~~**CITY OF SAN DIEGO**~~
~~**TAXABLE TRANSACTIONS**~~
~~**2011 First Quarter and 2012 First Quarter**~~
~~**(in Thousands)***~~

~~*Type of Business*~~	~~*2011 First Quarter*~~	~~*2012 First Quarter*~~
~~Retail and Food Services~~		
~~Apparel~~	~~$ 334,416~~	
~~General Merchandise~~	~~343,825~~	
~~Food~~	~~208,380~~	
~~Eating and Drinking~~	~~661,905~~	
~~Home Furnishings and Appliances~~	~~266,620~~	
~~Building Materials~~	~~190,764~~	
~~Motor Vehicles and Parts~~	~~461,394~~	
~~Service Stations~~	~~432,373~~	
~~Other Retail Stores~~	~~368,610~~	
~~Total Retail and Food Services~~	~~$ 3,268,287~~	
~~All Other Outlets~~	~~1,251,086~~	
~~TOTAL ALL OUTLETS~~	~~$ 4,519,372~~	

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

~~[Total taxable sales in the City during the first quarter of calendar year 2012 [increased/decreased] by approximately [___]%, compared to the same period of the prior year.]~~

~~*[Remainder of Page Intentionally Left Blank]*~~

~~* *To be updated when/if First Quarter 2012 data is made available prior to printing.*~~