

File No. 130016

Committee Item No. 6

Board Item No. 5

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date 01/30/2013

Board of Supervisors Meeting

Date February 12, 2013

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest |
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| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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Completed by: Victor Young

Date January 25, 2013

Completed by: Victor Young

Date 1-31-13

1 [Authorizing Certificates of Participation and Assessment Notes - Moscone Expansion Project
2 - \$507,880,000]

3 Ordinance authorizing the execution and delivery of Certificates of Participation
4 evidencing and representing an aggregate principal amount of not to exceed
5 \$507,880,000 to finance the costs of additions and improvements to the George R.
6 Moscone Convention Center; approving the form of Trust Agreement between the City
7 and County of San Francisco and the Trustee (including certain indemnities contained
8 therein); authorizing the selection of the Trustee by the Director of Public Finance;
9 approving respective forms of a Property Lease and a Project Lease, each between the
10 City and the Trustee for the lease and lease back of all or a portion of the Moscone
11 Center, including the Moscone Expansion Project to be constructed thereon;
12 authorizing the execution and delivery of Assessment Notes payable from Moscone
13 Expansion District assessments to further secure principal, premium, if any, and
14 interest evidenced and represented by the Certificates; granting general authority to
15 City officials to take necessary actions in connection with the authorization, issuance,
16 sale and delivery of the Certificates and the Assessment Notes; approving
17 modifications to documents and agreements; and ratifying previous actions taken in
18 connection therewith.

19 NOTE: Additions are single-underline italics Times New Roman;
20 deletions are ~~strike-through italics Times New Roman~~.
21 Board amendment additions are double-underlined;
22 Board amendment deletions are ~~strikethrough normal~~.

23 WHEREAS, The Board of Supervisors (the "Board of Supervisors" or the "Board") of
24 the City and County of San Francisco (the "City") desires to finance the cost of the acquisition,
25

1 construction and installation of certain additions and improvements (the "Moscone Expansion
2 Project") to the George R. Moscone Convention Center (the "Moscone Center"); and

3 WHEREAS, The Moscone Expansion Project will make certain additions and
4 improvements to the current Moscone Center in order to attract more and larger conventions
5 to the City; and

6 WHEREAS, The Board desires to approve the issuance of commercial paper under the
7 City's commercial paper program to initially fund costs of the Moscone Expansion Project; and

8 WHEREAS, the Board desires to authorize the execution and delivery of one or more
9 series of the certificates of participation (the "Certificates") to finance the Moscone Expansion
10 Project pursuant to a trust agreement (the "Trust Agreement") between the City and the
11 trustee named therein (the "Trustee"); and

12 WHEREAS, In connection with the execution and delivery of the Certificates, the Board
13 desires to cause the execution of a Property Lease (the "Property Lease"), pursuant to which
14 the City will lease to the Trustee one or more portions of the Moscone Center, including the
15 Moscone Expansion Project, which consists of the area from Mission Street on Third Avenue
16 to Folsom Street, then on Folsom Street to Fourth Avenue, then on Fourth Avenue to Howard
17 Street, then on Howard Street to Fifth Avenue, then on Fifth Avenue to Minna Street, then on
18 Minna Street back to Fourth Avenue, then on Fourth Avenue to Mission Street, and on
19 Mission Street back to Third Avenue, and property adjacent thereto (the "Leased Property"),
20 and a Project Lease (the "Project Lease"), pursuant to which the Trustee will lease the Leased
21 Property back to the City; and

22 WHEREAS, The Board desires to authorize the execution and delivery of Assessment
23 Notes in an amount not in excess of the principal amount evidenced by the Certificates, such
24 Assessment Notes to be payable from the assessments (the "Assessments") to be levied by
25 the Board in the Moscone Expansion District business improvement district (the "Assessment

1 District”), which Assessment Notes will be purchased by the City to further secure the
2 payment of the principal, premium, if any, and interest evidenced by the Certificates; and

3 WHEREAS, The Assessment Notes will be issued under and pursuant to the Property
4 and Business Improvement District Law of 1994, constituting Sections 36600 and following of
5 the California Streets and Highways Code (including the Improvement Bond Act of 1915,
6 constituting Sections 8500 and following of the California Streets and Highways Code,
7 referred to in Section 36640(a) thereof), as adopted and modified by the Board pursuant to
8 Article 15 of the City’s Business and Tax Regulations Code, in each case as amended
9 (collectively, the “Business Assessment Act”); and

10 WHEREAS, The City will undertake environmental review of the Moscone Expansion
11 project as project components are better defined and will work with all interested parties, City
12 staff, experts and the public to develop a thorough environmental analysis that will inform the
13 design, development and operation of the Moscone Expansion Project; and

14 WHEREAS, The Board has been presented with the form of certain documents and
15 agreements referred to herein relating to the Certificates, and the Board has examined and is
16 approving each such document and agreement and desires to authorize the execution of such
17 documents and agreements and the consummation of such financing; and

18 WHEREAS, The adoption of this Ordinance shall constitute authorization of the
19 Certificates and the Assessment Notes within the meaning of Sections 860 and following of
20 the California Code of Civil Procedure (the “Validation Act”) and any applicable validating
21 statute heretofore or hereafter adopted; and

22 WHEREAS, Upon the effectiveness of this Ordinance, all conditions, things and acts
23 required by law to exist, to happen and to be performed precedent to and as a condition of the
24 execution and delivery of Property Lease, the Project Lease, the Trust Agreement, the
25 Certificates and the Assessment Notes will exist, have happened and have been performed in

1 due time, form and manner in accordance with applicable law, and the City shall be
2 authorized pursuant to its Charter, the Business Assessment Act and other applicable law to
3 execute and deliver the Property Lease, the Project Lease and the Trust Agreement and to
4 issue and cause the issuance and delivery of the Certificates and the Assessment Notes in
5 the manner and form provided in this Ordinance; now, therefore,

6 Be it ordained by the People of the City and County of San Francisco, as follows:

7 Section 1. Findings. The Board hereby finds and determines that the recitals set
8 forth above are true and correct.

9 Section 2. File Documents. The documents presented to the Board and on file with
10 the Clerk of the Board or her designee (collectively, the "Clerk") are contained in File No.
11 130016.

12 Section 3. Authorization of the Certificates. The Board hereby authorizes and
13 approves the execution and delivery of the Certificates in accordance with the Project Lease
14 and the Trust Agreement. The Board hereby approves the issuance of commercial paper
15 from time to time to fund costs of the Moscone Expansion Project. The proceeds of the
16 Certificates will be used to fund (i) costs of the Moscone Expansion Project, including
17 repayment of commercial paper and interest thereon issued for such purpose; (ii) a debt
18 service or other similar reserve, as appropriate; (iii) capitalized interest, if any; and (iv) costs of
19 issuance (including the costs of prosecuting any validation action authorized herein) of the
20 Certificates and the Assessment Notes. The Certificates shall be designated as "Certificates
21 of Participation (Moscone Expansion Project)," with such other or additional designation,
22 including the year of execution and delivery, as determined by the Director of Public Finance
23 of the City or her designee, acting for and on behalf of the City Controller (collectively, the
24 "Director of Public Finance").
25

1 The Certificates shall evidence an aggregate principal amount of not to exceed Five
2 Hundred and Seven Million Eight Hundred and Eighty Thousand Dollars (\$507,880,000), and
3 shall evidence interest at a true interest cost of not to exceed twelve percent (12%) per
4 annum. The Certificates shall be subject to prepayment as set forth in the Project Lease and
5 Trust Agreement. The Director of Public Finance is hereby authorized, to the extent such
6 officer deems it necessary or advisable and in the interests of the City, to procure credit
7 enhancement for the Certificates, including but not limited to municipal bond insurance or a
8 debt service reserve fund policy.

9 The Director of Public Finance is hereby authorized, to the extent such officer deems it
10 necessary or advisable and in the interests of the City, to cause the execution and delivery of
11 the Certificates (i) with interest with respect thereto exempt or not from federal income tax,
12 and (ii) under any federal tax law provisions which provide for federal grants or credits to the
13 City or to investors in lieu of the exemption of interest from federal income tax.

14 Section 4. Approval of the Trust Agreement; Authorization of the Selection of the
15 Trustee. The form of the Trust Agreement between the City and the Trustee, as presented to
16 the Board, a copy of which is on file with the Clerk, is hereby approved. The Mayor of the City
17 or his designee (collectively, the "Mayor") is hereby authorized to execute and deliver the
18 Trust Agreement, and the Clerk is hereby authorized to attest to and affix the seal of the City
19 on the Trust Agreement, with such changes, additions and modifications as the Mayor may
20 make or approve in accordance with Section 19 hereof.

21 The Director of Public Finance is hereby authorized to select the Trustee in accordance
22 with City policies and procedures, including but not limited to the City's policy to provide
23 locally disadvantaged business enterprises an equal opportunity to participate in the
24 performance of all City contracts.

1 Section 5. Approval of the Property Lease. The form of the Property Lease between
2 the City and the Trustee, as presented to the Board, a copy of which is on file with the Clerk,
3 is hereby approved. The Mayor is hereby authorized to execute and deliver the Property
4 Lease, and the Clerk is hereby authorized to attest to and affix the seal of the City on the
5 Property Lease, with such changes, additions and modifications as the Mayor may make or
6 approve in accordance with Section 19 hereof.

7 Section 6. Approval of the Project Lease. The form of the Project Lease between
8 the City and the Trustee, as presented to the Board, a copy of which is on file with the Clerk,
9 is hereby approved. The Mayor is hereby authorized to execute and deliver the Project
10 Lease, and the Clerk is hereby authorized to attest and to affix the seal of the City on the
11 Project Lease with such changes, additions and modifications as the Mayor may make or
12 approve in accordance with Section 19 hereof; provided, however, that the maximum Base
13 Rental (as defined in the Project Lease) scheduled to be paid under the Project Lease in any
14 fiscal year shall not exceed Thirty-Nine Million Four Hundred Thousand Dollars (\$39,400,000)
15 and the initial stated term of the Project Lease shall not extend beyond the 35th year following
16 its date of execution, as such initial term may be extended in accordance with the Project
17 Lease.

18 Section 7. Approval of the Leased Property and the Base Rental Payments. The
19 Board hereby approves the leasing, pursuant to the Property Lease and the Project Lease, of
20 all or a portion of the Leased Property. The Board also hereby approves the payment by the
21 City of the Base Rental with respect thereto.

22 Section 8. Sale of the Certificates. The Director of Public Finance is hereby
23 authorized to sell the Certificates by competitive or negotiated sale. If sold by competitive
24 sale, the Director of Public Finance is hereby authorized to award the Certificates to the
25 bidder whose bid represents the lowest true interest cost to the City. In the event the Director

1 of Public Finance determines to sell the Certificates by negotiated sale, the Director of Public
2 Finance is hereby authorized to sell the Certificates by negotiated sale pursuant to one or
3 more purchase contracts (each, a "Purchase Contract") by and between the City and the
4 underwriter named therein; provided, however, that the underwriters' discount under any such
5 Purchase Contract shall not exceed one percent (2%) of the principal amount of the
6 Certificates.

7 In order to accomplish the sale of the Certificates by negotiated sale, the Director of
8 Public Finance is hereby authorized to appoint one or more financial institutions to act as
9 underwriter for the Certificates in accordance with City policies and procedures, including but
10 not limited to the City's policy to provide locally disadvantaged business enterprises an equal
11 opportunity to participate in the performance of all City contracts.

12 Notwithstanding anything herein to the contrary, the Director of Public Finance shall not
13 be authorized to cause the delivery of any Certificates, whether by competitive or negotiated
14 sale, until the Board shall have approved the form of Official Statement prepared in
15 connection with such Certificates.

16 Section 9. Authorization of the Assessment Notes. The Director of Finance is
17 hereby authorized to issue, execute and deliver the "City and County of San Francisco
18 Moscone Expansion District Assessment Notes" under and subject to the terms of this
19 Ordinance, the Business Assessment Act, the Charter and other applicable laws of the State
20 of California. The Assessment Notes shall be executed and delivered in one or more series in
21 an aggregate principal amount of not to exceed the authorized aggregate principal amount
22 evidenced by the Certificates.

23 Section 10. Terms of the Assessment Notes.

24 (a) Registration. The Assessment Notes shall be executed and delivered in fully
25 registered form, may be executed and delivered in one or more series from time to time, and

1 shall be numbered as determined by the Director of Public Finance. The Assessment Notes
2 shall be dated the date of delivery thereof. The Assessment Notes shall be executed and
3 delivered in denominations of \$5,000 or any integral multiple thereof.

4 (b) Maturity Dates and Interest Rates. The Assessment Notes shall mature on the
5 date or dates and in the amount or amounts as shall be provided in a Certificate to be
6 executed and delivered by the Director of Public Finance on or prior to the issuance and
7 delivery thereof (the "Delivery Certificate"). The Assessment Notes shall bear interest at the
8 rates provided in the Delivery Certificate; provided, that the true interest cost of the
9 Assessment Notes shall not exceed twelve percent (12%) per annum. Interest on the
10 Assessment Notes shall be calculated on the basis of a 360-day year composed of twelve 30-
11 day months and shall be payable on the dates set forth in the Delivery Certificate. The
12 principal of, premium, if any, and interest on the Assessment Notes shall be payable in lawful
13 money of the United States of America.

14 (c) Form. The Assessment Notes shall be in such form as the Director of Public
15 Finance shall determine. The Assessment Notes may be printed, lithographed, photocopied
16 or typewritten.

17 (d) Execution. The Assessment Notes shall be executed by and in the name of the
18 City by the manual signature of the Mayor.

19 (e) Transfer and Exchange. The Assessment Notes shall be registered in the name
20 of the City and shall be non-transferable. Any Note may be exchanged for a new Note or
21 Assessment Notes, in authorized denominations, of the same aggregate principal amount and
22 interest rate.

23 (f) Redemption. The Assessment Notes may be subject to optional and mandatory
24 redemption prior to their maturity dates as provided in the Delivery Certificate.
25

1 Section 11. Application of Proceeds of the Assessment Notes. Upon the issuance
2 and delivery of the Assessment Notes to and payment therefor by the City, the proceeds
3 thereof shall be deposited in the Project Fund, the Debt Service Fund and/or the Reserve
4 Fund as provided in the Delivery Certificate.

5 Section 12. Note Funds.

6 (a) Assessment Fund. There is hereby established a special fund designated as
7 the "Assessment Fund," which fund shall be held by the City Treasurer or by a trustee
8 designated by the City (respectively, a "Fiscal Agent"). There shall be deposited in the
9 Assessment Fund that portion of the Assessments necessary from time to time to pay debt
10 service on the Assessment Notes and to replenish the Reserve Fund. Assessments received
11 by the City from time to time in excess of the amounts required to be deposited in the
12 Assessment Fund may be applied to any lawful purpose for such Assessments.

13 (b) Project Fund. There is hereby established a special fund designated as the
14 "Project Fund," which fund shall be held by a Fiscal Agent, and which may be the Project
15 Fund for the Certificates. The Fiscal Agent shall, from time to time, disburse money from the
16 Project Fund to pay costs of the Moscone Expansion Project.

17 (c) Debt Service Fund. There is hereby established a special fund designated as
18 the "Debt Service Fund," which shall be held by a Fiscal Agent. There shall be deposited in
19 the Debt Service Fund from time to time an amount from the Assessment Fund as shall be
20 necessary to pay the principal of, premium, if any, and interest on the Assessment Notes as
21 the same shall become due.

22 (d) Reserve Fund. There is hereby established a special fund designated as the
23 "Reserve Fund," which shall be held by a Fiscal Agent. The Reserve Fund shall be
24 maintained until the principal of, premium, if any and interest on the Assessment Notes is paid
25 in full or until there are no longer any Assessment Notes outstanding. If on any date the

1 amounts on deposit in the Debt Service Fund are less than the principal, premium, or interest
2 payments then due with respect to the Assessment Notes on such date, there shall be
3 transferred from the Reserve Fund for credit to the Debt Service Fund an amount sufficient to
4 make up such deficiency. If on any date the amounts on deposit in the Reserve Fund are less
5 than the Reserve Requirement, there shall be transferred from the Assessment Fund for
6 credit to the Reserve Fund an amount sufficient to make up such deficiency. The Reserve
7 Fund may secure additional Assessment Notes issued on a parity with the Assessment Notes.
8 Any excess amount on deposit in the Reserve Fund may be withdrawn by the Fiscal Agent for
9 deposit in the Assessment Fund.

10 Section 13. Pledge of the Assessments and the Assessment Notes. Subject only to
11 the provisions of this Ordinance permitting the application thereof for the purposes and on the
12 terms and conditions set forth herein, all of the Assessments (including redemptions thereof),
13 together with interest and any penalties thereon, and any other amounts (including proceeds
14 of the sale of the Assessment Notes) held in any fund or account established pursuant to this
15 Ordinance are hereby pledged to secure the payment of the principal of, premium, if any, and
16 interest on the Assessment Notes in accordance with their terms, the provisions of this
17 Ordinance and the Business Assessment Act. Such pledge shall constitute a first lien on and
18 security interest in such amounts. No other funds of the City are pledged to secure the
19 payment of the principal of, premium, if any, or interest on the Assessment Notes.

20 In addition, the Assessment Notes are in turn pledged to pay and secure the payment
21 of the principal, premium, if any, and interest evidenced by the Certificates. Such pledge shall
22 constitute a first lien on and security interest in the Assessment Notes.

23 Section 14. Additional Assessment Notes. The City may, from time to time, by a
24 supplement or amendment to this Ordinance, authorize one or more series of additional
25

1 Assessment Notes, secured by the Assessments on a parity with the outstanding Assessment
2 Notes.

3 Section 15. Undertakings of the City Regarding the Assessment Notes.

4 (a) Punctual Payment. The City shall punctually pay or cause to be paid the
5 principal of, premium, if any, and interest on the Assessment Notes when due, in conformity
6 with the terms of the Assessment Notes and this Ordinance, but only out of Assessments and
7 other amounts provided for such payment pursuant to this Ordinance.

8 (b) Collection and Application of the Assessments. The City shall comply with all
9 requirements of the Business Assessment Act and this Ordinance to assure the timely
10 collection of the Assessments and interest thereon, including, without limitation, the
11 enforcement of delinquent Assessments and remedies available with respect thereto. Any
12 funds received by the City in and from the Assessment District, including but not limited to
13 collections of Assessments and interest thereon, and delinquent Assessments and interest
14 and penalties thereon, necessary for the payment of the Assessment Notes or to replenish the
15 Reserve Fund shall be deposited in the Assessment Fund.

16 Section 16. Assessment Notes Limited Obligations. The Assessment Notes shall not
17 constitute general obligations of the City, but shall be limited obligations of the City, payable
18 solely from the Assessments and the other amounts provided therefor under this Ordinance.
19 Neither the faith and credit nor the taxing power of the City or the State of California, or any
20 political subdivision thereof, is pledged to the payment of the principal of, premium, if any, or
21 interest on the Assessment Notes.

22 Section 17. Validation Action. The City Attorney is hereby authorized to bring an
23 action or actions pursuant to the Validation Act to confirm the validity of Property Lease, the
24 Project Lease, the Trust Agreement, the Certificates and/or the Assessment Notes, and such
25

1 other matters as may be necessary to ensure repayment of the Certificates and/or the
2 Assessment Notes.

3 Section 18. CEQA Findings. Approval of this Ordinance by the Board shall not be
4 construed as approval of the Moscone Expansion Project. The City will conduct
5 environmental review of the proposed Moscone Expansion Project, following further design
6 development and study, under any approvals or facilities for the Moscone Expansion Project,
7 or grants any entitlements to the Trustee. The City retains absolute discretion to: (1) modify
8 the Moscone Expansion Project to mitigate significant adverse environmental impacts, (2)
9 select feasible alternatives which avoid significant adverse impacts of the Moscone Expansion
10 Project, (3) require the implementation of specific measures to mitigate the significant adverse
11 environmental impacts of the Moscone Expansion Project, (4) reject the Moscone Expansion
12 Project as proposed if the economic and social benefits of the Project do not outweigh
13 otherwise unavoidable significant adverse impacts of the project, or (5) approve the Moscone
14 Expansion Project upon a finding that the economic and social benefits of the Moscone
15 Expansion Project outweigh otherwise unavoidable significant adverse impacts.

16 Section 19. General Authority. The Mayor, the City Treasurer, the City Attorney, the
17 City Controller, the City Administrator, the Director of Public Finance, the Clerk and other
18 officers of the City and their duly authorized deputies, designees and agents are hereby
19 authorized and directed, jointly and severally, to take such actions and to execute and deliver
20 such certificates, agreements, requests or other documents as they may deem necessary or
21 desirable to accomplish the purposes of this Ordinance, including but not limited to the
22 execution and delivery of the Property Lease, the Project Lease, the Trust Agreement, the
23 Certificates and the Assessment Notes, to obtain bond insurance or other credit
24 enhancements with respect to the Certificates, to obtain title insurance, to clear any
25 encumbrances to title and to carry out other title work; provided, however, that the Director of

1 Public Finance shall not be authorized to cause the delivery of any Certificates until the Board
2 shall have approved the form of Official Statement prepared in connection with such
3 Certificates.

4 Section 20. Modifications, Changes and Additions. The Mayor, the City Treasurer,
5 the City Controller and the Director of Public Finance each are hereby authorized to make
6 such modifications, changes and additions to the documents and agreements approved
7 hereby, upon consultation with the City Attorney, as may be necessary or desirable and in the
8 interests of the City, and which changes do not materially increase the City's obligations or
9 reduce its rights thereunder or hereunder. The respective official's approval of such
10 modifications, changes and additions shall be conclusively evidenced by the execution and
11 delivery thereof by such official.

12 Section 21. Partial Invalidity. Any provision of this Ordinance found to be prohibited
13 by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the
14 remainder of this Ordinance.

15 Section 22. Effective Date. This Ordinance shall take effect immediately.

16 Section 23. Ratification of Prior Actions. All actions authorized and approved by this
17 Ordinance but heretofore taken are hereby ratified, approved and confirmed by the Board
18 subject to the consideration and final approval by this Board of the resolution of formation of
19 the Moscone Expansion District located in Board of Supervisor's File No. 130043.

20 APPROVED AS TO FORM:
21 DENNIS J. HERRERA, City Attorney

22 By: 

23 Mark D. Blake
24 Deputy City Attorney

25 originated at: n:\finan\as2013\0900287\00818073.doc
revised on: 2/6/2013 - n:\finan\as2013\0900287\00818073.doc

LEGISLATIVE DIGEST

[Authorizing Certificates of Participation and Assessment Notes – Moscone Expansion Project - Not to Exceed \$507,880,000]

Ordinance authorizing the execution and delivery of Certificates of Participation evidencing and representing an aggregate principal amount of not to exceed \$507,880,000 to finance the costs of additions and improvements to the George R. Moscone Convention Center; approving the form of Trust Agreement between the City and County of San Francisco and the Trustee (including certain indemnities contained therein); authorizing the selection of the Trustee by the Director of Public Finance; approving respective forms of a Property Lease and a Project Lease, each between the City and the Trustee for the lease and lease back of all or a portion of the Moscone Center, including the Moscone Expansion Project to be constructed thereon; authorizing the execution and delivery of Assessment Notes payable from Moscone Expansion District assessments to further secure principal, premium, if any, and interest evidenced and represented by the Certificates; granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of the Certificates and the Assessment Notes; approving modifications to documents and agreements; and ratifying previous actions taken in connection therewith.

Existing Law

This is new legislation.

Background Information

The proposed Ordinance authorizes the execution and delivery of Certificates of Participation (COPs) in an amount not to exceed \$507,880,000 to finance the costs of additions and improvements to the George R. Moscone Convention Center (the "Moscone Project"). The Moscone Project will enable the Convention Center to attract larger conferences to the City.

The COPs will be delivered under the terms of a trust agreement executed between the City and the trustee named therein (the "Trustee"). In connection with the execution of the COPs the City will also execute a Property Lease, pursuant to which the City will lease to the Trustee one or more portions of the Moscone Center, including the Moscone Expansion Project, which consists of the area from Mission Street on Third Avenue to Folsom Street, then on Folsom Street to Fourth Avenue, then on Fourth Avenue to Howard Street, then on Howard Street to Fifth Avenue, then on Fifth Avenue to Minna Street, then on Minna Street back to Fourth Avenue, then on Fourth Avenue to Mission Street, and on Mission Street back to Third Avenue, and property adjacent thereto (which represents the "Leased Property"). Under the terms of the Project Lease the Trustee will lease the Leased Property back to the City, and the City will be required to make certain lease payments to the Trustee. The lease payments by the City under the Project Lease will be applied to the payment of principal and interest evidenced and represented by the COPs.

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The Ordinance also authorizes the issuance by the City Assessment Notes in an amount not in excess of the principal amount evidenced by the Certificates, such Assessment Notes to be payable from the assessments to be levied by the Board in the Moscone Expansion District business improvement district (the "District"). The Assessment Notes will evidence the obligation of the hotels to pay the business assessment, the proceeds of which will be applied to offset debt service on the COPS. The issuance of the Assessment Notes will provide the legal underpinnings of a validation action in which the City will validate the formation of the District and the levy of the Assessments.

Items 5, 6 and 7 - Files 12-1201, 13-0016 and 13-0015	Departments: Department of Public Works (DPW) Office of Economic and Workforce Development (OEWD) Convention Facilities Department , General Services Agency
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EXECUTIVE SUMMARY

Legislative Objectives

- Resolution (File 12-1201) finding that the proposed expansion of the North and South exhibit halls in Moscone Convention Center is fiscally feasible and responsible in accordance with Administrative Code Chapter 29.
- Ordinance (File 13-0016) authorizing execution of Certificates of Participation (COPs) not to exceed \$507,880,000 to finance the expansion of Moscone Convention Center; approving the form of the Trust Agreement; authorizing the selection of the Trustee; approving respective forms of a Property Lease and a Project Lease; authorizing the execution and delivery of Assessment Notes payable from Moscone Expansion District assessments to further secure principal, premium and interest evidenced and represented by the Certificates; granting general authority to City officials to take necessary actions; approving modifications to documents and agreements; and ratifying previous actions taken.
- Ordinance (File 13-0015) appropriating \$507,880,000 of Certificates of Participation (COPs) proceeds to fund the Moscone Center Expansion Project in the General Services Agency, Office of the City Administrator for FY 2012-13 and placing these funds on Controller's Reserve pending issuance of the COPs or associated commercial paper used for cash flow purposes in FY 2012-13.

Key Points

- Administrative Code Chapter 29 requires that certain development projects be submitted to the Board of Supervisors for approval of the project's fiscal feasibility prior to submitting the project to the Planning Department for environmental review. The finding that the proposed expansion of Moscone Convention Center is fiscally feasible does not commit the Board of Supervisors to future approval of environmental findings under the California Environmental Quality Act (CEQA).
- Moscone Convention Center (Moscone North, South and West) currently includes a total of 1,043,000 gross square feet, which is proposed to increase to 1,414,000 square feet, an increase of 371,000 square feet, or 35%, at an estimated cost of up to \$500 million, which would include (a) demolition of a portion of the existing support building at 3rd and Howard Streets and replacement with a larger building, (b) excavation and reconfiguring of the North and South halls to create additional contiguous exhibit space, (c) elimination of the front driveways for expanded useable space on Moscone North and South, and (d) improvements to the landscaping, streetscape and urban design.
- On November 20, 2012, the Board of Supervisors approved a Resolution of Intent (File 12-0989; Resolution 416-12) to form a new 32-year Moscone Expansion District (MED) and levy hotel assessments to support the proposed \$500 million expansion of Moscone, which

will be considered by the Board of Supervisors on February 5, 2013, as a Committee of the Whole (File 13-0043), after the results of the hotel's election are determined.

Fiscal Impacts

- The not to exceed \$500 million for the Moscone Expansion Project, with debt financing costs, is estimated to cost a total of \$1,105,915,860, including (a) \$5,238,860 of available General Funds, (b) \$82,625,000 of available MED funds, (c) \$21,536,000 for furniture, fixtures, equipment and additional rental costs, and (d) \$996,516,000 for Certificates of Participation (COPs) total debt service (principal and interest).
- The total estimated \$996,516,000 COPs debt service includes \$483,695,000 of principal and \$512,821,000 of interest based on a conservative 6% interest rate over 30 years, or an average annual debt service cost of \$35,590,000. The COPs would be issued in 2017.
- The total \$996,516,000 Moscone Convention Center Expansion COPs principal and interest cost would be repaid with (a) a conservatively estimated \$699,212,000 from annual MED assessments from 2013 through 2045 assuming a 1.25% hotel assessment rate in Zone 1 and a .3125 hotel assessment rate in Zone 2, and (b) a total of \$297,304,000 of annual City General Fund contributions from 2019 through 2047, ranging from \$8,200,000 to \$10,700,000 per year.
- The proposed expansion of Moscone would: (1) yield annual additional tax revenues to the City of approximately \$5.8 million in FY 2017-18 and up to \$7.6 million in FY 2021-22; (2) generate an estimated 2,408 to 3,407 new one-time construction jobs and up to 945 ongoing, permanent jobs by FY 2021-22; (3) provide an estimated \$382 million in construction expenditures, or an estimated \$1,030 per square foot for 371,000 additional square feet; (4) be financed with \$82,625,000 of available hotel assessment fees and \$5,238,860 of available City General Funds, or approximately 8% of the total \$1,105,915,860 project costs; (5) increase Moscone's ongoing maintenance and operating costs by approximately \$1.3 million annually, to be paid by the City's General Fund; and (6) result in \$996,516,000 COPs principal and interest expenses to be repaid with (a) conservative \$699,212,000 from MED hotel assessments from 2013 through 2045, and (b) \$297,304,000 of General Fund contributions from 2019 through 2047, ranging from \$8,200,000 to \$10,700,000 per year.
- The proposed fiscal feasibility is predicated on receiving an estimated total of \$699,212,000 from the annual MED hotel assessments from 2013 through 2045 to fund the proposed Moscone Expansion Project, such that the proposed Moscone Expansion Project is not fiscally feasible without these additional annual hotel assessments. However, the decision to establish the MED and levy these additional hotel assessments will not be determined until February 5, 2013, when the ballots are tabulated and the Board of Supervisors sits as a Committee of the Whole.

Recommendations

- Amend the proposed resolution (File 12-1201) and the two proposed ordinances (Files 13-0016 and 13-0015) to add a Further Resolved clause that the Board of Supervisors finds the proposed Project is fiscally feasible and responsible subject to the approval by the Board of Supervisors to create and levy the associated MED hotel assessments (File 13-0043) on February 5, 2013, when the Board of Supervisors will consider this matter.
- Approve the proposed resolution and ordinances, as amended.

MANDATE STATEMENT

Chapter 29 of the City's Administrative Code requires Board of Supervisors approval of certain projects to determine the project's fiscal feasibility¹ prior to submitting the project to the Planning Department for environmental review if (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA), (b) total project costs are estimated to exceed \$25,000,000, and (c) construction costs are estimated to exceed \$1,000,000.

Chapter 29 specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility of a project, including the (1) direct and indirect financial benefits to the City, (2) construction costs, (3) available funding, (4) long term operating and maintenance costs, and (5) debt load carried by the relevant City Department. Chapter 29 also limits the definition of "fiscal feasibility" to mean only that the project merits further evaluation and environmental review.

Charter Section 9.118 requires any agreement with a term of more than ten years or expenditures of more than \$10,000,000 be subject to approval by the Board of Supervisors. The proposed issuance of not to exceed \$507,880,000 Certificates of Participation requires the City to enter into an agreement which exceeds ten years and \$10,000,000. In addition, Charter Section 9.105 requires that amendments to the Annual Appropriation Ordinance be approved by ordinance of the Board of Supervisors, subject to the Controller certifying the availability of funds.

BACKGROUND

Moscone Convention Center

The George Moscone Convention Center (Moscone) was originally constructed in 1981 as a single 300,000 square foot convention facility on Howard Street, which is now known as Moscone South between 3rd and 4th Streets, adjacent to Yerba Buena Gardens. Moscone expanded in 1992 with the addition of Moscone North and the Esplanade Ballroom and again expanded in 2003 with the addition of Moscone West and now encompasses over 20 acres of convention facility space on three adjacent blocks, as shown in Figure 1 below. Renovations of Moscone were recently completed in May of 2012, which included restroom, lobby and kitchen renovations, digital and telecom upgrades, elevator and escalator improvements, and new carpeting, painting and lighting at a cost of \$56 million.

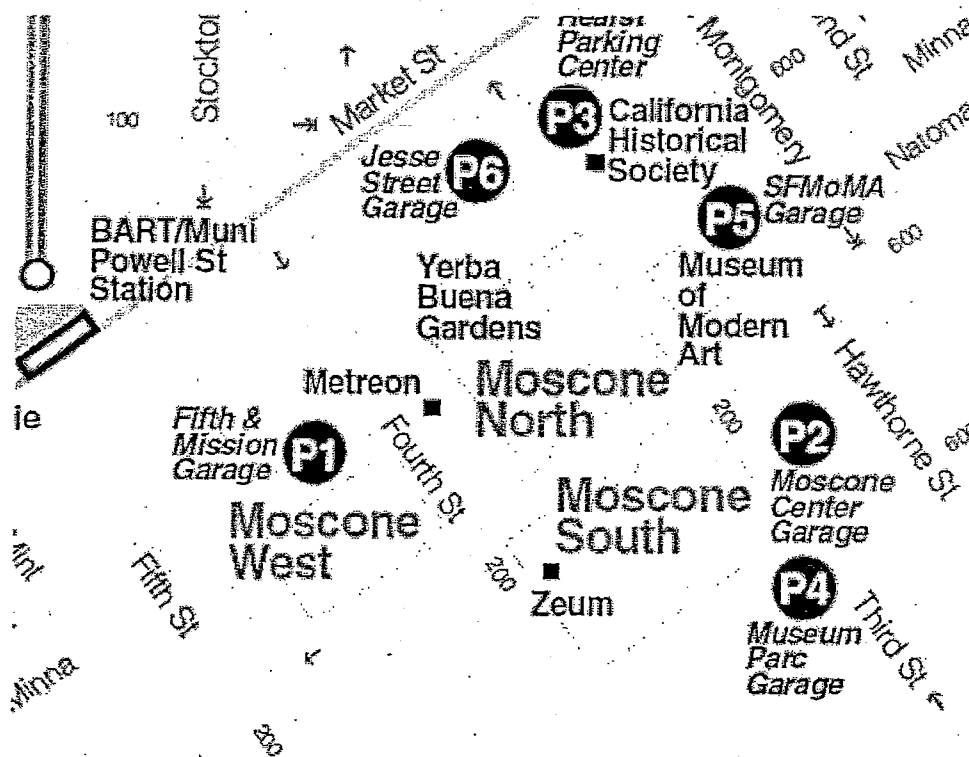
Moscone West currently includes a total of 774,000 gross square feet, comprising 380,154 square feet of rentable space plus 393,846 square feet of support space, which is not proposed to change under the proposed Moscone Expansion Plan. Moscone North and South currently

¹ Chapter 29 excludes various types of projects from the fiscal feasibility requirement, including (a) any utilities improvement project by the Public Utilities Commission, (b) projects with more than 75 percent of funding from the San Francisco Transportation Authority, and (c) projects approved by the voters of San Francisco.

includes a total of 1,043,000 gross square feet, comprising 583,135 square feet of rentable space plus 459,865 square feet of support space. Moscone North and South rentable space includes:

- 28,800 square feet of lobby area;
- 260,560 square feet of contiguous exhibit space in Moscone South;
- 138,684 square feet of exhibit space in Moscone North;
- 42,675 square feet of ballroom space at 3rd and Howard; and
- 112,416 square feet of meeting and flexible space in over 100 meeting rooms.

Figure 1: Map of Moscone Convention Center



Source: Moscone Convention Center website.

Moscone is owned by the City and County of San Francisco and the Office of Community Investment and Infrastructure (the successor agency the San Francisco Redevelopment Agency). The Convention Facilities Department within the General Services Agency operates and

maintains Moscone through contracts with (a) San Francisco Travel² to promote the City as a destination for conventions, meetings and tradeshow, and (b) Moscone Joint Venture³, a private firm to manage the daily operations of Moscone.

Current Moscone Capital Expenses

Ms. Nadia Sesay, Director of the Office of Public Finance advises that, in order to pay for the initial construction of Moscone North and South, the former San Francisco Redevelopment Agency (SFRA) issued lease revenue bonds and to finance the construction of Moscone West, the City issued lease revenue bonds. Both the SFRA and the City subsequently refunded these initial lease revenue bonds, such that, as shown in Attachment I, the current long term Moscone obligations total approximately \$370.4 million for the City. According to Ms. Sesay, the City is currently paying a total of approximately \$30 million annually through 2019 declining to approximately \$11 million through final maturity in 2030 from dedicated Hotel Tax revenues to repay these long term debt obligations related to Moscone.

In addition, as noted above, in May of 2012 the City completed a \$56 million renovation of Moscone. Of the \$56 million, \$21 million was funded with Tourism Improvement District (TID) hotel assessments and \$35 million from City General Funds. Ms. Sesay advises that the City used available funds, and issued commercial paper to fund the balance of these renovation costs, such that the City will be issuing an anticipated \$45.5 of COPs to refund the commercial paper, to be repaid with an estimated \$8.2 million annual General Fund contribution through 2018.

Proposed Expansion of Moscone Convention Center

According to Mr. John Noguchi, Director of the Convention Facilities Department, the existing three-building configuration of Moscone is effectively filled to capacity and cannot accommodate many of the existing convention market needs. As a result, Mr. Noguchi reports that it is difficult to retain or significantly grow the San Francisco convention market, without providing additional contiguous exhibition space and additional meeting rooms. Based on surveys conducted by the Moscone Joint Venture of the corporate convention users, medical and financial associations, as well as tradeshow, the Convention Facilities Department, working with the Office of Economic and Workforce Development, the Department of Public Works and the Controller's Office of Public Financing is proposing an estimated up to \$500 million expansion of Moscone to:

² San Francisco Travel, previously known as the San Francisco Convention and Visitors Bureau, is a nonprofit organization which currently has an annual \$1.2 million agreement with the City to promote San Francisco as a premier destination for conventions, meetings, events and leisure travel, funded through Grants for the Arts Hotel Tax revenues and the Office of Economic and Workforce Development General Fund revenues.

³ Moscone Joint Venture, a private consortium of Spectator Management Group (SMG), currently has an eight-year agreement with the City, which extends through June 30, 2017, to manage the day-to-day operations of Moscone Convention Center at a FY 2012-13 budgeted cost of \$28,481,068, paid by the City's General Fund.

- increase the overall gross square footage from 1,043,000 to 1,414,000, an increase of 371,000 square feet, within the existing Moscone perimeter;
- demolish a portion of the existing Esplanade building at 3rd and Howard Streets and construct a new 4-story building, including a new lobby, multipurpose meeting rooms, ballrooms and support spaces above ground;
- demolish the existing Moscone South lobby and replace with a new 2-story building that eliminates the front driveway area and provides an enlarged lobby, meeting rooms, ballroom, circulation and support space;
- expand Moscone South and Moscone North by excavating additional areas under Howard Street and retrofitting existing lower level support space to create enlarged contiguous exhibition spaces;
- eliminate front driveway area to convert Moscone North with new expanded lobby;
- construct a new foot access bridge across Howard Street to provide public and internal access between Moscone North and South buildings; and
- enhance Moscone's physical interface with the surrounding area by providing improvements to the landscaping, urban design and streetscape.

Existing Tourism Improvement District (TID)

In 2008, the Board of Supervisors working with the City's hotel community, approved a 15-year Community Benefit District, entitled the San Francisco Tourism Improvement District (TID), to authorize 0.75% to 1.5% assessments on all tourist hotel room revenues received from January 1, 2009 through December 31, 2024 in two separate zones, as shown in Table 1 below (File 08-1517). The revenues generated from these hotel assessments were specifically designated to San Francisco Travel for the (a) promotion of San Francisco as a tourism destination, (b) renovation of Moscone, which was completed in May of 2012, and (c) exploration of potential expansion of Moscone. While the collection of hotel assessment revenues for the promotion of San Francisco as a tourism destination will continue through December 31, 2024, the assessment revenues dedicated to the renovation of Moscone and the potential expansion of Moscone will terminate on December 31, 2013.

Table 1: Existing Tourism Improvement District (TID) and Proposed Moscone Expansion District Assessment Rates

Existing Tourism Improvement District	Zone 1 ⁴	Zone 2 ⁵
Years 1-5 (January 1, 2009 – December 31, 2013)	1.5 % of gross revenues	1% of gross revenues
Years 6-15 (January 1, 2014 – December 31, 2024)	1% of gross revenues	0.75% of gross revenues
Proposed Moscone Expansion District		
Commencement of the Assessment (no earlier than July 1, 2013) - December 31, 2013	0.5 % of gross revenues	0.3125% of gross revenues
January 1, 2014 – 32 Years from Commencement of the Assessment (approximately June 30, 2045)	1.25% of gross revenues	0.3125% of gross revenues
Total Assessments on Hotels in Districts		
Prior to December 31, 2013	2.0% of gross revenues	1.3125% of gross revenues
January 1, 2014 – December 31, 2024	2.25% of gross revenues	1.0625% of gross revenues
January 1, 2025 – June 30, 2045	1.25% of gross revenues	0.3125% of gross revenues

Proposed Moscone Expansion District (MED)

On November 20, 2012, the Board of Supervisors, again working with the City's hotel community, approved a Resolution of Intent (File 12-0989; Resolution 416-12) to form a new 32-year Moscone Expansion District, including adopting the Management District Plan, approving assessment ballots, hotel assessment rates, budgets, allocation of funds, governance structure and scheduling a public hearing to be held on this matter. Table 1 above shows the

⁴ Zone 1 is defined as all tourist hotels on or east of Van Ness Avenue or South Van Ness Avenue and north of 16th Street from South Van Ness to the Bay.

⁵ Zone 2 is defined as all tourist hotels west of Van Ness Avenue and South Van Ness Avenue and tourist hotels south of 16th Street.

proposed dates and rates of assessments on hotel gross revenues for the proposed Moscone Expansion District, and the total assessments from both the existing Tourism Improvement District and the proposed Moscone Expansion District over time. Revenues generated by the proposed additional hotel assessments over the proposed 32-year period would be used to support the proposed \$500 million expansion of Moscone.

The Department of Elections sent ballots to all tourist hotels in the City subject to the proposed Moscone Expansion District assessments on December 7, 2012. All ballots are due back by February 5, 2013. On February 5, 2013, the Board of Supervisors will sit as a Committee of the Whole and hold a public hearing on a resolution (File 13-0043) to establish the Moscone Expansion District, levy assessments against defined hotel businesses located in that District for 32 years, provide for the determination, imposition, collection and enforcement of the assessments and making environmental findings. After this public hearing is closed, the Department of Elections will tabulate the hotel ballots, and if the results are positive, the Board of Supervisors could approve the establishment of the Moscone Expansion District and levying the proposed hotel assessments. If the assessments are approved by a weighted majority of the hotels, and by the Board of Supervisors under the proposed legislation (File 13-0043), as shown in Table 1 above, the Moscone Expansion District could commence imposing assessments as early as July 1, 2013.

On January 23, 2012, the Budget and Finance Committee held a hearing of persons interested in or objecting to the proposed establishment the Moscone Expansion District and ordering the levy and collection of assessments of hotel properties in the District (File 12-1230).

Status of the Moscone Expansion Project

According to Mr. Brook Mebrahtu, Senior Project Manager for the Department of Public Works (DPW), the Moscone Expansion Project would be overseen and managed by the Department of Public Works. Mr. Mebrahtu advises that the existing Tourism Improvement District (TID), working with the City in early 2012, issued a Request for Proposals (RFP), to complete the design for the proposed Moscone Expansion Project. Mr. Mebrahtu advises that seven architectural firms responded and based on qualifications five firms were interviewed⁶ and a panel that included City and TID representatives evaluated the proposals and selected Skidmore Owens and Merrill (SOM) to complete the design using hotel assessment funds, with the initial phase, conceptual design, at a cost of \$1.4 million. SOM is currently completing this conceptual design phase, which extended from May 2012 through January 2013.

Mr. Mebrahtu advises that in 2012, the City again working with the TID, issued a RFP for a Construction Manager/General Contractor (CMGC) to oversee the management and construction of the Moscone Expansion Project. According to Mr. Mebrahtu, the TID received five bids⁷, and based on a similar evaluation process, on January 10, 2013, the TID awarded a \$4.1 million initial pre-construction agreement to WebCor. Pre-construction activities are

⁶ The five design firms interviewed were (1) HOK/Populous, (2) Fentress/Kwan Henmi, (3) Gensler/Michael Willis, (4) Heller Manus/Woods, and (5) SOM/Cavagnero.

⁷ The five CMGC bids were from (1) Suffolk/Turner Construction, (2) Clark Construction, (3) Hunt Construction, (4) Hathaway Dinwiddie, and (5) WebCor.

anticipated to extend for 23 months from January 2013 through November 2014. Construction is then anticipated to extend for 38 months from December 2014 through February 2018. The overall Moscone Expansion Project is estimated to cost up to \$500 million, with approximately \$360 million for construction costs.

According to Mr. Mebrahtu, completion of the Moscone Expansion Project will be phased in order to minimize the disruption of operations of Moscone convention activities during the construction. In this regard, Mr. Mebrahtu advises that the first phase would include demolition of a portion of the existing Esplanade building at 3rd and Howard Streets in order to construct a new 4-story building, which would include a new lobby, multipurpose meeting rooms, ballrooms and support spaces above ground, which could be used while other portions of Moscone North and South are under construction. Mr. Adam Van de Water of the Office of Economic and Workforce Development (OEWD), notes that there is a 3-week window in late December 2014 to early January 2015, when no activities are scheduled at Moscone, such that this timeframe is critical to undertake major construction work on Moscone, in order to minimize the impact on Moscone revenues, operations and to complete construction on time.

DETAILS OF PROPOSED LEGISLATION

File 12-1201: Resolution finding that the proposed expansion and renovation of the North and South exhibit halls in the Moscone Convention Center, including reconfiguring the North and South exhibit halls to create additional contiguous exhibit space, a new ballroom, new loading and building service space and improvements to the landscaping, urban design and public realm, within and adjacent to the North and South exhibit halls, is fiscally feasible and responsible under Administrative Code, Chapter 29.

File 13-0016: Ordinance authorizing the execution and delivery of Certificates of Participation (COPs) evidencing and representing an aggregate principal amount not to exceed \$507,880,000 to finance the costs of additions and improvements to the George R Moscone Convention Center; approving the form of Trust Agreement between City and Trustee; authorizing the selection of the Trustee by the Director of Public Finance; approving respective forms of a Property Lease and a Project Lease, each between the City and the Trustee for the lease and lease-back of all or a portion of the Moscone Center, including the Moscone Expansion Project to be constructed thereon; authorizing the execution and delivery of Assessment Notes payable from Moscone Expansion District assessments to further secure principal, premium, if any, and interest evidenced and represented by the COPs; granting general authority to City officials to take necessary actions in connection with this authorization, issuance, sale and delivery of the COPs and the Assessment Notes; approving modifications to documents and agreements; and ratifying previous actions taken in connection therewith.

File 13-0015: Ordinance appropriating \$507,880,000 of Certificates of Participation (COPs) proceeds to fund the Moscone Center Expansion Project in the General Services Agency, Office of the City Administrator for FY 2012-13 and placing these funds on Controller's Reserve

pending issuance of the COPs or associated commercial paper used for cash flow purposes in FY 2012-13.

MAJOR PARAMETERS

Table 2 below, prepared by the Budget and Legislative Analyst, summarizes the major parameters of the proposed Moscone Convention Center Expansion Project, incorporating provisions of the proposed resolution (File 12-1201) and the two proposed ordinances (Files 13-0015 and 13-0016):

Table 2: Summary of Proposed Moscone Expansion Project

Total Project Cost	- Up to \$500,000,000
Debt Financing	- Request for up to \$507,880,000 City Certificates of Participation (COPs); - City expects to issue \$483,695,000 of COPs in Spring, 2017, with additional authorization to allow for fluctuations in interest rates and related reserve funds from time authorized by Board of Supervisors until actual issuance; - City anticipates issuing interim commercial paper to pay preliminary project costs as expenditures are incurred for design, planning and permitting.
Term of COPs	- 30 Years, from 2017 through 2047
Third-Party Trustee Agreement	- Agreement provides for terms of COPs, such as prepayment, default, and other administrative provisions; - Director of Public Finance would select third-party trustee based on lowest fees, and other criteria, based on competitive request for proposal or negotiations ⁸ ; - City makes annual base rental payments to third-party trustee in amounts required to repay the COPs; - Third-party trustee holds proceeds from the sale of COPs, administers and disburses COP payments for costs incurred for the Moscone Expansion Project and enforces covenants and remedies, in event of default by City; - After COPs are fully repaid, trustee agreement would terminate.
Property Lease	- City would lease a portion of City-owned Moscone property, including the expansion project, to third-party trustee. - After COPs are fully repaid, property lease would terminate.
Project Lease	- City would lease-back the leased property (Moscone), together with the proposed Moscone expansion improvements that are financed with the proceeds from the COPs, from the third-party trustee. - After COPs are fully repaid, project lease would terminate.
Assessment Notes	- Issuance of Assessment Notes in an amount not to exceed the authorized COPs to validate (a) formation of the hotel assessment district, and (b) levy hotel assessments, to ensure that debt service is repaid primarily from assessments levied on hotels in the Moscone Expansion District and not the City's General Fund, in accordance with the District Management Plan.
City Capital	- \$1,700,000 in FY 2012-13 for pre-development costs;

⁸ Ms. Sesay advises that whether a competitive request for proposal or negotiated agreement is completed will be based on market conditions at the time of issuance.

Contributions from General Fund	<ul style="list-style-type: none"> - \$3,538,860 in FY 2013-14 for project management costs; - \$8,200,000 in FY 2019-20, increasing 3% per year through FY 2028-29; - \$10,700,000 annually for remainder of term, or through 2047.
Moscone Expansion District Assessment Contributions	<ul style="list-style-type: none"> - 87.5% of hotel assessments would be allocated to Moscone Expansion Project, estimated to be approximately \$17 million in FY 2013-14; - Percentage allocation to Project would decrease to 82.5% over time; - Over 32-year term of District, estimated to generate \$829,073,000 contribution for Moscone Expansion Project although \$699,212,000 estimated required contribution to repay the COPs.
Other Moscone Expansion District Assessment Allocations	<ul style="list-style-type: none"> - 1% of assessments toward Capital Reserve for future renovations and improvements of Moscone, which will increase to 6% over time; - 9% for a Moscone Convention Incentive Fund, to attract conventions and meetings to San Francisco, decreasing to 8% over time; - 2.5% for administration of Moscone Expansion District and operating contingency; - 1% beginning in 2018 for a Convention Sales and Marketing Fund.
Annual Debt Service Repayments and Shortfalls	<ul style="list-style-type: none"> - City's General Fund secures the repayment of the COPs; - City responsible to fund any annual shortfalls from the General Fund to finance debt service, to be repaid from future annual hotel assessment surpluses. Annual shortfall is defined as the FY debt service not covered by (a) the MED allocation to debt plus (b) the City's above-noted \$8,200,000 - \$10,700,000 annual contributions.

Not to Exceed \$500 Million for Moscone Expansion Project

Table 3 below summarizes the total not to exceed \$500,000,000 budget for the Moscone Expansion Project. Attachment II provided by Mr. Mebrahtu, provides additional detail on an initial preliminary \$500,000,000 budget for the Moscone Expansion Project.

Table 3: Estimated Project Budget

Preconstruction, Construction, Demolition, Abatement	\$388,246,465
Architecture, Engineering, Permits, Other Soft Costs	63,342,536
Site Control/Moving Expenses	1,800,000
Other Program Costs	33,780,000
Furniture, Fixtures and Equipment	12,831,000
Total Uses	\$500,000,000

Total Costs of the Proposed Moscone Expansion Project

As shown in Attachment III, provided by Ms. Sesay, DPW's estimated cost of up to \$500 million for the five-year Moscone Convention Center Expansion, with debt financing costs included, is projected to cost a total of \$1,105,915,860, including (a) \$5,238,860 of available General Funds, (b) \$82,625,000 of available MED funds, (c) \$21,536,000 for furniture, fixtures, equipment and additional rental costs, and (d) \$996,516,000 for Certificates of Participation (COPs) total debt

service, including issuance of the principal amount of \$483,695,000 COPs, with interest expenses of an estimated \$512,821,000.

Certificates of Participation (COPs)

Table 4 below, provided by Ms. Sesay, summarizes the sources and uses of the estimated \$483,695,000 COPs.

Table 4: Estimated Sources and Uses of Funds from COPs

Sources of Funds	
Certificates of Participation (COPs)	\$483,695,000
Total Sources	\$483,695,000
Uses of Funds	
Project Fund	\$400,551,140
Controller's Audit Fund	798,610
Subtotal Project Fund Deposit	\$401,349,750
Debt Service Reserve	35,592,500
Capitalized Interest Fund thru 9/20/18	41,114,075
Other Costs of Issuance	801,725
Other Underwriters Discount	4,836,950
Total Uses	\$483,695,000

Ms. Sesay advises that the estimated \$483,695,000 COPs are anticipated to be issued in the spring of 2017 for 30 years. Projected at a conservative 6% interest rate, the estimated \$483,695,000 of principal would result in \$512,821,000 of interest expense over the 30 years, a total of \$996,516,000 or an average annual payment of \$35,590,000. The proposed ordinance (File 13-0016) would approve the issuance of a not-to-exceed \$507,880,000 Moscone Convention Center Expansion COPs. The Budget and Legislative Analyst questioned the additional authorization authority request totaling \$24,185,000 (\$507,880,000 less \$483,695,000). Ms. Sesay advises that the Office of Public Finance is requesting this additional authorization, which reflects a 5% increase more than the current estimated issuance amount, to allow for fluctuations in interest rates and related reserve funds, including potentially significant additional capitalized interest expenses depending on when the COPs are issued.

The proposed ordinance (File 13-0015) would also appropriate up to the total not-to-exceed \$507,880,000 of COPs proceeds to fund the Moscone Center Expansion Project and place these funds on Controller's Reserve pending issuance of the COPs or associated commercial paper used for cash flow purposes in FY 2012-13. According to Ms. Sesay, the proposed appropriation ordinance is being requested at this time in order to authorize the expenditures from the issuance of commercial paper in 2013 and allow expenditures from the subject hotel assessments.

Funding Sources and Amounts

As detailed in Attachment III and summarized in Table 5 below, the total \$996,516,000 Moscone Convention Center Expansion COPs principal and interest cost would be repaid with (a) a

conservatively estimated \$699,212,000⁹ or 70% from annual MED assessments from 2013 through 2045 assuming 87.5% of the assessments in 2013 declining to 82.5% of the assessments by 2023 at a 1.25% hotel assessment rate in Zone 1¹⁰ and a .3125 hotel assessment rate in Zone 2, and (b) a total of \$297,304,000 or 30% of annual City General Fund contributions from 2019 through 2047, ranging from \$8,200,000 to \$10,700,000 per year. Over the past five years, the City's General Fund has funded \$8,200,000 annually for the Moscone Convention Center renovations, which will continue through 2018.

Table 5: Certificates of Participation Anticipated Repayments

COPs Repayments over 30 Years	Amounts	Percent
MED Hotel Assessments	\$699,212,000	70%
City General Fund	297,304,000	30%
Total COP Repayments	\$996,516,000	100%

As shown in Table 5 above, MED hotel assessments are assumed to cover \$699,212,000 or 70% of the total COP repayments. However, in accordance with the MED Plan, the MED hotel assessments could generate a maximum allowable \$5,766,814,000 over the 32-year term of the district, which assumes 10% annual increases. However, such 10% annual increases are not projected to occur, such that the actual collections are likely to be considerably less.

As also shown in Attachment III, during the first eight years of these future repayments from 2019 through 2026, there could potentially be insufficient revenues generated by the hotel assessments, such that the City would be required to make additional net impact contributions of a maximum of \$6,315,000 in 2019 decreasing to \$725,000 in 2026, which would be paid back through MED assessment surpluses in later years, as future hotel revenues and assessments increase. Under the MED's Management District Plan, the City would have the discretion to apply any annual MED assessment surpluses as are in the best interests of the City.

Ms. Sesay estimates MED surplus assessment revenues totaling \$169,874,000 would be applied as follows: (a) to fund a \$15,000,000 Stabilization Fund, which would be used in any year when lower than expected MED collections are received, to be replenished through the term of the COPs, (b) to fund an estimated \$25,487,000 sinking fund to make debt service payments in the two years beyond the term of the District in 2046 and 2047, (c) to fund an estimated \$28,750,000 prior year deficits paid by the City and then reimbursed by MED, and (d) to fund an estimated \$100,637,000 for potential additional expansions of the Moscone Convention Center in the future, as detailed in Attachment III.

⁹ The estimated \$699,212,000 to repay the COPs is in addition to the initially available \$82,625,000 from the hotel assessments and an estimated \$12,831,000 for furniture, fixtures and equipment.

¹⁰ Zone 1 hotel assessments through December 31, 2013 would remain at the currently proposed rate of 0.5% of gross revenues.

FISCAL FEASIBILITY ANALYSIS

As discussed in the Mandate Statement Section above, Chapter 29 of the City's Administrative Code requires that certain projects be submitted to the Board of Supervisors for approval of the project's fiscal feasibility prior to submitting the project to the Planning Department for environmental review if: (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA); (b) total project costs are estimated to exceed \$25,000,000; and, (c) construction costs are estimated to exceed \$1,000,000. Mr. Van de Water advises that if the Board of Supervisors approves the proposed resolution finding that the Moscone Expansion Project is fiscally feasible, the City will immediately proceed with environmental review in accordance with CEQA.

Chapter 29 of the City's Administrative Code specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility of a project, including: (1) direct and indirect financial benefits to the City; (2) construction costs; (3) available funding; (4) long term operating and maintenance costs; and (5) debt load carried by the relevant City Department. Chapter 29 also limits the definition of "fiscal feasibility" to mean only that the project merits further evaluation and environmental review. The finding that the proposed Moscone Convention Center project is fiscally feasible does not commit the Board of Supervisors to future approval of environmental findings under the California Environmental Quality Act (CEQA) or approval of any future contracts or agreements related to the Moscone Convention Center expansion and renovation project.

(1) Direct and Indirect Financial Benefits to the City

Direct Benefits

According to the San Francisco Travel Association (SF Travel)¹¹, a total of 16.35 million tourists visited San Francisco in 2011, spending approximately \$8.46 billion, which generated a total of \$526,271,694 of additional revenues for the City and County of San Francisco. Of this total 2011 tourist activity, SF Travel estimates that approximately 21 percent of the total spending or approximately \$1.8 billion was related to conventions, trade shows and group meetings, or a calculated amount of approximately \$110.5 million of tax and related revenues to the City.

On March 16, 2012, Jones Lang LaSalle Hotels (JLLH) submitted a comprehensive review¹² on the performance of Moscone's existing facilities, competitive environment, the potential for expansion and a hotel market analysis to the TID. This JLLH review concluded that the most likely scenario currently proposed for the Moscone Expansion Project would result in positive increased visitor spending in FY 2017-18 of approximately \$56.6 million, resulting in additional

¹¹ San Francisco Travel Association's 2011 Visitor Industry Economic Impact Estimates, prepared by Economic Research Associates.

¹² Moscone Convention Center Expansion: Cost Benefit Phase II Analysis prepared for the San Francisco Tourism Improvement District Management, March 16, 2012.

tax benefits (hotel taxes, retail sales taxes and gross receipts taxes¹³) to San Francisco of approximately \$5.8 million. Such visitor spending is projected to increase each year up to \$76.8 million in FY 2021-22, which is estimated to generate additional annual tax benefits of \$7.6 million to San Francisco.

Indirect Benefits

The JLLH review estimated a net increase of 3,480 local jobs from FY 2014-15 through FY 2021-22 would be created as a result of the proposed expansion of Moscone, primarily resulting from direct, indirect and induced visitor spending, or up to 945 annual jobs by FY 2021-22. In addition, based on the recent Controller's model estimates of 8.92 direct and indirect jobs created per \$1 million of construction, and assuming an estimated \$270 million to \$382 million for construction of the proposed Moscone Expansion Project, this Project will generate an additional approximately 2,408 to 3,407 one-time construction related jobs.

(2) Construction Costs

As discussed above and detailed in Attachment II, the proposed Moscone Expansion Project is estimated to not exceed \$500,000,000, including preliminary estimated costs of \$381,726,465 for the principal construction contract, which includes (a) a construction escalator, (b) a design contingency, and (c) a construction contingency. Assuming total construction costs of \$382 million, and based on the proposed Moscone Expansion Project resulting in an additional increase of 371,000 total square feet, the proposed Moscone Expansion Project construction alone will cost approximately \$1,030 per square foot.

According to Mr. Mebrahtu, all of these costs are preliminary estimates. As the project proceeds, more detailed estimates, validation and refinements of projects costs will occur. Mr. Mebrahtu advises that if project costs are higher than estimated due to unforeseen conditions, prior to or after the commencement of the construction, the project will be scaled back, such that the completed project would not exceed \$500 million.

Mr. Mebrahtu advises that a small portion of the improvements that were completed under the recent \$56 million renovation of Moscone, such as the elevator and escalator upgrades, may need to be removed and reinstalled, as part of the Moscone Expansion Project. However, Mr. Mebrahtu notes that the recently renovated men's and women's restrooms in the existing Esplanade Ballroom support building at 3rd and Howard Streets would be demolished under the proposed Moscone Expansion Project. As of the writing of this report, there was no estimate of the cost of recent renovations, which would be required to be removed as part of the proposed Moscone Expansion Project.

(3) Available Funding

As discussed above and shown in Attachment III, DPW's estimated construction cost of up to \$500 million for the five-year Moscone Convention Center Expansion is projected to be initially funded with (a) \$5,238,860 of available City General Funds¹⁴, and (b) \$82,625,000 of available

¹³ This study actually computed Payroll Taxes, which were recently changed to gradually be replaced with Gross Receipts Taxes.

¹⁴ The FY 2012-13 budget appropriated \$1,700,000 of General Fund revenues and the FY 2013-14 budget is anticipated to include \$3,538,860 of General Fund revenues for the Moscone Convention Center Expansion Project.

MED funds¹⁵. The balance of the total estimated cost of \$1,105,915,860 from all sources for the proposed Moscone Expansion Project would be funded with an initial estimated \$67,493,140 of commercial paper to be repaid with issuance of longer term financing with an estimated \$483,695,000 COPs. Therefore, a total of \$87,863,860 (\$5,238,860 plus \$82,625,000), or approximately 8% of the total \$1,105,915,860 project costs would be immediately available funds, subject to approval of the MED hotel assessment district.

(4) Ongoing Maintenance and Operating Costs

In FY 2011-12, the City received a total of \$22,654,673 of operating income from Moscone, including rental income, catering and concession revenues and other operating revenues and incurred operating expenses totaling \$26,883,055 for direct operations, management expenses and overhead. As a result, there was a net FY 2011-12 operating loss of \$4,228,382, which was funded by the City's General Fund. The annual net operating loss is projected to increase to approximately \$5,000,000 in FY 2012-13 and FY 2013-14, to be covered by the City's General Fund.

According to Mr. Noguchi, with completion of the proposed Moscone Expansion Project in 2018, annual operating income is projected to increase to a total of \$35.5 million, with operating expenses increasing to a total of \$41.8 million, or an estimated net operating loss of \$6.3 million in FY 2017-18, an increase of approximately \$1.3 million annually from the \$5 million in FY 2012-13 and FY 2013-14. Such net operating losses are projected to continue and would need to be funded by the City's General Fund.

(5) Debt Load

As discussed above, the current long term Moscone debt obligations total approximately \$370.4 million for the City, or annual payments of approximately \$30 million through 2019, declining to approximately \$11 million through 2030 from dedicated Hotel Tax revenues. In addition, the City recently completed a \$56 million renovation of Moscone, to be funded with COPs to be issued in the near future, and repaid with TID hotel assessments plus an estimated \$8.2 million of General Funds annually through 2018.

The proposed Moscone Convention Center Expansion is projected to be funded with an estimated \$483,695,000 COPs for 30 years, at a conservative 6% interest rate, for a total cost of \$996,516,000, including \$483,695,000 of principal and \$512,821,000 of interest, or an average annual payment of \$35,590,000. The total \$996,516,000 COPs principal and interest cost would be repaid with (a) a conservatively estimated total of \$699,212,000 from annual MED assessments from 2013 through 2045, and (b) a total of \$297,304,000 of annual City General Fund contributions from 2019 through 2047, ranging from \$8,200,000 to \$10,700,000 per year. During the first eight years of these future repayments from 2019 through 2026, there could potentially be insufficient revenues generated by the hotel assessments, such that the City would be required to make additional contributions of a maximum of \$6,315,000 in 2019 decreasing to

¹⁵ Of the total estimated \$82,625,000, \$3,000,000 is available from the existing TID and the remaining \$79,625,000 would come from new hotel assessments under the proposed new TID over the first five years.

\$725,000 in 2026, which would be paid back through MED assessment surpluses in later years, as future hotel revenues and assessments increase.

As discussed above, MED surplus assessment revenues totaling \$169,874,000 would be used: (a) to fund a \$15,000,000 Stabilization Fund, (b) to fund a \$25,487,000 sinking fund, (c) to fund \$28,750,000 of prior year deficits paid by the City, and (d) to fund \$100,637,000 for potential additional expansions of the Moscone Convention Center.

The City and the Office of Community Investment and Infrastructure (successor agency to the SFRA) currently own Moscone and the City would own the proposed Moscone expansion area. In addition, the City would issue the proposed COPs, such that the City would ultimately be liable for repayment of the COPs debt. However, as noted above, as part of the proposed ordinance (File 13-0016) the City is including the issuance of Assessment Notes, which according to Mr. Mark Blake, Deputy City Attorney, would provide the legal underpinnings in the validation action relating to the (a) formation of the hotel assessment district, and (b) levy of the hotel assessments. Mr. Blake advises that a successful validation action will ensure that a portion of debt service on the COPs will be offset from assessments levied on hotels in the Moscone Expansion District.

CONCLUSIONS

Moscone Convention Center (Moscone North, South and West) currently includes a total of 1,043,000 gross square feet, which is projected to increase to 1,414,000 square feet, an increase of 371,000 square feet, or over 35%, at a cost of up to \$500 million. Including the cost of financing, the not-to-exceed \$500 million for the Moscone Expansion Project is estimated to cost a total of \$1,105,915,860, including (a) \$5,238,860 of available General Funds, (b) \$82,625,000 of available MED funds, (c) \$21,536,000 for furniture, fixtures, equipment and additional rental costs, and (d) \$996,516,000 for Certificates of Participation (COPs) total debt service.

The \$996,516,000 Moscone Convention Center Expansion COPs principal and interest cost would be repaid with (a) conservatively estimated \$699,212,000 from annual MED assessments from 2013 through 2045, and (b) a total of \$297,304,000 of City General Fund contributions from 2019 through 2047, ranging from \$8,200,000 to \$10,700,000 per year. During the first eight years of these future repayments from 2019 through 2026, there could potentially be insufficient revenues generated by the hotel assessments, such that the City would be required to make additional net contributions of a maximum of \$6,315,000 in 2019 decreasing to \$725,000 in 2026, which would be paid back through MED assessment surpluses in later years, as future hotel revenues and assessments increase. Ms. Sesay estimates MED surplus assessment revenues totaling \$169,874,000 would be used to pay back these shortfalls and fund necessary other reserve accounts.

Finding of Fiscal Feasibility

The proposed expansion of Moscone would:

(1) yield annual additional tax revenues to the City of approximately \$5.8 million in FY 2017-18 up to \$7.6 million in FY 2021-22;

(2) generate an estimated 2,408 to 3,407 new one-time construction jobs and up to 945 ongoing, permanent jobs by FY 2021-22;

(3) provide an estimated \$382 million in construction expenditures for an additional 371,000 total square feet, or an estimated \$1,030 per square foot;

(4) be financed with \$82,625,000 of available hotel assessment fees, subject to separate approval based on the results from hotels ballots and by resolution of the Board of Supervisors and \$5,238,860 of available City General Funds, or approximately 8% of the total \$1,105,915,860 project costs;

(5) increase Moscone's ongoing maintenance and operating costs by approximately \$1.3 million annually, to be paid by the City's General Fund; and

(6) result in total \$996,516,000 COPs principal and interest cost to be repaid with (a) conservatively estimated \$699,212,000 from MED hotel assessments from 2013 through 2045, and (b) \$297,304,000 of General Fund contributions from 2019 through 2047, ranging from \$8,200,000 to \$10,700,000 per year.

Establishment of the Moscone Expansion District and Levying of Assessments

On November 20, 2012, the Board of Supervisors approved a Resolution of Intent (File 12-0989; Resolution 416-12) to form a new 32-year Moscone Expansion District, assessing hotels rates as shown in Table 1 above. The results of the voting on the election for this Moscone Expansion District will not be known until February 5, 2013, when the ballots are tabulated and the Board of Supervisors will consider approving a resolution to establish the Moscone Expansion District and levy the proposed hotel assessments (File 13-0043). However, the Budget and Finance Committee will be holding a public hearing and considering approval of the subject resolution to determine the fiscal feasibility and two proposed ordinances to issue COPs and appropriate the COP proceeds on January 30, 2013, prior to the determination of the outcome of the hotel assessment vote and approval by the Board of Supervisors. As discussed above, the proposed fiscal feasibility is predicated on receiving an estimated \$82,625,000 of initially available hotel assessment revenues and a conservatively estimated \$699,212,000 from these annual MED hotel assessments from 2013 through 2045 to fund the proposed Moscone Expansion Project.

Therefore, the Budget and Legislative Analyst advises that the proposed Moscone Expansion Project is not fiscally feasible without these additional annual hotel assessments. Therefore, the Board of Supervisors should not find the proposed Project fiscally feasible if (a) the Moscone Expansion District is not established, based on the results of the pending election by the hotels and (b) subsequently approved by resolution by the Board of Supervisors on February 5, 2013 (File 12-1201). Similarly, the Board of Supervisors should not approve the accompanying ordinances to authorize the issuance of up to \$507,880,000 of COPs (File 13-0016) and appropriate the COP proceeds (File 13-0015), if the Moscone Expansion District is not approved on February 5, 2013.

However, if the hotel ballot results approve the creation of the proposed Moscone Expansion District and related assessments, which is subsequently approved by the Board of Supervisors, then based on the fiscal feasibility criteria and findings discussed above, the Budget and Legislative Analyst finds the proposed development to be fiscally feasible under Chapter 29 of the City's Administrative Code. Therefore, the proposed resolution and ordinances should be

amended to clarify that approval is subject to approval of the proposed resolution (File 13-0043), which will not be determined by the Board of Supervisors until February 5, 2013.

RECOMMENDATIONS

1. Amend the proposed resolution (File 12-1201) and the two proposed ordinances (Files 13-0016 and 13-0015) to add a Further Resolved clause that the Board of Supervisors finds the proposed Project is fiscally feasible and responsible subject to the approval by the Board of Supervisors to create and levy the associated MED hotel assessments (File 13-0043) on February 5, 2013, when the Board of Supervisors will consider this matter.
2. Approve the proposed resolution and ordinances, as amended.

City and County of San Francisco
 Moscone Long Term Lease Obligations -- City as Lessee¹ and Redevelopment Agency Hotel Tax Revenue Refunding Bonds

FY	1992 Lease Revenue Bonds (North) ²		2011B Moscone Refunding COP (North) ²		2011A Moscone Refunding COP (South) ³		2011 Hotel Occupancy Tax Revenue Refunding Bonds ⁴		Total Long-term Obligations Debt Service		2008-1,-2 Finance Corporation Moscone Lease Revenue Bonds ⁵ (West)		All Moscone Long Term Obligations	
	Debt Service	Total	Debt Service	Total	Debt Service	Total	Debt Service	Total	Debt Service	Total	Debt Service	Total	Debt Service	Total
2013	12,820,000	2,971,400	1,266,850	3,172,400	20,232,650	9,700,385	29,933,035							
2014	6,705,000	7,256,350	2,199,600	3,083,800	19,244,750	9,710,526	28,955,276							
2015	ref. by 2002	13,957,550	2,293,150	5,100,350	21,351,050	9,711,429	31,062,479							
2016	ref. by 2002	13,963,850	2,380,650	5,018,750	21,363,250	9,902,250	31,265,500							
2017	ref. by 2002	13,957,250	2,471,050	4,945,350	21,373,650	9,914,170	31,287,820							
2018	ref. by 2002	13,956,250	2,566,375	4,829,750	21,352,375	9,919,199	31,271,574							
2019		9,999,875	2,674,625	5,995,750	18,669,250	10,081,281	28,750,531							
2020			2,772,875	4,520,250	7,293,125	10,029,250	17,322,375							
2021			2,797,750	4,497,000	7,294,750	10,167,138	17,461,888							
2022			2,791,500	4,501,500	7,293,000	10,288,895	17,581,895							
2023			2,789,500	4,492,000	7,281,500	10,196,539	17,478,039							
2024			2,372,000	4,653,750	7,025,750	10,294,101	17,319,851							
2025			2,398,500	4,677,750	7,076,250	10,375,534	17,451,784							
2026						10,440,836	10,440,836							
2027						10,490,009	10,490,009							
2028						10,721,035	10,721,035							
2029						10,729,883	10,729,883							
2030						10,920,584	10,920,584							
		19,525,000	76,061,625	59,488,400	186,851,350	183,593,043	370,444,393							

¹ 1988 Lease Revenue Bonds RETIRED on July 1, 2004 by 1992 Bonds Cross-Over Refunding
² 1992 Current Interest Lease Revenue Bonds REFUNDED by 2002 Lease Revenue Bonds and REFUNDED by 2011B Moscone COP. Only CABS (no semi-annual interest) remain outstanding
³ 1994 Lease Revenue Bonds REFUNDED by 2004 Lease Revenue Bonds and REFUNDED by 2011A Moscone COP.
⁴ 2011 Hotel Occupancy Tax Revenue Refunding Bonds refunded the Series 1994 and 1998 Hotel Occupancy Tax Revenue Bonds
⁵ (a) Mandatory sinking fund principal amortization schedule assumes level debt service if the average coupon is a constant 3.25% (each series identical in structure). Please keep in mind the interest rate is an estimate and is subject to change.
 (b) Liquidity fee is .7100% annually, based on outstanding par.
 (c) Remarketing fee is .0725% annually, based on outstanding par.

Moscone Expansion Project Budget

Attachment II

Job No: 7731A					Date:
Project: Moscone Expansion Project					Location:
		Amount			% of CP&I (un)
		CITY	MED	City+MED	
TOTAL PROGRAM BUDGET		404,544,001	95,456,000	500,000,000	100.0%
1. PRECON, CONSTRUCTION, DEMOLITION AND ABATEMENT		335,743,257	52,503,208	388,246,465	77.6%
1.0 Misc./Other Construction				0	
1.1 Principal Construction Contract				381,726,465	
1.2 Hazardous Materials Construction/Abatement				0	
1.3 EIR Mitigation Requirements				6,520,000	
1.4 Reimbursables		2,000,000		2,000,000	
2. SOFT COST - 3. SITE CONTROL - 4. PROGRAM COSTS - 5. FF&E		68,800,744	42,952,792	111,753,536	22.4%
2.0 ART ENRICHMENT		5,446,239	0	5,446,239	2%
2.1 CLIENT DEPARTMENT SERVICES		900,000	1,519,000	2,419,000	0%
2.2 DPW PROJECT MANAGEMENT		5,850,000	210,000	6,060,000	1.2%
2.3 ADMINISTRATIVE SERVICES		2,330,000	300,000	2,630,000	
2.4 REGULATORY AGENCY APPROVALS		8,486,585	197,752	8,684,337	
2.5 A/E/C SERVICES		10,208,000	27,895,000	38,103,000	10.8%
3. SITE CONTROL		1,800,000	0	1,800,000	
4. OTHER PROGRAM COSTS		33,780,000	0	33,780,000	
4.0 - Unallocated Program Reserve		33,780,000		33,780,000	
5. FURNITURE, FIXTURES & EQUIPMENT		0	12,831,000	12,831,000	

Cash Flows.ME/25.01-2013.xlsx
12/2/2013

Fiscal Year	Construction Draw Down	Comm Paper	City	City Cont	MED Cont	MED Cont Fee	2011 Code	Avg	Uses		Sources		Excess Revenue
									City Cont	Med Cont	Med Cont Fee	2011 Code	
0 2013	6,620,000	6,620,000	5,820,000	6,240,000		6.24							
1 2014	16,800,000	16,800,000	15,800,000	17,000,000		6.24							
2 2015	30,200,000	30,200,000	29,200,000	30,200,000		6.24							
3 2016	74,488,000	74,488,000	74,488,000	74,488,000		6.24							
4 2017	212,228,000	212,228,000	212,228,000	212,228,000		6.24							
5 2018	18,475,000	18,475,000	18,475,000	18,475,000		6.24							
6 2019	5,475,000	5,475,000	5,475,000	5,475,000		6.24							
7 2020													
8 2021													
9 2022													
10 2023													
11 2024													
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26 2039													
27 2040													
28 2041													
29 2042													
30 2043													
31 2044													
32 2045													
33 2046													
34 2047													
Total	600,000,000	600,000,000	574,443,140	574,443,140									



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

130016

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Nadia Sesay, Director
Controller's Office of Public Finance

SUBJECT: Ordinance Authorizing the Execution and Delivery of Certificates of Participation (Moscone Expansion Project)

DATE: January 10, 2013

Approval of the Ordinance would authorize the City to issue not to exceed par amount of \$507,880,000 in City and County of San Francisco Certificates of Participation (Moscone Expansion Project) in one or more series (the "Certificates") to finance capital improvements to the George R. Moscone Convention Center ("Moscone Center") described below. The City anticipates issuing the Certificates in spring 2017.

The Moscone Expansion Project:

The proceeds of the Certificates will be used to finance the reconfiguration of the North and South exhibit halls of the Moscone Center to create up to 500,000 gross square feet of contiguous exhibit space including supporting "pre-function" space and up to 600,000 gross square feet of new ballroom space, meeting space, and loading and service space (the "Project"); fund capitalized interest during the construction period of the Project through September 1, 2018; fund the debt service reserve account for the Certificates established under the trust agreement; and pay costs of execution and delivery of the Certificates.

The Certificates:

Under the proposed Ordinance, the City will structure the Certificates as an abatable asset-transfer lease by and between the City and a third-party trustee pursuant to a property lease, project lease and trust agreement.

Pursuant to the property lease, the City leases a City-owned property to a third party trustee. Pursuant to the project lease, the City leases back the leased property, together with the improvements financed with proceeds of the Certificates, from the third party trustee. The City makes annual base rental payments to the third party trustee in amounts required to repay the

Certificates. When the Certificates are finally paid, the property lease and the project lease terminate. The City's general fund secures the repayment of the Certificates (see The Current Plan of Finance below).

Pursuant to the trust agreement between the City and a third party trustee acting on behalf and for the benefit of Certificates holders, the trustee administers and disburses Certificate payments and enforces the covenants and remedies in the event of a default by the City. The trust agreement provides for the terms of the Certificates, prepayment provisions, events of default, remedies in the event of default, and other related administrative provisions. The trustee holds proceeds derived from the sale of the Certificates and disburses payments for the costs incurred for the Project, as directed by authorized City representatives. The Ordinance delegates selection of the third party trustee to the Director of Public Finance, and the trustee will be selected based on the lowest fees and other considerations via a competitive request for proposal.

The Leased Property: The leased property securing the Certificates is expected to have a fair market value approximately 125 percent of the principal evidenced by the Certificates. To facilitate the financing, portions of the Moscone Center, including the Moscone Expansion Project, are expected to be encumbered by the leases to secure the Certificates.

Semi-annual base rental payments will be made by the City during the term of the Certificates in an amount sufficient to pay the Certificates when due. The trust agreement between the City and a trustee requires that the rental payments be deposited in the debt service fund maintained by the trustee, and the trustee will apply such amounts as is necessary to make payments with respect to the Certificates.

Moscone Expansion District & Assessment Notes: In order to ensure that a substantial portion of debt service on the Certificates will be paid from assessments levied on hotel businesses in the City rather than from the general fund, the Ordinance provides for the issuance of Assessment Notes in one or more series for the Moscone Expansion District business improvement district in an amount not to exceed the authorized amount of the Certificates. The Assessment Notes will not be publicly marketed, but instead will be purchased by the City from proceeds of the Certificates. Moscone Expansion District Assessments are pledged to secure the repayment of the Assessment Notes, which Assessment Notes are in turn pledged to secure the repayment of the Certificates.

Under the Moscone Expansion District (the "District") Management District Plan (the "Management Plan")¹, assessments levied on hotel businesses and contributions from the City will fully finance the aggregate \$500.0 million expected cost of the Project. Upon establishment of the District, assessments are levied on hotel businesses in two zones:

- Zone 1 hotel business assessments of 0.50% through December 2013 and 1.25% starting January 2014 through the term of the District; and

¹ On November 20, 2012, the Board of Supervisors adopted the Resolution of Intention – Moscone Expansion Business Improvement District (File No. 120989), which resolution declared the City's intent to establish a business-based business improvement district to be known as the "Moscone Expansion District"; levy a multi-year assessment; approve the Management Plan for the Moscone Expansion District; and other matters.

- Zone 2 hotel business assessments of 0.3125% through the term of the District.

Upon establishment of the District, revenues from both zones representing 87.5% of assessments are allocated to the Project, declining to 82.5% of assessments beginning fiscal year 2022-23 through the term of the District.

To provide funding for preliminary pre-development costs, the City's fiscal year 2012-13 capital budget allocated \$1.7 million towards the Project, with an additional \$3.5 million expected to be appropriated in fiscal year 2013-14 for project management costs. In addition, the Management Plan describes the City's expected annual contribution of \$8.2 million starting in fiscal year 2018-19, increasing 3% per year through fiscal year 2027-29 up to a maximum annual contribution of \$10.7 million through the term of the District. Together, these sources are expected to generate a maximum allowable amount of \$5.0 billion over the term of the District.

If assessment revenues and the City's expected contribution are insufficient to timely pay scheduled base rental costs on the Certificates, the City's expected contribution will be increased to cover the deficiency, with any deficiencies repaid from surpluses in District assessments in subsequent years. District assessment revenues in excess of amounts required to pay scheduled base rental will be apportioned among a stabilization fund up to a maximum of \$15.0 million; repayments to the City of prior year deficiencies in assessment revenues; a debt service account for future years' debt service up to a maximum of \$28.2 million; and future Moscone Center development and capital improvement.

The Current Plan of Finance:

The proposed Ordinance authorizes the issuance of Certificates in a par amount not to exceed \$507,880,000. Based on Project cost estimates and schedules, the Office of Public Finance expects to issue \$483,695,000 under current market conditions. The additional authorized amount above the expected issuance amount allows for fluctuations in market interest rates from the date of authorization by the Board to the time of the sale of the Certificates, and the attendant increases in required deposits for capitalized interest, debt service reserve fund, and delivery date expenses in the event interest rates were to increase from current levels. Of the \$500.0 million expected aggregate costs of the Project, the Certificates are anticipated to contribute approximately \$400,551,140 to the Project, with District assessments and the City's contribution for preliminary pre-development costs of \$5.2 million comprising the balance of Project sources.

Commercial Paper: The current plan of finance anticipates utilization of the City's commercial paper program launched by the City in June 2010 (Reso No. 85-09 and Reso No. 136-10) to finance certain interim costs of the Project, including preliminary design, planning, and permitting costs.

Commercial paper is an alternative form of short-term (or interim) financing for capital projects that permits the City to pay project costs as project expenditures are incurred. Commercial paper notes are issued only when needed to pay project costs as they are incurred. Commercial paper has a fixed maturity date from one to 270 days, compared with a final maturity of 20- to 30-years for the City's typical long-term obligation. On the maturity date, the commercial paper note may be "rolled" (or refinanced) with the re-issuance of commercial paper notes for additional periods

of up to 270 days or finally retired with the issuance of long-term obligations once the project is complete and the final project cost is established.

As of December 2012, the City has issued and outstanding \$57.8 million in aggregate par amount of commercial paper notes providing interim financing of project costs for the Port Facilities Improvement Project, War Memorial Veterans Building Improvement Project, Moscone Convention Center improvements, and capital equipment acquisitions. The average interest cost on the City's outstanding commercial paper is 0.17% with approximately \$107,000 in interest accrued for projects currently utilizing the City's commercial paper program.

The Certificates: The Certificates are expected to be issued in an amount, with additional revenues provided by the District and with contributions from the City, sufficient to fully pay the costs of the Project, including any previously issued commercial paper and capitalized interest financing the Project. Table 1 outlines anticipated sources and uses for the Certificates.

Table 1: Anticipated Sources and Uses from the Issuance of the Certificates.

Sources		
<u>Par Amount</u>		<u>\$ 483,695,000</u>
Total Sources		\$ 483,695,000
Uses		
Project Fund Deposit		\$ 401,349,750
** Project Fund	400,551,140	
Controller's Audit Fund	798,610	
Debt Service Reserve Fund		35,592,500
Capitalized Interest Fund thru 9/2018		41,114,075
Other Cost of Issuance		801,725
<u>Other Underwriter's Discount</u>		<u>4,836,950</u>
Total Uses		\$ 483,695,000

** Project fund includes repayment of commercial paper.

The authorized amount above the expected issuance amount of \$483,695,000 allows for fluctuations in market conditions from the date of recommendation by the Capital Planning Committee and authorization by the Board of Supervisors to the time of the sale of the Certificates. The sale of the Certificates is tentatively scheduled for spring 2017. The Office of Public Finance expects the Certificates to have a final maturity of 2047, or approximately 30 years.

Based upon conservative estimates, the Office of Public Finance estimates that fiscal year net base rental payments on the Certificates average approximately \$34,363,000. The total estimated par amount of \$483,695,000 is estimated to result in approximately \$512,819,000 in net interest payments over the life of the Certificates. The net base rental payments over the life of the Certificates total approximately \$996,514,000.

Method of Sale: In connection with the execution and delivery of the Certificates, the proposed Ordinance delegates to the Director of Public Finance the authority to sell the Certificates by either a competitive or negotiated sale pursuant to a purchase contract.

The issuance and delivery of the Certificates will proceed subject to the Board's review and approval of the form of Official Statement prepared in connection with the Certificates.

Financing Timeline:

Schedule milestones in connection with the financing may be summarized as follows:

<u>Milestone</u>	<u>Date*</u>
• Introduction of Ordinance and supporting materials to the Board	January 8, 2013
• Consideration of Ordinance and supporting materials by the Capital Planning Committee	January 14
• Introduction of the Resolution to Establish the District	January 15
• Consideration of the Ordinance and supporting materials by the Budget & Finance Committee	January 30
• Public Hearing on the Resolution to Establish the District	February 5
• First reading of the Ordinance and supporting materials by the Board	
• Expected Commencement of the District	July 1
• Closing & delivery of Certificates	Spring 2017

*Please note that dates are estimated unless otherwise noted.

Additional Information:

The Ordinance was introduced at the Board of Supervisors meeting on Tuesday, January 8, 2013. The related financing documents—including the Project Lease, Property Lease, and Trust Agreement—were also been submitted.

Your consideration of this matter is greatly appreciated. Please contact Nadia Sesay at 415-554-5956 or nadia.sesay@sfgov.org if you have any questions.

- cc: Angela Calvillo, Clerk of the Board of Supervisors
Jason Elliott, Director of Legislative & Government Affairs
Kate Howard, Mayor's Budget Director
Naomi Kelly, City Administrator
Jennifer Matz, Director of Waterfront Development
Debra Newman, Budget Analyst
John Noguchi, Director, Convention Facilities Department
Mohammed Nuru, Director of Public Works
Lisa Pagan, Project Manager
Harvey Rose, Budget Analyst
Ben Rosenfield, Controller
Brian Strong, Director, Capital Planning Program
Mark Blake, Deputy City Attorney

RECORDING REQUESTED BY:

CITY AND COUNTY OF SAN FRANCISCO

When Recorded Mail To:

CITY AND COUNTY OF SAN FRANCISCO

Office of the City Attorney

City Hall

1 Dr. Carlton B. Goodlett Place, Room 234

San Francisco, California 94102

Attention: Mark Blake

PROJECT LEASE

By and Between

[TRUSTEE], as Trustee,
as Lessor

and

THE CITY AND COUNTY OF SAN FRANCISCO,
as Lessee

Dated as of [Dated Date]

NO DOCUMENTARY TRANSFER TAX DUE

This Project Lease is exempt pursuant to Section 27383
of the California Government Code.

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PROJECT LEASE

THIS PROJECT LEASE, dated as of [Dated Date] (this "Project Lease"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the "City"), as lessee, and [TRUSTEE], a national banking association, solely in its capacity as trustee under the Project Trust (as defined in the hereinafter defined Trust Agreement), as lessor (the "Trustee");

WITNESSETH:

WHEREAS, the City desires to provide for the acquisition, demolition, construction, reconstruction, installation, equipping, improvement or rehabilitation of the Moscone Expansion Project located at [Address]2 (as further defined herein, the "201_ Project"), located on that certain real property situated in the City and further described in Exhibit A hereto (the "Site") and to be used primarily for governmental purposes, and the City is authorized pursuant to its charter and the laws of the State to enter into a lease for such purpose; and

WHEREAS, the City and the Trustee have entered into a Property Lease, dated as of [Dated Date] (the "Property Lease"), recorded concurrently herewith, pursuant to which the City has leased the Site and all works, property, improvements, structures and fixtures now situated or hereafter constructed thereon (collectively, the "Leased Property") to the Trustee; and

WHEREAS, pursuant to this Project Lease, the Trustee shall lease the Leased Property back to the City; and

WHEREAS, the Trustee, as Certificates Trustee, is simultaneously executing and delivering certificates of participation pursuant to the Trust Agreement, dated the date hereof, between the City and the Trustee (the "Trust Agreement"), to provide funds for the Project;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section 1 shall, for all purposes of this Project Lease, have the meanings as set forth below. All other capitalized terms used herein without definition shall have the meanings as set forth in the Trust Agreement.

"201_ Project" has the meaning set forth in the recitals hereof.

"Additional Rental" means the amounts specified as such in Section 3.1(b) hereof.

"Base Rental" means the amounts specified as such in Section 3.1(a) hereof, as such amounts may be adjusted from time to time in accordance with the terms hereof, but does not include Additional Rental.

"Business Day" means any day other than a Saturday, a Sunday, a day on which banking institutions are authorized or required by law or executive order to be closed in the State for

commercial banking purposes or a day on which trading on the New York Stock Exchange is suspended for more than four hours or a day on which the New York Stock Exchange is closed for a state or national holiday.

“Certificates” means the Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements), Series 201_ and any Additional Certificates authorized by and at any time Outstanding under and pursuant to the Trust Agreement.

“City” means the City and County of San Francisco, and its successors and assigns.

“City Representative” means the Mayor, the Controller, the Director of Public Finance, or any other official of the City designated and authorized by the Controller of the City to act on behalf of the City under or with respect to this Project Lease, the Property Lease, the Trust Agreement and all other agreements related hereto and thereto.

“Director of Property” means the City’s Director of Real Property or any successor officer of the City who performs substantially the same duties as the Director of Real Property performs as of the date of this Project Lease.

“Final Completion” or “Final Completion of the Facilities” means the construction, the installation of improvements and the substantial readiness of the Facilities for use and occupancy by the City (subject to minor architectural finish items e.g., ‘punch list’ items) as evidenced by the delivery of the Certificate of Final Completion.

“Fiscal Year” means the fiscal year of the City, which at the date of this Project Lease is the period from July 1 to and including the following June 30.

“Hazardous Substances” means any and all substances, wastes, pollutants and contaminants now or hereafter included within such (or any similar) term under federal, state or local statute, ordinance, code or regulation now existing or hereinafter enacted or amended.

“Leased Property” means the Site and the Facilities, as the same may be modified, substituted or supplemented in accordance with the terms of the Project Lease.

“Permitted Encumbrances” has the meaning provided in Section 4.1 hereof.

“Pro Forma Policy” means the Pro Forma Title Insurance Policy prepared by the Title Company with respect to the Site.

“Project” means the 201_ Project and any facilities financed with Additional Certificates, as the same may be amended, modified or supplemented from time to time in accordance with this Project Lease.

“Project Lease” means this Project Lease, including any amendments or supplements hereto made or entered into in accordance with the terms hereof and of the Trust Agreement.

“Project Lease Event of Default” means the occurrence and continuation of any event specified in Section 13(a) hereof.

“Project Lease Term” means the term of this Project Lease, as provided in Section 2 hereof.

“Project Lease Year” means the period from the Closing Date through [_____] and thereafter the period from each July 1 to and including the following June 30, during the Project Lease Term.

“Property Lease” means the Property Lease, dated as of the date hereof, by and between the City and the Trustee with respect to the Leased Property, including any amendments or supplements thereto.

“Rental Payments” means all Base Rental and Additional Rental payable hereunder.

“Risk Manager” means the Risk Manager of the City or any successor officer of the City performing substantially the same duties as the Risk Manager performs as of the date of this Project Lease.

“Site” means the real property described in Exhibit A hereto, including any real property substituted therefor or added thereto pursuant to Section 16 hereof, but excluding real property that has been released or for which new real property has been substituted in accordance with Section 16.

“State” means the State of California.

“Title Company” means [_____].

“Trust Agreement” means that certain Trust Agreement, dated as of the date hereof, by and between the City and the Trustee, including any amendments or supplements thereto made or entered into in accordance with its terms.

“Trustee” means [TRUSTEE], as lessor hereunder and as trustee under the Project Trust (as defined in the Trust Agreement), or as Certificates Trustee under the Trust Agreement, as appropriate, or any successor appointed as therein provided.

Section 2. Project Lease Term; Transfer of Title to City.

The Trustee hereby leases the Leased Property to the City, and the City hereby leases the Leased Property from the Trustee and agrees to pay the Base Rental and the Additional Rental as provided herein for the right to use and occupy the Leased Property, all on the terms and conditions set forth herein.

The term of this Project Lease shall begin on the Closing Date and end on the earliest of (a) [DATE] or (b) at such earlier date as the Certificates and all other amounts due hereunder and under the Trust Agreement shall have been paid or provision for their payment shall have been made in accordance with Section 11.01 of the Trust Agreement, or (c) the date of termination of this Project Lease due to casualty or condemnation in accordance with the terms of Section 5 or 6 hereof; provided, however, that to the extent permitted by law, if Base Rental has been abated in any year in accordance with Section 3.5 or has otherwise gone unpaid in

whole or in part, the term of this Project Lease shall end on the earlier of [DATE plus up to 10 years] or the date on which no Certificates remain outstanding and all Additional Rental has been paid. The foregoing provisions may be modified in connection with Base Rental relating to Additional Certificates.

Upon the termination of this Project Lease (other than as provided in Section 6 or Section 13 hereof), all of the Trustee's right, title and interest with respect to the Leased Property, and any improvements thereon or additions thereto, shall be transferred directly to the City or, at the option of the City, to any assignee or nominee of the City, in accordance with the provisions of this Project Lease, free and clear of any interest of the Trustee. Upon such termination, the Trustee shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Section 3. Rent.

3.1 Rental Payments. The City hereby agrees, subject to the terms hereof, to pay to the Trustee the Base Rental and to pay to the parties entitled thereto Additional Rental in an aggregate amount not greater than the fair rental value of the Leased Property in each Project Lease Year. In satisfaction of its obligations hereunder, the City shall pay the Base Rental and Additional Rental in the amounts, at the times and in the manner hereinafter set forth, such amounts constituting the aggregate rent payable under this Project Lease.

(a) Base Rental. The City agrees to pay, from any legally available funds, aggregate Base Rental in the amounts set forth under the caption "Base Rental" in Exhibit B hereto, which constitutes the principal and interest represented by the Certificates. The Base Rental consists of annual rental payments with principal and interest components. The interest components of the Base Rental payments evidenced by the Certificates shall accrue and be calculated as provided in Section 2.02 of the Trust Agreement. The Base Rental payable by the City shall be due on [Payment Date 1] and [Payment Date 2] in each year and payable on each [] and [] during the Project Lease Term, commencing []. The Base Rental may be supplemented pursuant to the terms of a supplement to this Project Lease in connection with Additional Certificates as provided in Section 7.04 of the Trust Agreement.

The City shall deposit the Base Rental with the Trustee for application by the Trustee in accordance with the terms of the Trust Agreement. In the event any such date of deposit is not a Business Day, such deposit shall be made on the next succeeding Business Day. In no event shall the amount of Base Rental payable exceed the aggregate amount of principal and interest required to be paid or prepaid on the corresponding Interest Payment Date as represented by the Outstanding Certificates, according to their tenor.

Notwithstanding any other provision of this Project Lease, the City shall receive a credit for any Base Rental payment if and to the extent (i) moneys are on deposit in the Base Rental Fund held under the Trust Agreement (or will be transferred from the Capitalized Interest Account or the Reserve Fund to the Base Rental Fund pursuant to Section 4.06(d) of the Trust Agreement) and are available for the payment of Base Rental evidenced by the Certificates or (ii) investment earnings on Permitted Investments (as defined in the Trust Agreement) will be

deposited in or credited to the Base Rental Fund on or after a Base Rental payment date but on or prior to the applicable Interest Payment Date.

(b) Additional Rental. In addition to the Base Rental set forth herein, the City agrees to pay as Additional Rental all of the following:

(i) All taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Leased Property or upon any interest of the Trustee or the Owners therein or in this Project Lease;

(ii) Insurance premiums, if any, on all insurance required under the provisions of Section 4.3 hereof;

(iii) All fees, costs and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) of the Trustee and any paying agent in connection with the Trust Agreement;

(iv) Amounts required to be deposited in the Rebate Fund in accordance with the Tax Certificate;

(v) Any other fees, costs or expenses incurred by the Trustee in connection with the execution, performance or enforcement of this Project Lease or any assignment hereof or of the Trust Agreement or any of the transactions contemplated hereby or thereby or related to the Leased Property; and

(vi) Amounts required to replace, maintain and repair the Leased Property pursuant to Section 4.1 hereof.

Amounts constituting Additional Rental payable hereunder shall be paid by the City directly to the person or persons to whom such amounts shall be payable. The City shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 30 days after notice in writing from the Trustee to the City stating the amount of Additional Rental then due and payable and the purpose thereof.

3.2 Consideration. The payments of Rental Payments under this Project Lease for each Fiscal Year or portion thereof during the Project Lease Term shall constitute the total rental for such Fiscal Year or portion thereof and shall be paid by the City for and in consideration for the right to the use and occupancy, and the continued quiet use and enjoyment, of the Leased Property by the City for and during such Fiscal Year or portion thereof. The parties hereto have agreed and determined that such total rental in any Fiscal Year is not and will not be in excess of the total fair rental value of the Leased Property for such Fiscal Year. In making such determination, consideration has been given to the uses and purposes served by the Leased Property and the benefits therefrom that will accrue to the parties by reason of this Project Lease and to the general public by reason of the City's use of the Leased Property. Further, the parties hereto agree and acknowledge that supplements to this Project Lease which provide for new schedules of Base Rental may be entered into in connection with Additional Certificates and that the right to enter into such supplements is part of the consideration hereunder.

3.3 Budget. The City hereby covenants to take such action as may be necessary to include all Rental Payments due hereunder in its annual budget and to make the necessary annual appropriations for all such Rental Payments, subject to Section 3.5 hereof. The requirement to include the Rental Payments in the annual budget and to make the necessary appropriations therefor are deemed to be, and shall be construed as, ministerial duties imposed by law. Notwithstanding the foregoing, the obligation of the City to make Base Rental or Additional 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 Certificates nor the obligation of the City to make Base Rental or Additional Rental payments constitutes 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.

3.4 Payment; Credit. Amounts necessary to pay Base Rental shall be deposited by the City on the dates set forth in Section 3.1(a) hereof in lawful money of the United States of America, at the Principal Office of the Trustee, or at such other place or places as may be established in accordance with the Trust Agreement. Except as provided in Section 3.5 hereof, any amount necessary to pay any Base Rental or portion thereof that is not so deposited shall remain due and payable until received by the Trustee. Notwithstanding any dispute between the City and the Trustee hereunder, the City shall make all Rental Payments when due and shall not withhold any Rental Payments pending the final resolution of such dispute or for any reason whatsoever. The City's obligation to make Rental Payments in the amount and on the terms and conditions specified hereunder shall be absolute and unconditional without any right of set-off or counterclaim, and without abatement, subject only to the provisions of Sections 3.1(a) and 3.5 hereof. Amounts required to be deposited with the Trustee pursuant to this Section 3.4 on any date set forth in Section 3.1(a) shall be reduced as permitted in the last paragraph of Section 3.1(a).

3.5 Rental Abatement. Except to the extent of (i) available amounts held by the Trustee in the Base Rental Fund or in the Reserve Fund, (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for payments in respect of this Project Lease or to the Trustee for payments in respect of the Certificates, Rental Payments due hereunder shall be subject to abatement in accordance with this Section 3.5 during any period in which, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, noncompletion of the construction of the Facilities, or due to defects in title to the Leased Property, or any portion thereof, there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City. The amount of annual rental abatement shall be such that the resulting Rental Payments in any Project 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 of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of a City Representative. Such abatement shall continue for the period commencing with the date of such damage, destruction, condemnation or discovery of such title defect and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of the title defect. In the event of any such damage, destruction, condemnation or title defect, this Project Lease shall continue in full force and effect, except as set forth in Sections 5 and 6 hereof. Notwithstanding the

foregoing, the City in its sole discretion may in lieu of abatement elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to Section 16 hereof.

3.6 Triple Net Lease. This Project Lease is intended to be a triple net lease. The City agrees that the Rental Payments provided for herein shall be an absolute net return to the Trustee free and clear of any expenses, charges or set-offs whatsoever.

Section 4. Affirmative Covenants of the Trustee and the City. The Trustee and the City are entering into this Project Lease in consideration of, among other things, the following covenants:

4.1 Replacement, Maintenance and Repairs. The City shall, at its own expense and as determined and specified by the Director of Property, during the Project Lease Term maintain the Leased Property, or cause the same to be maintained, in good order, condition and repair. The City shall replace any portion of the Leased Property that is destroyed or damaged to such an extent that there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City that would result in an abatement of Rental Payments or any portion thereof pursuant to Section 3.5 hereof; provided, however, that the City shall not be required to repair or replace any such portion of the Leased Property pursuant to this Section 4.1 if there shall be applied to the prepayment of Outstanding Certificates insurance or condemnation proceeds or other legally available funds sufficient to prepay (i) all of the Certificates Outstanding and to pay all other amounts due hereunder and under the Trust Agreement, or (ii) any portion thereof such that the resulting Rental Payments payable pursuant to Section 3.1 hereof in any Project Lease Year following such partial prepayment are sufficient to pay in the then current and any future Project Lease Year the principal and interest with respect to all Certificates to remain Outstanding and all other amounts due hereunder and under the Trust Agreement, to the extent it is due and payable in such Project Lease Year.

The City shall provide or cause to be provided all security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Leased Property. It is understood and agreed that in consideration of the payment by the City of the Rental Payments herein provided for, the City is entitled to use and occupy the Leased Property and the Trustee shall have no obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Property during the Project Lease Term. The Trustee shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Leased Property. The City hereby expressly waives the right to make repairs or to perform maintenance of the Leased Property at the expense of the Trustee and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the California Civil Code relating thereto.

The City shall keep the Leased Property free and clear of all liens, charges, security interests and encumbrances that materially reduce the fair rental value of the Leased Property other than (i) those existing on or prior to the Closing Date, including the exceptions listed on Schedule B to the applicable pro forma title policy (ii) those existing on or prior to the date any property is substituted for the Leased Property or any portion thereof pursuant to Section 16

hereof or any property is added to the Leased Property in connection with Additional Certificates pursuant to Section 7.04 of the Trust Agreement, including the exceptions listed on Schedule B to the applicable pro forma title policy, (iii) any supplements or amendments to the Project Lease or Property Lease which are entered into pursuant to the terms hereof and thereof, including but not limited to supplements or amendments in connection with Additional Certificates delivered pursuant to Section 7.04 of the Trust agreement, (iv) any liens of mechanics, materialmen, suppliers, vendors or other persons or entities for work or services performed or materials furnished in connection with the Leased Property that are not due and payable or the amount, validity or application of which is being contested in accordance with Section 4.4 and (v) any encumbrances that do not materially reduce the fair rental value of the Leased Property hereof (collectively, the "Permitted Encumbrances").

4.2 Taxes, Other Governmental Charges and Utility Charges. The City contemplates that the Leased Property will be used for a governmental purpose of the City and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to the Leased Property. Nevertheless, the City hereby agrees to pay during the Project Lease Term, as the same respectively become due, all taxes (except for income or franchise taxes of the Trustee), utility charges 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; provided, however, that with respect to any governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as this Project Lease is in effect; and provided further, that the City may contest in good faith the validity or application of any tax, utility charge or governmental charge in any reasonable manner that, in the opinion of Independent Counsel does not adversely affect the right, title and interest of the Trustee in and to any portion of the Leased Property or its rights or interests under this Project Lease or subject any portion of the Leased Property to loss or forfeiture. Any such taxes or charges shall constitute Additional Rental under Section 3.1(b) hereof and shall be payable directly to the entity assessing such taxes or charges.

4.3 Insurance.

(a) The City shall maintain or cause to be maintained, throughout the Project Lease Term (but during the period of construction of the Facilities only the insurance described in paragraphs (i) and (vi) below shall be required and may be provided by the contractor under the construction contract for the Facilities):

(i) General liability insurance against damages occasioned by reason of the construction of improvements to, or operation of, the Leased Property. Said policy or policies shall provide coverage in the following minimum amount: \$5,000,000 combined single limit for bodily and personal injury and property damage per occurrence. Such liability insurance may be maintained as part of or in conjunction with excess coverage or any other liability insurance coverage carried by the City.

(ii) All risk property insurance on all structures constituting any part of the Leased Property in an amount equal to the Outstanding principal amount of Certificates (to the extent commercially available). Said insurance shall, as nearly as practicable, cover loss or damage by fire, lightning, explosion, windstorm, hail, riot, civil

commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

(iii) To the extent commercially available, earthquake insurance in an amount equal to the lesser of the Outstanding principal amount of the Certificates; provided that no such earthquake insurance shall be required if the Risk Manager files a written recommendation annually with the Trustee that such insurance is not obtainable in reasonable amounts at reasonable costs on the open market from reputable insurance companies.

(iv) Commencing on the date of Final Completion of the Facilities, rental interruption insurance with the Trustee as a named insured, as its interests may appear, in an amount not less than the aggregate Base Rental payable by the City pursuant to this Project Lease for a period of at least 24 months (such amount to be adjusted annually on or prior to [] of each year, to reflect the actual scheduled Base Rental payments due under this Project Lease for the next succeeding 24 months), to insure against loss of rental income from the Leased Property caused by perils covered by the insurance required by clauses (ii) and (iii) above. Such insurance shall not be subject to any deductible.

(v) Boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment, with a property damage limit not less than \$5,000,000 per accident.

(vi) Builders' risk insurance in an amount equal to the lesser of the Outstanding principal amount of the Certificates, or the replacement cost of the Facilities, which insurance shall be outstanding until Final Completion of the Facilities.

All policies of insurance required under clauses (ii), (iii), (iv) and (v) above shall name the City and the Trustee as the insured parties and shall provide that all proceeds thereunder shall be payable to the Trustee pursuant to a lender's loss payable endorsement substantially in accordance with the form approved by the Risk Manager, and all amounts so paid to the Trustee shall be applied as provided in the Trust Agreement. All policies of insurance may provide for a deductible amount that is commercially reasonable (as determined by the Risk Manager).

(b) All policies of insurance required by this Project Lease shall be in a form or forms certified by the Risk Manager (as provided below) to be in compliance with the requirements of this Project Lease. The City shall pay when due the premiums for all insurance policies required by this Project Lease. All insurance under this Project Lease shall be primary to any other insurance available to the City, and shall apply separately to each insured against whom claim is made or suit is brought and shall provide that the Trustee shall be given 30 days' notice of cancellation (10 days if for nonpayment of premium) or intended non-renewal. All insurance required to be maintained pursuant to this Project Lease may be maintained either separately or as a part of any insurance carried by the City, but if maintained as part of other insurance carried by the City, shall specifically identify the Leased Property as being covered by such insurance, the amount of coverage applicable to the Leased Property, and the amount of the deductible

applicable to the Leased Property. All insurance must be provided by a commercial insurer rated "A-, VIII" or higher by A.M. Best Company.

The City shall certify in writing to the Trustee by no later than [] of each year, commencing [], that there is in effect the insurance or self-insurance required by this Section 4.3. The Risk Manager will also, at that time, file the written recommendation required by Section 4.3(a)(3) if no earthquake insurance has been obtained by the City, and shall also certify that the insurance the City has obtained pursuant to this Project Lease is in a form or forms which are in compliance with the requirements of this Project Lease.

Notwithstanding anything herein to the contrary, the City shall have the right to adopt alternative risk management programs to insure against any of the risks required to be insured against under this Project Lease, including a program of self-insurance (other than rental interruption insurance and title insurance), in whole or in part; provided that (i) any such alternative risk management program has been approved as reasonable and appropriate risk management by the Risk Manager, and (ii) any reserves set aside for such program shall be certified at least annually on each [], commencing [], as to their adequacy by the Risk Manager in a certificate delivered to the Trustee. In addition, any of the Mayor, Controller, Director of Property or Director of Public Finance of the City may, if in the best interests of the City, approve such other types of insurance, including any increases in the insurance coverage required by this Project Lease, upon the recommendation of the Risk Manager, or in connection with obtaining or maintaining any rating on the Certificates. The Trustee shall not be responsible for the adequacy, sufficiency or coverage of the insurance or self-insurance required or allowed by this Section 4.3.

(c) The City shall deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the Certificates, showing fee title of the Site in the name of the City and a leasehold interest in the Leased Property in the name of the Trustee, and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the Certificates.

4.4 Liens. The City promptly shall 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 or to be furnished to or for, in, upon or about the Leased Property and that may be secured by any mechanic's, materialman's or other lien against the Leased Property, or the interest of the Trustee therein, and shall cause each such lien to be fully discharged and released; provided, however, that the City or the Trustee (i) may contest in good faith any such claim or lien without payment thereof so long as such non-payment 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 the City 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 or forfeiture.

4.5 Laws and Ordinances. The City agrees to observe and comply with all rules, regulations and laws applicable to the City with respect to the Leased Property and the operation

thereof. The cost, if any, of such observance and compliance shall be borne by the City, and the Trustee shall not be liable therefor. The City agrees further to place, keep, use, maintain and operate the Leased Property in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

4.6 Performance. The City shall faithfully observe all covenants and other provisions contained in the Financing Documents (as defined in the Trust Agreement) to which it is a party.

4.7 Tax Matters. In order to maintain the exclusion from gross income for federal income tax purposes of the interest with respect to the Certificates, the City covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code. In furtherance of this covenant, the City agrees to comply with the covenants contained in, and the instructions given pursuant to, the Tax Certificate (as defined in the Trust Agreement), as such Tax Certificate may be amended from time to time.

4.8 Continuing Disclosure. The City hereby covenants and agrees that it will comply with the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; however, the Trustee may (and, at the request of the Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least twenty-five percent (25%) of the aggregate principal amount of the Outstanding Certificates, shall) or any holder or Beneficial Owner (as defined in the Continuing Disclosure Certificate), may take such actions as may be necessary and appropriate to cause the City to comply with the provisions of the Continuing Disclosure Certificate.

4.9 Acquisition, Construction and Renovation of the Facilities. The City shall use its commercially reasonable best efforts to cause the construction, renovation and installation to be performed diligently to the end that the Facilities will be substantially completed in accordance with the aforesaid plans and specifications. The City shall cause the acquisition, construction, renovation, installation or improvement to the Facilities to be completed in accordance with any applicable requirements of governmental authorities and law.

Section 5. Application of Insurance Proceeds.

(a) General. Proceeds of insurance, if any, received in respect of destruction of or damage to any portion of the Leased Property by fire or other casualty or event, or proceeds of, earthquake insurance, if such earthquake insurance is obtained, shall be paid to the Trustee for application in accordance with the provisions of Section 4.09(a) of the Trust Agreement. If there is an abatement of Rental Payments pursuant to Section 3.5 hereof as a result of such casualty or event, and the City elects pursuant to Section 4.09(a) of the Trust Agreement to apply such insurance proceeds and such other sums as are deposited pursuant to such section to the prepayment of Certificates rather than to the replacement or repair of the destroyed or damaged portion of the Leased Property, then this Project Lease shall terminate with respect to the destroyed or damaged portion of the Leased Property as of the later of the date of such election by the Trustee or the date the amount required by Section 4.09(a) of the Trust Agreement is received by the Trustee and in either case, after payment of any Additional Rental owed

hereunder. If the City elects, pursuant to Section 4.09(a) of the Trust Agreement, to apply such proceeds to the repair or replacement of the portion of the Leased Property that has been damaged or destroyed and there has been an abatement of Rental Payments pursuant to Section 3.5 hereof, then Rental Payments shall again begin to accrue with respect thereto upon repair or replacement of such portion of the Leased Property.

(b) Title Insurance. Proceeds of title insurance received with respect to the Leased Property shall be paid to the Trustee for application in accordance with the provisions of Section 4.10 of the Trust Agreement.

Section 6. Eminent Domain.

6.1 Total Condemnation. If the Leased Property, or so much thereof as to render the remainder of the Leased Property unusable for the City's purposes under this Project Lease, shall be taken under the power of eminent domain, then this Project Lease shall terminate as of the later of the day possession shall be so taken and the date of entry of the interlocutory judgment and in either case, after payment of any Additional Rental owed hereunder. Notwithstanding the foregoing, the City may, at its option, but is not obligated to apply the proceeds relating to the condemnation to the replacement of the condemned Leased Property, and in the event there has been an abatement of Rental Payments pursuant to Section 3.5 hereof, then Rental Payments shall again begin to accrue with respect thereto upon replacement of the Leased Property.

6.2 Partial Condemnation. If less than a substantial portion of the Leased Property shall be taken under the power of eminent domain, and the remainder is useable for the City's purposes, then this Project Lease shall continue in full force and effect as to the remaining portions of the Leased Property, subject only to such rental abatement as is required by Section 3.5 hereof. The City and the Trustee hereby waive the benefit of any law to the contrary. Any award made in eminent domain proceedings for the taking shall be paid to the Trustee for application in accordance with the provisions of Section 4.09 of the Trust Agreement. If the City elects, pursuant to Section 4.09(b) of the Trust Agreement, to apply such proceeds to the repair or replacement of the condemned portion of the Leased Property, and in the event there has been an abatement of Rental Payments pursuant to Section 3.5 hereof, then Rental Payments shall again begin to accrue with respect thereto upon the completion of repair or replacement of such portion of the Leased Property.

Section 7. Prepayment of Rental Payments.

(a) The City may prepay, or may cause to be prepaid, from eminent domain proceeds or net insurance proceeds received by it, all or any portion of the principal component of Base Rental payments then unpaid, in whole on any date, or in part on any date in amounts which result in Certificates being prepaid in integral multiples of \$5,000 so that the aggregate annual amount of Certificates maturing in each year after such prepayment date shall each be in an integral multiple of \$5,000, at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment, without premium. Such prepayment shall be apportioned among Base Rental payments as directed by the City in a certificate of a City Representative, provided that at the time of such apportionment, the City shall deliver to the Trustee a certificate of a City Representative to the effect that the resulting

Base Rental payments and Additional Rental payable during the remaining Project Lease Term shall not exceed the fair rental value of the Leased Property during each subsequent Project Lease Year and that the resulting Base Rental payments are sufficient to pay the scheduled principal and interest components evidenced by the Certificates.

(b) The City may prepay, from any source of available funds, all or any portion of the Base Rental payments due on or after the Base Rental payment date immediately preceding the first date on which the Certificates are subject to optional prepayment pursuant to Section 5.01(a) of the Trust Agreement. Such optional prepayment may be made (i) in whole in an amount not exceeding the amount of the Certificates then Outstanding (including accrued and unpaid interest and any premium on the Certificates) on any date on or after the Base Rental payment date immediately preceding the first date on which the Certificates are subject to optional prepayment pursuant to Section 5.01(a) of the Trust Agreement, or (ii) in part in amounts that result in the Certificates being prepaid in integral multiples of \$5,000 on any date on or after the Base Rental payment date immediately preceding the first date on which the Certificates are subject to optional prepayment pursuant to Section 5.01(a) of the Trust Agreement, from such Base Rental payments as are selected by the City as set forth in a request of the City in each case at a prepayment price equal to the sum of the Certificates to be prepaid plus accrued interest thereon to the date of prepayment plus any premium on the Certificates as set forth in the Trust Agreement. As a condition to prepaying Base Rental payments under this paragraph (b), the City shall first deliver to the Trustee a certificate of a City Representative to the effect that the resulting Base Rental payments are sufficient to pay the remaining scheduled principal and interest components evidenced by the Certificates. Base Rental Payments due hereunder may also be defeased in whole or in part pursuant to Section 11.01 of the Trust Agreement.

(c) The City may prepay, from any source of available funds, the Base Rental payments due on or after the Base Rental payment date immediately preceding the date on which the Certificates are subject to mandatory prepayment pursuant to Section 5.01(c) of the Trust Agreement.

(d) Before making any prepayment pursuant to this Project Lease, the City shall give written notice to the Trustee describing such event and specifying the amount of the prepayment and the date on which the prepayment will be made.

Section 8. Assignment. The City shall not sell, mortgage, pledge, assign or transfer any interest of the City in this Project Lease or in the Leased Property by voluntary act or by operation of law, or otherwise; provided, however, that the City may grant concessions (including by sublease) to others involving the use of any portion of the Leased Property whether or not such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Property. Any such concession shall be, and shall specifically state that it is, subject and subordinate in all respects to this Project Lease. Subject to the limitations set forth herein, the City shall at all times remain liable for the performance of the covenants and conditions on its part to be performed under this Project Lease, notwithstanding any granting of concessions which may be made. Nothing herein contained shall be construed to relieve the City of its primary obligation to pay Rental Payments as provided in this Project Lease or to relieve the City of any other obligations contained herein. In no event shall the City sublease to or permit the use of all or any part of the Leased Property by any person so as to cause the interest component with

respect to the Certificates to be includable in gross income for federal income tax purposes or to be subject to State personal income tax.

The City hereby expressly approves and consents to the Trust Agreement and to the execution and delivery of the Certificates evidencing proportionate interests in all of the rights of the Trustee under the Project Lease, including the right to receive Base Rental Payments thereunder.

Section 9. Additions and Improvements; Removal. The City shall have the right during the Project Lease Term 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 materially reduced. Title to all fixtures, equipment or personal property placed by the City on the Leased Property shall remain in the City to the extent that such items may be removed from the Site without damage. Title to any personal property, improvements or fixtures placed 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 shall not be inconsistent with this Project Lease.

Section 10. Right of Entry. Representatives of the Trustee shall, subject to reasonable security precautions, have the right (but not the duty) to enter upon the Leased Property during reasonable business hours (and in emergencies at all times) (i) to inspect the same, (ii) for any purpose connected with the rights or obligations of the Trustee under this Project Lease, or (iii) for all other lawful purposes.

Section 11. Quiet Enjoyment. The Trustee covenants and agrees that the City, upon keeping and performing the covenants and agreements herein contained, shall, at all times during the Project Lease Term, peaceably and quietly have, hold, and enjoy the Leased Property.

Section 12. Indemnification and Hold Harmless Agreement. To the extent permitted by law, the City hereby agrees to indemnify and hold the Trustee and its officers, directors and employees harmless against any costs, expenses, claims and all other liabilities (other than the negligence or willful misconduct of the Trustee and its officers, directors and employees) that might arise out of or are related to the Leased Property or any portion thereof (including, without limitation, arising out of any use, storage, release, presence or disposal of any Hazardous Substances on or about the Leased Property and the acquisition, transfer, delivery and use of the Leased Property) and the Certificates. The provisions of this Section 12 shall survive the termination of this Project Lease.

Section 13. Default by City.

(a) Events of Default. The following shall be events of default hereunder: (i) the City shall fail to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to Section 3.1(a) hereof by the related Interest Payment Date; (ii) the City shall fail to pay any item of Additional Rental as and when the same shall become due and payable pursuant to Section 3.1(b) hereof; or (iii) the City shall breach any other terms, covenants or conditions contained herein, in the Property Lease or in the Trust Agreement, and shall fail to remedy any

such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Trustee, or its assignee to the City, or, if such breach cannot be remedied within such 60-day period, shall fail to institute corrective action within such 60-day period and diligently pursue the same to completion; provided, however, that failure to comply with the Continuing Disclosure Certificate shall not constitute an event of default hereunder.

(b) Remedies on Default. The Trustee shall have the right, at its option, without any further demand or notice, so long as the Trustee does not terminate this Project Lease or the City's possession of the Leased Property, to enforce all of its rights and remedies under this Project Lease, including the right to recover Base Rental payments as they become due under this Project Lease pursuant to Section 1951.4 of the California Civil Code by pursuing any remedy available in law or in equity, except as expressly provided herein. The Trustee or any assignee of the rights of the Trustee hereunder shall not exercise its remedies hereunder so as to cause the interest with respect to the Certificates to be includable in gross income for federal income tax purposes or the interest with respect to the Certificates to be subject to State personal income tax. Notwithstanding any other provision of this Project Lease or the Trust Agreement, in no event shall the Trustee have the right to accelerate the payment of any Base Rental hereunder.

Each and every remedy of the Trustee or any assignee of the rights of the Trustee hereunder is cumulative and the exercise of one remedy shall not impair the right of the Trustee or its assignee to any or all other remedies. If any statute or rule validly shall limit the remedies given to the Trustee or any assignee of the rights of the Trustee, the Trustee or its assignee nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

[The Trustee hereby waives any right of the Trustee to relet the Leased Property.]

All damages and other payments received by the Trustee pursuant to this Section 13 shall be applied in the manner set forth in Section 9.07 of the Trust Agreement.

Section 14. Waiver. The waiver by the Trustee of any breach by the City, and the waiver by the City of any breach by the Trustee of any term, covenant or condition hereof shall not operate as a waiver of any subsequent breach of the same or any other term, covenant or condition hereof.

Section 15. Disclaimer of Warranties. NEITHER THE TRUSTEE NOR ANY PERSON ACTING ON ITS BEHALF HAS MADE OR MAKES ANY WARRANTY OR REPRESENTATION AS TO THE PAST, PRESENT OR FUTURE CONDITION OF THE LEASED PROPERTY NOT HEREIN EXPRESSED, AND THE CITY HAS ENTERED INTO THIS PROJECT LEASE WITHOUT REPRESENTATIONS OR WARRANTIES WITH RESPECT THERETO ON THE PART OF THE TRUSTEE, ITS AGENTS, REPRESENTATIVES OR EMPLOYEES.

Section 16. Addition, Release and Substitution. If no Project Lease Event of Default has occurred and is continuing hereunder, this Project Lease may be modified or amended at any time, and the Trustee may consent thereto without the consent of the Owners, if such amendment is to modify or amend the description of the Leased Property or to release from this Project

Lease any portion of the Leased Property, or to add other property and improvements to the Leased Property or substitute other property and improvements for the Leased Property, provided that the City shall have delivered to the Trustee, and to the Rating Agencies all of the following:

(i) Executed copy of this Project Lease and, if applicable, the Property Lease or amendments hereto or thereto containing the amended legal description of the Leased Property;

(ii) Evidence that a copy of this Project Lease and, if applicable, the Property Lease or amendments hereto or thereto containing the amended legal description of the Leased Property have been duly recorded in the official records of the County Recorder of the County of San Francisco;

(iii) A certificate of a City Representative stating that the annual fair rental value of the Leased Property and/or improvements that will constitute the Leased Property after such addition, release or substitution will be at least equal to 100% of the maximum amount of Base Rental payments becoming due in the then current Project Lease Year or in any subsequent Project Lease Year;

(iv) In the case of the addition or substitution of property for the then existing Leased Property, a title policy or policies meeting the requirements of Section 4.3(b) hereof, or a commitment or commitments for such policies or amendments or endorsements to existing policies resulting in the issuance of a title insurance policy with respect to the Leased Property after such addition or substitution in an amount at least equal to the amount of such insurance provided with respect to the Leased Property prior to such addition or substitution. Each such insurance instrument, when issued, shall insure such added or substituted project subject only to such exceptions as do not substantially interfere with the City's right to use and occupy such added or substituted project and as will not result in an abatement of Base Rental payments payable by the City under this Project Lease;

(v) A certificate of a City Representative stating that such addition, release or substitution does not materially adversely affect the ability of the City to perform its obligations under this Project Lease or the Property Lease;

(vi) (A) An opinion of counsel stating that such amendment or modification (1) is authorized or permitted by the Constitution and laws of the State and by this Project Lease, the Property Lease and the Trust Agreement; (2) complies with the terms of the Constitution and laws of the State and of this Project Lease, the Property Lease and the Trust Agreement; and (3) will, upon the execution and delivery thereof, be valid and binding upon the Trustee and the City in accordance with its terms; and (B) an opinion of Independent Counsel stating that such amendment or modification will not cause the interest component of the Base Rental payments relating to the Certificates to be included in gross income for federal income tax purposes or the interest component of the Base Rental payments relating to the Certificates to be subject to State personal income tax;

(vii) A certificate of a City Representative stating that the useful life of the project that will constitute the Leased Property after such addition, release or substitution meets or exceeds the remaining term of the Certificates; and

(viii) A certificate of the Director of Property stating the useful life of the project that will constitute the Leased Property after such addition, release or substitution and that such project is not encumbered by any prior liens (other than Permitted Encumbrances and liens which do not, in the aggregate, prohibit the use of such project in the manner intended by the City).

Section 17. Notices. All notices, requests, demands and other communications under this Project Lease shall be in writing (unless otherwise specified herein) and shall be sufficiently given on the date of service if served personally upon the person to whom notice is to be given or if mailed by first class registered or certified mail, return receipt requested, postage prepaid, and properly addressed as follows:

if to the City: City and County of San Francisco
City Hall, 1 Dr. Carlton B. Goodlett Place,
Room 316
San Francisco, California 94102
Attention: City Controller

with copies to: City and County of San Francisco
City Hall, 1 Dr. Carlton B. Goodlett Place,
Room 336
San Francisco, California 94102
Attention: Director of Public Finance

Office of the City Attorney
City Hall, 1 Dr. Carlton B. Goodlett Place
Room 234
San Francisco, California 94102
Attention: Special Projects/Finance Team

if to the Trustee: [Trustee]

or to such other address or addresses as any such person shall have designated to the others by notice given in accordance with the provisions of this Section 17.

Section 18. Validity. If any one or more of the terms, provisions, promises, covenants or conditions of this Project Lease shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, then each and all of the

remaining terms, provisions, promises, covenants and conditions of this Project Lease shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

If for any reason this Project 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 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 Project Lease shall thereupon become and shall be deemed to be a lease from year to year under which the annual Base Rental payments and Additional Rental payments herein specified will be paid by the City.

Section 19. Law Governing. This Project Lease is made in the State under the Constitution and laws of the State and is to be so construed.

Section 20. Amendment. This Project Lease may be amended only in accordance with and as permitted by the terms of Section 7.02 of the Trust Agreement. Any amendment in connection with the execution and delivery of Additional Certificates shall be substantially in the form of Exhibit C.

Section 21. Excess Payments. Notwithstanding anything contained herein or in the Trust Agreement to the contrary, if for any reason, including but not limited to damage, destruction, condemnation, transfer, sale or disposition, the City or the Trustee receives payments, proceeds or awards with respect to the Leased Property in excess of the amount necessary to pay or prepay or provide in accordance with the Trust Agreement for the payment or prepayment of all of the Outstanding Certificates and all other amounts due hereunder and under the Trust Agreement, such excess shall represent the City's equity interest in the Leased Property and shall all be paid to the City.

Section 22. No Merger. If both the Trustee's and the City's estate under this or any other lease relating to the Leased Property or any portion thereof shall at any time for any reason become vested in one owner, this Project Lease and the estate created hereby shall not be destroyed or terminated by the doctrine of merger unless the City so elects as evidenced by recording a written declaration so stating, and, unless and until the City so elects, the City shall continue to have and enjoy all of its rights and privileges as to the separate estates. The City hereby covenants not to permit or consent to any such merger as long as any Certificates are Outstanding.

Section 23. Further Assurances and Corrective Instruments. The City and the Trustee agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased hereby or intended to be so leased or for carrying out the express intention of this Project Lease.

Section 24. Assignment. The services to be performed by the Trustee are personal in character and neither this Project Lease nor any duties or obligations hereunder may be assigned

or delegated by the Trustee unless first approved by the City by written instrument executed and approved in the same manner as this Project Lease.

Section 25. City Contracting Provisions. The Trustee covenants and agrees to comply with the provisions set forth in Exhibit D to this Project Lease, which is incorporated in and made a part of this Project Lease by this reference.

Section 26. Concerning the Trustee. The Trustee is executing this Project Lease solely in its capacity as trustee under the Trust (as defined in the Trust Agreement), subject to the protections, indemnities and limitations from liability afforded to the Trustee thereunder, (ii) nothing contained herein shall be construed as creating any liability on the Trustee, individually or personally, to perform any covenant, duty or obligation of any kind contained in this Project Lease, and (iii) under no circumstances shall the Trustee be liable for the payment of any fees, costs, indebtedness or expenses related to or arising from this Project Lease or any documents related hereto except from amounts held under the Trust Agreement.

Section 27. Execution in Counterparts. This Project Lease may be executed in several counterparts, each of which shall be deemed to be an original, and all of which together shall constitute but one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Project Lease as of the date first above written.

[TRUSTEE], as Trustee

By: _____
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Mayor

[SEAL]

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Deputy City Attorney

CERTIFICATE OF ACCEPTANCE BY CITY AND COUNTY OF SAN FRANCISCO

This is to certify that the interest in real property conveyed by the Project Lease, dated [Dated Date], from [Trustee] to the City and County of San Francisco, a charter city and county and municipal corporation, is hereby accepted by the undersigned on behalf of the Board of Supervisors pursuant to authority conferred by resolution of the Board of Supervisors adopted on [____], and the grantee consents to recordation thereof.

Dated: [Dated Date]

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Mayor

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

EXHIBIT A

DESCRIPTION OF THE SITE

[To Come]

EXHIBIT C

**FORM OF SUPPLEMENT TO THE PROJECT LEASE RELATING TO
ADDITIONAL CERTIFICATES**

RECORDING REQUESTED BY:

CITY AND COUNTY OF SAN FRANCISCO

When Recorded Mail To:

CITY AND COUNTY OF SAN FRANCISCO

Office of the City Attorney

City Hall

1 Dr. Carlton B. Goodlett Place, Room 234

San Francisco, California 94102

Attention: _____

SUPPLEMENT TO PROJECT LEASE

By and Between

[Trustee], as Trustee,
as Lessor

and

CITY AND COUNTY OF SAN FRANCISCO,
as Lessee

Dated as of _____ 1, _____

NO DOCUMENTARY TRANSFER TAX DUE

This Project Lease is exempt pursuant to Section 27383 of the California Government Code.

THIS SUPPLEMENT TO PROJECT LEASE, dated as of _____ 1, _____ (this "Supplement to Project Lease"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the "City"), as lessee, and [Trustee], a national banking association, solely in its capacity as Trustee under the hereinafter defined Trust Agreement, as lessor (the "Trustee");

WITNESSETH:

WHEREAS, the City desires to provide for _____ (as further defined herein, the "Project"), to be used primarily for governmental purposes, and the City is authorized pursuant to its charter and the laws of the State to enter into a lease for such purpose; and

WHEREAS, the City and the Trustee have entered into a Property Lease, dated as of [Dated Date] (the "Property Lease"), recorded concurrently with the Project Lease, pursuant to which, the City has leased certain real property (the "Site") and all works, property, improvements, structures and fixtures thereon (collectively, the "Leased Property") to the Trustee; and

WHEREAS, pursuant to the Project Lease, dated as of [Dated Date], by and between the City and the Trustee (the "Original Project Lease"), the Trustee shall lease the Leased Property back to the City;

WHEREAS, the City and Trustee are entering into this Supplement to Project Lease to provide for additional Base Rental in connection with the financing of the 20__ Project and certain related matters; and

WHEREAS, the Trustee is simultaneously executing and delivering an additional series of certificates of participation (the "Additional Certificates") pursuant to the Trust Agreement, dated [Dated Date], between the City and the Trustee (the "Trust Agreement"), to provide funds for the Project;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree to supplement the Original Project Lease as follows:

Section 1. Base Rental. The City agrees to pay, from any legally available funds, aggregate Base Rental in the amounts set forth under the caption "Base Rental Schedule" in Exhibit A to this Supplement to Project Lease, which constitutes the principal and interest represented by the Additional Certificates. The Base Rental consists of annual rental payments with principal and interest components, the interest components being paid semiannually as interest on the principal components computed on the basis of a 360-day year composed of twelve 30-day months. The Base Rental payable by the City shall be paid in arrears and shall be due on [Payment Date 1] and [Payment Date 2] in each year and payable on each ____ 1 and ____ 1 during the Project Lease Term, commencing _____. Base Rental payable on ____ and the following ____ shall be for the period from [Payment Date 2] of the prior year to ____ of the current year; provided, however, that the aggregate Base Rental payable on ____ and

_____ shall be for the period from the Closing Date to _____. Such Base Rental provided in Exhibit A is supplemented to the amounts due as provided in Section 3.1(a) and Exhibit A of the Original Project Lease.

The City shall deposit the Base Rental with the Trustee for application by the Trustee in accordance with the terms of the Trust Agreement. In the event any such date of deposit is not a Business Day, such deposit shall be made on the next succeeding Business Day. In no event shall the amount of Base Rental payable exceed the aggregate amount of principal and interest required to be paid or prepaid on the corresponding Interest Payment Date as represented by the Outstanding Certificates, according to their tenor.

The parties hereto have agreed and determined that such total rental in any Fiscal Year is not and will not be in excess of the total fair rental value of the Leased Property for such Fiscal Year. In making such determination, consideration has been given to the uses and purposes served by the Leased Property and the benefits therefrom that will accrue to the parties by reason of this Project Lease and to the general public by reason of the City's use of the Leased Property.

Section 2. Amendments. The City and the Trustee hereby agree to amend the Project Lease as follows: [other amendments necessary or desirable in connection with Additional Certificates].

Section 3. 201 Certificates Subject to the Project Lease. Except as in this Supplement to Project Lease expressly provided, every term and condition contained in the Project Lease shall apply to this Supplement to Project Lease and to the 201_ Certificates with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Supplement to Project Lease.

This Supplement to Project Lease and all the terms and provisions herein contained shall form part of the Project Lease as fully and with the same effect as if all such terms and provisions had been set forth in the Project Lease. The Project Lease is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

Section 4. Governing Law. This Supplement to Project Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 5. Counterparts. This Supplement to Project Lease may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Supplement to Project Lease as of the date first above written.

[TRUSTEE], as Trustee

By: _____
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Mayor

[SEAL]

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Deputy City Attorney

EXHIBIT A
BASE RENTAL SCHEDULE

ACKNOWLEDGMENT

STATE OF CALIFORNIA) ss.
)
COUNTY OF)

On _____, before me, _____, 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.

Notary Public

[Seal]

EXHIBIT D

CITY AND COUNTY OF SAN FRANCISCO MANDATORY CONTRACTING PROVISIONS

The following provisions shall apply to this Project Lease as if set forth in the body thereof. Capitalized terms used but not defined in this Exhibit D shall have the meanings given in this Project Lease.

Section 1. Nondiscrimination; Penalties.

(i) *Nondiscrimination.* In the performance of this Project Lease, the Trustee agrees not to discriminate against any employee, City employee working with the Trustee, applicant for employment with the Trustee, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(ii) *Subcontracts.* The Trustee shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from the City) and shall require all subcontractors to comply with such provisions. The Trustee's failure to comply with the obligations in this subsection shall constitute a material breach of this Project Lease.

(iii) *Nondiscrimination in Benefits.* The Trustee does not as of the date of this Project Lease and will not during the term of this Project Lease, in any of its operations in San Francisco, on real property owned by the City, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

(iv) *Condition to Contract.* As a condition to this Project Lease, the Trustee shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(v) *Incorporation of Administrative Code Provisions by Reference.* The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Project Lease as though fully set forth herein. The Trustee shall comply fully with and be bound by all of the provisions that apply to this Project Lease under such Chapters, including but not limited to the remedies

provided in such Chapters. Without limiting the foregoing, the Trustee understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Project Lease may be assessed against the Trustee and/or deducted from any payments due the Trustee.

Section 2. MacBride Principles—Northern Ireland. Pursuant to San Francisco Administrative Code §12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing this Project Lease, the person executing this Project Lease on behalf of the Trustee acknowledges and agrees that he or she has read and understood this Section.

Section 3. Tropical Hardwood and Virgin Redwood Ban. Pursuant to §804(b) of the San Francisco Environment Code, the City urges contractors not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

Section 4. Drug-Free Workplace Policy. The Trustee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. The Trustee agrees that any violation of this prohibition by the Trustee, its employees, agents or assigns will be deemed a material breach of this Project Lease.

Section 5. Compliance with Americans with Disabilities Act. The Trustee acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. The Trustee shall provide the services specified in this Project Lease in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. The Trustee agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Project Lease and further agrees that any violation of this prohibition on the part of the Trustee, its employees, agents or assigns will constitute a material breach of this Project Lease.

Section 6. Sunshine Ordinance. In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

Section 7. Limitations on Contributions. Through execution of this Project Lease, the Trustee acknowledges that it is familiar with Section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the

rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The Trustee acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. The Trustee further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of the Trustee's board of directors; the Trustee's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in the Trustee; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Trustee. Additionally, the Trustee acknowledges that the Trustee must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. The Trustee further agrees to provide to the City the names of each person, entity or committee described above.

Section 8. Requiring Minimum Compensation for Covered Employees. The Trustee agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Sections 12P.5 and 12P.5.1 of Chapter 12P are incorporated herein by reference and made a part of this Project Lease as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Trustee's obligations under the MCO is set forth in this Section. The Trustee is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(i) The MCO requires the Trustee to pay the Trustee's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and the Trustee is obligated to keep informed of the then-current requirements. Any subcontract entered into by the Trustee shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is the Trustee's obligation to ensure that any subcontractors of any tier under this Project Lease comply with the requirements of the MCO. If any subcontractor under this Project Lease fails to comply, the City may pursue any of the remedies set forth in this Section against the Trustee.

(ii) The Trustee shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(iii) The Trustee shall maintain employee and payroll records as required by the MCO. If the Trustee fails to do so, it shall be presumed that the Trustee paid no more than the minimum wage required under State law.

(iv) The City, upon reasonable notice to the Trustee, is authorized to inspect the Trustee's job sites during normal business hours, conduct interviews with employees and conduct audits of the Trustee.

(v) The Trustee's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Project Lease. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Trustee fails to comply with these requirements. The Trustee agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for the Trustee's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(vi) The Trustee understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Project Lease for violating the MCO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(vii) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(viii) If the Trustee is exempt from the MCO when this Project Lease is executed because the cumulative amount of agreements with the City for the fiscal year is less than \$25,000, but the Trustee later enters into an agreement or agreements that cause the Trustee to exceed that amount in a fiscal year, the Trustee shall thereafter be required to comply with the MCO under this Project Lease. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to exceed \$25,000 in the fiscal year.

Section 9. Requiring Health Benefits for Covered Employees. The Trustee agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Section 12Q.5.1 of Chapter 12Q are incorporated by reference and made a part of this Project Lease as though fully set forth herein. The text of the HCAO is available on

the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Project Lease shall have the meanings assigned to such terms in Chapter 12Q.

(i) For each Covered Employee, the Trustee shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Trustee chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(ii) Notwithstanding the above, if the Trustee is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

(iii) The Trustee's failure to comply with the HCAO shall constitute a material breach of this Project Lease. The City shall notify the Trustee if such a breach has occurred. If, within 30 days after receiving the City's written notice of a breach of this Project Lease for violating the HCAO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(iv) Any Subcontract entered into by the Trustee shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. The Trustee shall notify the City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. The Trustee shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against the Trustee based on the Subcontractor's failure to comply, provided that the City has first provided the Trustee with notice and an opportunity to obtain a cure of the violation.

(v) (v) The Trustee shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City with regard to the Trustee's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(vi) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(vii) The Trustee shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the Agreement.

(viii) The Trustee shall keep itself informed of the current requirements of the HCAO.

(ix) The Trustee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(x) (x) The Trustee shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least ten business days to respond.

(xi) The Trustee shall allow the City to inspect the Trustee's job sites and have access to the Trustee's employees in order to monitor and determine compliance with HCAO.

(xii) The City may conduct random audits of the Trustee to ascertain its compliance with HCAO. The Trustee agrees to cooperate with the City when it conducts such audits.

(xiii) If the Trustee is exempt from the HCAO when this Project Lease is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but the Trustee later enters into an agreement or agreements that cause the Trustee's aggregate amount of all agreements with the City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to be equal to or greater than \$75,000 in the fiscal year.

Section 10. Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, the Trustee may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Project Lease. The Trustee agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event the Trustee violates the provisions of this Section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Project Lease, and (ii) prohibit the Trustee from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider the Trustee's use of profit as a violation of this Section.

Section 11. Protection of Private Information. The Trustee has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. The Trustee agrees that any failure of the Trustee to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of this Project Lease. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Project Lease, bring a false claim

action against the Trustee pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Trustee.

Section 12. Graffiti Removal. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and its residents, and to prevent the further spread of graffiti.

The Trustee shall remove all graffiti from any real property owned or leased by the Trustee in the City and County of San Francisco within forty eight (48) hours of the earlier of the Trustee's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This Section is not intended to require the Trustee to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 *et seq.*) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 *et seq.*).

Any failure by the Trustee to comply with this section of this Project Lease shall constitute a material breach of this Project Lease.

Section 13. Reserved.

Section 14. Submitting False Claims; Monetary Penalties. Pursuant to San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for penalties set forth in that Section. The text of Section 21.35, along with the entire San Francisco Administrative Code is available on the web at <http://www.municode.com/Library/clientCodePage.aspx?clientID=4201>. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement

to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

Section 15. Conflict of Interest. Through its execution of this Project Lease, the Trustee acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 *et seq.* and Section 1090 *et seq.* of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Project Lease.

Section 16. Food Service Waste Reduction Requirements. The Trustee agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Project Lease as though fully set forth. This provision is a material term of this Project Lease. By entering into this Project Lease, the Trustee agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Trustee agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Project Lease was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City because of the Trustee's failure to comply with this provision.

Section 17. Proprietary or Confidential Information of City. The Trustee understands and agrees that, in the performance of the work or services under this Project Lease or in contemplation thereof, the Trustee may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City. The Trustee agrees that all information disclosed by City to the Trustee shall be held in confidence and used only in the performance of this Project Lease. The Trustee shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

Section 18. Earned Income Credit (EIC) Forms. Administrative Code Section 120 requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found. The Trustee shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Project Lease becomes effective (unless the Trustee has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by the

Trustee; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Project Lease. Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by the Trustee of the terms of this Project Lease. If, within thirty days after the Trustee receives written notice of such a breach, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, the Trustee fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Project Lease or under applicable law. Any Subcontract entered into by the Trustee shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section. Capitalized terms used in this Section and not defined in this Project Lease shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.

RECORDING REQUESTED BY:

CITY AND COUNTY OF SAN FRANCISCO

When Recorded Mail To:

CITY AND COUNTY OF SAN FRANCISCO

Office of the City Attorney

City Hall

1 Dr. Carlton B. Goodlett Place, Room 234

San Francisco, California 94102

Attention: Mark Blake

PROPERTY LEASE

By and Between the

THE CITY AND COUNTY OF SAN FRANCISCO,

as Lessor

and

[TRUSTEE],

as Lessee

Dated as of [Dated Date]

NO DOCUMENTARY TRANSFER TAX

This Property Lease is exempt pursuant to Section 6103 of the California Government Code.

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PROPERTY LEASE

This PROPERTY LEASE (this "Property Lease") is made and entered into as of [Dated Date], by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under and by virtue of its charter and the Constitution and laws of the State of California (the "City"), as lessor, and [TRUSTEE], a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as trustee under the Trust (as defined in the hereinafter defined Trust Agreement), as lessee (the "Trustee").

WITNESSETH:

That in consideration of the mutual promises and agreements herein contained, the parties hereto agree as follows:

Section 1. Definitions. All capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in that certain Project Lease, dated as of [Dated Date] (the "Project Lease"), by and between the Trustee and the City, and that certain Trust Agreement, dated as of [Dated Date] (the "Trust Agreement"), by and between the City and the Trustee.

Section 2. Lease of Leased Property. The City hereby leases to the Trustee the real property located in San Francisco, California and described in Exhibit A attached hereto (the "Site"), together with all buildings and improvements now situated or hereafter constructed thereon (collectively, the "Leased Property"), subject (i) to the terms hereof and (ii) to Permitted Encumbrances. The City also grants to the Trustee such rights of ingress and egress to the Site (as defined in the Project Lease) and infrastructure and utilities as the Trustee may require in order to fulfill its obligations hereunder and under the Project Lease.

Section 3. Ownership. The City represents that it is the sole owner of and holds (or with respect to uncompleted improvements or portions thereof, will hold, when completed) fee title to the Leased Property, subject to Permitted Encumbrances.

Section 4. Term.

(a) This Property Lease shall commence on the earlier of the Closing Date or the date of recordation hereof in the official records of the City and County of San Francisco and end on the date of the termination of the Project Lease.

(b) Upon termination of this Property Lease, all of the Trustee's interest in the Leased Property shall vest with the City.

Section 5. Rent. The Trustee shall pay to the City an advance rent in the amount of the net proceeds of the 201_ Certificates as prepaid rental and rent of \$1 per year as consideration for this Property Lease over its term.

Section 6. Purpose. The Trustee shall use the Leased Property only for the purposes described in the Project Lease and for such other purposes as may be incidental thereto.

Section 7. Assignment and Project Lease. As long as the Project Lease is in effect and there has been no event of default under the Project Lease, the Trustee shall not assign, mortgage, hypothecate or otherwise encumber this Property Lease or any rights hereunder or the leasehold created hereby pursuant to any trust agreement, indenture or deed of trust or otherwise, or sublet the Leased Property, in all cases, without the written consent of the City.

The City hereby expressly approves and consents to the Project Lease and the Trust Agreement and to the execution and delivery of the Certificates evidencing proportionate interests in all of the rights of the Trustee under the Project Lease, including the right to receive Base Rental Payments payable thereunder.

Section 8. 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.

Section 9. Expiration. The Trustee agrees, upon the expiration of this Property Lease, to quit and surrender the Leased Property together with all improvements thereon; it being the understanding of the parties hereto that upon termination of this Property Lease title to the Leased Property shall vest in the City free and clear of any interest of the Trustee or any assignee of the Trustee.

Section 10. Quiet Enjoyment. The Trustee at all times during the term of this Property Lease shall peaceably and quietly have, hold and enjoy all of the Leased Property.

Section 11. Taxes. The City covenants and agrees to pay any and all taxes and assessments, if any, levied or assessed upon the Leased Property and all buildings and improvements thereon.

Section 12. Eminent Domain. If the whole or any part of the Leased Property shall be taken under the power of eminent domain, the interest of the Trustee shall be recognized and is hereby determined to be the aggregate amount of unpaid Base Rental payments under the Project Lease through the remainder of its term (excluding any contingent or potential liabilities), and any eminent domain proceeds shall be paid to the Trustee, as assignee of the interest of the Trustee hereunder, in accordance with the terms of the Project Lease and the Trust Agreement.

Section 13. Default. In the event that the Trustee or its assignee shall be in default in the performance of any obligation on its part to be performed under the terms of this Property Lease, the City may exercise any and all remedies granted by law, except that no merger of this Property Lease and of the Project Lease shall be deemed to occur as a result thereof; provided, however, that the City shall have no power to terminate this Property Lease by reason of any default on the part of the Trustee or its assignee so long as any Certificate is Outstanding. So long as any such assignee of the Trustee or any successor in interest to the Trustee shall duly perform the terms and conditions of this Property Lease, such assignee shall be deemed to be and shall become the tenant of the City hereunder and shall be entitled to all of the rights and privileges granted under any such assignment.

Section 14. Notices. All notices, statements, demands, requests, consents, approvals, authorizations, offers, agreements, appointments or designations hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party, if

delivered by hand directly to the offices named below or sent by first-class mail, postage prepaid, overnight courier or telecopier, addressed as follows:

City:

City and County of San Francisco
City Hall
1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, CA 94102
Attn: City Controller

with a copy to:

City and County of San Francisco
City Hall
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, CA 94102
Attn: Director of Public Finance

And

Office of the City Attorney
City Hall
1 Dr. Carlton B. Goodlett Place, Room 234
San Francisco, California 94102
Attn: Special Projects/Finance Team

Trustee:

[Trustee]

Attn: _____

or to such other address or addresses as such party may designate to the other by notice given in accordance with the provisions of this Section 14.

Section 15. Non-Liability of City Officials, Employees and Agents. No elective or appointive board, commission, member, officer or other agent of the City shall be personally liable to the Trustee, its successors and assigns, in the event of any default or breach by the City or for any amount which may become due to the Trustee, its successors and assigns, or for any obligation of the City hereunder.

Section 16. Partial Invalidity. If any one or more of the terms, provisions, promises, covenants or conditions of this Property Lease shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants and conditions of this Property Lease shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law.

Section 17. Governing Law. This Property Lease shall be governed by the laws of the State of California.

Section 18. Amendment. This Property Lease may be amended only in accordance with and as permitted by the terms of Section 7.02 of the Trust Agreement and Section 20 of the Project Lease.

Section 19. Execution in Counterparts. This Property Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 20. Assignment. The services to be performed by the Trustee are personal in character and neither this Property Lease nor any duties or obligations hereunder may be assigned or delegated by the Trustee unless first approved by the City by written instrument executed and approved in the same manner as this Property Lease.

Section 21. City Contracting Provisions. The Trustee covenants and agrees to comply with the provisions set forth in Exhibit B to this Property Lease, which is incorporated in and made a part of this Property Lease by this reference.

Section 22. Concerning the Trustee. The Trustee is executing this Property Lease solely in its capacity as trustee under the Trust (as defined in the Trust Agreement), subject to the protections, indemnities and limitations from liability afforded to the Trustee thereunder, nothing contained herein shall be construed as creating any liability on the Trustee, individually or personally, to perform any covenant, duty or obligation of any kind contained in this Property Lease, and under no circumstances shall the Trustee be liable for the payment of any fees, costs, indebtedness or expenses related to or arising from this Property Lease or any documents related hereto except from amounts held under the Trust Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Property Lease to be executed and attested by their proper officers thereunto duly authorized, as of the day and year first above written.

[TRUSTEE], as Trustee

By: _____
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Mayor

[SEAL]

Attest:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Deputy City Attorney

[ACKNOWLEDGED BY:

By: _____
Elizabeth Murray,
Managing Director of the War Memorial]

EXHIBIT A

DESCRIPTION OF THE SITE

[To Come]

ACKNOWLEDGMENT

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

On _____, before me, _____, 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.

Notary Public

[Seal]

EXHIBIT B

CITY AND COUNTY OF SAN FRANCISCO MANDATORY CONTRACTING PROVISIONS

The following provisions shall apply to this Property Lease as if set forth in the body thereof. Capitalized terms used but not defined in this Exhibit B shall have the meanings given in this Property Lease.

Section I. Nondiscrimination; Penalties.

(i) *Nondiscrimination.* In the performance of this Property Lease, the Trustee agrees not to discriminate against any employee, City employee working with the Trustee, applicant for employment with the Trustee, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(ii) *Subcontracts.* The Trustee shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from the City) and shall require all subcontractors to comply with such provisions. The Trustee's failure to comply with the obligations in this subsection shall constitute a material breach of this Property Lease.

(iii) *Nondiscrimination in Benefits.* The Trustee does not as of the date of this Property Lease and will not during the term of this Property Lease, in any of its operations in San Francisco, on real property owned by the City, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

(iv) *Condition to Contract.* As a condition to this Property Lease, the Trustee shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(v) *Incorporation of Administrative Code Provisions by Reference.* The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Property Lease as though fully set forth herein. The Trustee shall comply fully with and be bound by all of the provisions that apply to this Property Lease under such Chapters, including but not limited to the remedies

provided in such Chapters. Without limiting the foregoing, the Trustee understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Property Lease may be assessed against the Trustee and/or deducted from any payments due the Trustee.

Section 2. MacBride Principles—Northern Ireland. Pursuant to San Francisco Administrative Code §12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing this Property Lease, the person executing this Property Lease on behalf of the Trustee acknowledges and agrees that he or she has read and understood this Section.

Section 3. Tropical Hardwood and Virgin Redwood Ban. Pursuant to §804(b) of the San Francisco Environment Code, the City urges contractors not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

Section 4. Drug-Free Workplace Policy. The Trustee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. The Trustee agrees that any violation of this prohibition by the Trustee, its employees, agents or assigns will be deemed a material breach of this Property Lease.

Section 5. Compliance with Americans with Disabilities Act. The Trustee acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. The Trustee shall provide the services specified in this Property Lease in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. The Trustee agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Property Lease and further agrees that any violation of this prohibition on the part of the Trustee, its employees, agents or assigns will constitute a material breach of this Property Lease.

Section 6. Sunshine Ordinance. In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

Section 7. Limitations on Contributions. Through execution of this Property Lease, the Trustee acknowledges that it is familiar with Section 1.126 of the City's Campaign and

Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The Trustee acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. The Trustee further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of the Trustee's board of directors; the Trustee's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in the Trustee; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Trustee. Additionally, the Trustee acknowledges that the Trustee must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. The Trustee further agrees to provide to the City the names of each person, entity or committee described above.

Section 8. Requiring Minimum Compensation for Covered Employees. The Trustee agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Sections 12P.5 and 12P.5.1 of Chapter 12P are incorporated herein by reference and made a part of this Property Lease as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Trustee's obligations under the MCO is set forth in this Section. The Trustee is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(i) The MCO requires the Trustee to pay the Trustee's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and the Trustee is obligated to keep informed of the then-current requirements. Any subcontract entered into by the Trustee shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is the Trustee's obligation to ensure that any subcontractors of any tier under this Property Lease comply with the requirements of the MCO. If any subcontractor under this Property Lease fails to comply, the City may pursue any of the remedies set forth in this Section against the Trustee.

(ii) The Trustee shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(iii) The Trustee shall maintain employee and payroll records as required by the MCO. If the Trustee fails to do so, it shall be presumed that the Trustee paid no more than the minimum wage required under State law.

(iv) The City, upon reasonable notice to the Trustee, is authorized to inspect the Trustee's job sites during normal business hours, conduct interviews with employees and conduct audits of the Trustee.

(v) The Trustee's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Property Lease. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Trustee fails to comply with these requirements. The Trustee agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for the Trustee's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(vi) The Trustee understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Property Lease for violating the MCO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(vii) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(viii) If the Trustee is exempt from the MCO when this Property Lease is executed because the cumulative amount of agreements with the City for the fiscal year is less than \$25,000, but the Trustee later enters into an agreement or agreements that cause the Trustee to exceed that amount in a fiscal year, the Trustee shall thereafter be required to comply with the MCO under this Property Lease. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to exceed \$25,000 in the fiscal year.

Section 9. Requiring Health Benefits for Covered Employees. The Trustee agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Section 12Q.5.1 of Chapter 12Q are incorporated by reference and made a part of this Property Lease as though fully set forth herein. The text of the HCAO is available

on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Property Lease shall have the meanings assigned to such terms in Chapter 12Q.

(i) For each Covered Employee, the Trustee shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Trustee chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(ii) Notwithstanding the above, if the Trustee is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

(iii) The Trustee's failure to comply with the HCAO shall constitute a material breach of this Property Lease. The City shall notify the Trustee if such a breach has occurred. If, within 30 days after receiving the City's written notice of a breach of this Property Lease for violating the HCAO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(iv) Any Subcontract entered into by the Trustee shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. The Trustee shall notify the City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. The Trustee shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against the Trustee based on the Subcontractor's failure to comply, provided that the City has first provided the Trustee with notice and an opportunity to obtain a cure of the violation.

(v) The Trustee shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City with regard to the Trustee's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(vi) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(vii) The Trustee shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the Agreement.

(viii) The Trustee shall keep itself informed of the current requirements of the HCAO.

(ix) The Trustee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(x) The Trustee shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least ten business days to respond.

(xi) The Trustee shall allow the City to inspect the Trustee's job sites and have access to the Trustee's employees in order to monitor and determine compliance with HCAO.

(xii) The City may conduct random audits of the Trustee to ascertain its compliance with HCAO. The Trustee agrees to cooperate with the City when it conducts such audits.

(xiii) If the Trustee is exempt from the HCAO when this Property Lease is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but the Trustee later enters into an agreement or agreements that cause the Trustee's aggregate amount of all agreements with the City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to be equal to or greater than \$75,000 in the fiscal year.

Section 10. Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, the Trustee may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Property Lease. The Trustee agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event the Trustee violates the provisions of this Section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Property Lease, and (ii) prohibit the Trustee from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider the Trustee's use of profit as a violation of this Section.

Section 11. Protection of Private Information. The Trustee has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. The Trustee agrees that any failure of the Trustee to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of this Property Lease. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Property Lease, bring a false

claim action against the Trustee pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Trustee.

Section 12. Graffiti Removal. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and its residents, and to prevent the further spread of graffiti.

The Trustee shall remove all graffiti from any real property owned or leased by the Trustee in the City and County of San Francisco within forty eight (48) hours of the earlier of the Trustee's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This Section is not intended to require the Trustee to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 *et seq.*) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 *et seq.*).

Any failure by the Trustee to comply with this section of this Property Lease shall constitute a material breach of this Property Lease.

Section 13. Submitting False Claims; Monetary Penalties. Pursuant to San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for penalties set forth in that Section. The text of Section 21.35, along with the entire San Francisco Administrative Code is available on the web at <http://www.municode.com/Library/clientCodePage.aspx?clientID=4201>. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently

discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

Section 14. Conflict of Interest. Through its execution of this Property Lease, the Trustee acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 *et seq.* and Section 1090 *et seq.* of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Property Lease.

Section 15. Food Service Waste Reduction Requirements. The Trustee agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Property Lease as though fully set forth. This provision is a material term of this Property Lease. By entering into this Property Lease, the Trustee agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Trustee agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Property Lease was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City because of the Trustee's failure to comply with this provision.

Section 16. Proprietary or Confidential Information of City. The Trustee understands and agrees that, in the performance of the work or services under this Property Lease or in contemplation thereof, the Trustee may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City. The Trustee agrees that all information disclosed by City to the Trustee shall be held in confidence and used only in the performance of this Property Lease. The Trustee shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

Section 17. Earned Income Credit (EIC) Forms. Administrative Code Section 120 requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found. The Trustee shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Property Lease becomes effective (unless the Trustee has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by the Trustee; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Property Lease. Failure to comply with any requirement contained in subparagraph

(a) of this Section shall constitute a material breach by the Trustee of the terms of this Property Lease. If, within thirty days after the Trustee receives written notice of such a breach, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, the Trustee fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Property Lease or under applicable law. Any Subcontract entered into by the Trustee shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section. Capitalized terms used in this Section and not defined in this Property Lease shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.

TRUST AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

**[TRUSTEE],
as Trustee**

Dated as of [Dated Date]

Relating to:

**[\$Amount]
CERTIFICATES OF PARTICIPATION
(MOSCONE EXPANSION PROJECT),
SERIES 201**

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TRUST AGREEMENT

THIS TRUST AGREEMENT, dated as of [Dated Date] (this "Trust Agreement"), by and between the CITY AND COUNTY OF SAN FRANCISCO (the "City"), a charter city and county organized and existing under its Charter and the Constitution and laws of the State of California, and [TRUSTEE], [a national banking association organized and existing under the laws of the United States of America], both as trustee hereunder (the "Trustee" or "Certificates Trustee") and as Project Trustee (as defined herein);

WITNESSETH

WHEREAS, the City desires to provide for the acquisition, demolition, construction, reconstruction, installation, equipping, improvement or rehabilitation of an expansion to the existing Moscone Convention Center to be located at [Address] (as further described herein, the "201_ Project"); and

WHEREAS, in connection therewith, the City is causing certain property located at [Address] and the facilities and structures related thereto (as further defined in the Project Lease, the "Facilities") and the real property on which such Facilities are situated (the "Site" and, together with the Facilities, the "Leased Property") to be conveyed to the Project Trustee, as trustee for the Project Trust, pursuant to a Property Lease, dated as of the date hereof (the "Property Lease"); and

WHEREAS, concurrently herewith, the City and the Project Trustee, as trustee for the Project Trust, have entered into a Project Lease, dated as of the date hereof (the "Project Lease"), pursuant to which the City has leased the Leased Property from the Project Trustee for the City's public purposes; and

WHEREAS, pursuant to the Project Lease the City has agreed to make certain payments of Base Rental and Additional Rental (both as hereinafter defined) to the Project Trustee for the use and occupancy of the Leased Property; and

WHEREAS, the Trustee, as Certificates Trustee, shall execute and deliver the hereinafter described certificates of participation (the "Certificates"), evidencing proportionate interests in all of the rights of the Trustee under the Property Lease and the Project Lease, including the right to receive Base Rental payments payable thereunder, and shall undertake such other responsibilities as are assigned to the Trustee pursuant to this Trust Agreement; and

WHEREAS, the City has determined that 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 Trust Agreement do exist, have happened and have been performed in due time, form and manner as required by law, and the parties hereto are duly authorized to execute and enter into this Trust Agreement;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Trustee of its duties hereby imposed, and of the purchase and acceptance of the Certificates by the Owners (as defined hereinafter), and to fix and declare the terms and conditions upon which the Certificates are to be executed, delivered and accepted by all Persons who shall from time to

time be or become Owners thereof, and to secure the payment of the principal and interest evidenced by the Certificates according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained herein, therein and in the Property Lease and the Project Lease, the City and the Project Trustee do hereby grant and assign to the Certificates Trustee for the benefit of the Owners, subject only to the provisions of this Trust Agreement, the Property Lease and the Project Lease (such property being collectively herein referred to as the "Trust Estate"), the following:

I.

All right, title and interest of the Project Trustee in and to the Property Lease and the Project Lease, including all Base Rental payments made by the City pursuant to the Project Lease;

II.

All right, title and interest of the City and the Project Trustee in and to all amounts on hand from time to time in the funds and accounts established hereunder (except for amounts on deposit in the Rebate Fund pursuant to the terms of this Trust Agreement); and

III.

All funds, moneys and securities and any and all other rights and interests in property whether tangible or intangible from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder for the Project Lease or the Certificates by the City or the Project Trustee or by anyone on its behalf or with its written consent to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof;

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successors in said trust and to them and their assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit, security and protection of all Owners from time to time of the Certificates executed and delivered under and secured by this Trust Agreement without privilege, priority or distinction as to the lien or otherwise of any Certificates over any of the other Certificates, upon the trusts and subject to the covenants and conditions hereinafter set forth;

ARTICLE I

APPOINTMENT OF TRUSTEE; DEFINITIONS

Section 1.01. Appointment of Trustee. The Trustee is hereby appointed to act solely as set forth herein, to receive, hold and disburse in accordance with the terms hereof the money to be paid to it, to execute and deliver the Certificates, which represent proportionate interests in the Project Lease, including the Base Rental payments payable thereunder, to apply and disburse payments received pursuant to the Project Lease to Owners of such Certificates, to enforce the

rights of the Trustee under the Project Lease, and to perform certain other functions, all as hereinafter provided. By executing and delivering this Trust Agreement, the Trustee accepts the contractual and fiduciary duties and obligations provided herein, but only upon the terms and conditions herein set forth.

Section 1.02 Definitions. Unless the context otherwise requires, the terms defined in this Section 1.02 shall, for all purposes of this Trust Agreement, have the meanings set forth below. All other capitalized terms used herein without definition shall have the meanings given to such terms in the Project Lease.

“201_ Certificates” means the Certificates of Participation (Moscone Expansion Project), Series 201_, authorized hereby and at any time Outstanding hereunder.

“201_ Project” has the meaning set forth in the recitals hereof.

“201_ Reserve Account” means the account within the Reserve Fund established pursuant to Section 4.06(f) hereof in connection with the 201_ Certificates.

“Additional Certificates” means any additional certificates of participation executed and delivered pursuant to Section 7.04 hereof.

“Additional Rental” means the amounts specified as such in Section 3.1(b) of the Project Lease.

“Administrative Code” means the San Francisco Administrative Code, as amended from time to time.

“Authorized Denominations” means \$5,000 or any integral multiple thereof.

“Base Rental” means the amounts specified as such in Section 3.1(a) of the Project Lease, as such amounts may be adjusted from time to time in accordance with the terms of the Project Lease, and any amounts as may specified in a supplement to the Project Lease in connection with Additional Certificates, but does not include Additional Rental.

“Base Rental Fund” means the fund of that name established pursuant to Section 4.05 hereof.

“Business Day” means a day which is not a Saturday or Sunday or a day on which banking institutions are authorized or required by law to be closed in the State for commercial banking purposes or a day on which trading on the New York Stock Exchange is suspended for more than four hours or a day on which the New York Stock Exchange is closed for a state or national holiday.

“Certificate Counsel” means a law firm that is nationally recognized in the practice of municipal finance.

“Certificate Payment Date” means, with respect to any Certificate, the [Payment Date 1] date designated therein, which is the date on which the principal component of the Base Rental evidenced and represented thereby shall become due and payable.

“Certificate Register” means the books referred to in Section 2.08 hereof.

“Certificate Year” shall have the meaning assigned to such term in the Tax Certificate.

“Certificates” means the 201_ Certificates and all Additional Certificates hereunder.

“City” means the City and County of San Francisco, and its successors and assigns.

“City Representative” means the Mayor, the Controller, the Director of Public Finance or any other official of the City designated and authorized by the Controller of the City to act on behalf of the City under or with respect to this Trust Agreement, the Project Lease, the Property Lease and all other agreements related hereto and thereto.

“Closing Date” means [Closing Date], the date of original execution and delivery of the 201_ Certificates and, as appropriate, the date of original execution and delivery of any Additional Certificates.

“Code” means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

“Continuing Disclosure Certificate” means one or more Continuing Disclosure Certificates executed by the City, dated a Closing Date, as originally executed and as each may be amended from time to time.

“Costs of Issuance” means all the costs of executing and delivering the Certificates, including, but not limited to, all printing and document preparation expenses in connection with this Trust Agreement, the Property Lease, the Project Lease, the Certificates and the preliminary and final official statements pertaining to the Certificates; rating agency fees; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel with respect to the financing of the Project and with respect to the validation proceedings occurring in connection therewith; any computer and other expenses incurred in connection with the Certificates; the initial fees and expenses of the Trustee and any paying agent (including without limitation, origination fees and first annual fees payable in advance); fees and expenses of financial advisors; premium for title insurance; fees and expenses of publication of notices; and other fees and expenses incurred in connection with the execution and delivery of the Certificates or the implementation of the financing for the Project, to the extent such fees and expenses are approved by a City Representative.

“Costs of Issuance Fund” means the fund of that name established pursuant to Section 4.02 hereof.

“Credit Facility” means any letter of credit, line of credit, insurance policy, surety bond or other credit source deposited with the Trustee by the City to satisfy the Reserve Requirement as of the Closing Date.

“Defeasance Securities” means (i) Government Obligations and (ii) pre-refunded fixed interest rate municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instruction concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash and/or Government Obligations; (c) the principal of and interest on the Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (d) the Government Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (e) the Government Obligations are not available to satisfy any other claims, including those of or against the trustee or escrow agent; and (f) the municipal obligations are rated AAA by S&P and Aaa by Moody’s.

“Depository” means DTC and its successors and assigns, or if (a) the then Depository resigns from its functions as securities depository of the Certificates, or (b) the City discontinues use of the Depository pursuant to Section 2.13 hereof, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Certificates and which is selected by the City.

“Director of Property” means the City’s Director of Property or any successor officer of the City who performs substantially the same duties as the Director of Property performs as of the date of this Trust Agreement.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Electronic Notice” means notice given by The Bond Buyer Wire or Bloomberg Business News.

“Event of Default” means any one or more of the events described in Section 9.01 of this Trust Agreement.

“Facilities” means the improvements, structures and fixtures related thereto and located on the Site together with all other works, property or structures located from time to time on the Site.

“Financing Documents” mean this Trust Agreement, the Property Lease, the Project Lease and the Continuing Disclosure Certificate, including any amendments or supplements to any of the foregoing documents.

“Fiscal Year” means the fiscal year of the City being July 1 to the following June 30 or any subsequent fiscal year adopted by the City.

“Fitch” means Fitch Ratings, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such

corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Government Certificates" means evidences of indebtedness or ownership of proportionate interests in future principal and interest payments of Government Obligations, including depository receipts thereof, wherein (i) a bank or trust company acts as custodian and holds the underlying Government Obligations; (ii) the owner of the Government Certificate is a real party in interest with the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (iii) the underlying Government Obligations 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.

"Government Obligations" 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 in the highest rating category by Moody's and S&P.

"Independent Counsel" means an attorney or firm of attorneys selected by the City.

"Interest Payment Date" means a date on which interest evidenced and represented by the Certificates becomes due and payable, being [Payment Date 1] and [Payment Date 2] in each year, commencing [First IPD], and continuing until the Certificate Payment Date or earlier prepayment date of the Certificates.

"Investment Earnings" means interest received in respect of the investment of money on deposit in any fund or account maintained hereunder.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for any reason, the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Net Proceeds" means any net proceeds of insurance or condemnation proceeds paid with respect to the affected portion of the Leased Property remaining after payment therefrom of any expenses (including attorneys' fees) incurred in the collection thereof.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant hereto.

“Outstanding” when used as of any particular time with respect to any Certificate, means any Certificates theretofore executed and delivered by the Trustee under this Trust Agreement except:

- (1) any Certificate paid in accordance with its terms;
- (2) any Certificate theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (3) any Certificate for the payment or prepayment of which funds or Defeasance Securities in the necessary amount shall have theretofore been deposited with the Trustee (whether prior to the Certificate Payment Date or prepayment date of such Certificate), provided that, if such Certificate is to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in Section 5.03 hereof or provision satisfactory to the Trustee shall have been made for the giving of such notice;
- (4) any Certificate purchased by the City; and
- (5) any Certificate in lieu of or in exchange for which another Certificate or other Certificates shall have been executed and delivered by the Trustee pursuant to Section 2.05 hereof.

“Owner” means the registered owner, as indicated in the Certificate Register, of any Certificate.

“Participants” means a member of or participant in, the Depository.

“Permitted Investments” means, if and to the extent permitted by law and by any policy guidelines promulgated by the City:

- (a) Government Obligations or Government Certificates;
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):
 - (i) Farmers Home Administration (FmHA) - Certificates of beneficial ownership;
 - (ii) Federal Housing Administration Debentures (FHA);
 - (iii) General Services Administration - Participation certificates;
 - (iv) Government National Mortgage Association (GNMA or “Ginnie Mae”) - guaranteed mortgage backed bonds and GNMA guaranteed pass-through obligations (participation certificates);

- (v) U.S. Maritime Administration - Guaranteed Title XI financing;
 - (vi) U.S. Department of Housing and Urban Development (HUD) - Project notes and local authority bonds; and
 - (vii) Any other agency or instrumentality of the United States of America the obligations of which are guaranteed by the full faith and credit of the United States of America;
- (c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States of America government agencies (stripped securities are only permitted if they have been stripped by the agency itself):
- (i) Federal Home Loan Bank System - Senior debt obligations (consolidated debt obligations);
 - (ii) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") - Participation certificates (mortgage-backed securities) and senior debt obligations;
 - (iii) Fannie Mae - mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities which are valued greater than par on the portion of the unpaid principal);
 - (iv) Student Loan Marketing Association (SLMA or "Sallie Mae") - Senior debt obligations;
 - (v) Resolution Funding Corp. (REFCORP) - Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;
 - (vi) Federal Farm Credit System - Consolidated systemwide bonds and notes; and
 - (vii) Any other agency or instrumentality of the United States of America the obligations of which are guaranteed by the non-full faith and credit of the United States of America;
- (d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by S&P of AAAM-G or AAAM and by Moody's of Aaa;
- (e) Certificates of deposit issued by a state or national bank or a state or federal savings and loan; provided that such certificates of deposit shall be either (i) continuously and fully insured by the FDIC; or (ii) have a maturity of not greater than 365 days and have one of the two highest short-term letter and numerical ratings, at the time of purchase, of Moody's and S&P;

- (f) Savings accounts or money market deposits that are fully insured by FDIC;
- (g) Investment agreements, including guaranteed investment contracts, provided either (i) the long-term unsecured debt or claims ability of the issuer or guarantor thereof is rated, at the time of purchase, in one of the two highest rating category by Moody's and S&P, or (ii) such agreement is fully collateralized by Government Obligations or Government Certificates;
- (h) Commercial paper of "prime" quality rated, at the time of purchase, in one of the two highest rating category by Moody's and S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States;
- (i) Bonds or notes issued by any state or municipality which are rated, at the time of purchase, by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies;
- (j) Federal funds or banker's acceptances which are eligible for purchases by members of the Federal Reserve System, drawn on any bank the short-term obligations of which are rated in the highest rating category by Moody's and S&P; provided that the maturity cannot exceed 270 days;
- (k) Repurchase agreements with maturities of either (a) 30 days or less, or (b) less than one year, provided that the collateral is marked-to-market daily, entered into with financial institutions such as banks or trust companies organized under state or federal law, insurance companies, or government bond dealers reporting to, or trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of SPIC, or with a dealer or parent holding company that is rated, at the time of purchase, A or better by Moody's and S&P. The repurchase agreement must be in respect of Government Obligations or Government Certificates or obligations described in paragraph (b) herein, which, exclusive of accrued interest, shall be maintained at least 100% of par. In addition, repurchase agreements shall meet the following criteria: (i) the third party (who shall not be the provider of the collateral) has possession of the repurchase securities and the Government Obligations or Government Certificates; (ii) failure to maintain the requisite collateral levels shall require liquidation; and (iii) the third party having possession of the securities has a perfected, first priority security interest in the securities;
- (l) Defeasance Securities described in clause (ii) of the definition thereof; and
- (m) Any other debt or fixed income security specified by the City (except securities of the City and any agency, department, commission or instrumentality thereof) and rated, at the time of purchase, in one of the two highest rating category by Moody's and S&P, including prerefunded municipal obligations.
- (n) The Local Agency Investment Fund administered by the State of California; and
- (o) Any investment, with confirmation from the Rating Agencies that the ratings on the Certificates will not be lowered as a result of such investment.

In connection with the purchase of any Permitted Investment, the City may enter into agreements, including forward purchase agreements, with the seller thereof.

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

“Prepayment Notice” shall have the meaning assigned to such term in Section 5.03 hereof.

“Prepayment Price” means the principal amount represented by the Certificates, plus any applicable premium.

“Principal Office of the Trustee” means the corporate trust office of the Trustee located at [____], or such other office that the Trustee may designate in writing to the City from time to time as the corporate trust office for purposes of this Trust Agreement; provided, however, that for purposes of the registration, transfer, exchange, payment or surrender of Certificates, the term “Principal Office of the Trustee” means care of the corporate trust office of the Trustee in [San Francisco].

“Project” means the 201_ Project and any facilities financed with Additional Certificates, as the same may be amended, modified or supplemented in accordance with the Trust Agreement.

“Project Costs” means the contract price paid or to be paid to or at the direction of any contractor for the acquisition, construction, installation or improvement to, or rehabilitation of, the Project, and reimbursement to the City for any payments made for or in connection with the acquisition of or improvement to the Project by the City prior to or subsequent to the Closing Date.

“Project Fund” means the fund of that name established pursuant to Section 4.03 hereof.

“Project Lease” means that certain Project Lease dated as of the date hereof, by and between the Project Trustee and the City, including any amendments or supplements thereto.

“Project Lease Term” means the term of the Project Lease as provided in Section 2 thereof.

“Project Lease Year” means the period from the Closing Date through [____] and thereafter the period from [____] to and including the following [____], as the case may be, during the Project Lease Term.

“Project Trust” means the trust established pursuant to Section 6.07 hereof.

“Project Trustee” means the Trustee, in its capacity as trustee of the Project Trust pursuant to Section 6.07 hereof.

“Property Lease” means that certain Property Lease dated as of the date hereof, by and between the City and the Project Trustee with respect to the Leased Property, including any amendments or supplements thereto

“Rating Agencies” means S&P, Fitch and/or Moody’s, whichever then has a current rating on the Certificates.

“Rebate Fund” means the fund of that name established pursuant to Section 4.17 hereof.

“Record Date” means any Regular Record Date.

“Regular Record Date” means the close of business on the 15th day of the calendar month next preceding each Interest Payment Date, whether or not a Business Day.

“Reserve Fund” means the fund of that name established pursuant to Section 4.06 hereof.

“Reserve Requirement” means, as of any date of calculation, the least of (i) the maximum annual principal and interest evidenced by the Certificates payable in the then current Fiscal Year or any future Fiscal Year, (ii) 125% of average annual principal and interest evidenced by the Certificates payable in each Fiscal Year between the date of calculation and the last Certificate Payment Date of the Certificates or (iii) 10% of the principal amount evidenced by the Certificates originally executed and delivered. The Reserve Requirement shall be applied separately for each series of Certificates or on an aggregate basis if the Reserve Fund or any account therein secures more than one series of Certificates on a parity basis.

“S&P” means Standard & Poor’s Rating Services, a subsidiary of Standard & Poor’s Financial Services LLC, a limited liability company organized and existing under the laws of the State of New York, its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for any reason, the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Sinking Account Installment” means the principal amount represented by the Certificates required to be paid on any Interest Payment Date pursuant to Section 5.01(c) hereof.

“Site” means the real property, as described in Exhibit A to the Project Lease, including any real property substituted therefor or added thereto pursuant to the Project Lease but excluding real property that has been released or for which new real property has been substituted in accordance with the Project Lease.

“State” means the State of California.

“Tax Certificate” means the Tax Certificate dated the Closing Date and executed by the City and as appropriate any Tax Certificate executed by the City in connection with Additional Certificates.

“Tax-Exempt” means, with respect to interest on, or with respect to, any obligations of a state or local government, including the Certificates, that such interest is excluded from the gross income of the Owners thereof (other than any Owner who is a “substantial user” of facilities financed with such obligations or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

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

“Trust” means the “Moscone Expansion Project Trust” established pursuant to Section 6.07 hereof.

“Trust Agreement” means this Trust Agreement by and between the City and the Trustee, including any amendments or supplements hereto.

“Trust Estate” means all right, title and interest granted to the Trustee in the granting clauses of this Trust Agreement.

“Trustee” or “Certificates Trustee” means [TRUSTEE], [a national banking association organized and existing under the laws of United States of America], acting in its capacity as such under this Trust Agreement, or any successor appointed as herein provided.

“Written Certification,” “Written Direction” or “Written Request” means an instrument in writing signed on behalf of the City by a City Representative.

Section 1.03 Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

Section 1.04 Timing of Actions. Whenever in this Trust Agreement there is designated a time of day at or by which a certain action must be taken, such time shall be local time in San Francisco, California, except as otherwise specifically provided herein. If the date for making any payment or the last day for the performance of any act or the exercise of any right, as provided in this Trust Agreement, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Trust Agreement, except as otherwise specifically provided herein. Notwithstanding the foregoing, if an Interest Payment Date for the Certificates falls on a day which is not a Business Day, then amounts due with respect to the Outstanding Certificates on such Interest Payment Date shall be paid on the next succeeding Business Day but interest shall accrue only to such Interest Payment Date.

Section 1.05 Authorization. Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Trust Agreement, and has taken all actions necessary to authorize the execution and delivery of this Trust Agreement.

ARTICLE II

CERTIFICATES OF PARTICIPATION

Section 2.01 Authorization and Designation. The Trustee is hereby authorized and directed to execute and deliver the 201_ Certificates to the original purchaser or purchasers thereof. The Certificates evidence proportionate interests in the right to receive Base Rental payments under the Project Lease, as more particularly described therein, herein and in the Certificates. The 201_ Certificates shall be designated "Certificates of Participation (Moscone Expansion Project), Series 201_" and shall be executed and delivered in the aggregate principal amount of \$[Amount].

Section 2.02 Description of the Certificates. Each Certificate shall be executed and delivered in fully registered form and shall be numbered as determined by the Trustee. The Certificates shall be dated the Closing Date. The Certificates shall be executed and delivered in Authorized Denominations; provided, however, that the Certificates shall initially be executed and delivered in book-entry form pursuant to Section 2.11 hereof.

The 201_ Certificates shall be executed and delivered in the aggregate principal amount of \$[Amount] and shall have Certificate Payment Dates of [Payment Date 1] in the years and shall evidence and represent principal components in the amounts, with an interest component with respect thereto calculated on the basis of a 360-day year composed of twelve 30-day months at the rates, as follows:

Certificate Payment Date ([Payment Date 1])	Principal Amount	Interest Rate
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†
†

† Term Certificates

The interest evidenced and represented by the 201_ Certificates shall be payable on [Payment Date 1] and [Payment Date 2] of each year, beginning on [First IPD] and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and shall evidence and represent the sum of the portions of the Base Rental designated as interest components coming due on such date in each year.

The principal evidenced and represented by the 201_ Certificates shall be payable on [Payment Date 1] of each year, beginning on [] and continuing to and including [] and

shall evidence and represent the sum of the portions of the Base Rental Payments designated as principal components coming due on each [Payment Date 1].

The 201_ Certificates with Certificate Payment Dates of [] and [] shall be subject to mandatory sinking account installment prepayment as set forth in Section 5.01(c).

Section 2.03 Form. The Certificates shall be substantially in the form set forth in Exhibit A attached hereto and incorporated herein by this reference. The Certificates may be printed, lithographed, photocopied or typewritten.

Section 2.04 Execution. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized officer or signatory of the Trustee.

Section 2.05 Transfer and Exchange. The registration of any Certificate may be transferred upon the Certificate Register upon surrender of such Certificate to the Trustee. Such Certificate shall be endorsed or accompanied by delivery of the written instrument of transfer shown in Exhibit A hereto, duly executed by the Owner, together with the payment of such transfer fees as the Trustee may establish. Upon such registration of transfer, a new Certificate or Certificates, of authorized denominations, for the same series, principal amount, Certificate Payment Date and interest rate will be executed and delivered to the transferee in exchange therefor.

Subject to the provisions of Section 2.11 hereof, the City and the Trustee shall deem and treat the person in whose name any Outstanding Certificate shall be registered upon the Certificate Register as the absolute Owner of such Certificate, whether the principal of or interest with respect to such Certificate shall be overdue or not, for the purpose of receiving payment of principal and interest with respect to such Certificate and for all other purposes, and any such payments so made to any such Owner or upon his or her order shall be valid and effective to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and neither the City nor the Trustee shall be affected by any notice to the contrary.

Certificates may be exchanged at the Principal Office of the Trustee for a like principal amount of Certificates of authorized denominations of the same series, Certificate Payment Date and interest rate.

All Certificates surrendered for transfer or exchange shall, upon the execution and delivery of the new Certificates, be canceled by the Trustee. The Trustee may charge a reasonable sum for each new Certificate executed and delivered and the Trustee may require the payment by the Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid thereon.

The Trustee shall not be required to register the transfer or exchange of any Certificate, whether or not that Certificate shall thereafter be selected for prepayment, during the period established by the Trustee for selection of Certificates to be prepaid or to transfer or exchange any Certificate selected for prepayment, except for the unprepaid portion of any Certificate prepaid only in part.

Section 2.06 Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of such Certificate, shall execute and deliver a new Certificate of like series, denomination, Certificate Payment Date and interest rate in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed with a certificate of destruction furnished to the City. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and if such evidence is satisfactory to the Trustee and a City Representative and an indemnity satisfactory to the Trustee and a City Representative has been given, the Trustee shall, at the expense of the Owner, execute and deliver a new Certificate of like series, tenor and denomination in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under this Section 2.06 and of the expenses that may be incurred by the Trustee in carrying out its duties under this Section 2.06. Any Certificate executed and delivered under the provisions of this Section 2.06 in lieu of any Certificate claimed to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Certificates. Notwithstanding any other provision of this Section 2.06, in lieu of delivering a new Certificate for one which has been mutilated, lost, destroyed or stolen, and which has matured or has been called for prepayment, the Trustee may make payment of the principal of, premium, if any, or interest with respect to such Certificate, subject to receipt of an indemnity satisfactory to it.

Section 2.07 Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner, the fact and date of the execution by any Owner or his attorney or agent of any such instrument, and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified; of an officer of any bank or trust company located within the United States of America; or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the person signing such instrument acknowledged before him or her the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his or her authority.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.08 Certificate Register. The Trustee shall keep or cause to be kept at its Principal Office sufficient books for the registration and transfer of the Certificates, which books

shall at all times during regular business hours be open to inspection by the City and an Owner with an interest of not less than 10% of the aggregate principal amount of the Certificates then Outstanding. Upon presentation for registration of transfer, the Trustee shall, as above provided and under such reasonable regulations as it may prescribe subject to the provisions hereof, register, or register the transfer of, the Certificates, or cause the same to be registered or cause the transfer of the same to be registered, on such books.

Section 2.09 Nonpresentation of Certificates. In the event any Certificate shall not be presented for payment when the principal evidenced thereby becomes due, if funds sufficient to pay such Certificate shall be held by the Trustee for the benefit of the Owner thereof, all liability of the City to the Owner thereof for the payment of principal, premium, if any, and interest represented by such Certificate shall forthwith cease and be completely discharged and thereupon it shall be the duty of the Trustee to hold such funds (subject to Section 2.10 hereof), without liability for interest thereon, for the benefit of the Owner of such Certificate who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on, or with respect to, such Certificate.

Section 2.10 Unclaimed Money. All money which the Trustee shall have received from any source and set aside for the purpose of paying any Certificate shall be held in trust for the Owner of such Certificate, but any money which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the Owner of such Certificate for a period of one year after the date on which any payment with respect to such Certificate shall have become due and payable shall be paid to the City; provided, however, that the Trustee shall, before making any such payment, notify the City and, at the direction and expense of the City, shall cause notice to be mailed to the Owner of such Certificate, by first-class mail, postage prepaid, and by a single publication in The Bond Buyer or The Wall Street Journal (or if such notice cannot be published in The Bond Buyer or The Wall Street Journal, in some other financial newspaper selected by the Trustee which regularly carries such notices for obligations similar to the Certificates) not less than 90 days prior to the date of such payment to the effect that such money has not been claimed and that after a date named therein any unclaimed balance of such money then remaining will be returned to the City. During any period in which the Trustee holds such unclaimed money, the Trustee shall 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. Thereafter, the Owner of such Certificate shall 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 shall have no responsibility with respect to such money.

Section 2.11 Book-Entry System; Limited Obligation. The 201_ Certificates and any Additional Certificates shall be initially executed and delivered in the form of a separate single fully registered Certificate (which may be typewritten, printed, lithographed or photocopied) for each of the Certificate Payment Dates of the Certificates. Upon initial execution and delivery, the ownership of each such global Certificate shall be registered in the Certificate Register in the name of the Nominee as nominee of the Depository. Except as provided in Section 2.13 hereof, all of the Outstanding Certificates shall be registered in the Certificate Register kept by the Trustee in the name of the Nominee and the Certificates may be transferred, in whole but not in part, only to the Depository, to a successor Depository or to another nominee of the Depository or a successor Depository.

With respect to Certificates registered in the Certificate Register in the name of the Nominee, the City and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds a beneficial interest in the Certificates. Without limiting the immediately preceding sentence, the City and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any beneficial ownership interest in the Certificates, (b) the delivery to any Participant, beneficial owner or any other person, other than the Depository, of any notice with respect to the Certificates, including any Prepayment Notice, (c) the selection by the Depository and the Participants of the beneficial interests in the Certificates to be prepaid in part, or (d) the payment to any Participant, beneficial owner or any other person, other than the Depository, of any amount with respect to principal of, premium, if any, or interest with respect to the Certificates. The City and the Trustee may treat and consider the person in whose name each Certificate is registered in the Certificate Register as the holder and absolute owner of such Certificate for the purpose of payment of principal of, premium, if any, and interest with respect such Certificate, for the purpose of giving Prepayment Notices and other notices with respect to such Certificate, and for all other purposes whatsoever, including, without limitation, registering transfers with respect to the Certificates.

The Trustee shall pay all principal of, premium, if any, and interest with respect to the Certificates only to or upon the order of the respective Certificate Owners, as shown in the Certificate Register kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid hereunder with respect to payment of principal of, premium, if any, and interest with respect to the Certificates to the extent of the sum or sums so paid. No person other than a Certificate Owner, as shown in the Certificate Register, shall receive a Certificate evidencing the obligation to make payments of principal of, premium, if any, and interest pursuant to this Trust Agreement. Upon delivery by the Depository to the Trustee and the City of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Trust Agreement shall refer to such new nominee of the Depository.

Section 2.12 Representation Letter. In order to qualify the Certificates for the Depository's book-entry system, the City has executed and delivered to such Depository a representation letter from the City representing such matters as shall be necessary to so qualify the Certificates (the "Representation Letter"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 2.11 hereof or in any other way impose upon the City any obligation whatsoever with respect to persons having beneficial interests in the Certificates other than the Owners, as shown in the Certificate Register kept by the Trustee. In addition to the execution and delivery of the Representation Letter, any City Representative and all other officers of the City, and their respective deputies and designees, each are hereby authorized to take any other actions, not inconsistent with this Trust Agreement, to qualify the Certificates for the Depository's book-entry program.

Section 2.13 Transfers Outside Book-Entry System. If at any time the Depository notifies the City and the Trustee that it is unwilling or unable to continue as Depository with respect to the Certificates or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a

successor Depository is not appointed by the City within 90 days after the City and the Trustee receive notice or become aware of such condition, as the case may be, Section 2.11 hereof shall no longer be applicable and the Trustee shall execute and deliver certificates representing the Certificates as provided below. In addition, the City may determine at any time that the Certificates shall no longer be represented by global certificates and that the provisions of Section 2.11 hereof shall no longer apply to the Certificates. In any such event, the Trustee shall execute and deliver certificates representing the Certificates as provided below. Certificates executed and delivered in exchange for global certificates pursuant to this Section 2.13 shall be registered in such names and delivered in such Authorized Denominations as the Depository, pursuant to instructions from the Participants or otherwise, shall instruct the City and the Trustee. The Trustee shall deliver such certificates representing the Certificates to the persons in whose names such Certificates are so registered.

If the City determines to replace the Depository with another qualified securities depository, the City shall prepare or cause to be prepared a new fully-registered global certificate for each of Certificate Payment Date of the Certificates, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the City, the Trustee and such securities depository and not inconsistent with the terms of this Trust Agreement.

Section 2.14 Payments and Notices to the Nominee. Notwithstanding any other provision of this Trust Agreement to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments with respect to principal of, premium, if any, and interest with respect to such Certificate and all notices with respect to such Certificate shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

Section 2.15 Initial Depository and Nominee. The initial Depository under this Trust Agreement shall be DTC. The initial Nominee shall be Cede & Co., as nominee of DTC.

ARTICLE III

INTEREST RATE PROVISIONS

Section 3.01 Interest with Respect to the Certificates. Interest represented by the 201_ Certificates shall be payable at the respective per annum rates set forth in Section 2.02 hereof. The interest evidenced and represented by the 201_ Certificates shall be payable on [Payment Date 1] and [Payment Date 2] of each year, beginning on [First IPD] and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and shall evidence and represent the sum of the portions of the Base Rental designated as interest components coming due on such date in each year.

Section 3.02 Medium of Payment; Interest Accrual. Principal, premium, if any, and interest evidenced and represented by the Certificates shall be payable in lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Payments of interest represented by the Certificates will be made on each Interest Payment Date by check of the Trustee sent by first-class mail, postage prepaid, or by

wire transfer to any Owner of \$1,000,000 or more of Certificates to the account in the United States of America specified by such Owner in a written request delivered to the Trustee on or prior to the Regular Record Date for such Interest Payment Date, to the Owner thereof on the Regular Record Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Certificate is registered at the close of business on a special record date fixed therefor by the Trustee which shall not be more than 15 days and not less than 10 days prior to the date of the proposed payment of defaulted interest. Payment of the principal of the Certificates upon prepayment or upon the Certificate Payment Date will be made upon presentation and surrender of such Certificates at the Principal Office of the Trustee.

Interest evidenced and represented by each Certificate shall accrue from the Interest Payment Date next preceding the date of execution and delivery thereof, unless (i) it is executed after a Regular Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest represented thereby shall be payable from such Interest Payment Date; or (ii) it is executed prior to the close of business on the first Regular Record Date, in which event interest represented thereby shall be payable from the Closing Date; provided, however, that if at the time of execution of any Certificate interest represented thereby is in default, such interest shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from the Closing Date.

ARTICLE IV

FUNDS AND ACCOUNTS

Section 4.01 Application of Sale Proceeds of the 201_ Certificates. Upon payment for the 201_ Certificates, when the same shall be sold to the original purchaser thereof, an amount of proceeds from such sale equal to \$[_____] shall be delivered to the Trustee and deposited by the Trustee as follows:

- (1) The Trustee shall deposit into the Costs of Issuance Fund the sum of \$[_____].
- (2) The Trustee shall deposit into the 201_ Reserve Account in the Reserve Fund the sum of \$[_____], representing the Reserve Requirement applicable to the 201_ Certificates as of the Closing Date.
- (3) [The Trustee shall deposit into the Base Rental Fund the sum of \$[_____], representing capitalized interest with respect to the Certificates.]
- (4) The Trustee shall deposit into the Project Fund the remainder of said proceeds, being \$[_____].

Section 4.02 Establishment and Application of Costs of Issuance Fund. There is hereby established in trust a special fund designated as the "Costs of Issuance Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such fund as provided in this Article IV.

There shall be deposited in the Costs of Issuance Fund that portion of the proceeds of the Certificates required to be deposited therein pursuant to Section 4.01(1) hereof. The Trustee shall disburse money from the Costs of Issuance Fund on such dates and in such amounts as are necessary to pay Costs of Issuance, in each case, promptly after receipt of, and in accordance with, a Written Request of a City Representative in the form attached hereto as Exhibit B. Any amounts remaining in the Costs of Issuance Fund on the earlier of the date on which a City Representative has notified the Trustee in writing that all Costs of Issuance have been paid or the date twelve months from the Closing Date shall be transferred by the Trustee to the Base Rental Fund, provided that such transfer has been approved in writing by a City Representative, and the Cost of Issuance Fund shall then be closed.

Section 4.03 Establishment and Application of Project Fund. There is hereby established in trust a special fund designated as the "Project Fund," which fund shall be deemed held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such fund as provided in this Article IV. There shall be deposited in the Project Fund that portion of the proceeds of the Certificates required to be deposited therein pursuant to Section 4.01(4) hereof.

The Trustee shall, from time to time, disburse money from the Project Fund to pay Project Costs, as hereinafter provided, in each case promptly after receipt of, and in accordance with, a Written Request of the City in the form attached hereto as Exhibit C. Each officer of the City required to execute such Written Request shall have full authority to execute such Written Request without any further approval of the Board of Supervisors of the City.

In making such payments, the Trustee may rely upon the representations made in the requisition of the City therefor in the form set forth in Exhibit C. If for any reason the City should decide prior to the payment of any item in said requisition not to pay such item, then it shall give written notice of such decision to the Trustee and thereupon the Trustee shall not make such payment, and the Trustee shall have no liability to the City or the designated payee as a result of such nonpayment. In no event shall the Trustee be responsible for the adequacy or the performance of any construction and similar contracts relating to the Project or for the use or application of money properly disbursed pursuant to requests made under this Section 4.03.

If, after payment by the Trustee of all requisitions theretofore tendered to the Trustee under the provisions of this Section 4.03, and delivery to the Trustee of a Written Certificate of the City to the effect that all Project Costs have been paid and that the Project has been substantially completed in the form of Exhibit D hereto, there shall remain any balance of money in the Project Fund, all money so remaining shall be transferred as directed by the City after consultation with Note Counsel.

Notwithstanding any other provision of this Trust Agreement, including in particular, Section 4.16, the City may, in its sole discretion and at any time, direct the Trustee to transfer moneys on deposit in the Project Fund representing investment earnings on amounts therein to the Base Rental Fund if the City determines, in its sole discretion that such moneys will not be needed for the improvement of the Project. The Trustee shall make such transfer upon the receipt of a request executed by a City Representative directing it to make such transfer.

Section 4.04 Establishment and Application of Base Rental Fund.

(a) Base Rental Fund. There is hereby established in trust a special fund designated as the "Base Rental Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such fund as provided in this Article IV. The Base Rental Fund shall be maintained by the Trustee until all required Base Rental is paid in full pursuant to the terms of the Project Lease, or until such earlier date as there are no Certificates Outstanding. The Trustee shall deposit in the Base Rental Fund (i) all Base Rental payments, (ii) all amounts, if any, required to be deposited in the Base Rental Fund pursuant to Section 3 of the Project Lease, (iii) all investment earnings required to be deposited therein pursuant to the provisions of this Trust Agreement, (iv) all amounts required to be deposited pursuant to paragraph (b) below and (v) that portion of the proceeds of the Certificates required to be deposited therein pursuant to Section 4.01(3) hereof.

Moneys from the proceeds of the 201_ Certificates deposited in the Base Rental Fund and earnings thereon shall be credited as amounts due in respect of the interest components of Base Rental from the City (allocable to the 201_ Certificates) on the following dates in the following amounts:

<u>Date</u>	<u>Amount</u>
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Any additional amounts in the Base Rental Fund shall also be credited to the Base Rental until expended.

Payments of Base Rental received by the Trustee under the Project Lease shall be net of amounts in the Reserve Fund in excess of the Reserve Requirement on each succeeding Interest Payment Date and net of amounts on deposit in the Base Rental Fund that are available for the payment of interest and principal with respect to the Certificates. These amounts shall be deposited into the Base Rental Fund, as appropriate, based upon Exhibit B of the Project Lease, as adjusted pursuant to the terms thereof.

Moneys held in the Base Rental Fund, other than as provided in paragraph (b) below, shall be applied by the Trustee to the payment of (i) interest due and payable with respect to the Certificates on each Interest Payment Date and (ii) principal or Sinking Account Installment, if any, due and payable with respect to the Certificates on each Interest Payment Date. In the event insufficient amounts are available in the Base Rental Fund or otherwise to pay interest and principal represented by the Certificates when due, available amounts shall be allocated proportionately among the Certificates based on the amount of interest and principal then due with respect to each Certificate.

(b) Prepayment. Any net proceeds of insurance or awards in respect of a taking under the power of eminent domain not required to be used for repair or replacement of the Project or Leased Property, as applicable, and, under the terms of Section 4.09 or Section 4.10 of this Trust Agreement, required to be deposited into the Base Rental Fund, any amounts required to be transferred to the Base Rental Fund pursuant to this Section 4.05, and any other amounts

provided for the prepayment of Certificates in accordance with Section 5.01(a) hereof, shall be deposited by the Trustee in the Base Rental Fund. The Trustee shall, on the scheduled prepayment date withdraw from the Base Rental Fund and pay to the Owners entitled thereto an amount equal to the prepayment price of the Certificates to be prepaid on such date.

(c) Delinquent and Surplus Base Rental Payments. All delinquent Base Rental payments received pursuant to the Project Lease and any proceeds of rental interruption insurance received by the Trustee shall be deposited into the Base Rental Fund. All proceeds of rental interruption insurance and delinquent Base Rental payments so received shall be applied first to the payment of overdue installments of interest, then to the payment of overdue installments of principal and then to make up any deficiency in the Reserve Fund (proportionately among any Reserve Accounts in the Reserve Fund). Commencing [____], any amounts remaining in the Base Rental Fund on each Interest Payment Date which are not required for the payment of principal or interest with respect to the Certificates on such Interest Payment Date shall be, first, transferred as directed in writing by a City Representative to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement and, second, retained in such Fund unless the City otherwise directs, in writing, that such amount be remitted to the City (except that any remaining money representing delinquent Base Rental payments and any proceeds of rental interruption insurance shall remain on deposit in the Base Rental Fund until expended).

Section 4.05 Establishment and Application of Reserve Fund.

(a) There is hereby established in trust a special fund designated as the "Reserve Fund," together with such accounts therein as the City may request the Trustee to establish, which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such fund as provided in this Article IV. There shall be initially deposited into the Reserve Fund the amount required to be deposited therein pursuant to Section 4.01(2) hereof.

(b) The Reserve Fund shall be maintained by the Trustee until the Base Rental is paid in full pursuant to the Project Lease or until there are no longer any Certificates Outstanding; provided, however, that the final Base Rental payment may, at the City's option, be paid from the Reserve Fund.

A Credit Facility in the amount of the Reserve Requirement may be substituted for all or a portion of the funds held by the Trustee in the Reserve Fund by the City at any time, provided that with respect to any such substitution (i) such substitution shall not result in the reduction or withdrawal of any ratings by any Rating Agency with respect to the Certificates at the time of such substitution (and the City shall notify each Rating Agency prior to making any such substitution), and (ii) the Trustee shall receive prior to any such substitution becoming effective an opinion of Independent Counsel stating that such substitution will not, by itself, adversely affect the exclusion from gross income for federal income tax purposes of interest components of the Base Rental evidenced and represented by the Certificates. If the Credit Facility is a surety bond or insurance policy such Credit Facility shall be for the term of the Certificates. Amounts on deposit in the Reserve Fund for which a Credit Facility has been substituted shall be transferred as directed in writing by a City Representative.

(c) If on any Interest Payment Date the amounts on deposit in the Base Rental Fund are less than the principal and interest payments due with respect to the Certificates on such date, the Trustee shall transfer from the Reserve Fund for credit to the Base Rental Fund an amount sufficient to make up such deficiency (provided that if the amounts on deposit in a Reserve Account within the Reserve Fund are restricted to a series of Certificates, then such amounts shall only be available for such series of Certificates). In the event of any such transfer, the Trustee shall immediately provide written notice to the City of the amount and the date of such transfer.

(d) For purposes of determining the amount on deposit at any time in the Reserve Fund, the Trustee shall value all Permitted Investments on or before each [Payment Date 1] and [Payment Date 2] at the higher of cost or market value. In making any such valuations hereunder, the Trustee may utilize and rely upon securities pricing services that may be available to it, including those within its regular accounting system. Any moneys in the Reserve Fund in excess of the Reserve Requirement on each [Payment Date 1] and [Payment Date 2], commencing [First IPD], and at such other time or times as directed by the City in a written order signed by a City Representative and delivered to the Trustee, shall be transferred to the Base Rental Fund and applied to the payment of the principal of and interest with respect to the Certificates on the next succeeding Interest Payment Date therefor, or transferred to such other fund as may be designated in such written order.

(e) The Reserve Fund may secure Additional Certificates on a parity basis or, alternatively, a separate account in the Reserve Fund may be established for one or more series of Additional Certificates.

(f) The 201_ Reserve Account is hereby established in connection with the 201_ Certificates. The 201_ Reserve Account shall only be available to support payments with respect to the 201_ Certificates.

Section 4.06 Surplus. After (a) (i) payment or prepayment or provision for payment or prepayment of all amounts due with respect to the Certificates and payment of all fees and expenses to the Trustee, or (ii) defeasance of the Certificates pursuant to Section 11.01(a)(ii) or (iii) hereof, and (b) the transfer of any additional amounts required to be deposited into the Rebate Fund pursuant to a Written Request from a City Representative in accordance with the Tax Certificate, any amounts remaining in any of the funds, accounts or subaccounts established hereunder (except for the Rebate Fund) and not required for such purposes shall after payment of any amounts due to the Trustee as evidenced by a Written Certificate of a City Representative, be remitted to the City and used for any lawful purpose thereof; provided, however, that in the event of defeasance, amounts shall not be remitted to the City until the City has delivered or caused to be delivered an opinion of Independent Counsel to the effect that remission of such amounts to the City shall not affect the exclusion from gross income for federal income tax purposes of interest with respect to the Certificates. Investment Earnings on amounts on deposit in all funds, accounts or subaccounts established hereunder shall be applied as provided in Section 4.16 hereof.

Section 4.07 Additional Rental. In the event the Trustee receives Additional Rental pursuant to the Project Lease, the Trustee shall establish a separate fund for such Additional

Rental and deposit any such amounts therein and such Additional Rental shall be applied by the Trustee solely to the payment of any costs in respect of which such Additional Rental was received, and shall not be commingled in any way with any other funds received by the Trustee pursuant to the Project Lease or this Trust Agreement. Notwithstanding the foregoing, to the extent such Additional Rental was for deposit into the Rebate Fund, such amounts shall be deposited into such fund.

Section 4.08 Repair or Replacement.

(a) Application of Insurance Proceeds. If the Leased Property or any portion thereof shall be damaged or destroyed, the City shall make an election either to prepay Certificates or to repair or replace the Leased Property or affected portion thereof in accordance with the provisions of the Project Lease. Notwithstanding the provisions of the Project Lease, a City Representative shall, within 180 days of the occurrence of the event of damage or destruction (unless such time period is extended at the option of the City), notify the Trustee in writing of its election. The proceeds of any insurance (other than any rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Leased Property or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special fund (the "Special Fund") and made available for and, to the extent necessary, shall be applied to the prepayment of Certificates in accordance with Section 5.01(b) hereof or applied to the cost of repair or replacement of the Leased Property or the affected portion thereof, in either case upon receipt of a written request of a City Representative. The Trustee may conclusively rely on any such written request. Pending such application, such proceeds may be invested by the Trustee as directed by a City Representative in Permitted Investments that mature not later than such times that such moneys are expected to be needed.

The proceeds of any insurance, including the proceeds of any self-insurance, remaining after the Leased Property or any portion thereof which was damaged or destroyed is restored to and made available to the City in substantially the same condition and fair rental value as that which existed prior to the damage or destruction or the prepayment, or provision for the prepayment, of Certificates as required in Section 5.01(b), in each case as evidenced by a certificate signed by a City Representative to such effect, shall be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Any amounts not required to be so deposited into the Reserve Fund pursuant to the preceding sentence shall, if there is first delivered to the Trustee a written certificate of the Director of Property to the effect that the annual fair rental value of the Leased Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to the maximum amount of Base Rental payments becoming due under the Project Lease in the then current Project Lease Year or any subsequent Project 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 it shall so notify the Trustee in writing, and then any excess amounts shall be transferred by the Trustee to the Base Rental Fund and used to prepay Certificates pursuant to Section 5.01(b) hereof unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

(b) Eminent Domain. If the Leased Property or any portion thereof shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) then the provisions set forth in Section 6 of the Project Lease shall apply. Notwithstanding the provisions of the Project Lease, the City shall, with the prior written consent of a City Representative, within 90 days of the conclusion of the eminent domain proceeding, notify the Trustee in writing of whether the Leased Property will be replaced or the Certificates prepaid. The proceeds of any condemnation award shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special fund and made available for and, to the extent necessary, shall be applied to prepay Certificates in accordance with Section 5.01(b) hereof or applied to the cost of replacement of the Leased Property, in either case upon receipt of a written request of a City Representative. The Trustee may conclusively rely on any such written request. Pending such application, such proceeds may be invested by the Trustee as directed by a City Representative in Permitted Investments that mature not later than such times that such moneys are expected to be needed.

The proceeds of any condemnation award remaining after the Leased Property has been replaced by property available to the City in substantially the same condition and fair rental value as that which existed prior to the eminent domain proceedings or the prepayment, or provision for the prepayment, of Certificates as required in Section 5.01(b), in each case as evidenced by a certificate signed by a City Representative to such effect, shall be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement (proportionately among any Reserve Accounts in the Reserve Fund). Any amounts not required to be so deposited into the Reserve Fund pursuant to the preceding sentence shall, if there is first delivered to the Trustee a written certificate of the Director of Property to the effect that the annual fair rental value of the Leased Property (including any replacement property) is at least equal to the maximum amount of Base Rental payments becoming due under the Project Lease in the then current Project Lease Year or any subsequent Project 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 it shall so notify the Trustee in writing, and then any excess amounts shall be transferred by the Trustee to the Base Rental Fund and used to prepay Certificates pursuant to Section 5.01(b) hereof, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

Section 4.09 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 shall 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 payable by the City under the Project Lease, upon written direction of the City such proceeds shall be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Amounts not required to be so deposited shall, 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 becoming due under the Project Lease in the then current Project Lease Year or any subsequent Project 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 shall be transferred to the Base Rental Fund and used to prepay Certificates pursuant to Section 5.01(b) hereof, 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 payable by the City under the Project Lease, then upon written direction of the City either (i) the Trustee on behalf of the City shall use the insurance proceeds to remove the title defect, or (ii) the Trustee shall, 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 Base Rental Fund, and such proceeds shall be applied to the prepayment of Certificates in the manner provided in Section 5.01(b) hereof.

(c) Any excess proceeds with respect to title insurance remaining after application pursuant to the terms of this Trust Agreement shall be paid to the City to be used for any lawful purpose.

Section 4.10 Application of Amounts After Default by City. All damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under Section 13 of the Project Lease shall be held and applied in accordance with Section 9.07 hereof.

Section 4.11 Moneys Held in Trust. The money and investments held by the Trustee hereunder are irrevocably held in trust for the purposes herein specified, and such money and investments, and any income or interest earned thereon, shall be expended only as provided herein, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of (i) the City, (ii) the Trustee, or (iii) any Owner or beneficial owner of any Certificate.

Section 4.12 Investments Authorized. Money held by the Trustee in any fund or account hereunder shall be invested by the Trustee in Permitted Investments, pending application as provided herein, solely at the Written Direction of a City Representative, shall be registered in the name of the Trustee, if registrable, for the benefit of the Owners, and shall be held by the Trustee. A City Representative shall, where applicable, direct the Trustee prior to 12:00 p.m. Pacific time on the Business Day prior to the date any Permitted Investment matures or is redeemed as to the reinvestment of the proceeds thereof. Money held in any fund, account, or subaccount hereunder may be commingled for purposes of investment only; provided, however, that each fund, account, or subaccount held by the Trustee hereunder shall be accounted for separately. If a City Representative shall fail to provide the Trustee with Written Direction with respect to any moneys subject to investment, the Trustee shall, nevertheless, invest such moneys in Permitted Investments listed in clause (a) that mature on the day prior to the next Interest Payment Date or in Permitted Investments described in clause (d) of the definition thereof, whichever yield is greater on the date of such investment; provided, however, that with respect to funds on deposit in the Reserve Fund, absent Written Direction to the Trustee, the Trustee shall, nevertheless, invest such moneys in Permitted Investments listed in clauses (a), (d) or (h), which (i) will mature on the day prior to the next Interest Payment Date; and (ii) bears the highest net yield.

The Trustee understands and acknowledges that any investments and reinvestments shall be made after giving full consideration to the time at which funds are required to be available hereunder and to the highest yield practicably obtainable giving due regard to the safety of such funds and the date upon which such funds will be required for the uses and purposes required by this Trust Agreement; provided, however, that investments purchased with funds on deposit in the Reserve Fund shall have an average aggregate weighted term to maturity not greater than five years. The Trustee may act as agent in the making or disposing of any investment. The Trustee shall not invest any moneys held hereunder in Permitted Investments offered by or through the Trustee or its affiliates unless (1) the Trustee determines such investment is consistent with the investment restrictions contained herein, (2) all fees charged are reasonable, and (3) a City Representative expressly consents in writing to the investment of the funds in the specific Permitted Investment. The foregoing consent must be received for each specific investment; blanket consents shall have no effect. All consents must be express and in writing and signed by a City Representative.

Section 4.13 Reports. The Trustee shall furnish monthly to the City a report of all investments made by the Trustee, which will contain a list of investments and the interest payment dates of such investments, and of all amounts on deposit in each fund and account maintained hereunder, and the cost and market value of such investments, provided that the Trustee shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of zero and (b) has not had any activity since the last report was delivered.

Section 4.14 Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account hereunder other than the Reserve Fund, all Permitted Investments shall be valued on or before each [Payment Date 1] and [Payment Date 2] at the greater of cost or market value. All Permitted Investments on deposit in the Reserve Fund shall be valued on or before each [Payment Date 1] and [Payment Date 2]. The Trustee may sell at the best price obtainable (the highest bid among three arm-length bids deemed to be satisfaction of such requirement), but not to itself, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide money to meet any required payment, transfer, withdrawal or disbursement from any fund or account hereunder, and the Trustee shall not be liable or responsible for any loss resulting from such investment or sale, except any loss resulting from its own negligence or misconduct.

Section 4.15 Application of Investment Earnings. The Trustee shall deposit, as and when received, all Investment Earnings on amounts on deposit in all funds, accounts and subaccounts maintained by it hereunder with respect to the Certificates as follows (i) all Investment Earnings on amounts on deposit in the Base Rental Fund and the Project Fund (subject to the fifth paragraph of Section 4.03) shall be retained therein; (ii) all Investment Earnings on amounts on deposit in the Reserve Fund shall be transferred to the Base Rental Fund, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund; (iii) all Investment Earnings on amounts on deposit in the Rebate Fund shall be retained therein; and (iv) all Investment Earnings on amounts on deposit in the Costs of Issuance Fund shall be retained therein; in each case, until such moneys are expended or such funds are closed as provided in this Trust Agreement.

Section 4.16 Establishment and Application of Rebate Fund. There is hereby established in trust a special fund designated the "Rebate Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. Amounts received by the Trustee as Additional Rental with respect to any rebate requirement as set forth in written instructions of a City Representative in accordance with the provisions of the Tax Certificate shall be deposited in the Rebate Fund. Amounts on deposit in the Rebate Fund shall only be applied to payments made to the United States of America in accordance with written instructions of a City Representative or returned to the City as directed in writing by a City Representative.

ARTICLE V

PREPAYMENT

Section 5.01 Prepayment. The 201_ Certificates shall be subject to optional and mandatory prepayment prior to their stated Certificate Payment Dates only as set forth below:

(a) Optional Prepayment. The 201_ Certificates with a Certificate Payment Date on or after [____], are subject to optional prepayment prior to their respective Certificate Payment Dates in whole or in part on any date on or after [____], at the option of the City, in the event the City exercises its option under Section 7 of the Project Lease to prepay the principal component of the Base Rental payments at a prepayment price equal to 100% of the principal component to be prepaid, plus accrued interest to the date fixed for prepayment, without premium.

In the event the City gives notice to the Trustee of its intention to exercise such option, but fails to deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, the City will continue to pay the Base Rental payments as if no such notice were given.

(b) Special Mandatory Prepayment. The Certificates are subject to mandatory prepayment prior to their respective Certificate Payment Dates in whole or in part on any date, at the Prepayment Price (plus accrued but unpaid interest to the prepayment date), without premium, from amounts deposited in the Base Rental Fund pursuant to Section 4.09 or Section 4.10 hereof following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or loss of the use or possession of the Leased Property or any portion thereof due to a title defect.

(c) Sinking Account Installment Prepayment. The 201_ Certificates with a Certificate Payment Date of [____], are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each [Payment Date 1], beginning [____], in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

Prepayment Date
([Payment Date 1])

Sinking Account
Installment Amount

The 201_ Certificates with a Certificate Payment Date of [____], are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each [Payment Date 1], beginning [____], in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

Prepayment Date
([Payment Date 1])

Sinking Account
Installment Amount

Section 5.02 Selection of Certificates for Prepayment. Whenever provision is made in this Trust Agreement for the prepayment of Certificates (other than from Sinking Account Installments) and less than all Outstanding Certificates are to be prepaid, the City shall direct the principal amount of each Certificate Payment Date to be prepaid. Within a maturity, the Trustee, with the consent of the City, shall select Certificates for prepayment by lot in any manner that the Trustee in its sole discretion deems fair and appropriate. The Trustee shall promptly notify the City in writing of the Certificates so selected for prepayment. Prepayment by lot shall be in such manner as the Trustee shall determine; provided, however, that the portion of any Certificate to be prepaid shall be in Authorized Denominations and all Certificates to remain Outstanding after any prepayment in part shall be in Authorized Denominations.

Section 5.03 Notice of Prepayment. (a) When prepayment is authorized or required pursuant to Section 5.01 hereof, the Trustee shall give notice (a "Prepayment Notice"), at the expense of the City, of the prepayment of the Certificates. Such Prepayment Notice shall specify: (i) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid, (ii) the date of prepayment, (iii) the place or places where the prepayment will be made, including the name and address of the Trustee, (iv) the prepayment price, (v) the CUSIP numbers (if any) assigned to the Certificates to be prepaid, (vi) the Certificate numbers of the Certificates to be prepaid in whole or in part and,

in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid, and (vii) the original issue date and stated Certificate Payment Date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice shall further state that on the specified date there shall become due and payable with respect to each Certificate or portion thereof being prepaid the prepayment price, together with interest represented thereby accrued but unpaid to the prepayment date, and that from and after such date, if sufficient funds are available for prepayment, interest with respect thereto shall cease to accrue and be payable.

(a) The Trustee shall take the following actions with respect to such Prepayment Notice:

(i) At least 30 but not more than 45 days prior to the prepayment date, such Prepayment Notice shall be given to the respective Owners of Certificates designated for prepayment by Electronic Notice or first-class mail, postage prepaid, at their addresses appearing on the Certificate Register; provided, however, that notice with respect to all Certificates registered in the name of the nominee shall be given in accordance with Section 2.14 of this Trust Agreement.

(ii) At least 30 but not more than 45 days prior to the prepayment date, such Prepayment Notice shall be given by (A) registered or certified mail, postage prepaid, (B) email or telephonically confirmed facsimile transmission, (C) overnight delivery service, or (D) Electronic Notice, to DTC.

(b) Neither failure to receive any Prepayment Notice nor any defect in such Prepayment Notice so given shall affect the sufficiency of the proceedings for the prepayment of such Certificates. Each check or other transfer of funds issued by the Trustee for the purpose of prepaying Certificates shall bear the CUSIP number identifying, by issue, series and maturity, the Certificates being prepaid with the proceeds of such check or other transfer.

(c) The City may direct the Trustee to provide a conditional notice of prepayment and such notice shall specify its conditional status.

Section 5.04 Partial Prepayment of Certificates. Upon the surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Certificate or Certificates of Authorized Denominations equal to the unprepaid portion of the Certificates surrendered and of the same Certificate Payment Date and interest rate. Such partial prepayment shall be valid upon payment of the amount required to be paid to such Owner, and the City and the Trustee shall be released and discharged thereupon from all liability to the extent of such payment.

Section 5.05 Effect of Notice of Prepayment. The Certificates to be prepaid shall become due and payable on the date of prepayment set forth in the Prepayment Notice.

If on such prepayment date money for the prepayment of all of the Certificates to be prepaid, together with accrued interest to such prepayment date, shall be held by the Trustee so as to be available therefor on such prepayment date, and if a prepayment notice shall have been given as provided in Section 5.03(b)(i) hereof, then from and after such prepayment date, no additional interest shall become due with respect to the Certificates to be prepaid. All money

held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners thereof.

On each prepayment date other than with respect to Sinking Account Installments, the City shall recompute the amount of Base Rental to become due in each remaining year of the Project Lease following prepayment of the Certificates to be prepaid and shall notify the Trustee and the City in writing of the amount of such Base Rental.

All Certificates paid at their Certificate Payment Date or prepaid prior to their Certificate Payment Date pursuant to the provisions of this Article V shall be canceled and destroyed by the Trustee upon surrender thereof.

Section 5.06 Certificates No Longer Outstanding. When any Certificate or portion thereof has been duly called for prepayment prior to its Certificate Payment Date under the provisions of this Trust Agreement, or with respect to which irrevocable instructions to call for prepayment prior to its Certificate Payment Date at the earliest prepayment date have been given to the Trustee, in form satisfactory to it, and sufficient money shall be held by the Trustee irrevocably in trust for the payment of the Prepayment Price of such Certificate, or portion thereof, and accrued interest represented thereby to the date fixed for prepayment, all as provided in this Trust Agreement, then such Certificate or portion thereof shall no longer be deemed Outstanding under the provisions of this Trust Agreement. If the City shall acquire any Certificate by purchase or otherwise, such Certificate shall no longer be deemed Outstanding and shall be surrendered to the Trustee for cancellation.

Section 5.07 Cancellation of Optional Prepayment. Notwithstanding any other provision of this Trust Agreement, a conditional Prepayment Notice may be provided and in the event that Certificates are subject to optional prepayment in accordance with Section 5.01(a) and the Trustee shall not have on deposit moneys sufficient to prepay the principal, plus the applicable premium, if any, represented by the Certificates proposed to be prepaid on the date fixed for prepayment, and interest with respect thereto, on or prior to such date, the prepayment shall be canceled and in each and every such case, the City, the Trustee and the Owners, as the case may be, shall be restored to their former positions and rights hereunder. Such a cancellation of a prepayment shall not constitute a default hereunder nor an event that with the passage of time or giving of notice or both shall constitute a default hereunder and the Trustee and the City shall have no liability from such cancellation. In the event of such cancellation, the Trustee shall send notice of such cancellation to the Owners in the same manner as the related notice of prepayment. Neither the failure to receive such cancellation notice nor any defect therein shall affect the sufficiency of such cancellation.

Section 5.08 Purchase of Certificates. Unless expressly provided otherwise herein, money held in the Base Rental Fund hereunder in respect of principal may be used to reimburse the City for the purchase of Certificates that would otherwise be subject to prepayment from such moneys upon the delivery of such Certificates to the Trustee for cancellation at least 10 days prior to the date on which the Trustee is required to select Certificates for prepayment. The purchase price of any Certificates purchased by the City hereunder shall not exceed the applicable prepayment price of the Certificates that would be prepaid but for the operation of this Section 5.08. Any such purchase must be completed prior to the time notice would otherwise be

required to be given to prepay the related Certificates. All Certificates so purchased shall be surrendered to the Trustee for cancellation and applied as a credit against the obligation to prepay such Certificates from such moneys.

ARTICLE VI

THE TRUSTEE

Section 6.01 Appointment of the Trustee. The City hereby appoints the Trustee to receive, deposit and disburse the Base Rental and Additional Rental, to register, execute, deliver and transfer the Certificates and to perform the other functions contained herein; all in the manner provided herein and subject to the conditions and terms hereof. By executing and delivering the Trust Agreement, the Trustee accepts the appointment hereinabove referred to and accepts the rights and obligations of the Trustee provided herein, subject to the conditions and terms hereof. In carrying out its duties hereunder, the Trustee shall use the same degree of care and skill in its exercise as a prudent person would exercise or use in the conduct of such person's own affairs.

Section 6.02 Duties and Liabilities of Trustee.

(a) Duties of Trustee Generally. The Trustee shall, prior to an Event of Default, and after the curing, or the waiving by the Owners of the Certificates as provided in Section 9.05, of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Trust Agreement. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Removal of Trustee. The City may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or any substantial portion thereof or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) Resignation of Trustee. The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the City and to the Owners. Upon receiving such notice of resignation, the City shall appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment, other than pursuant to court order.

(d) Appointment of Successor Trustee. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon the acceptance of appointment by the successor Trustee; provided, however, that under any circumstances the successor Trustee shall be qualified as provided in subsection (e) of this Section. If no qualified successor Trustee shall have been appointed and have accepted appointment within 60 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of itself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but nevertheless at the written request of a City Representative or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance, including a quitclaim deed, and further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trust and conditions herein set forth. Upon request of the successor Trustee, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the City shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to the Owners at the addresses shown on the registration books. If the City fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

(e) Trustee Qualifications. There shall at all times be a trustee hereunder, which shall be a corporation, banking association or trust company doing business and having a corporate trust office in California and (i) having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state authority or (ii) a wholly-owned subsidiary of a bank, trust company or bank holding company meeting on an aggregate basis the tests set out in clause (i) above. If such corporation, banking association, or trust company publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such corporation, banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in Section 6.02(c).

Section 6.03 Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under Section 6.02(e) to be the successor to such trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 6.04 Liability of Trustee.

(a) The Trustee shall be responsible for its representations contained in the Certificates. The Trustee shall not be responsible for the sufficiency of the Property Lease, Project Lease or of the title to or value of the Leased Property. The Trustee shall be under no responsibility or duty with respect to: (i) the execution and delivery of the Certificates for value; or (ii) the application of the proceeds thereof except to the extent that such proceeds are received and held by it in its capacity as Trustee. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence, willful misconduct, or breach of an obligation hereunder. The Trustee may buy, sell, own, hold and deal in any of the Certificates and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party hereto.

(b) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Trust Agreement.

(c) The Trustee is authorized and directed, in its capacity as Trustee hereunder, to execute the Property Lease and the Project Lease.

(d) Except with respect to Events of Default specified in Section 9.01(a) hereof, Trustee shall not be deemed to have knowledge of any Event of Default unless and until the Trustee shall have actual knowledge thereof or the Trustee shall have received written notice thereof at the Corporate Trust Office.

(e) The Trustee (i) may execute any of the trusts or powers set forth herein and perform the duties required of it hereunder by or through attorneys, agents, or receivers and (ii) shall be entitled to the advice of counsel and to rely conclusively on such advice.

(f) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, director or employee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(g) No provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers.

(h) The Trustee shall have no responsibility, opinion or liability with respect to any information, statement or recital found in any official statement or other disclosure material, prepared or distributed with respect to the execution and delivery of the Certificates, except for information provided by the Trustee.

(i) Every provision of the Project Lease and Property Lease relating to the conduct or liability of the Trustee shall be subject to the provisions of the Trust Agreement, including without limitation, this Article.

(j) In acting as Trustee hereunder and under the Property Lease and the Project Lease, the Trustee acts solely in its capacity as Trustee hereunder and not in its individual or personal capacity, and all persons, including without limitation the Owners and the City, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee hereunder for payment, except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual or personal capacity for the obligations evidenced by the Certificates.

(k) Before taking any action under Article IX hereof or upon the direction of the Owners, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorney and advisors, and protect it against all liability it may incur.

(l) Notwithstanding anything to the contrary herein, the Trustee shall not be required to enter or take possession of, or take any other action whatsoever with respect to the Leased Property or the Site unless it shall be satisfied that it will not be subject to liability for the existence of, or contamination by environmentally hazardous substances of any kind whatsoever or other discharges, emissions or release thereof with respect to the Leased Property or the Site.

Section 6.05 Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject to inspection, during business hours and upon reasonable notice, of the City, the Owners and their agents and representatives duly authorized in writing.

Section 6.06 Compensation of the Trustee. The City shall from time to time, subject to any agreement then in effect with the Trustee, pay the Trustee compensation for its services and reimburse the Trustee for all its advances and expenditures hereunder, including but not limited to advances to and fees and expenses of accountants, agents, appraisers, consultants, counsel or other experts employed by it in the exercise and performance of its rights and obligations hereunder. All fees, charges, and rates that the Trustee may charge as Trustee hereunder are attached hereto as Exhibit D. So long as any Certificate remains Outstanding, the Trustee shall not increase any of the fees and charges on Exhibit D without the prior written consent of a City Representative.

Section 6.07 Creation of the Project Trust; Assignment; Acceptance. There is hereby created by the City, as trustor, a trust named the "Moscone Expansion Project Trust" for the benefit of the holders from time to time of the Certificates. The Trustee is hereby appointed to act as trustee with respect to the Trust (the "Project Trustee"). The purpose of the Trust will be

to (a) act as lessee under the Property Lease, (b) to act as sublessor under the Project Lease, and (c) to assign certain of its rights and interests under the Property Lease and the Project Lease to the Trustee for the benefit of the holders from time to time of the Certificates. The assets of the Trust shall consist of all right, title and interest of the Trust in, to and under the Property Lease and the Project Lease and the proceeds thereof. The City, as trustor, and the Project Trustee, as trustee of the Trust, acknowledge and agree that the arrangement created by this Section 6.07 is intended to and shall constitute a grantor trust for federal income tax purposes. Neither the City, as trustor nor the Project Trustee, as trustee, shall pledge, assign, place a lien on, or grant a security interest in the Project Trust or the assets therein other than as provided in the Property Lease, the Project Lease and this Trust Agreement. The Trust established by this Section 6.07 shall terminate when no Certificates remain Outstanding under this Trust Agreement.

The Project Trustee, as trustee of the Project Trust, for the sum of one dollar and other good and valuable consideration, the receipt of which is acknowledged, unconditionally grants, transfers, and assigns to the Certificates Trustee, without recourse, all of its rights, title, and interest under the Property Lease and the Project Lease, including without limitation the following: (i) all of its rights to receive the Base Rental payments scheduled to be paid by the City under and pursuant to the Project Lease, (ii) all rents, profits, products, and proceeds from the Leased Property to which the Project Trustee, as trustee of the Project Trust, has any right or claim under the Property Lease or the Project Lease, other than Additional Rental not payable to the Project Trustee, as trustee of the Project Trust, (iii) the right to take all actions and give all consents under the Property Lease and the Project Lease, (iv) any rights of access provided in the Property Lease and the Project Lease, and (v) any and all other rights and remedies of the Project Trustee, as trustee of the Project Trust, in the Property Lease as lessee and the Project Lease as lessor.

The Certificates Trustee accepts the foregoing assignment for the benefit of the Owners of the Certificates, subject to the conditions and terms of this Trust Agreement, and all such rights and obligations so assigned shall be exercised by the Certificates Trustee as provided in this Trust Agreement.

ARTICLE VII

AMENDMENTS

Section 7.01 Amendments to Trust Agreement. This Trust Agreement may be amended in writing by agreement between the parties, but no such amendment shall become effective as to the Owners unless and until approved in writing by the Owners of a majority in aggregate principal amount of Certificates then Outstanding. Notwithstanding the foregoing, this Trust Agreement and the rights and obligations provided hereby may also be modified or amended at any time without the consent of any Owners upon the written agreement of a City Representative and the Trustee, but only (a) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in this Trust Agreement, (b) in regard to questions arising under this Trust Agreement which the City and the Trustee may deem necessary or desirable and not inconsistent with this Trust Agreement and which shall not materially adversely affect the interests of the Owners of the Certificates then Outstanding, (c) to preserve and maintain the exclusion from gross income for

federal income tax purposes of interest with respect to the Certificates, (d) to qualify this Trust Agreement under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal law from time to time in effect, (e) to execute and deliver Additional Certificates in accordance with Section 7.04 hereof, or (f) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Certificates then Outstanding; provided that the City and the Trustee may rely, in entering into any such amendment or modification hereof, upon the opinion of Independent Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment shall impair the right of any Owner to receive principal and interest with respect to his or her Certificate without the consent of the affected Owner. No such amendment or supplement shall (1) extend the payment date of any Certificate or reduce the rate of interest with respect thereto or extend the time of payment of such interest or reduce the amount of principal represented thereby without the prior written consent of the Owner of the Certificate so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment hereof or any supplement hereto, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) amend this Section 7.01, without the prior written consent of the Owners of all Certificates then Outstanding.

Section 7.02 Amendments to Property Lease or Project Lease. The Property Lease or the Project Lease may be amended in writing by agreement between the parties thereto, with the written consent of the Trustee, but no such amendment shall become effective as to the Owners of the Certificates Outstanding unless and until approved in writing by the Owners of not less than a majority of the aggregate principal amount of Certificates then Outstanding. Notwithstanding the foregoing, the Property Lease, the Project Lease and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners, upon the written agreement between the respective parties thereto, but only (a) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Property Lease or the Project Lease, (b) in regard to questions arising under the Property Lease or the Project Lease, which the City and the Trustee deem necessary or desirable and not inconsistent with the terms thereof and which shall not materially adversely affect the interests of the Owners of the Certificates then Outstanding, (c) to modify or amend the description of the Leased Property to release from the Property Lease or the Project Lease any portion thereof or to add or substitute other property and/or improvements for the Leased Property or any portion thereof in accordance with Section 16 of the Project Lease, (d) to execute and deliver Additional Certificates in accordance with Section 7.04 hereof, or (e) for any other reason, provided such modification or amendment does not materially adversely affect the interests of the affected Owners; provided that the City and the Trustee may request and rely, in entering into any such amendment or modification thereof or giving its consent thereto, upon the opinion of Independent Counsel (which opinion may rely upon the certificates or opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification.

Notwithstanding anything herein to the contrary, no amendment to the Property Lease or the Project Lease for the purpose of adding, substituting or releasing property and/or

improvements as set forth in clause (c) above shall be effective unless and until the City shall have satisfied the requirements set forth in Section 16 of the Project Lease.

Section 7.03 Consent of Owners. If the City should desire to obtain any consent in writing of Owners, the governing body of the City may, by resolution, propose the amendment to which consent is desired. A copy of such resolution, together with a request to Owners for their consent to the amendment proposed to therein, shall be mailed by first-class mail, postage paid, to each Owner at such Owner's address as it appears on the Certificate Register.

The lack of actual receipt by any Owner of such resolution and request for consent and any defects in such resolution and request for consent shall not affect the validity of the proceedings for the obtaining of such consent.

Any such written consent shall be binding upon the Owner giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or by the subsequent Owner. To be effective, any revocation of consent must be filed at the address provided in the request for consent before the adoption of the resolution accepting consents as hereinafter provided.

After the Owners of at least a majority of the aggregate principal amount of the Certificates then Outstanding shall have consented in writing, the governing body of the City shall adopt a resolution accepting such consents and such resolution shall constitute complete evidence of the consent of Owners under this Section.

Notice specifying the amendment that has received the consent of Owners as required by this Section shall be sent by first-class mail, postage prepaid, not more than 60 days following the final action in the proceedings for the obtaining of such consent, to each Owner at such Owner's address as it appears on the Certificate Register. Such notice is only for the information of Owners, and failure to mail such notice or any defect therein shall not affect the validity of the proceedings theretofore taken in the obtaining of such consent.

Section 7.04 Additional Certificates. The City may, from time to time, by a supplement or amendment to this Trust Agreement, authorize one or more series of Additional Certificates, secured by Base Rental payments under the Project Lease, on a parity with the Outstanding Certificates. The Trustee shall execute and deliver the Additional Certificates of any series only upon the receipt by the Trustee of:

(a) A copy of a supplement to this Trust Agreement, in substantially the form of Exhibit F hereto, providing for such series of Additional Certificates which shall, among other provisions, specify: (i) the authorized principal amount, designation and series of such Additional Certificates, (ii) the purpose for which such Additional Certificates are to be executed and delivered, (iii) the maturity date or dates of such Additional Certificates, (iv) the interest payment dates for and the interest rate or rates payable with respect to the Additional Certificates of such series, (v) the denominations of and the manner of dating and numbering such Additional Certificates, (vi) the prepayment provisions and prepayment dates and prices and any defeasance provisions for such Additional Certificates, (vii) the form of such Additional Certificates, (viii) the establishment of and provisions concerning additional accounts and subaccounts in the

funds and accounts held by the Trustee under this Trust Agreement to provide for the payment of principal of, premium, if any, and interest with respect to such Additional Certificates, (ix) the Reserve Requirement immediately following the issuance of such Additional Certificates, and (x) the establishment of and provisions concerning such other funds, accounts and subaccounts as the City shall deem necessary or desirable for such Additional Certificates, including, without limitation, construction and acquisition funds, accounts or subaccounts.

(b) A duly executed copy of amendments to the Project Lease and Property Lease such that (i) the Base Rental payable thereunder, as amended, is sufficient to pay all principal of and interest with respect to the Outstanding Certificates and such Additional Certificates and that the Base Rental payable thereunder is not in excess of the fair rental value of the Leased Property, and (ii) the insurance provisions of the Project Lease shall provide adequate coverage for any new Leased Property. Satisfaction of the requirements set forth in clauses (i) and (ii) of the preceding sentence shall be evidenced by a written certificate of a City Representative. If appropriate, such amendment may contain any modifications necessary to include additional real property, buildings or improvements in the Leased Property in connection with the issuance of such Additional Certificates.

(c) Evidence that any amendments to any Property Lease or Project Lease or executed in connection with such Additional Certificates have been duly recorded in the official records of the recorder of the City.

(d) An opinion or opinions of Independent Counsel substantially to the effect that (i) the supplement or amendment to this Trust Agreement and any amendments to the Project Lease and Property Lease executed in connection therewith are authorized or permitted by the Constitution and laws of the State and this Trust Agreement and have been duly and validly authorized, executed and delivered by the City, as appropriate, and constitute the valid and binding obligations of the City, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and subject to such other exceptions as are acceptable to the Trustee, and (ii) the execution and delivery of such Additional Certificates will not adversely affect the exclusion for federal or State income tax purposes of interest with respect to the Certificates or any Additional Certificates previously executed and delivered on a tax-exempt basis.

ARTICLE VIII

COVENANTS

Section 8.01 City to Perform Property Lease and Project Lease. The City covenants and agrees with the Owners to perform all obligations and duties imposed on it under the Property Lease and the Project Lease.

Section 8.02 Compliance with Trust Agreement. The Trustee will not execute or deliver any Certificates in any manner other than in accordance with the provisions hereof, and the City will not suffer or permit any default by it to occur hereunder, but will faithfully comply

with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by it.

Section 8.03 Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, deposit and disbursement of the Base Rental, and such accounting records shall be available for inspection by the City or any Owner or his agent duly authorized in writing with prior notice at reasonable hours and under reasonable conditions.

Section 8.04 Access to Books and Records. The Trustee shall, upon reasonable notice to the City and during regular business hours, have access to those books and records of the City that may be reasonably required by the Trustee to fulfill its duties and obligations hereunder.

Section 8.05 General. The City certifies, declares, recites and warrants that upon the date of execution and delivery of any of the Certificates, all conditions, acts and things required by law and this Trust Agreement to exist, to have happened and to have been performed precedent to the execution and delivery of the Project Lease do exist, have happened and have been performed in due time, form and manner as may be required by law, and that the City is now duly authorized to execute and deliver the Project Lease and the Certificates upon execution and delivery by the Trustee shall be entitled to the benefit, protection and security of the provisions of this Trust Agreement and shall comply in all respects with the applicable laws of the State.

Section 8.06 Tax Matters.

(a) General. The City hereby covenants with the holders of the Certificates that, notwithstanding any other provisions of this Trust Agreement, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Certificates under Section 103 of the Code.

(b) Use of Proceeds. The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Certificates to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the Certificates or any of the property financed or refinanced with proceeds of the Certificates, or any portion thereof, or any other funds of the City, that would cause the Certificates to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Certificates are outstanding, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code (or, if applicable, the 1954 Code) and the continued qualification of the Certificates as "governmental bonds."

(c) Arbitrage. The City shall not, directly or indirectly, use or permit the use of any proceeds of any Certificates, or of any property financed or refinanced thereby, or other funds of

the City, or take or omit to take any action, that would cause the Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Certificates.

(d) Federal Guarantee. The City shall not make any use of the proceeds of the Certificates or any other funds of the City, or take or omit to take any other action, that would cause the Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants of this Section 8.06, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Certificates.

Section 8.07 Performance. The City shall faithfully observe all covenants and other provisions contained in the Financing Documents to which it is a party.

Section 8.08 Prosecution and Defense of Suits. The City shall promptly take such action as may be necessary to cure any defect in the title to the Leased Property or any part thereof, whether now existing or hereafter occurring, and shall prosecute and defend all such suits, actions and all other proceedings as may be appropriate for such purpose.

Section 8.09 Further Assurances. The City will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement, and for the better assuring and confirming to the Owners the rights and benefits provided herein.

Section 8.10 Continuing Disclosure. The City has covenanted under the Project Lease that it will comply with the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; 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 of at least 25% aggregate principal amount of Outstanding Certificates, shall) or any Certificateholder 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.

ARTICLE IX

EVENTS OF DEFAULT

Section 9.01 Events of Default. Any one or more of the following events are an "Event of Default" hereunder:

- (a) the City defaults under Section 13(a)(i) of the Project Lease; or

(b) the City breaches any other provision of the Project Lease or fails to observe or perform any covenant, condition or agreement on its part to be observed or performed under this Trust Agreement, other than such failure as may constitute an Event of Default under clause (a) of this Section 9.01, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee or to the City and the Trustee by the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding; provided, that failure to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default hereunder; provided, further, however, if the failure stated in the notice cannot be corrected within such 60-day period, then such period will be extended so long as corrective action is instituted by the City within such period and diligently pursued until the default is corrected, but only if such extension would not materially adversely affect the interest of any Owner.

Section 9.02 Remedies on Default. Upon the occurrence and continuance of any Event of Default specified in Section 9.01(a) of this Trust Agreement, the Trustee shall proceed, or upon the occurrence and continuance of any other Event of Default hereunder, the Trustee may proceed (and upon written request of the Owners of not less than a majority of the aggregate principal amount of the Certificates then Outstanding, shall proceed) to exercise the remedies set forth in Section 13(b) of the Project Lease to the extent an Event of Default has occurred under the Project Lease.

Section 9.03 Notice of Events of Default. If an Event of Default occurs hereunder, the Trustee shall give notice, at the expense of the City of such Event of Default to the Owners. Such notice shall state that an Event of Default has occurred and shall 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. The notice provided for in this Section 9.03 shall 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.

Section 9.04 No Remedy Exclusive. No remedy conferred upon or reserved to the Trustee under this Trust Agreement is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Owners to exercise any remedy reserved to it or them, it shall not be necessary to give any notice other than such notice as may be required in this Article IX or by law.

Section 9.05 Waiver; No Additional Waiver Implied by One Waiver. The Trustee may in its discretion waive any Event of Default and its consequences and shall also do so upon the written request of the Owners of not less than a majority of the aggregate principal amount of the Certificates then Outstanding; provided, however, that no default in the payment of the principal, premium, if any, or interest with respect to any Certificate shall be waived unless prior to such waiver, all arrears of such payments have been made and all fees and expenses of the Trustee have been paid. In case of any such waiver, the Trustee, the City and the Owners shall be restored to their former positions and rights hereunder, respectively, but such waiver shall be

limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.06 Action by Owners. In the event the Trustee fails to take any action to eliminate an Event of Default hereunder, the Owners of not less than a majority of the aggregate principal amount of the Certificates then Outstanding may institute suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under this Trust Agreement, but only if such Owners shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or herein or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

Notwithstanding any other provision in this Trust Agreement, the right of any Owner to receive principal and interest in accordance with the terms of his or her Certificate or to institute suit for the enforcement of any such payment on or after such payments become due shall not be impaired or affected without the consent of such Owner.

Section 9.07 Application of Proceeds in Event of Default. Except to the extent necessary to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys' fees and expenses) and to pay all principal of and interest then due and unpaid with respect to all Outstanding Certificates, all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under this Trust Agreement or Section 13(b) of the Project Lease shall be deposited by the Trustee into the Base Rental Fund and used first to pay interest with respect to the Certificates and then to pay the principal with respect to the Certificates. If the amount deposited into the Base Rental Fund is not sufficient to pay all overdue interest payments, the amounts deposited shall be distributed pro rata to Owners on the basis of the amount of interest due and unpaid to such Owners. If the amount deposited into the Base Rental Fund is not sufficient to pay all overdue payments of principal, the amounts deposited shall be distributed pro rata to Owners on the basis of the amount of principal due and unpaid to such Owners.

To the extent not required to be deposited into the Base Rental Fund pursuant to the immediately preceding paragraph, all damages or other payments received by the Trustee from the enforcement of any rights and powers under this Trust Agreement shall be applied as follows in the order of priority indicated: (i) deposited into the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement; and (ii) any remaining amounts shall be deposited into and retained in the Base Rental Fund for application to the payments due with respect to the Certificates on the next succeeding payment dates thereof.

ARTICLE X

LIMITATION OF LIABILITY

Section 10.01 No Liability of City for Trustee Performance. The City shall not have any obligation or liability to the Owners with respect to the performance by the Trustee of any duty imposed upon it hereunder, including the distribution by the Trustee of principal and interest to the Owners.

Section 10.02 No Liability of Trustee for Payment to Owners. The Trustee shall have no obligation or liability to the Owners with respect to the payment of principal, premium, if any or interest with respect to the Certificates when due, other than from moneys available to it under this Trust Agreement, or with respect to the performance by the City of any covenant made by it in this Trust Agreement.

Section 10.03 No Liability of City Except as Stated. Except for the performance by the City of its obligations and duties as set forth in the Project Lease and this Trust Agreement, the City shall have no obligation or liability to the Trustee or the Owners.

Section 10.04 Limited Liability of Trustee. The Trustee shall have no obligation or responsibility for providing information to the Owners concerning the investment quality of the Certificates, for the sufficiency or collection of any Base Rental or for the actions or representations of the City. The Trustee shall have no obligation or liability to the City or to the Owners with respect to the failure or refusal of the City to perform any covenant or agreement made by it under this Trust Agreement, but shall be responsible solely for the performance of the duties expressly imposed upon it hereunder. The recitals of facts, covenants and agreements contained herein and in the Certificates shall be taken as statements, covenants and agreements of the City, and the Trustee assumes no responsibility of the correctness of the same and makes no representation as to the validity or sufficiency of this Trust Agreement, the Project Lease or the Certificates, or as to the value of or title to the Leased Property, and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations expressly assigned to or imposed upon it.

Section 10.05 Limitations of Rights. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the City, the Trustee and the Owners any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision hereof and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the City, the Trustee and such Owners.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Defeasance. (a) If all Certificates shall be paid and discharged as provided in this Section, then all obligations of the Trustee and the City under this Trust Agreement with respect to all Certificates shall cease and terminate, except only (i) the obligation of the Trustee

to pay or cause to be paid to the Owners thereof all sums due with respect to the Certificates and to register, transfer and exchange Certificates pursuant to Sections 2.05 and 2.06 hereof, (ii) the obligation of the City to pay the amounts owing to the Trustee under Section 6.06, and (iii) the obligation of the City to comply with Section 4.17 and Section 8.06 hereof. Any funds held by the Trustee at the time of such termination which are not required for payment to Owners, or for payment to be made to the Trustee by the City, shall be paid to the City to the extent of any amounts owed to it as evidenced by a certificate of a City Representative and any excess shall be paid to the City.

Any Certificate or portion thereof in an Authorized Denomination shall be deemed no longer Outstanding under this Trust Agreement if paid or discharged in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal and interest with respect to such Certificates which have become due and payable;

(ii) by depositing with the Trustee, in trust, cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations) which, together with the amounts then on deposit in the Base Rental Fund and the Reserve Fund and dedicated to this purpose is fully sufficient to pay when due all principal of, premium, if any, and interest due with respect thereto; or

(iii) by depositing with the Trustee, in trust, Defeasance Securities in such amount as in the written report of a certified public accountant or other financial consultant will, together with the interest to accrue on such Defeasance Securities without the need for reinvestment, be fully sufficient to pay when due all principal, premium, if any, and interest with respect to such Certificate to the Certificate Payment Date or earlier prepayment date thereof, notwithstanding that such Certificates shall not have been surrendered for payment.

(b) Notwithstanding the foregoing, no deposit under clauses (a)(ii) or (a)(iii) above shall be deemed a payment of such Certificates until the earlier to occur of:

(i) proper notice of prepayment of such Certificate shall have been previously given in accordance with Article V hereof to the Owners thereof or, in the event such Certificate is not by its terms subject to prepayment within the next 45 days of making the deposit under clauses (ii) and (iii) of subsection (a) above, a City Representative shall have given the Trustee irrevocable written instructions to mail by first-class mail, postage prepaid, notice to the Owners of such Certificate as soon as practicable stating that the deposit required by clauses (ii) and (iii) of subsection (a) above, as applicable, has been made with the Trustee and that such Certificate is deemed to have been paid and further stating such prepayment date or dates upon which money will be available for the payment of the principal and accrued interest thereon; or

(ii) the Certificate Payment Date of such Certificates.

(c) Any funds held by the Trustee at the time of the first to occur of the events described above with respect to all Certificates, which are not required for payment to Owners, or for payment to be made to the Trustee by the City, shall be paid to the City to the extent of any amounts owed to it as evidenced by a certificate of a City Representative.

Section 11.02 Records. Until six years following the full payment of principal and interest due with respect to the Certificates, the Trustee shall keep complete and accurate records of all money received and disbursed by it under this Trust Agreement, which records shall be available for inspection by the City and by any Owner, or the agent of either of them, at any time during regular business hours and upon reasonable prior written notice.

Section 11.03 Notices. All notices under this Trust Agreement by any party shall be in writing (unless otherwise specified herein) and shall be sufficiently given and served upon the parties named below if delivered by hand directly to the offices named below or sent by United States first-class mail, postage prepaid, and addressed as follows:

if to the City: City and County of San Francisco
City Hall, 1 Dr. Carlton B. Goodlett Place,
Room 316
San Francisco, California 94102
Attention: City Controller

with copies to: City and County of San Francisco
City Hall, 1 Dr. Carlton B. Goodlett Place
Room 336
San Francisco, California 94102
Attention: Director of Public Finance

Office of the City Attorney
City Hall, 1 Dr. Carlton B. Goodlett Place
Room 234
San Francisco, California 94102
Attention: Special Projects/Finance Team

if to the Trustee: [Trustee]

if to any Owner, to his or her address as indicated on the Certificate Register; or to such other address or addresses as any such person shall have designated to the others by notice given in accordance with the provisions of this Section.

Section 11.04 Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 11.05 Partial Invalidity. Any provision of this Trust Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Trust Agreement.

Section 11.06 Binding Effect; Successors. This Trust Agreement shall be binding upon and shall inure to the benefit of the parties hereto and the Owners and their respective successors. Whenever in this Trust Agreement any party is named or referred to, such reference shall be deemed to include such party's successors, and all covenants and agreements contained in this Trust Agreement by or on behalf of any party hereto shall bind and inure to the benefit of such party's successors whether so expressed or not.

Section 11.07 Destruction of Canceled Certificates. Whenever in this Trust Agreement provision is made for the surrender to or cancellation of Certificates by the Trustee, the Trustee shall, upon such cancellation, destroy such Certificates and deliver a certificate evidencing such destruction to the City.

Section 11.08 Excess Payments. Notwithstanding anything to the contrary contained herein, if for any reason, including but not limited to damage, destruction, condemnation or disposition of the Leased Property, the City or the Trustee receive payments, proceeds or awards with respect to the Leased Property in excess of the amount necessary to make all of the payments required herein or amounts otherwise due to the City, or to provide in accordance with this Trust Agreement for all of such payments, such excess shall represent the City's equity interest in the Leased Property and shall be paid to the City at the written order of a City Representative.

Section 11.09 Headings. The headings or titles of the several Articles and Sections hereof, and the table of contents appended hereto, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. Unless the context requires otherwise, all references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement.

Section 11.10 Assignment. The services to be performed by the Trustee are personal in character and neither this Trust Agreement nor any duties or obligations hereunder may be assigned or delegated by the Trustee unless first approved by the City by written instrument executed and approved in the same manner as this Trust Agreement.

Section 11.11 City Contracting Provisions. The Trustee covenants and agrees to comply with the provisions set forth in Exhibit G to this Trust Agreement, which is incorporated in and made a part of this Trust Agreement by this reference.

Section 11.12 Execution in Several Counterparts. This Trust Agreement 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 City and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Trust Agreement as of the date first above written.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Mayor

[SEAL]

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM BY:

DENNIS J. HERRERA,
CITY ATTORNEY

By: _____
Deputy City Attorney

[ACKNOWLEDGED BY:

[TRUSTEE],
as Trustee

By: _____
Elizabeth Murray,
Managing Director of the War Memorial]

By: _____
Authorized Signatory

**EXHIBIT A
FORM OF CERTIFICATE OF PARTICIPATION**

**CERTIFICATE OF PARTICIPATION
(MOSCONE EXPANSION PROJECT),
SERIES 201_**

**Evidencing a Proportionate Interest of the
Owner Hereof in the Right to Receive
Base Rental Payments to be Made by the**

CITY AND COUNTY OF SAN FRANCISCO

Certificate Payment Date	Interest Rate	Original Certificate Date	CUSIP
-----------------------------	---------------	------------------------------	-------

REGISTERED OWNER:

PRINCIPAL AMOUNT:

THIS IS TO CERTIFY THAT the registered owner identified above or registered assigns, as the registered owner of this Certificate of Participation (the "Certificate"), is the owner of a proportionate interest in the right to receive Base Rental payments payable under a Project Lease (the "Project Lease"), dated as of [Dated Date], by and between the City and County of San Francisco (the "City"), a political subdivision of the State of California (the "State"), as lessee, and [Trustee], [a national banking association], as trustee (the "Trustee").

The registered owner of this Certificate is entitled to receive, subject to the terms of the Project Lease and unless sooner paid in full, on the Certificate Payment Date identified above, the principal amount identified above, representing a portion of the Base Rental payments designated as principal coming due on or prior to such date, and to receive on [First IPD] and on each [Payment Date 1] and [Payment Date 2] thereafter (each, a "Payment Date"), until payment in full of such principal sum, the registered owner's proportionate share of the Base Rental payments designated as interest coming due on or prior to each of such dates. Such proportionate share of the portion of the Base Rental designated as interest is the result of the multiplication of the aforesaid portion of the Base Rental designated as principal by the interest rate specified above. Such proportionate share of the portion of the Base Rental designated as interest shall be computed on the basis of a 360-day year composed of 12 months of 30 days each.

Interest with respect to this Certificate shall accrue from the Certificate Payment Date next preceding the date of execution hereof, unless (i) this Certificate is executed after the close of business on the fifteenth (15th) day of the month next preceding any Payment Date (the "Record Date") and before the close of business on the immediately following Payment Date, in which event interest shall accrue with respect hereto from such Payment Date, or (ii) this Certificate is executed on or before the Record Date immediately preceding the first Payment

Date, in which event interest with respect hereto shall accrue from its Original Certificate Date set forth above; provided, however, that if at the time of execution of this Certificate, interest with respect hereto is in default, interest with respect hereto shall accrue from the Payment Date to which interest has previously been paid or made available for payment or from its Original Certificate Date if no interest has been paid or made available for payment.

Amounts due hereunder in respect of principal and premium, if any, are payable in lawful money of the United States of America at the Principal Office of the Trustee (or any successor Trustee or paying agent). Amounts representing interest are payable by check mailed by first class mail to the owner of this Certificate at such owner's address as it appears on the registration books of the Trustee as of the Record Date, provided that the payment with respect to the Certificates to each Owner of at least \$1,000,000 aggregate principal amount of Certificates shall be made to such Owner by wire transfer to such wire address in the United States that such Owner may request in writing for all Payment Dates following the fifteenth day after the Trustee's receipt of such notice. Payments of defaulted interest, if any, with respect to this Certificate shall be paid by check to the registered owner of this Certificate as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the owner of this Certificate not less than 10 days prior thereto.

The City is authorized to enter into the Project Lease pursuant to the laws of the State. The City has entered into the Project Lease for the purpose of leasing certain facilities (the "Leased Property") in connection with the performance of the City's governmental functions.

This Certificate has been executed and delivered by the Trustee pursuant to the terms of the Trust Agreement, dated as of [Dated Date] (the "Trust Agreement"), by and between the City and the Trustee. Under the Trust Agreement the Trustee is authorized to execute and deliver the Certificates of Participation (Moscone Expansion Project), Series 201_ in the aggregate principal amount of \$[Amount]. Reference is hereby made to the Project Lease and the Trust Agreement (copies of which are on file at the aforesaid offices of the Trustee) for a description of the terms on which the Certificates are delivered, and the rights thereunder of the registered owners of the Certificates and the rights, duties and immunities of the Trustee and the rights and obligations of the City under the Project Lease, to all of the provisions of which the registered owner of this Certificate, by acceptance hereof, assents and agrees.

The obligation of the City to pay Base Rental 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. The obligation of the City to pay Base Rental does 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 City's obligation to pay Base Rental shall be abated during any period in which, by reason of material damage, destruction, condemnation, noncompletion or title defect, there is substantial interference with the City's right of use and occupancy of the Leased Property or any portion thereof. Failure of the City to pay Base Rental during any such period shall not constitute a default under the Project Lease, the Trust Agreement or this Certificate.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written

consent of the owners of a majority in aggregate principal amount of Certificates (as defined in the Trust Agreement) then outstanding. The Trust Agreement may be amended without such consent under certain circumstances provided that the interests of the owners of the Certificates are not adversely affected. No amendment shall impair the right of any owner to receive in any case such owner's proportionate share of any Base Rental payment in accordance with such owner's Certificate.

Registration of this Certificate is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the aforesaid offices of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement and upon surrender and cancellation of this Certificate. Upon such registration of transfer a new Certificate or Certificates, of authorized denomination or denominations, for the same principal amount of Certificates (as defined in the Trust Agreement) will be issued to the transferee in exchange therefor. The City and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and shall not be affected by any notice to the contrary.

The Certificates are subject to mandatory prepayment prior to Certificate Payment Date in whole or in part on any date, at the prepayment prices set forth in the Trust Agreement, without premium, (i) upon the occurrence of damage to, or destruction or condemnation of, all or a portion of the Leased Property, from the proceeds of insurance or condemnation, and (ii) in the event of a title defect which results in abatement of Base Rental, from the title insurance proceeds.

The Certificates are subject to optional prepayment and mandatory sinking account installment prepayment as provided in the Trust Agreement.

Notice of any prepayment shall be given to the respective owners of Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee as of the close of business on the day before such notice is given. The Trustee shall give notice by first-class mail, postage prepaid, at least 30 days but not more than 45 days prior to the prepayment date. Such notice shall set forth, in the case of each Certificate to be prepaid only in part, the portion of the principal thereof which is to be prepaid. Such notice may be conditional and may be canceled as provided in the Trust Agreement. Neither failure to receive such notice nor any defect in any notice so given shall affect the sufficiency of the proceedings for the prepayment of such Certificates.

If this Certificate is called for prepayment and the principal amount of this Certificate plus accrued interest due with respect hereto are duly provided therefor as specified in the Trust Agreement, then interest shall cease to accrue with respect hereto from and after the date fixed for prepayment.

The Trustee has no obligation or liability to the Certificate owners to make payments of principal or interest with respect to the Certificates, except from amounts on deposit for such purposes with the Trustee. The Trustee's sole obligations are to administer the various funds and accounts established under the Trust Agreement in accordance therewith, and, to the extent provided in the Trust Agreement, to enforce the rights of the Trustee under the Project Lease.

The Trustee has executed this Certificate solely in its capacity as Trustee under the Trust Agreement.

The recitals of fact contained herein shall be taken as those of the City and not the Trustee, and the Trustee does not warrant the accuracy of any recitals hereof.

This Certificate shall not be entitled to any benefit under the Trust Agreement or become valid for any purpose until it has been duly executed and delivered by the Trustee.

THE CITY HAS CERTIFIED, RECITED AND DECLARED that all things, conditions and acts required by the Constitution and laws of the State and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the execution and the delivery of this Certificate, do exist, have happened and have been performed in due time, form and manner, as required by law.

Unless this Certificate is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Certificate executed and delivered is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

DATE OF EXECUTION: [Closing Date]

[Trustee], as Trustee

By: _____
Authorized Signatory

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Certificate shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM_ as tenants in common

TEN ENT_ as tenants by the entireties

JT TEN_ as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT _____ Custodian _____
(Cust) (Minor)

under Uniform Gifts to Minors Act _____
(State)

**ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE LIST ABOVE**

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within-registered Certificate and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

Note: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular without alteration or enlargement or any change whatsoever.

Note: Signature(s) must be guaranteed by an eligible guarantor.

EXHIBIT B

FORM OF WRITTEN REQUEST FOR PAYMENT OF COSTS OF ISSUANCE

[Trustee]

Attention: _____

\$ _____
Certificates of Participation
(Moscone Expansion Project),
Series 201_

PAYMENT REQUEST NO. _____

Re: Disbursement from the Costs of Issuance Fund

Ladies and Gentlemen:

Pursuant to Section 4.02 of the Trust Agreement, dated as of [Dated Date] between the City and County of San Francisco and you, as Trustee (the "Trust Agreement"), you are hereby instructed to pay to the person(s) listed on Schedule 1 attached hereto the amounts shown for the purposes indicated from the Costs of Issuance Fund established under the Trust Agreement. The City hereby certifies that each item in the amount set forth on Schedule 1 is a proper charge against the Costs of Issuance Fund and that each such item has not been paid.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
City Representative

SCHEDULE 1

Payee

Purpose

Amount

EXHIBIT C

FORM OF WRITTEN REQUEST FOR PAYMENT FROM PROJECT FUND

[Letterhead of City]

[Trustee]

Attention: _____

\$ _____
Certificates of Participation
(Moscone Expansion Project),
Series 201_

DISBURSEMENT REQUEST NO.: _____

Re: Disbursements from the Project Fund

Ladies and Gentlemen:

In accordance with the terms of a Trust Agreement, by and between you and the undersigned, dated as of [Dated Date] (the "Trust Agreement"), you are hereby authorized and requested to make immediate disbursement of funds held by you in the Project Fund for Project Costs (as defined in the Trust Agreement) pursuant to Section 4.03 of the Trust Agreement.

You are hereby requested to pay from the Project Fund established by the Trust Agreement, to the person, corporation or other entity designated below as Payee, the sum set forth below such designation, in payment of all () or a portion () (designated by the insertion of an "x" in the parentheses following the correct word or phrase) of the Project Costs described below.

Payee: _____

Address: _____

Amount: _____

Description of Project Costs or portion thereof accepted by the undersigned and authorized to be paid to the Payee:

The undersigned hereby certifies that (i) no part of the amount requested herein has been included in any other request previously filed with you; (ii) to the knowledge of the undersigned, there has not been filed with or served upon the City any notice of any lien or attachment upon or claim (except for any preliminary notice of lien as may be filed in accordance with law) affecting the right of the person, corporation or other entity stated below to receive payment of the amount stated below, which lien has not been released or will not be released simultaneously with the payment requested hereunder; and (iii) the labor, services and/or materials covered hereby have been performed upon or furnished to the Leased Property and the payment requested herein is due and payable under a purchase order, contract or other authorization.

You are hereby requested to pay the sum set forth below as described above:

Amount: _____

Dated: _____, 20____.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Project Manager
Department of Public Works

By: _____
Controller

By: _____
City Representative

EXHIBIT D

FORM OF WRITTEN CERTIFICATE OF PROJECT COMPLETION

[Letterhead of City]

[Trustee]

Attention: _____

\$ _____
Certificates of Participation
(Moscone Expansion Project),
Series 201_

Re: Substantial Completion of the Project

Ladies and Gentlemen:

In accordance with the terms of a Trust Agreement, by and between you and the City and County of San Francisco, dated as of [Dated Date] (the "Trust Agreement"), you are hereby notified that all Project Costs have been paid and that the Project is substantially completed. Capitalized terms used herein shall have the meanings assigned in the Trust Agreement.

Dated: _____, 20__.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
City Representative

EXHIBIT E

SCHEDULE OF TRUSTEE'S FEES AND CHARGES

EXHIBIT F
FORM OF SUPPLEMENT TO TRUST AGREEMENT RELATING TO
ADDITIONAL CERTIFICATES

SUPPLEMENT TO TRUST AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO,

and

[TRUSTEE], AS TRUSTEE,

Dated as of _____ 1, _____

Relating to:

§ _____
CERTIFICATES OF PARTICIPATION
(_____),
Series 20__

SUPPLEMENT TO TRUST AGREEMENT

THIS SUPPLEMENT TO TRUST AGREEMENT, dated as of _____ 1, _____ (this "Supplement to Trust Agreement"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the "City") and [TRUSTEE], a national banking association, as Trustee (the "Trustee");

WITNESSETH:

WHEREAS, the City desires to provide for _____ (as further defined herein, the "Project"), and the City is authorized pursuant to its charter and the laws of the State to enter into lease financing for such purpose; and

WHEREAS, the City and the Trustee have entered into a Property Lease, dated as of [Dated Date] (the "Property Lease"), pursuant to which the City has leased certain real property (the "Site") and all works, property, improvements, structures and fixtures thereon (collectively, the "Leased Property") to the Trustee; and

WHEREAS, pursuant to the Project Lease, dated as of [Dated Date], by and between the City and the Trustee, the Trustee shall lease the Leased Property back to the City; and

WHEREAS, the Trustee is executing and delivering Additional Certificates pursuant to the Trust Agreement, dated [Dated Date] between the City and the Trustee (the "Trust Agreement"), to provide funds for the Project;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree to supplement the Trust Agreement as follows:

Section 1. Definitions. Capitalized terms used herein without definition shall have the meanings as set forth in the Trust Agreement.

Section 2. Authorization, Designation and Description of the Additional Certificates. The Trustee is hereby authorized and directed to execute and deliver the Additional Certificates to the original purchaser or purchasers thereof. The Additional Certificates shall be designated "Certificates of Participation, (_____), Series 20__" and shall be executed and delivered in the aggregate principal amount of [_____]. Each Additional Certificate shall be executed and delivered in fully registered form and shall be numbered as determined by the Trustee. The Additional Certificates shall be dated _____. The Additional Certificates shall be executed and delivered in Authorized Denominations; provided, however, that the Certificates shall initially be executed and delivered in book-entry form pursuant to Section 2.11 of the Trust Agreement.

The Additional Certificates shall be executed and delivered in the aggregate principal amount of [_____] and shall have Certificate Payment Dates of [_____] 1 in the years and shall evidence and represent principal components in the amounts, with an interest component with respect thereto calculated on the basis of a 360-day year composed of twelve 30-day months at the rates, as follows:

Certificate
Payment Date
()

Principal Amount

Interest Rate

† Term Certificates

The interest evidenced and represented by the Additional Certificates shall be payable on [] 1 and [] 1 of each year, beginning on [] 1, 20__ and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and shall evidence and represent the sum of the portions of the Base Rental designated as interest components coming due on such date in each year.

The principal evidenced and represented by the Additional Certificates shall be payable on [] 1 of each year, beginning on [] 1, _____ and continuing to and including [] 1, 20__ and shall evidence and represent the sum of the portions of the Base Rental Payments designated as principal components coming due on each [] 1.

[The Certificates with Certificate Payment Dates of ____ 1, 20__, _____ 1, 20__ and _____ 1, __ shall be subject to mandatory sinking account installment prepayment as set forth in Section ____.]

Section 3. Application of Sale Proceeds of the Additional Certificates. Upon sale of the Additional Certificates, when the same shall be sold to the original purchaser thereof, an amount of proceeds from such sale equal to [\$ _____], shall be delivered to the Trustee and deposited by the Trustee as follows:

(1) The Trustee shall deposit into the Costs of Issuance Fund the sum of [\$ _____].

(2) The Trustee shall deposit into the Reserve Fund the sum of [\$ _____], representing the Reserve Requirement as of the Closing Date.

(3) The Trustee shall deposit into the Base Rental Fund the sum of [\$ _____], representing capitalized interest with respect to the Additional Certificates.

(4) The Trustee shall deposit into the Project Fund the remainder of said proceeds, being [\$ _____].

Section 4. Prepayment. The Additional Certificates shall be subject to prepayment prior to their stated Certificate Payment Dates only as set forth below:

(a) Optional Prepayment. The Additional Certificates with a Certificate Payment Date on or after [_____] 1, _____] are subject to optional prepayment prior to their respective Certificate Payment Dates in whole or in part on any date on or after [_____] 1, _____], at the option of the City, in the event the City exercises its option under Section 7 of the Project Lease to prepay the principal component of the Base Rental payments, at the following prepayment prices (expressed as a percentage of the principal component to be prepaid), plus accrued interest to the date fixed for prepayment:

Prepayment Date	Prepayment Price
-----------------	------------------

In the event the City gives notice to the Trustee of its intention to exercise such option, but fails to deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, the City will continue to pay the Base Rental payments as if no such notice were given.

(b) Special Mandatory Prepayment. The Additional Certificates are subject to mandatory prepayment prior to their respective Certificate Payment Dates in whole or in part on any date, at the Prepayment Price (plus accrued but unpaid interest to the prepayment date), without premium, from amounts deposited in the Base Rental Fund pursuant to Section 4.09 or Section 4.10 hereof following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or loss of the use or possession of the Leased Property or any portion thereof due to a title defect.

(c) Sinking Account Installment Prepayment. The Additional Certificates with a Certificate Payment Date of [_____] 1, _____], are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each [_____] 1], beginning [_____] 1, _____], in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of Additional Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

Prepayment Date (_____) 1)	Sinking Account Installment Amount
-------------------------------	---------------------------------------

The Additional Certificates with a Certificate Payment Date of [_____] 1, _____], are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each [_____] 1], beginning [_____] 1, _____], in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of Additional Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

Prepayment Date
(_____ 1)

Sinking Account
Installment Amount

The Additional Certificates with a Certificate Payment Date of [_____ 1, _____], are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each [_____ 1], beginning [_____ 1, _____], in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

Prepayment Date
(_____ 1)

Sinking Account
Installment Amount

Section 5. Amendments to Trust Agreement. The City and the Trustee hereby agree to amend the Trust Agreement as follows: [other amendments necessary or desirable in connection with Additional Certificates].

Section 6. 201 Certificates Subject to the Trust Agreement. Except as in this Supplement to Trust Agreement expressly provided, every term and condition contained in the Trust Agreement shall apply to this Supplement to Trust Agreement and to the 201_ Certificates with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Supplement to Trust Agreement.

This Supplement to Trust Agreement and all the terms and provisions herein contained shall form part of the Trust Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Trust Agreement. The Trust Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

Section 7. Governing Law. This Supplemental to Trust Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 8. Counterparts. This Supplemental to Trust Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Supplement to Trust Agreement as of the date first above written.

[TRUSTEE], as Trustee

By: _____
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Mayor

[SEAL]

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Deputy City Attorney

[ACKNOWLEDGED BY:

By: _____
]

EXHIBIT G

CITY AND COUNTY OF SAN FRANCISCO MANDATORY CONTRACTING PROVISIONS

The following provisions shall apply to this Trust Agreement as if set forth in the body thereof. Capitalized terms used but not defined in this Exhibit G shall have the meanings given in this Trust Agreement.

Section I. Nondiscrimination; Penalties.

(i) *Nondiscrimination.* In the performance of this Trust Agreement, the Trustee agrees not to discriminate against any employee, City employee working with the Trustee, applicant for employment with the Trustee, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(ii) *Subcontracts.* The Trustee shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from the City) and shall require all subcontractors to comply with such provisions. The Trustee's failure to comply with the obligations in this subsection shall constitute a material breach of this Trust Agreement.

(iii) *Nondiscrimination in Benefits.* The Trustee does not as of the date of this Trust Agreement and will not during the term of this Trust Agreement, in any of its operations in San Francisco, on real property owned by the City, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

(iv) *Condition to Contract.* As a condition to this Trust Agreement, the Trustee shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(v) *Incorporation of Administrative Code Provisions by Reference.* The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Trust Agreement as though fully set forth herein. The Trustee shall comply fully with and be bound by all of the provisions that apply to this Trust Agreement under such Chapters, including but not limited to the remedies provided in

such Chapters. Without limiting the foregoing, the Trustee understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Trust Agreement may be assessed against the Trustee and/or deducted from any payments due the Trustee.

Section 2. MacBride Principles—Northern Ireland. Pursuant to San Francisco Administrative Code §12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing this Trust Agreement, the person executing this Trust Agreement on behalf of the Trustee acknowledges and agrees that he or she has read and understood this Section.

Section 3. Tropical Hardwood and Virgin Redwood Ban. Pursuant to §804(b) of the San Francisco Environment Code, the City urges contractors not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

Section 4. Drug-Free Workplace Policy. The Trustee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. The Trustee agrees that any violation of this prohibition by the Trustee, its employees, agents or assigns will be deemed a material breach of this Trust Agreement.

Section 5. Compliance with Americans with Disabilities Act. The Trustee acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. The Trustee shall provide the services specified in this Trust Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. The Trustee agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Trust Agreement and further agrees that any violation of this prohibition on the part of the Trustee, its employees, agents or assigns will constitute a material breach of this Trust Agreement.

Section 6. Sunshine Ordinance. In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

Section 7. Limitations on Contributions. Through execution of this Trust Agreement, the Trustee acknowledges that it is familiar with Section 1.126 of the City's

Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The Trustee acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. The Trustee further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of the Trustee's board of directors; the Trustee's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in the Trustee; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Trustee. Additionally, the Trustee acknowledges that the Trustee must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. The Trustee further agrees to provide to the City the names of each person, entity or committee described above.

Section 8. Requiring Minimum Compensation for Covered Employees. The Trustee agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Sections 12P.5 and 12P.5.1 of Chapter 12P are incorporated herein by reference and made a part of this Trust Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Trustee's obligations under the MCO is set forth in this Section. The Trustee is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(i) The MCO requires the Trustee to pay the Trustee's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and the Trustee is obligated to keep informed of the then-current requirements. Any subcontract entered into by the Trustee shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is the Trustee's obligation to ensure that any subcontractors of any tier under this Trust Agreement comply with the requirements of the MCO. If any subcontractor under this Trust Agreement fails to comply, the City may pursue any of the remedies set forth in this Section against the Trustee.

(ii) The Trustee shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(iii) The Trustee shall maintain employee and payroll records as required by the MCO. If the Trustee fails to do so, it shall be presumed that the Trustee paid no more than the minimum wage required under State law.

(iv) The City, upon reasonable notice to the Trustee, is authorized to inspect the Trustee's job sites during normal business hours, conduct interviews with employees and conduct audits of the Trustee.

(v) The Trustee's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Trust Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Trustee fails to comply with these requirements. The Trustee agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for the Trustee's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(vi) The Trustee understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Trust Agreement for violating the MCO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(vii) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(viii) If the Trustee is exempt from the MCO when this Trust Agreement is executed because the cumulative amount of agreements with the City for the fiscal year is less than \$25,000, but the Trustee later enters into an agreement or agreements that cause the Trustee to exceed that amount in a fiscal year, the Trustee shall thereafter be required to comply with the MCO under this Trust Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to exceed \$25,000 in the fiscal year.

Section 9. Requiring Health Benefits for Covered Employees. The Trustee agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Section 12Q.5.1 of Chapter 12Q are incorporated by reference and made a part of this Trust Agreement as though fully set forth herein. The text of the HCAO is

available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Trust Agreement shall have the meanings assigned to such terms in Chapter 12Q.

(i) For each Covered Employee, the Trustee shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Trustee chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(ii) Notwithstanding the above, if the Trustee is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

(iii) The Trustee's failure to comply with the HCAO shall constitute a material breach of this Trust Agreement. The City shall notify the Trustee if such a breach has occurred. If, within 30 days after receiving the City's written notice of a breach of this Trust Agreement for violating the HCAO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(iv) Any Subcontract entered into by the Trustee shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. The Trustee shall notify the City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. The Trustee shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against the Trustee based on the Subcontractor's failure to comply, provided that the City has first provided the Trustee with notice and an opportunity to obtain a cure of the violation.

(v) The Trustee shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City with regard to the Trustee's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(vi) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(vii) The Trustee shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the Agreement.

(viii) The Trustee shall keep itself informed of the current requirements of the HCAO.

(ix) The Trustee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(x) The Trustee shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least ten business days to respond.

(xi) The Trustee shall allow the City to inspect the Trustee's job sites and have access to the Trustee's employees in order to monitor and determine compliance with HCAO.

(xii) The City may conduct random audits of the Trustee to ascertain its compliance with HCAO. The Trustee agrees to cooperate with the City when it conducts such audits.

(xiii) If the Trustee is exempt from the HCAO when this Trust Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but the Trustee later enters into an agreement or agreements that cause the Trustee's aggregate amount of all agreements with the City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to be equal to or greater than \$75,000 in the fiscal year.

Section 10. Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, the Trustee may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Trust Agreement. The Trustee agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event the Trustee violates the provisions of this Section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Trust Agreement, and (ii) prohibit the Trustee from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider the Trustee's use of profit as a violation of this Section.

Section 11. Protection of Private Information. The Trustee has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. The Trustee agrees that any failure of the Trustee to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of this Trust Agreement. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Trust Agreement, bring a false claim action against the Trustee pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Trustee.

Section 12. Graffiti Removal. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting

public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and its residents, and to prevent the further spread of graffiti.

The Trustee shall remove all graffiti from any real property owned or leased by the Trustee in the City and County of San Francisco within forty eight (48) hours of the earlier of the Trustee's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This Section is not intended to require the Trustee to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 *et seq.*) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 *et seq.*).

Any failure by the Trustee to comply with this Section of this Trust Agreement shall constitute a material breach of this Trust Agreement.

Section 13. Reserved.

Section 14. Submitting False Claims; Monetary Penalties. Pursuant to San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for penalties set forth in that Section. The text of Section 21.35, along with the entire San Francisco Administrative Code is available on the web at <http://www.municode.com/Library/clientCodePage.aspx?clientID=4201>. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

Section 15. Conflict of Interest. Through its execution of this Trust Agreement, the Trustee acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 *et seq.* and Section 1090 *et seq.* of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Trust Agreement.

Section 16. Food Service Waste Reduction Requirements. The Trustee agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Trust Agreement as though fully set forth. This provision is a material term of this Trust Agreement. By entering into this Trust Agreement, the Trustee agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Trustee agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Trust Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City because of the Trustee's failure to comply with this provision.

Section 17. Proprietary or Confidential Information of City. The Trustee understands and agrees that, in the performance of the work or services under this Trust Agreement or in contemplation thereof, the Trustee may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City. The Trustee agrees that all information disclosed by City to the Trustee shall be held in confidence and used only in the performance of this Trust Agreement. The Trustee shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

Section 18. Earned Income Credit (EIC) Forms. Administrative Code Section 120 requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found. The Trustee shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Trust Agreement becomes effective (unless the Trustee has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by the Trustee; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Trust Agreement. Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by the Trustee of the terms of this Trust Agreement. If, within thirty days after the Trustee receives written notice of such a breach, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within

such period of thirty days, the Trustee fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Trust Agreement or under applicable law. Any Subcontract entered into by the Trustee shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section. Capitalized terms used in this Section and not defined in this Trust Agreement shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
BOARD OF SUPERVISORS
SAN FRANCISCO

2013 JAN -8 PM 2: 23

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *Edwin M. Lee* Mayor Edwin M. Lee
RE: Ordinance Authorizing Certificates of Participation and Assessment
Notes—Moscone Expansion Project
DATE: January 8, 2013

Attached for introduction to the Board of Supervisors is the Ordinance authorizing the execution and delivery of Certificates of Participation evidencing and representing an aggregate principal amount of not to exceed \$507,880,000 to finance the costs of additions and improvements to the George R. Moscone Convention Center; approving the form of Trust Agreement between the City and County of San Francisco and the Trustee (including certain indemnities contained therein); authorizing the selection of the Trustee by the Director of Public Finance; approving respective forms of a Property Lease and a Project Lease, each between the City and the Trustee for the lease and lease back of all or a portion of the Moscone Center, including the Moscone Expansion Project to be constructed thereon; authorizing the execution and delivery of Assessment Notes payable from Moscone Expansion District assessments to further secure principal, premium, if any, and interest evidenced and represented by the Certificates; granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of the Certificates and the Assessment Notes; approving modifications to documents and agreements; and ratifying previous actions taken in connection therewith.

Please note this item is cosponsored by Supervisor Jane Kim.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

1/20/13 ✓

Lamug, Joy

From: Ababon, Anthony
Sent: Thursday, January 10, 2013 2:40 PM
To: BOS Legislation
Cc: Sesay, Nadia
Subject: Ordinance - Authorizing Certificates of Participation and Assessment Notes—Moscone Expansion Project
Attachments: BoSMemo_MED_fnl 01102013.pdf

Please find attached memorandum to accompany the Ordinance - Authorizing Certificates of Participation and Assessment Notes—Moscone Expansion Project introduced at the Board of Supervisors meeting on Tuesday, January 8. Thank you.

Anthony Ababon
Controller's Office of Public Finance
City & County of San Francisco
(P) 415.554.6902
(F) 415.554.4864
(E) Anthony.Ababon@sfgov.org

MOSCONE EXPANSION PROJECT

Ordinance Authorizing COP Issuance
Supplemental Appropriation For COP
Resolution Finding Fiscal Feasibility

Budget & Finance Committee -- 01.30.13

Overview

1. The Need
2. The Project
3. Project Financing
4. Fiscal Feasibility Determination
5. Project Schedule
6. 3 Action Items Today:
 - ▣ Ordinance Authorizing the Issuance of Certificates of Participation (COPs)
 - ▣ Ordinance Appropriating \$507,880,000 of COPs
 - ▣ Resolution Finding Fiscal Feasibility

Moscone Expansion: The Need

- At Capacity
- Demand for Additional Contiguous Space
- Major Economic Engine
 - ▣ 2011 tourism: 16.35M visitors to San Francisco spent \$8.46B, generating \$526M in tax revenues for the City and County and supporting 71,403 local jobs.
 - ▣ Conventions accounted for \$1.79B, or 21% of \$8.46B and 27% of all hotel room occupancy
- Independent Study: \$2B in foregone direct spending 2010-2019
- Success of \$56M Tourist Improvement District (2012)
 - ▣ LEED Gold interior renovation completed on-time, on-budget

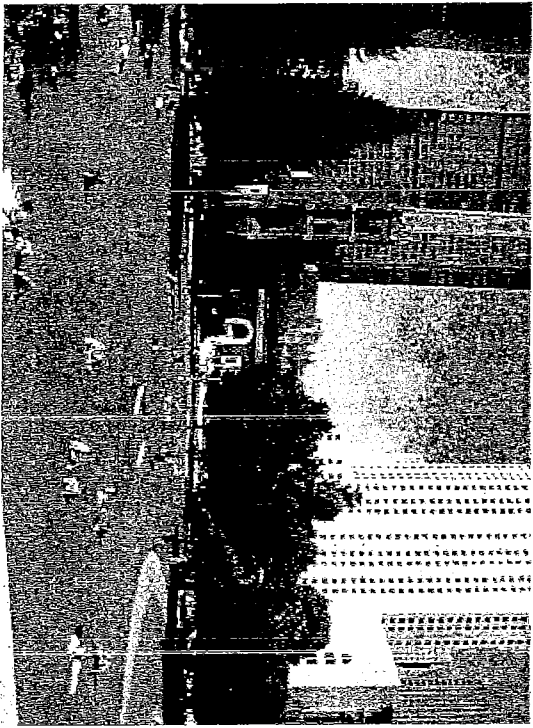
Moscone Expansion Project Goals

- Add ~400,000ft²:
 - Meeting rooms: +26,000SF to 85,000SF
 - Exhibition hall expansion: +80,000SF to 520,000SF
 - Multi-purpose space: +87,000SF to 129,000SF
 - Loading, service, support: +178,000SF to 681,000SF
- Maintain continuous revenue generating operation
- Maximize contiguous exhibition space below grade
- Improve streetscape, connectivity, bicycle/pedestrian safety and sense of arrival in collaboration with Central Corridor Plan

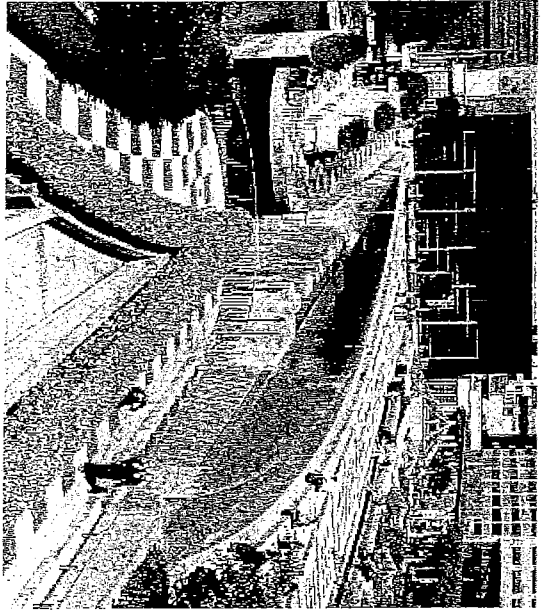
Moscone Expansion Study Area



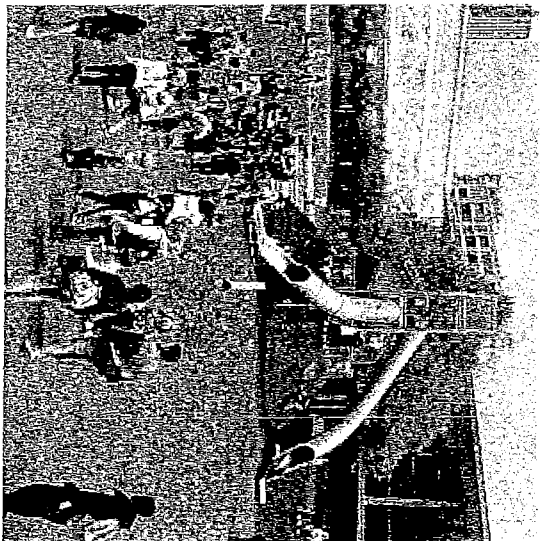
Existing Conditions



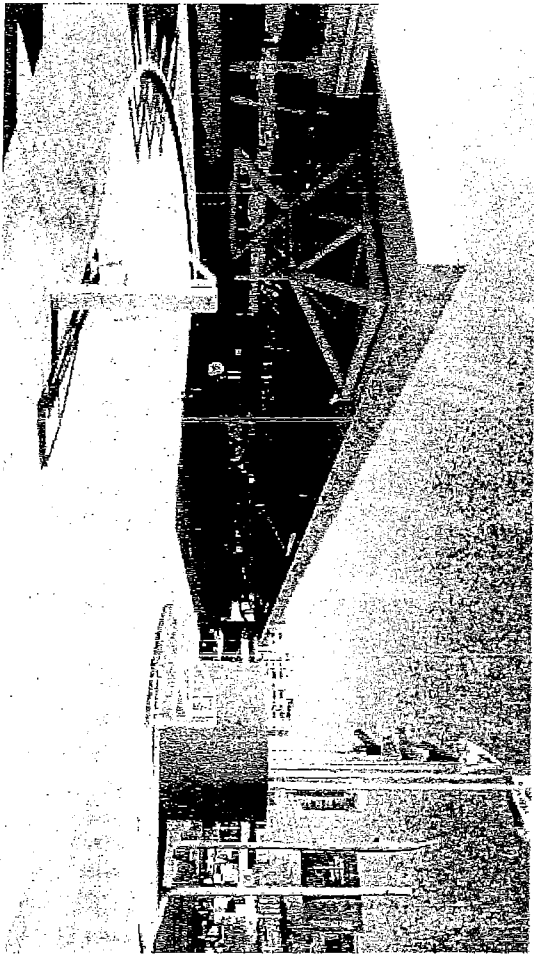
YERBA BUENA GARDENS



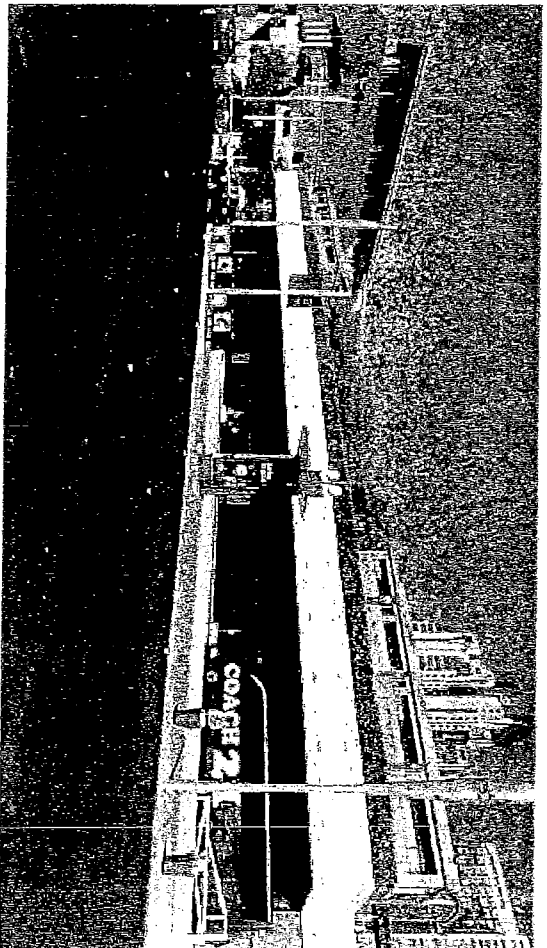
MILK MEMORIAL



PLAY CIRCLE



HOWARD STREET LOOKING AT SOUTH LOBBY



HOWARD STREET LOOKING AT NORTH LOBBY

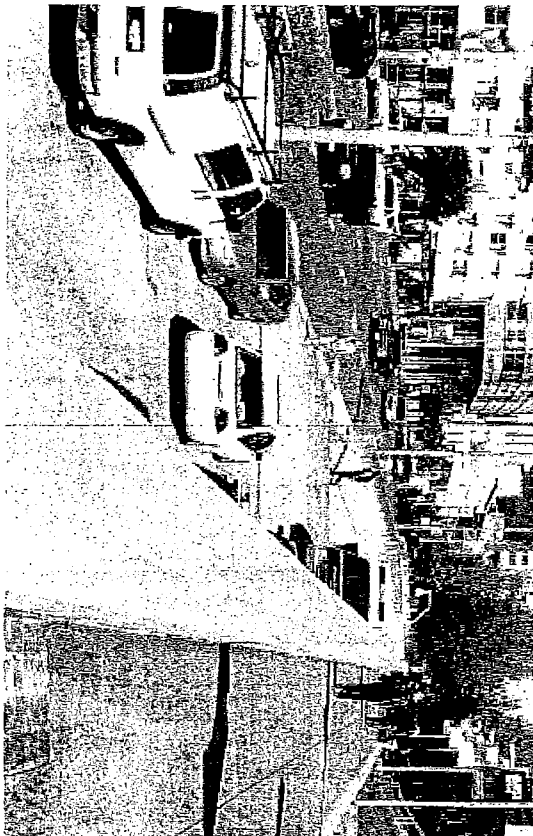
Fiscal Feasibility Determination

- Required by Admin Code, Chapter 29
- Net San Francisco benefits:
 - ▣ \$734M direct and indirect impact through FY2026
 - ▣ \$5.8-\$7.6M/year in additional General Fund tax collections
 - ▣ 3,480 net increase in local jobs through FY2022
 - ▣ 3,407 one-time construction-related jobs
- Leverages private sector to meet convention demand
- Limited risks to General Fund and long term debt capacity should hotels vote to adopt the District formation
- Public benefits to surrounding streetscape, bike/pedestrian safety, tourism, and operations & maintenance

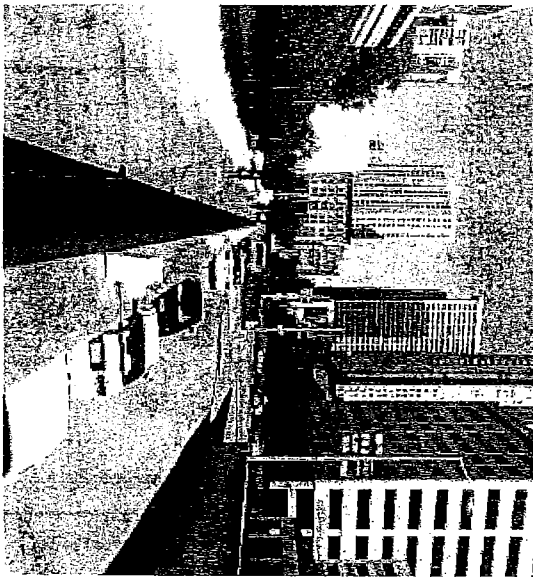
Cost and Available Funding

- \$500M Cost of Construction
 - DPW to provide project management and fiscal oversight
- Funding:
 - Two-thirds from MED assessment revenues
 - Hotels closest to Moscone pay up to 1.25% of room rates
 - Hotels west of Van Ness & North of 16th pay 0.3125%
 - One-third from General Fund contribution of:
 - Pre-development: \$1.7M in FY2013 and \$3.5M in FY2014
 - General Fund: \$8.2 - \$10.7 from FY2019-FY2045

Existing Conditions



4TH STREET LOOKING NORTH



3RD STREET LOOKING NORTH



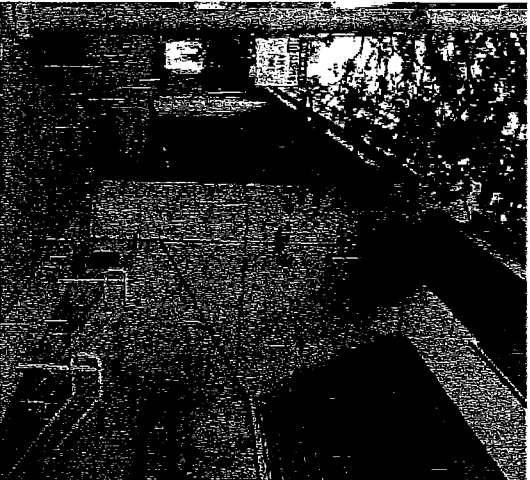
3RD STREET LOOKING NORTH

CURRENT ZONING REGULATIONS

- Basic Zoning
- Use District: C-3S
- Height Limit: 340 FT
- Base/Max F.A.R.: 5.1/7.5:1
- Relevant Permitted Uses: meeting hall, retail, office
- Relevant Conditional Uses: hotel
- Bulk district: 1, for buildings over 150 FT tall, 200 FT maximum diagonal and 170 FT maximum length
- Selected Requirements
- Parking Required: none
- Maximum Parking: varies by use (7% of F.A.R. for office uses, 0.25 to 1 space per residential unit depending on size of unit and type of parking)
- Loading Berths Required: 2
- Public Open Space: 150 SF
- Public Art: 2% of construction budget

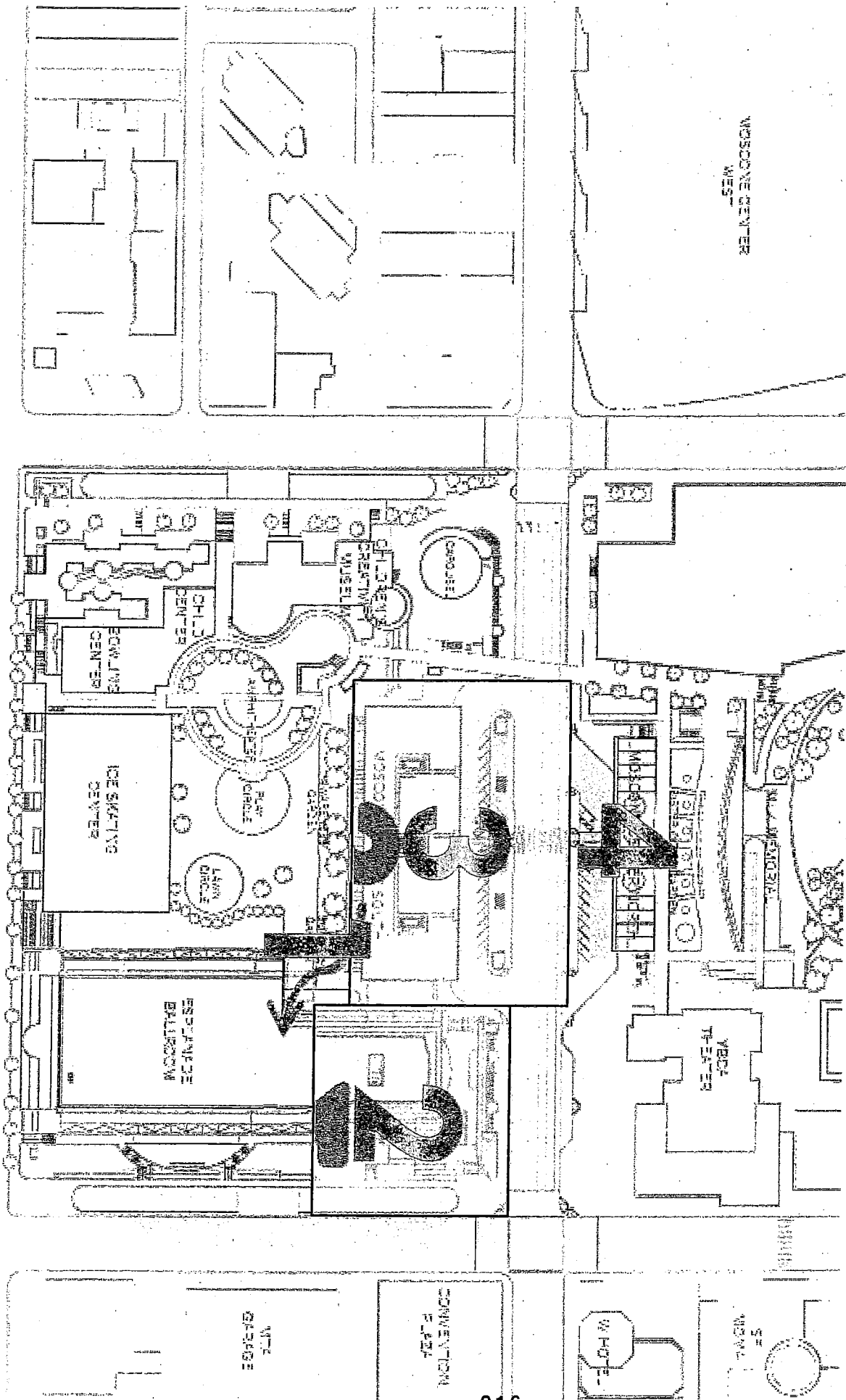


FOLSOM STREET LOOKING NORTH



FOLSOM STREET LOOKING WEST

Project Sequence 2014-2018



Estimated Plan of Finance

Anticipated Aggregate Sources of the Project

Sources	District Assessments			Certificates		Total Sources
	City Contributions Through FY 2013-14	Expansion Project	Fixtures & Equip	Commercial Paper	Certificates	
City Contributions Through FY 2013-14	\$ 5,238,860	\$ -	\$ -	\$ -	\$ -	\$ 5,238,860
Moscone Expansion District Assessme	-	82,625,000	12,831,000	-	-	95,456,000
**Certificates	-	-	-	67,493,140	331,812,000	399,305,140
Total Sources	\$ 5,238,860	\$ 82,625,000	\$ 12,831,000	\$ 67,493,140	\$ 331,812,000	\$ 500,000,000

** Certificates includes anticipated draws on commercial paper for project costs and excludes commercial paper interest, program fees, and ancillary costs.

Ordinance Authorizing COP Issuance

- Finance Instrument: Up to \$507.9M Certificates of Participation (assumed interest rate of 6%), use of Commercial Paper in the interim
- COP Issuance Date: January 2017
- Final Maturity: FY 2047
- MED Assessments Available to the Project: 87.5% to 82.5% by 2023
- Annual City Contribution: \$8.2 (FY 2019) to \$10.7M (FY2028) thru 2047
- Excess Revenues: \$1 69.9M (Per Attachment III)
 1. Stabilization Fund of \$15M
 2. Prior Years Deficits (\$28.8M)
 3. Sinking Fund (\$25.5M)
 4. Future Moscone Development and Capital Improvement to Moscone Center Campus (\$100.6M)

Supplemental Appropriation for COPs

Anticipated Sources and Uses from the Issuance of the Certificates

Not to Exceed	\$ 507,880,000
Sources	
<u>Certificates Expected Par Amount</u>	<u>483,695,000</u>
Total Sources	483,695,000
Uses	
Project Fund Deposit	\$ 401,349,750
** Project Fund	400,551,140
Controller's Audit Fund	798,610
Debt Service Reserve Fund	35,592,500
Capitalized Interest Fund thru 9/2018	41,114,075
Other Cost of Issuance	801,725
<u>Other Underwriter's Discount</u>	<u>4,836,950</u>
Total Uses	<u>483,695,000</u>
<u>Reserve Pending Sale</u>	<u>24,185,000</u>
Not to Exceed	\$ 507,880,000

** Project fund includes repayment of commercial paper.

Schedule

Date	Milestone
Nov 20, 2012	Unanimous BOS Vote Approving Resolution of Intent & Management District Plan
Dec 7, 2012	Dept. of Elections Mailed Ballots
Jan 14, 2013	Capital Planning Committee Recommended
Jan 30, 2013	B&F Hearing on COPs and Fiscal Feasibility
Feb 5, 2013	Public Hearing, Ballot Tabulation, BOS Vote Resolution to Establish, 2 Ordinances to Issue Bonds, and Resolution Finding Fiscal Feasibility
Feb 2013 – Nov 2014	Entitlement Process, including CEQA review
Feb – Jun 2013	Court Validation Action Period
Jul 2013 – Jul 2045	Moscone Expansion District Begins, Assessments Collected
Fall 2013	Issuance of Commercial Paper
Nov 2014 – 2018	Anticipated Construction (during breaks in reservations)
Jan 2017 – Jan 2047	Issuance of COPs

Three Action Items

1. Ordinance Authorizing the Issuance of Certificates of Participation (COPs)
2. Ordinance Appropriating \$507,880,000 of COPs
3. Resolution Finding Fiscal Feasibility

Should the Committee choose to authorize these items, suggest including language clarifying the Committee's action is subject to a weighted majority of district hotels affirming the formation of the Moscone Expansion District on February 5

QUESTIONS?

Convention Facilities – John Noguchi

SF Travel – Joe D’Alessandro, Jon Ballesteros, Lynn Farzaroli

DPW – Edgar Lopez, Brook Mebrahtu

Controller’s Office of Public Finance – Nadia Sesay

OEWD – Lisa Pagan, Kelley Kahn

Moscone – Dick Shaff

Caldeira, Rick

From: Calvillo, Angela
Sent: Wednesday, January 30, 2013 11:30 AM
To: Caldeira, Rick; Young, Victor; Nevin, Peggy
Subject: FW: Controller's Office, Office of Economic Analysis Report: Moscone Expansion Project, January 30, 2013

For the Hearing currently occurring in B&F.
Rick, Please make sure the Committee members received.
Thanks

Angela Calvillo
Clerk of the Board

From: Toy, Debbie
Sent: Wednesday, January 30, 2013 11:24
To: Calvillo, Angela; BOS-Supervisors; BOS-Legislative Aides; Kawa, Steve; Leung, Sally; Howard, Kate; Falvey, Christine; Elliott, Jason; Campbell, Severin; Newman, Debra; Rose, Harvey; sfdocs@sfpl.info; gmetcalf@spur.org; Matz, Jennifer; Lane, Maura
Cc: Egan, Ted; Liao, Jay; controller@sfgov.org
Subject: Controller's Office, Office of Economic Analysis Report: Moscone Expansion Project, January 30, 2013

The proposed legislation would authorize the City to issue approximately \$500 million in Certificates of Participation (COPs) to fund an expansion of the Moscone Convention Center. The expansion project would occur during the 2014-19 period. The COPs would be backed by the Moscone Center, which is owned by the City, and would be repaid through an assessment on San Francisco hotel revenues, and a General Fund contribution.

The Moscone Center is the city's primary means of attracting large conventions to San Francisco. These conventions are a major source of demand for the local tourism industry. The SF Travel Association and Jones Lang LaSalle Hotels (JLLH) have conducted market research that suggests San Francisco is at a competitive disadvantage against other cities with larger, more integrated convention facilities. Local hotels will benefit from greater demand for hotel rooms from more conventions. The City stands to benefit from owning a more valuable asset, and to the extent there is a positive economic and fiscal impact associated with the expansion.

The Office of Economic Analysis estimates that the expansion project can be expected to create an average of 790 jobs during the 2013-2019 construction spending period, peaking in 2017 and 2018 when the bulk of the construction spending is expected to occur. After completion, the city will have up to an additional 1,240 permanent jobs per year on average from spending by new visitors brought to the city by a larger convention center.

Further, the project will also likely create financial benefits for hotels, in the form of higher hotel rates that exceed the assessment they will be charged to fund the expansion. The City will also receive indirect tax benefits, through higher hotel, sales, and business taxes, that should exceed the City's General Fund contribution in the first full year of operation after the expansion and thereafter.

However, the city's fiscal and economic benefits will be limited by the the difficulty in expanding hotel capacity in San Francisco. If hotel capacity could be added more readily, more visitors could be accommodated and the economic and fiscal benefits to the city would be greater.

<http://co.sfgov.org/webreports/details.aspx?id=1531>

Debbie Toy

Executive Assistant to Monique Zmuda, Deputy Controller
City and County of San Francisco
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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller
Monique Zmuda
Deputy Controller

January 30, 2013

The Honorable Board of Supervisors
City and County of San Francisco
Room 244, City Hall

Angela Calvillo
Clerk of the Board of Supervisors
Room 244, City Hall

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2013 JAN 30 AM 10:44

Re: Office of Economic Analysis Impact Report for File Numbers 130015, 130016, and 130043

Dear Madam Clerk and Members of the Board:

The Office of Economic Analysis is pleased to present you with its economic impact report on file numbers 130015, 130016, and 130043, "Moscone Expansion Project." If you have any questions about this report, please contact me at (415) 554-5268.

Best Regards,

Ted Egan
Chief Economist

City and County of San Francisco

Office of the Controller - Office of Economic Analysis

Certificates of Participation to Fund the Moscone Expansion Project: Economic Impact Report

Office of Economic Analysis

January 30th, 2012

Item #130016



Outline of the Legislation

- The proposed legislation would authorize the City to issue approximately \$500 million in Certificates of Participation (COPs) to fund an expansion of the Moscone Convention Center.
- The expansion project would occur during the 2014-19 period.
- The COPs would be backed by the Moscone Center, which is owned by the City, and would be repaid through two sources, over the 2019-2047 period.
 - an assessment on the receipts of hotels in San Francisco, equaling 1.25% of revenues for hotels near the Moscone Center, and 0.3125% in the rest of San Francisco.
 - a General Fund contribution of between \$8 million and \$10 million per year.



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Background

- The Moscone Center is the city's primary means of attracting large conventions to San Francisco. These conventions are a major source of demand for the local tourism industry.
- The SF Travel Association and Jones Lang LaSalle Hotels (JLLH) have conducted market research that suggests San Francisco is at a competitive disadvantage against other cities with larger, more integrated convention facilities.
- Hotels in the city have formed the San Francisco Tourism Improvement District (TID) as a means to assess themselves to invest in facilities that develop the tourism industry in the city.
- The proposed Moscone expansion will be jointly funded by the TID and the City. The TID will benefit from greater demand for hotel rooms from more conventions. The City stands to benefit from owning a more valuable asset, and to the extent there is a positive economic and fiscal impact associated with the expansion.



Economic and Fiscal Impact Factors

- The overall economic impact of the expansion is the combination of both positive and potential negative impacts.
- Positive impacts:
 - Increased construction spending in San Francisco
 - Increases in convention attendees, leading to increased demand for hotel rooms, net increase in visitors, and higher hotel rates.
 - Increased spending associated with net increase in visitors.
 - Potential increase in the value of the City-owned asset and higher fee payments from convention organizers.
- Potential negative impacts:
 - Financing costs: TID assessment costs on hotels
 - Financing costs: opportunity cost of General Fund support
 - Repayment risk to the City



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Economic Impact Assessment: Construction and Financing Costs

- Construction and financing costs: The project is expected to cost approximately \$500 million, spent between 2014 and 2019.
- It will be funded through the issuance of COPs that will be paid back over a 29-year period beginning in 2019.
- At a conservative assumption of 6% interest, financing costs will equal \$35.5 million per year for 29 years, and total amount financed will be roughly double the construction cost. Actual financing costs will depend on market conditions and will likely be less than 6% based on past experience.
- Two-thirds of the financing cost will be borne by the hotels, with one-third falling on the City's General Fund.
- However, the City's General Fund contribution to the financing is equal to what the City currently spends promoting San Francisco through the SF Travel Association. The City's contribution can thus be seen as a continuation of its capital investment in Moscone.



Economic Impact Assessment: New Convention Capacity and Hotel Demand

- Based on JLLH research, convention attendance is expected to increase to 1.207 million per year by 2020-21 without the expansion¹.
- With the expansion, according to JLLH projections, convention attendance will increase to 1.474 million per year²—an increase of 267,000 attendees annually.
- With an average stay of 3.5 days, the expansion would produce an annual increase in demand of 934,500 room-nights.

¹ – Jones Lang LaSalle Hotels, *Moscone Convention Center Expansion, Phase II Cost Benefit Analysis*, March 16, 2012; p. 42.
² – Jones Lang LaSalle Hotels, *Moscone Convention Center Expansion, Phase II Cost Benefit Analysis*, p. 48.



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Economic Impact Assessments: Hotel Capacity, Planned Supply, and Net New Visitors

- More detailed econometric research would be required to precisely estimate how this increase in demand would lead affect hotel revenues, occupancy, and rates. Nevertheless, some impacts are clear given the readily-available data.
- JHHL has reasonably assumed a maximum possible hotel occupancy rate of 87.6%, while PKF Consulting has reported that San Francisco hotels have already achieved an 83% occupancy for 2012 (through November).
- JHHL further notes that the development pipeline for hotels is limited, with just two projects planned in the Moscone area, accounting for only about 250 rooms.
- If these projects were built and existing hotels in the city all reached their maximum feasible capacity, with no other source of growth in the local hotel industry, 65% of new convention demand could be accommodated without displacing other, non-convention-attending, hotel guests.
- This suggests the maximum number of net new hotel guests generated by the Moscone expansion could be 175,000 per year, or 65% of the new convention attendance.



Economic Impact Assessment: New Visitor Spending

- The SF Travel Association produces annual estimates of visitor spending. These estimates do not distinguish between convention attendees and other visitors to San Francisco.
- Based on SF Travel's spending profiles, the up to 175,000 net new visitors will spend a maximum of \$180 million per year (in 2011 \$), in the following spending categories:
 - Lodging: \$61 million
 - Restaurants: \$36 million
 - Retail (including exhibitors): \$48 million
 - Entertainment: \$15 million
 - Transportation: \$19 million



Economic Impact Assessment: Rate Impacts and Repayment Risk

- Given the limited capacity of the local hotel industry to absorb the demand that the Moscone expansion will create, hotel rates will likely rise, because of the project, by a greater percentage than the TID assessment.
- Thus, from the perspective of the hotel industry, the expansion project is likely to pay for itself.
- It also suggests that the City's repayment risk associated with the COPS is minimal.



Economic Impact Assessment: REMI Model Analysis

- The Office of Economic Analysis's REMI model of the San Francisco economy was used to estimate the city-wide economic effects of the impacts discussed in this report.
- Specifically, we modeled the impact of:
 - \$500 million in construction spending spread over the 2014-19 period.
 - \$180 million in annual visitor spending beginning in 2020 until 2045.
 - \$0 impact in higher hotel assessment costs, as hotel rate increases from the project should more than offset any negative impact of the assessment on the hotel industry.
 - \$8 - \$10 million annual reduction in local government spending because of the General Fund support of the project.
- All of these effects create multiplier effects in the local economy which the REMI model calculates and totals.

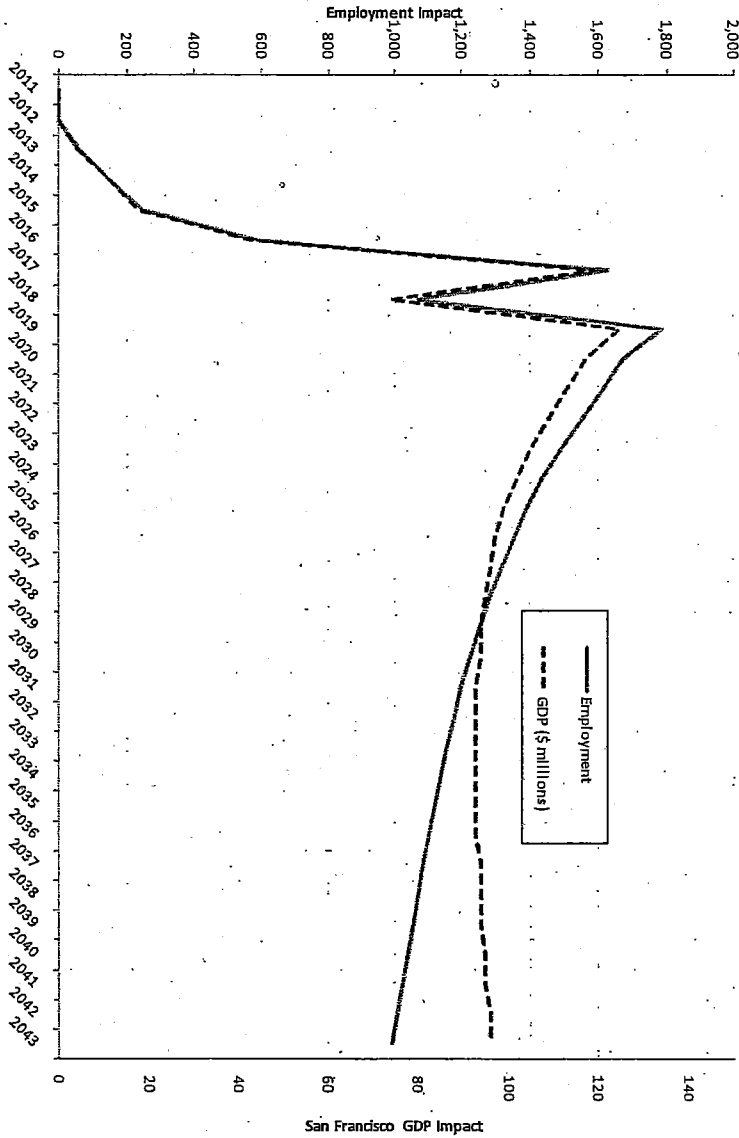


City and County of San Francisco

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REMI Model Results

Economic Impacts of the Moscone Expansion Project, 2013-2045



The project can be expected to create an average of 790 jobs during the 2013-2019 construction spending period, peaking in 2017 and 2018 when the bulk of the construction spending is expected to occur.

After completion, the city will have up to an additional 1,240 permanent jobs per year on average from new visitor spending. The job impacts of this new visitor spending will outweigh the negative impact of the General Fund support of the project.



Fiscal Impacts

- The City will also receive fiscal benefits from the economic growth created by the project. Transient Occupancy (Hotel) Tax, Sales Tax, and Business Tax revenue can all be expected to increase.
- In 2019, when completion is complete, the City stands to receive \$0.6 million in new business tax revenue, \$1.5 million in new sales tax revenue, and \$10.9 million in new hotel tax revenue, for a total of \$13.0 million. This assumes 3% inflation until 2019, and the accommodation of 175,000 new convention attendees in San Francisco hotels.
- This estimate does not assume any increase in hotel rates due to the capacity limitations in the hotel industry, so the actual hotel tax revenue could be higher than this estimate.
- The \$13.0 million in indirect tax revenue exceeds the City's General Fund contribution, and will continue to grow along with inflation into the future.



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Conclusions

- The proposed Moscone Expansion project is expected to create an average of 790 jobs during the construction phase, and an average of 1,240 permanent jobs after construction is completed.
- The project will also likely create financial benefits for hotels, in the form of higher rates, that exceed their TID assessment.
- The indirect tax benefits to the City should exceed the City's General Fund contribution in the first full year of operation after the expansion.
- However, the city's fiscal and economic benefits will be limited by the city's inability to expand hotel capacity in line with the expanding capacity of the Moscone Center.
- If hotel capacity could be added more readily, more visitors could be accommodated and the economic and fiscal benefits to the city would be greater.



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Office of the Controller - Office of Information Systems

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