

PLEDGE AGREEMENT

by and among

**CITY AND COUNTY OF SAN FRANCISCO INFRASTRUCTURE FINANCING DISTRICT
NO. 2 (PORT OF SAN FRANCISCO)**

and

**CITY AND COUNTY OF SAN FRANCISCO, for and on behalf of City and County of San
Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)**

and

**[CORPORATE TRUSTEE],
as Fiscal Agent**

Dated as of February 1, 2021

Relating to

City and County of San Francisco
Special Tax District No. 2020-1 (Mission Rock Facilities and Services)
Development Special Tax Bonds

PLEDGE AGREEMENT

This PLEDGE AGREEMENT, dated as of February 1, 2021 (this "Pledge Agreement"), by and between the CITY AND COUNTY OF SAN FRANCISCO INFRASTRUCTURE FINANCING DISTRICT NO. 2 (PORT OF SAN FRANCISCO), an infrastructure financing district and a legally constituted governmental entity established pursuant to the laws of the State of California (the "IFD"), the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation and chartered city organized and existing under the Constitution and the laws of the State of California (the "City"), for and on behalf of City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the "Special Tax District"), and [CORPORATE TRUSTEE], a national banking association organized and existing under the laws of the United States, as fiscal agent (the "Fiscal Agent") under the Fiscal Agent Agreement (hereinafter defined);

WITNESSETH:

WHEREAS, Seawall Lot 337 Associates, LLC, a Delaware limited liability company ("Master Developer") and the City, acting by and through the San Francisco Port Commission ("Port" or "Port Commission"), are parties to a Disposition and Development Agreement (as amended from time to time, "DDA"), including a Financing Plan (as amended from time to time, "Financing Plan"), that governs the disposition and development of certain parcels in the jurisdiction of the Port, including Seawall Lot 337, 3.53 acres located at Terry A. Francois Boulevard from Third Street to Mission Rock Street, China Basin Park and ½ acre to the east of Terry A. Francois Boulevard between Pier 48 and Pier 50 ("Mission Rock Site");

WHEREAS, the IFD is an infrastructure financing district and a legally constituted governmental entity established pursuant to the laws of the State of California, with the legal authority to exercise powers under and pursuant to the provisions of Chapter 2.8 of Division 2 of Part 1 of Title 5 of the California Government Code (the "IFD Law"), including the power to issue bonds;

WHEREAS, an Infrastructure Financing Plan (as defined herein) for the IFD, including Appendix I with respect to the following sub-project areas (each, a "Sub-Project Area"; collectively, the "Sub-Project Areas"), has been adopted in compliance with all requirements of the IFD Law:

- (i) "Sub-Project Area I-1 (Mission Rock),"
- (ii) "Sub-Project Area I-2 (Mission Rock),"
- (iii) "Sub-Project Area I-3 (Mission Rock),"
- (iv) "Sub-Project Area I-4 (Mission Rock),"
- (v) "Sub-Project Area I-5 (Mission Rock),"
- (vi) "Sub-Project Area I-6 (Mission Rock),"

- (vii) "Sub-Project Area I-7 (Mission Rock),"
- (viii) "Sub-Project Area I-8 (Mission Rock),"
- (ix) "Sub-Project Area I-9 (Mission Rock),"
- (x) "Sub-Project Area I-10 (Mission Rock),"
- (xi) "Sub-Project Area I-11 (Mission Rock),"
- (xii) "Sub-Project Area I-12 (Mission Rock)," and
- (xiii) "Sub-Project Area I-13 (Mission Rock)";

WHEREAS, a default judgment was entered on October 17, 2019, by the Superior Court of the County of San Francisco in a judicial validation action related to the IFD, the Sub-Project Areas and this Pledge Agreement (Case No. CGC-18-565561) (the "Validation Judgment");

WHEREAS, pursuant to Section 53395.2 of the IFD Law, the IFD is authorized to pledge revenues available from the Sub-Project Areas and allocated to it pursuant to Article 3 of the IFD Law (commencing with Section 53396) to pay the principal of, and interest on, bonds issued pursuant to the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5 of Division 2 of Part 1 of Title 5 of the California Government Code, as amended (commencing with Section 53311)) (the "Mello-Roos Act"), the proceeds of which have been or will be used entirely for allowable purposes of the IFD;

WHEREAS, the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X) (the "Special Tax Financing Law") incorporates the Mello-Roos Act by reference in full;

WHEREAS, pursuant to the Special Tax Financing Law, the City and County of San Francisco (the "City") formed the Special Tax District to finance certain improvements (the "Facilities") described in Resolution 160-20, adopted by the Board of Supervisors of the City on April 14, 2020 (the "Resolution of Formation"), and some or all of those Facilities are facilities that may be financed by the IFD;

WHEREAS, the Sub-Project Areas consist of certain parcels in the Mission Rock Site, and the Special Tax District includes certain parcels in the Sub-Project Areas; and

WHEREAS, concurrently herewith, the City is issuing for and on behalf of the Special Tax District its City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021 (the "2021 Special Tax District Bonds") to finance acquisition and construction of the Facilities;

WHEREAS, the IFD and the Special Tax District wish to enter into this Pledge Agreement to memorialize a pledge by the IFD of Pledged Tax Increment (as defined herein) as security for and a source of payment of the IFD Payment Amount (as defined herein); and

WHEREAS, the IFD and the City also wish to provide for Subordinate Debt in the circumstances described in this Pledge Agreement;

NOW, THEREFORE, in consideration of the mutual covenants herein contained it is agreed by and between the parties hereto, as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section 1 shall, for all purposes of this Pledge Agreement and of any amendment hereto, and of any certificate, opinion, estimate or other document herein mentioned, have the meanings herein specified. Any capitalized term not defined in this Section 1 shall have the meaning given to such term in the recitals of this Pledge Agreement, the Fiscal Agent Agreement or the Financing Plan (including the Appendix to Transaction Documents for the Mission Rock Project referenced therein), as applicable.

"Administrative Expenses" means costs directly related to the administration of the IFD consisting of: the actual costs of collecting the Allocated Tax Increment (whether by the City or otherwise); the actual costs of remitting the Allocated Tax Increment to the Fiscal Agent; actual costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under this Pledge Agreement; the actual costs of the City or its designee of complying with the disclosure provisions of the Act and this Pledge Agreement, including those related to public inquiries regarding the Allocated Tax Increment and disclosures to Owners of the Special Tax District Bonds and the Original Purchaser; costs of the dissemination agent, whether for the City or another party that has undertaken to provide continuing disclosure; any amounts required to be rebated to the federal government; an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto.

"Allocated Tax Increment" means the portion of Gross Tax Increment from Project Area I that the City has agreed to allocate to the IFD for use in Project Area I by approving Appendix I.

"Annual Debt Service" means, for each Bond Year, the sum of (i) interest due on the outstanding Special Tax District Bonds in such Bond Year, assuming that the outstanding Special Tax District Bonds are retired as scheduled, and (ii) the principal amount of the outstanding Special Tax District Bonds due in such Bond Year (by maturity or through mandatory sinking fund payments).

"Assessed Parcel" has the meaning given that term in the Rate and Method.

"Base Year" for the Sub-Project Areas is defined in Appendix I of the Infrastructure Financing Plan as Fiscal Year 2017-18.

"Bond Year" means the one-year period beginning on September 2 in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the closing date of the 2021 Special Tax District Bonds and shall end on September 1, 21.

"Bond Plan Limit" means the limitation on the principal amount of bonds issued by the IFDs with respect to the Sub-Project Areas set forth in resolution No. 37-18 adopted by the Board of Supervisors on February 13, 2018 and signed by the Mayor on February 23, 2018.

"City" means the City and County of San Francisco, a chartered city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Special Tax District Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Special Tax District Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Current Parcel" has the meaning given that term in the Financing Plan.

"Development Special Taxes" has the meaning given that term in the Rate and Method.

"Fiscal Agent" means [Corporate Trustee], or any successor as fiscal agent under the Fiscal Agent Agreement.

"Fiscal Agent Agreement" means the Fiscal Agent Agreement dated as of ___ 1, 20___, between the City and the Fiscal Agent, pursuant to which the Special Tax District Bonds are issued.

"Fiscal Year" means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Gross Tax Increment" is, for each of the Sub-Project Areas, 100% of the revenue produced by the application of the 1% ad valorem tax rate to the Incremental Assessed Property Value of property within each Sub-Project Area.

"IFD" means the City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco), an infrastructure financing district and a legally constituted governmental entity established pursuant to the laws of the State of California.

"IFD Payment Amount" means, as of the IFD Payment Date, an amount equal to the lesser of (A) the Potential Development Special Tax Levy on all Current Parcels for the current Fiscal Year and (B) the amount of Pledged Tax Increment available to pay the IFD Payment Amount pursuant to Section 4.

"IFD Payment Date" means July 1.

"IFD Law" means Chapter 2.8 of Division 2 of Part 1 of Title 5 of the California Government Code and the acts amendatory thereof and in supplement thereto. Whenever reference is made in this Pledge Agreement to the IFD Law, reference is made to the IFD Law as in force on the date of the execution of this Pledge Agreement, unless the context otherwise requires.

"Incremental Assessed Property Value" is, in any year, for each Sub-Project Area, the difference between the assessed value of the property within such Sub-Project Area for that fiscal year and the assessed value of the property within such Sub-Project Area in the Base Year, to the extent that the difference is a positive number.

"Infrastructure Account" means the Infrastructure Account (Sub-Project Areas I-1 through I-13) established in the Special Fund.

"Infrastructure Financing Plan" means the Infrastructure Financing Plan for the IFD, adopted and approved by the Board of Supervisors of the City and County of San Francisco by Ordinance No. 27-16, passed on March 1, 2016 and the Mayor approved on March 11, 2016, as amended with respect to the Sub-Project Areas by Ordinance No. 34-18, passed on February 27, 2018 and the signed by the Mayor on March 6, 2018, as heretofore amended and as may hereafter be amended in accordance with the law.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest Annual Debt Service on the Special Tax District Bonds for the current or any future Bond Year, as certified in writing by the IFD to the City and the Fiscal Agent.

"Maximum Development Special Tax" has the meaning given that term in the Rate and Method.

"Ordinance" means any ordinance of the City Council of the City levying the Development Special Taxes under the Rate and Method, including but not limited to Ordinance No. 0079-20 enacted by the Board of Supervisors of the City on May 12, 2020.

"Parity Bonds" has the meaning given that term in the Fiscal Agent Agreement.

"Pledged Tax Increment" means the Allocated Tax Increment, but excluding the Waterfront Set-Aside except to the extent that the Waterfront Set-Aside may be used by the IFD under the IFD Law for its payment obligations hereunder based on the use of proceeds of the Special Tax District Bonds.

"Potential Development Special Tax Levy" has the meaning given that term in the Financing Plan.

"Rate and Method" means the Rate and Method of Apportionment of Special Tax for the Special Tax District, as it may be amended from time to time.

"Special Fund" means the "Special Fund (Sub-Project Areas I-1 through I-13)" established and maintained by the IFD pursuant to this Pledge Agreement.

"Special Tax District Bonds" means the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds", issued and outstanding under the Fiscal Agent Agreement, including the 2021 Special Tax District Bonds and any Parity Bonds.

"Special Tax Financing Law" means the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended from time to time.

"Subordinate Debt" has the meaning given that term in Section 6 of this Pledge Agreement.

"Subordinate Debt Instrument" means any instrument providing for the issuance or incurrence of Subordinate Debt.

"Sub-Project Area I-1" means Sub-Project Area I-1 (Mission Rock Site).

"Sub-Project Area I-2" means Sub-Project Area I-2 (Mission Rock Site).

"Sub-Project Area I-3" means Sub-Project Area I-3 (Mission Rock Site).

"Sub-Project Area I-4" means Sub-Project Area I-4 (Mission Rock Site).

"Sub-Project Area I-5" means Sub-Project Area I-5 (Mission Rock Site).

"Sub-Project Area I-6" means Sub-Project Area I-6 (Mission Rock Site).

"Sub-Project Area I-7" means Sub-Project Area I-7 (Mission Rock Site).

"Sub-Project Area I-8" means Sub-Project Area I-8 (Mission Rock Site).

"Sub-Project Area I-9" means Sub-Project Area I-9 (Mission Rock Site).

"Sub-Project Area I-10" means Sub-Project Area I-10 (Mission Rock Site).

"Sub-Project Area I-11" means Sub-Project Area I-11 (Mission Rock Site).

"Sub-Project Area I-12" means Sub-Project Area I-12 (Mission Rock Site).

"Sub-Project Area I-13" means Sub-Project Area I-13 (Mission Rock Site).

"Sub-Project Areas" has the meaning given that term in the recitals of this Pledge Agreement.

"Tax Increment Plan Limit" means the limitation, if any, contained in the Infrastructure Financing Plan on the number of dollars of taxes which may be divided and allocated to the IFD with respect to the Sub-Project Areas pursuant to the Infrastructure Financing Plan and the IFD Law.

"Waterfront Set-Aside" means a minimum of 20% of Allocated Tax Increment from Project Area I, which under IFD Law must be spent for shoreline restoration, removal of bay fill, and creation of waterfront public access to or environmental remediation of the San Francisco waterfront.

"Waterfront Set-Aside Account" means the Waterfront Set-Aside Account (Sub-Project Areas I-1 through I-13) established in the Special Fund.

"2021 Special Tax District Bonds" means the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021, issued and outstanding under the Fiscal Agent Agreement.

Section 2. Pledge of Pledged Tax Increment. The IFD hereby pledges and creates a lien on the Pledged Tax Increment for the benefit of the Fiscal Agent as security for its payment obligations hereunder (which pledge and lien shall attach and be binding and effective without the need for any physical delivery, recordation, filing, or further act). Such pledge shall be a first and exclusive pledge of the Pledged Tax Increment, subject to other permitted uses set forth in this Pledge Agreement.

The IFD and the City agree that the Pledged Tax Increment paid to the Fiscal Agent under this Pledge Agreement shall be used to pay debt service on the Special Tax District Bonds, replenish any debt service reserve fund for the Special Tax District Bonds and pay Horizontal Development Costs that are eligible to be paid with Pledged Tax Increment.

Section 3. Collection of Allocated Tax Increment; Special Fund. The IFD shall establish a fund to be held by or on behalf of the IFD as a separate restricted account, to be known as the "Special Fund (Sub-Project Areas I-1 through I-13)." The IFD shall establish the following accounts within the Special Fund to be held by or on behalf of the IFD as separate restricted accounts: the "Waterfront Set-Aside Account (Sub-Project Areas I-1 through I-13)" and the "Infrastructure Account (Sub-Project Areas I-1 through I-13)." Promptly upon receipt thereof, the IFD shall deposit 80% of the Allocated Tax Increment received in any Bond Year in the Infrastructure Account and 20% of such Allocated Tax Increment in the Waterfront Set-Aside Account. The IFD may establish separate accounts within the Special Fund (Sub-Project

Areas I-1 through I-13), and separate sub-accounts within the Infrastructure Account and the Waterfront Set-Aside Account in its discretion.

Amounts deposited to and held by the IFD in the Special Fund and the accounts therein shall be at all times separately accounted for by the IFD from all other funds or accounts, and the Allocated Tax Increment shall be used and applied solely as set forth in this Pledge Agreement.

On each September 1, Allocated Tax Increment in excess of the amounts required for the IFD to meet its obligations hereunder in such Bond Year shall be released from the pledge and lien created by this Pledge Agreement and shall be used by the IFD for authorized purposes under the Infrastructure Financing Plan.

Section 4. Payment of Allocated Tax Increment. The IFD shall withdraw Allocated Tax Increment from the accounts in the Special Fund and apply such amounts at the times and for the purposes, and in the following order of priority, each item to be fully satisfied (by payment of such item or reservation of Allocated Tax Increment for such item) before the item next in priority:

First. Administrative Expenses. The IFD shall pay Administrative Expenses when due and, prior to transferring the IFD Payment Amount pursuant to *Second* below, shall set aside any such Allocated Tax Increment required to pay Administrative Expenses from such Allocated Tax Increment.

Second. IFD Payment Amount. On each IFD Payment Date, the IFD shall transfer Pledged Tax Increment to the Fiscal Agent, for deposit into the Revenue Fund established and held by the Fiscal Agent under the Fiscal Agent Agreement, in an amount equal to the IFD Payment Amount.

Third: Surplus. After satisfying *First* and *Second* above, the IFD shall apply any remaining Allocated Tax Increment in the Special Fund to the purposes set forth in the Financing Plan.

Section 5. Coverage Covenant; Plan Limit.

(a) The IFD shall manage its fiscal affairs in a manner which ensures that it will have sufficient Allocated Tax Increment available under the Tax Increment Plan Limit in the amounts and at the times required to enable the IFD to pay meet its payment obligations under this Pledge Agreement.

(b) The IFD shall not issue any bonds or take any action that would cause it to exceed the Bond Plan Limit. Board of Supervisors Resolution No. 37-18 provides that the Bond Plan Limit does not apply to the Special Tax District Bonds or any "debt" as defined in the IFD Law other than bonds, including this Pledge Agreement.

Section 6. Issuance of Subordinate Debt. Subject to any limitations set forth in the Financing Plan, the IFD may issue additional bonds or incur other loans, advances or indebtedness payable from Allocated Tax Increment on a subordinate basis to its obligations under this Pledge Agreement ("Subordinate Debt") in such principal amount as shall be determined by the IFD. The IFD may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) Unless otherwise agreed by the City and the Developer, the conditions for the issuance of Subordinate Debt set forth in the Financing Plan have been satisfied.

(b) If, and to the extent, such Subordinate Debt is payable from Allocated Tax Increment within the Tax Increment Plan Limit, then the aggregate amount of the IFD Payment Amount and the principal of and interest to accrue on Subordinate Debt coming due and payable following the issuance of such Subordinate Debt shall not exceed the maximum amount of Allocated Tax Increment permitted under the Tax Increment Plan Limit to be allocated and paid to the IFD following the issuance of such Subordinate Debt.

(c) The IFD shall deliver to the Trustee a Written Certificate of the IFD certifying that the conditions precedent to the issuance of such Subordinate Debt set forth in paragraph (a) above have been satisfied.

Section 7. Tax Covenants. The following covenants shall apply to any Special Tax District Bonds to the extent the City and the IFD intended for the interest on such Special Tax District Bonds to be excluded from the gross income of the Owners of such Special Tax District Bonds for federal income tax purposes.

(a) Private Activity Bond Limitation. The City and the IFD will assure that the proceeds of the Special Tax Bonds are not so used as to cause the Special Tax District Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) Federal Guarantee Prohibition. The City and the IFD will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Special Tax District Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) Rebate Requirement. The City and the IFD will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Special Tax District Bonds.

(d) No Arbitrage. The City and the IFD will not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the

Special Tax Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Special Tax District Bonds would have caused the Special Tax District Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

(e) Maintenance of Tax-Exemption. The City and the IFD will take all actions necessary to assure the exclusion of interest on the Special Tax Bonds from the gross income of the Owners of the Special Tax District Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Special Tax Bonds.

(f) Record Retention. The City and the IFD will retain their records of all accounting and monitoring that they carry out with respect to the Special Tax District Bonds for at least 3 years after the Special Tax District Bonds mature or are redeemed (whichever is earlier); however, if the Special Tax District Bonds are redeemed and refunded, the City and the IFD will retain their records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Special Tax District Bonds.

(g) Compliance with Tax Certificate. The City and the IFD will comply with the provisions of the Certificate as to Arbitrage and the Use of Proceeds Certificate with respect to the Special Tax District Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Special Tax District Bonds.

Section 8. Term. The term of this Pledge Agreement shall commence on the date of issuance of the Special Tax District Bonds, and shall end on the earlier of the date no Special Tax District Bonds are outstanding or the last day on which the IFD may repay indebtedness or receive property taxes under the Infrastructure Financing Plan.

Section 9. Amendment. This Pledge Agreement may be amended only with the prior written consent of the parties thereto and if the City shall have received an opinion of nationally recognized bond counsel that such amendment does not adversely affect the tax-exempt nature of interest on the Special Tax District Bonds.

IN WITNESS HEREOF, the parties hereto have executed this Pledge Agreement as of the day and year first above written.

CITY AND COUNTY OF SAN FRANCISCO
INFRASTRUCTURE FINANCING DISTRICT
NO. 2 (PORT OF SAN FRANCISCO)

By: _____
Authorized Officer

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of City and County of
San Francisco Special Tax District No.
2020-1 (Mission Rock Facilities and
Services)

By: _____
Authorized Officer

[CORPORATE TRUSTEE], as Fiscal Agent

By: _____
Authorized Officer