

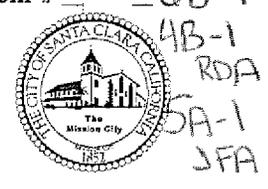
Meeting Date: 4/19/11

# AGENDA REPORT

Agenda Item # 6B-1



City of Santa Clara, California



**Date:** April 13, 2011

**To:** City Manager for Council Action  
Executive Director for Redevelopment Agency Action  
Executive Director for City of Santa Clara Joint Financing Authority Action

**From:** Director of Finance  
Redevelopment Agency Treasurer  
Chief Financial Officer for City of Santa Clara Joint Financing Authority

**Subject:** Adopt Resolutions for Issuance and Sale of Bayshore North Redevelopment Project 2011 Tax Allocation Bonds

## EXECUTIVE SUMMARY:

On June 2, 2009 Council approved a Term Sheet between the City of Santa Clara, the Redevelopment Agency, and the 49er Stadium Company, LLC for the construction and operation of an NFL stadium in the Bayshore North Redevelopment Area. A special election was held on June 8, 2010 to allow Santa Clara voters to have the opportunity to decide whether a stadium should be built under the conditions negotiated in the Term Sheet. Measure J, the stadium ballot measure, passed with a vote of 58.2% in favor.

Contained in the Term Sheet (section 7.4(b)) is a carve out from available tax increment monies to pay for "debt service on a new tax allocation bond issuance with net proceeds of Twenty-Five Million Dollars (\$25,000,000) for future agency projects other than the Stadium". Staff have been working with our Financial Advisor (KNN Public Finance), our Bond Counsel and Disclosure Counsel (Jones Hall), our Redevelopment Counsel (Goldfarb and Lipman), our Real Estate Advisor (Keyser Marston Associates), and our Underwriter (Stone & Youngberg) and recommend moving forward with this issuance at this time.

Depending on market conditions at the time of the sale, the 2011 Tax Allocation Bonds (2011 Bonds) may yield more than \$25 million of net proceeds (after paying for bond issuance costs and funding a reserve). Any amount over \$25 million will be held in a separate fund as part of the Agency's \$40 million contribution toward the Stadium project. The first \$25 million of net proceeds of the 2011 Bonds will be held in a separate fund to be used for major refurbishment of public facilities built as part of the Bayshore North Redevelopment Project. The public facilities include:

City Manager/Executive Director for Redevelopment Agency/Joint Financing Authority for Action  
Adopt Resolutions for Issuance and Sale of Bayshore North Redevelopment Project 2011 Tax Allocation  
Bonds

April 13, 2011

Page 2

- The Santa Clara Convention Center
- The Santa Clara Convention Center Complex Garage (existing)
- The new Parking Garage (to be built)
- David's of Santa Clara Banquet and Meeting Facility
- Fire Station #10
- Santa Clara Youth Soccer Park
- Martinson Day Care Center
- Fire Station #6
- The new North Bayshore Library

Presented for your review and adoption are three Resolutions authorizing and approving the following documents and actions relating to the issuance of Tax Allocation Bonds (the "2011 Bonds"):

**A Resolution of the City Council of the City of Santa Clara Approving the Issuance of Tax Allocation Bonds by the Redevelopment Agency of the City of Santa Clara.**

**A Resolution of the Redevelopment Agency of the City of Santa Clara:**

1. Approving a Fiscal Agent Agreement between the Agency and The Bank of New York Mellon Trust Company, N.A. as fiscal agent);
2. Approving the sale of the 2011 Bonds to the Santa Clara Joint Financing Authority (the "Financing Authority") on substantially the same terms and conditions as the Financing Authority agrees to sell the 2011 Bonds to the underwriter and approving the Bond Purchase Agreement among the Agency, Financing Authority and the Underwriter;
3. Approving a Preliminary Official Statement describing the 2011 Bonds and the distribution of a Preliminary Official Statement in connection therewith;
4. Authorizing various officer and staff representatives of the Agency to execute all documents that may be needed to close the transaction, make any minor non-substantive or routine changes, and certain other related actions.

**A Resolution of the Board of Directors of the City of Santa Clara Joint Financing Authority:**

1. Approving the purchase of the 2011 Bonds from the Agency concurrently and on substantially the same terms and conditions as the Financing Authority agrees to sell the 2011 Bonds to the underwriter pursuant to a Bond Purchase Agreement for the 2011 Bonds among the Agency, Financing Authority and the Underwriter;
2. Approving the concurrent negotiated sale of the 2011 Bonds to Stone & Youngberg pursuant to a Bond Purchase Agreement for the 2011 Bonds among the Agency, Financing Authority and the Underwriter;
3. Authorizing various officer and staff representatives of the Financing Authority to execute all documents that may be needed to close the transaction, make any minor non-substantive or routine changes, and certain other related actions.

Also provided for your information from Jones Hall, the City's Bond Counsel, is a memorandum in the form of an Executive Summary of the Transaction, including a descriptive purpose for each of the documents to be approved by the proposed resolutions. Staff will present fiscal, economic and scheduling information prior to the presentation of the Resolutions approving documents and actions relating to the issuance of the 2011 Bonds. The Resolutions, Executive Summary of the Transaction, and relevant section from the Term Sheet are attached, and all other documents are available in the Council Offices and the City Clerk's Office for review.

**ADVANTAGES AND DISADVANTAGES OF ISSUE:**

The issuance of the 2011 Bonds is per the Term Sheet agreement with the 49ers which specifically calls out the issuance of \$25 million of bonds for funding future agency projects other than the Stadium. To the extent more than \$25 million in net project proceeds can be generated by the bond issue, any amount over \$25 million will be applied to the City's \$40 million commitment to the Stadium Project pursuant to the Term Sheet with the 49ers (section 7.4 attached). Debt Service on the 2011 Bonds will be paid with tax increment generated within the North Bayshore Project Area.

**ECONOMIC/FISCAL IMPACT:**

The sources and uses of funds from the proposed tax allocation bond financing calls for the issuance of up to \$35 million par value bonds with an estimated all in interest cost of approximately 7.5% and a final maturity in 2026. Expenses are estimated to be \$550 thousand including cost of issuance and underwriter's discount. In addition, a debt service reserve fund of approximately \$3 million will be funded. All expenses will be paid from the bond proceeds.. The actual interest rate and amount of bonds issued will be determined at the time of sale, currently anticipated to occur by mid-May.

**RECOMMENDATION:**

That the Council:

- 1) Adopt the Resolution approving the issuance of Bayshore North Redevelopment Project 2011 Tax Allocation Bonds by the Redevelopment Agency.

That the Redevelopment Agency:

- 1) Adopt the Resolution authorizing the issuance of Bayshore North Redevelopment Project 2011 Tax Allocation Bonds, approving form and execution of documents and authorizing certain other related actions consistent with projected economic and fiscal impact as discussed above; and
- 2) Authorize the Executive Director and Treasurer to make any minor non-substantive or routine changes and execute all necessary documents to complete the transaction.

That the Financing Authority:

- 1) Adopt the Resolution authorizing the purchase of Bayshore North Redevelopment Project 2011 Tax Allocation Bonds from the Agency and the concurrent sale of the Bonds to the Underwriter, approving form and execution of documents and authorizing certain other related actions consistent with projected economic and fiscal impact as discussed above; and
- 2) Authorize the Executive Director and Chief Financial Officer to make any minor non-substantive or routine changes and execute all necessary documents to complete the transaction.



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Gary Ameling  
Director of Finance  
Redevelopment Agency Treasurer  
Chief Financial Officer for Joint Financing Authority

APPROVED:



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Jennifer Sparacino  
City Manager  
Executive Director for Redevelopment Agency  
Executive Director for Joint Financing Authority

***Documents Related to this Report:***

- 1) *City Resolution*
- 2) *Agency Resolution*
- 3) *Authority Resolution*
- 4) *Executive Summary of the Transaction*
- 5) *Stadium Term Sheet – Section 7.4*

**RESOLUTION NO. \_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
SANTA CLARA, CALIFORNIA, APPROVING THE  
ISSUANCE OF TAX ALLOCATION BONDS BY THE  
REDEVELOPMENT AGENCY OF THE CITY OF SANTA  
CLARA FOR THE BAYSHORE NORTH PROJECT**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SANTA CLARA,  
CALIFORNIA, AS FOLLOWS:**

**WHEREAS**, the Redevelopment Agency of the City of Santa Clara (the “Agency”) has established a Redevelopment Plan for the Bayshore North Project in the City of Santa Clara, California (the “Redevelopment Project”); and

**WHEREAS**, for the purpose of financing programs, projects and activities of the Agency relating to the Redevelopment Project, the Agency has determined to authorize the issuance of its Bayshore North Redevelopment Project 2011 Tax Allocation Bonds (the “2011 Bonds”), the interest on which is tax-exempt under federal tax law, on a parity with outstanding tax allocation bonds which have previously been issued to provide financing for the Redevelopment Project; and

**WHEREAS**, in accordance with the requirements of Section 33640 of the Health and Safety Code of the State of California, the City Council must approve the issuance and sale of the 2011 Bonds by the Agency;

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**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SANTA CLARA, CALIFORNIA,** that the issuance and sale of the 2011 Bonds by the Agency in the maximum aggregate principal amount of \$35,000,000 is hereby approved.

I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF SANTA CLARA, CALIFORNIA, AT A REGULAR MEETING THEREOF HELD ON THE 19<sup>th</sup> DAY OF APRIL, 2011, BY THE FOLLOWING VOTE:

AYES:            COUNCIL MEMBERS:  
NOES:            COUNCIL MEMBERS:  
ABSENT:         COUNCIL MEMBERS:  
ABSTAINED:    COUNCIL MEMBERS:

ATTEST: \_\_\_\_\_  
          ROD DIRIDON, JR.  
          CITY CLERK  
          CITY OF SANTA CLARA

Attachments incorporated by reference: None

**RESOLUTION NO. \_\_\_\_ (RA)**

**RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY  
OF SANTA CLARA AUTHORIZING THE ISSUANCE AND SALE OF  
TAX ALLOCATION BONDS FOR THE BAYSHORE NORTH PROJECT,  
AND APPROVING RELATED DOCUMENTS AND ACTIONS**

**BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA  
CLARA AS FOLLOWS:**

**WHEREAS**, the Redevelopment Agency of the City of Santa Clara (the “Agency”) has established a Redevelopment Plan for the Bayshore North Project in the City of Santa Clara, California (the “Redevelopment Project”); and

**WHEREAS**, for the purpose of financing certain designated programs, projects and activities of the Agency relating to the Redevelopment Project, the Agency has determined to authorize the issuance of its Bayshore North Redevelopment Project 2011 Tax Allocation Bonds (the “2011 Bonds”), on a parity with outstanding tax allocation bonds which have previously been issued to provide financing for the Redevelopment Project (the “Prior Bonds”); and

**WHEREAS**, in order to assist the Agency in its financings, the Agency has requested the City of Santa Clara Joint Financing Authority (the “Financing Authority”) to purchase the 2011 Bonds as provided herein and to sell the 2011 Bonds to an underwriting firm; and

**WHEREAS**, the Agency wishes at this time to authorize the issuance and sale of the 2011 Bonds, and to approve all related documents and actions;

**NOW, THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF  
THE CITY OF SANTA CLARA AS FOLLOWS:**

**Section 1. Authorization and Issuance of 2011 Bonds; Use of Bond Proceeds.** The Agency hereby authorizes the issuance of the 2011 Bonds in the aggregate principal amount of not to

exceed \$35,000,000 under the provisions of Part 1 of Division 24 of the Health and Safety Code of the State of California. Of the proceeds of the 2011 Bonds, an amount up to \$25,000,000 shall be deposited into a fund to be expended for the purpose of financing programs, projects and activities of the Agency relating to the Redevelopment Project which are described in (a) the Public Improvements Grant and Cooperation Agreement for Infrastructure Improvements which was approved by the Agency on February 22, 2011, and (b) the Public Improvements Grant and Cooperation Agreement for the Construction of the North Bayshore Area Library which was approved by the Agency on February 22, 2011. The remaining proceeds of the 2011 Bonds (if any) shall be deposited into a fund to be expended for the purpose of financing programs, projects and activities of the Agency relating to the Redevelopment Project which are described in (a) the Cooperation Agreement to Assist Publically-Owned Stadium which was approved by the Agency on February 22, 2011, and (b) the Predevelopment Funding Agreement which was approved by the Agency on March 21, 2011..

**Section 2. Approval of Fiscal Agent Agreement.** The 2011 Bonds shall be issued under a Fiscal Agent Agreement (the "Fiscal Agent Agreement") between the Agency and The Bank of New York Mellon Trust Company, N.A., as fiscal agent, which is hereby approved in substantially the form thereof on file with the Secretary together with any additions thereto or changes therein deemed necessary or advisable by the Executive Director or the Treasurer (each, an "Authorized Officer"), and the execution thereof by the Executive Director shall be conclusive evidence of the approval of any such additions or changes. The Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest and affix the seal of the Agency to, the Fiscal Agent Agreement for and in the name and on behalf of the Agency. The Agency hereby authorizes the delivery and performance of the Fiscal

Agent Agreement. All of the terms and conditions of the final form of the Fiscal Agent Agreement are incorporated herein by reference.

**Section 3. Sale of 2011 Bonds to Financing Authority.** The Agency hereby authorizes the negotiated sale of the 2011 Bonds to the Financing Authority, under a Bond Purchase Agreement in substantially the form on file with the Secretary together with any additions thereto or changes therein approved by an Authorized Officer, whose execution shall be conclusive evidence of such approval. As provided in the Bond Purchase Agreement and a resolution of the governing board of the Financing Authority, the Financing Authority has authorized the sale of the 2011 Bonds to Stone & Youngberg LLC (the "Underwriter"), such sale to be completed concurrent with the purchase of the 2011 Bonds by the Financing Authority from the Agency. The Agency hereby delegates to an Authorized Officer the authority to accept an offer from the Financing Authority to purchase the 2011 Bonds, provided that such offer is upon substantially the same terms and conditions as the Financing Authority shall agree to sell the 2011 Bonds to the Underwriter, and provided further that the aggregate amount of Underwriter's discount on the sale of the 2011 Bonds shall not exceed 1.00% of the par amount thereof, and the true interest rate on the 2011 Bonds (taking into account any original issue discount on the sale thereof) shall not exceed 8.50% per annum.

**Section 4. Approval of Official Statement.** The Agency hereby approves the Preliminary Official Statement describing the 2011 Bonds in the form on file with the Secretary. The Underwriter is hereby authorized to distribute the Preliminary Official Statement and the Executive Director is hereby authorized and directed to (a) execute and deliver to the Underwriter a certificate deeming the Preliminary Official Statement to be nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, prior to the distribution thereof

by the Underwriter, (b) approve any changes in or additions to the Preliminary Official Statement to cause the Official Statement to be put in final form, and (c) execute said final Official Statement for and in the name and on behalf of the Agency.

**Section 5. Official Actions.** The Chairperson, the Executive Director, the Treasurer, the Secretary and any and all other officers of the Agency are hereby authorized and directed, for and in the name and on behalf of the Agency, to do any and all things and take any and all actions, including making arrangements for the delivery of a policy of municipal bond insurance and the execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in connection with the issuance and sale of the 2011 Bonds as described herein. Whenever in this resolution any officer of the Agency is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

**Section 5. Supplemental Resolution.** This Resolution constitutes a Supplemental Resolution within the meaning of the respective documents authorizing the issuance of the Prior Bonds.

**Section 6. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA AT A REGULAR MEETING THEREOF HELD ON THE 19<sup>th</sup> DAY OF APRIL, 2011, BY THE FOLLOWING VOTE:

AYES:                    AGENCY MEMBERS:

NOES:                    AGENCY MEMBERS:

ABSENT:                AGENCY MEMBERS:

ABSTAINED:         AGENCY MEMBERS:

ATTEST: \_\_\_\_\_  
ROD DIRIDON, JR.  
SECRETARY  
REDEVELOPMENT AGENCY OF  
THE CITY OF SANTA CLARA

Attachments incorporated by reference:

1. Fiscal Agent Agreement
2. Bond Purchase Agreement
3. Preliminary Official Statement

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## FISCAL AGENT AGREEMENT

Dated as of May 1, 2011

between the

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA**

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,**  
*as Fiscal Agent*

Relating to

\$ \_\_\_\_\_  
Redevelopment Agency of the City of Santa Clara  
Bayshore North Project  
2011 Tax Allocation Bonds

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## TABLE OF CONTENTS

APPENDIX A	DEFINITIONS
APPENDIX B	FORM OF CURRENT INTEREST BOND
APPENDIX C	FORM OF CAPITAL APPRECIATION BOND

## FISCAL AGENT AGREEMENT

This FISCAL AGENT AGREEMENT (this "Fiscal Agent Agreement"), dated as of May 1, 2011, is between the REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA, a public body corporate and politic organized and existing under the laws of the State of California (the "Agency"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the "Fiscal Agent").

### BACKGROUND:

1. The Agency is a public body, corporate and politic, duly established and authorized to transact business and exercise powers under the provisions of Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law"), and has the power under the Redevelopment Law to issue bonds for any of its corporate purposes.

2. Under the Redevelopment Law, the Agency and the City Council of the City of Santa Clara, California (the "City") have previously adopted a redevelopment plan for the Bayshore North Project (the "Redevelopment Project") in the City.

3. In order to provide financing for the Redevelopment Project, the Agency has previously issued various issues of its Tax Allocation Bonds, including the following issues which are currently outstanding:

- Redevelopment Agency of the City of Santa Clara Bayshore North Project 1999 Tax Allocation Bonds, Series A, issued in the aggregate principal amount of \$31,550,000, and Redevelopment Agency of the City of Santa Clara Bayshore North Project 1999 Tax Allocation Bonds, Series B, issued in the aggregate principal amount of \$16,905,000 (collectively, the "1999 Bonds") under Resolution No. 99-9 adopted on July 20, 1999 and a Fiscal Agent Agreement dated as of August 1, 1999, between the Agency and BNY Western Trust Company, as fiscal agent;
- Redevelopment Agency of the City of Santa Clara Bayshore North Project 2002 Tax Allocation Refunding Bonds, issued in the aggregate principal amount of \$33,910,000 (the "2002 Refunding Bonds") under Resolution No. 02-2 adopted on May 14, 2002 and under a Fiscal Agent Agreement dated as of June 1, 2002, between the Agency and BNY Western Trust Company, as fiscal agent; and
- Redevelopment Agency of the City of Santa Clara Bayshore North Project 2003 Tax Allocation Refunding Bonds, issued in the aggregate principal amount of \$43,960,000 (the "2003 Bonds") under Resolution No. 03-02 adopted on April 15, 2003 and under a Fiscal Agent Agreement dated as of May 1, 2003, between the Agency and BNY Western Trust Company, as fiscal agent.

4. The Agency has authorized the issuance of its Redevelopment Agency of the City of Santa Clara Bayshore North Project 2011 Tax Allocation Bonds in the aggregate principal amount of \$\_\_\_\_\_ (the "2011 Bonds") under the provisions of the Redevelopment Law for the purpose of financing certain designated programs, projects and activities of the Agency relating to the Redevelopment Project.

5. The principal of and interest on the 2011 Bonds, and the principal of and interest on the 1999 Bonds, the 2002 Bonds and the 2003 Bonds (collectively, the "Prior Bonds"), are payable from and secured by a pledge of and first lien on the tax increment revenues derived from the Redevelopment Project, net of tax increment revenues required to be utilized for low- and moderate-income housing purposes.

6. The Bank of New York Mellon Trust Company, N.A., as successor to BNY Western Trust Company, acts as fiscal agent for the Prior Bonds and will act as fiscal agent for the 2011 Bonds.

7. The Agency has determined that all acts and proceedings required by law necessary to make the 2011 Bonds, when executed by the Agency, authenticated and delivered by the Fiscal Agent and duly issued, the valid, binding and legal special obligations of the Agency, and to constitute this Fiscal Agent Agreement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken, and the Agency has determined that all conditions precedent to the issuance of the 2011 Bonds on a parity with the Prior Bonds have been satisfied, and that the 2011 Bonds are permitted at this time to be issued as Additional Bonds under and as defined in the respective documents authorizing the Prior Bonds.

#### *A G R E E M E N T :*

In order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Outstanding 2011 Bonds under this Fiscal Agent Agreement according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the 2011 Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the 2011 Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Agency and the Fiscal Agent do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the 2011 Bonds, as follows:

## ARTICLE I

### DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the terms defined in Appendix A attached to this Fiscal Agent Agreement have the meanings given those terms in Appendix A. All capitalized terms used herein and not otherwise defined have the respective meanings given those terms in the Master Bond Resolution.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Fiscal Agent Agreement, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Fiscal Agent Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Fiscal Agent Agreement as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE II

### AUTHORIZATION AND TERMS OF 2011 BONDS

SECTION 2.01. *Authorization and Purpose of 2011 Bonds.* The Agency has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the 2011 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Agency is now duly empowered, under each and every requirement of law, to issue the 2011 Bonds in the manner and form provided in this Fiscal Agent Agreement.

The Agency hereby authorizes the issuance of the 2011 Bonds in the aggregate principal amount of \$\_\_\_\_\_ under the Redevelopment Law for the purposes of providing financing for certain designated programs, projects and activities of the Agency

relating to the Redevelopment Project. The 2011 Bonds are authorized and issued under, and are subject to the terms of, this Fiscal Agent Agreement and the Redevelopment Law. The 2011 Bonds are designated the "Redevelopment Agency of the City of Santa Clara Bayshore North Project 2011 Tax Allocation Bonds."

SECTION 2.02. *Terms of the 2011 Bonds.*

(a) Terms of Current Interest Bonds. The Current Interest Bonds are issuable in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Current Interest Bond has more than one maturity date. The Current Interest Bonds will be dated as of the Closing Date, and will mature on June 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum, as set forth in the following table:

<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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Interest on the Current Interest Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Current Interest Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Current Interest Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any Current Interest Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest on the Current Interest Bonds is payable on each Interest Payment Date to the persons in whose names the ownership of the Current Interest Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Current Interest Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Current Interest Bond is registered on the

Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Fiscal Agent, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Fiscal Agent will pay interest on the Current Interest Bonds by check of the Fiscal Agent mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Current Interest Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Current Interest Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Fiscal Agent as of any Record Date, the Fiscal Agent will pay interest on such Current Interest Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Fiscal Agent will pay principal of the Current Interest Bonds in lawful money of the United States of America by check of the Fiscal Agent upon presentation and surrender thereof at the Office of the Fiscal Agent.

(b) Terms of Capital Appreciation Bonds. The Capital Appreciation Bonds will be issued in fully registered form without coupons in denominations of \$5000 in Maturity Values or any integral multiple thereof, maturing on June 1 in each of the years and having the respective Denominational Amounts and Maturity Values as set forth in the following table:

<u>Maturity (June 1)</u>	<u>Denominational Amount</u>	<u>Accretion Rate</u>	<u>Maturity Value</u>
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Interest on the Capital Appreciation Bonds shall compound on each Compounding Date at the respective Accretion Rates set forth in the preceding table. Interest on the Capital Appreciation Bonds is payable solely at maturity or upon earlier redemption thereof as hereinafter provided. Each Capital Appreciation Bond will be dated as of the Closing Date. The Accreted Value of the Capital Appreciation Bonds and any redemption premium thereon will be payable solely at maturity or earlier redemption thereof to the Owners thereof upon presentation and surrender thereof at the Office of the Fiscal Agent. The Accreted Value of the Capital Appreciation Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof at the Office of the Fiscal Agent.

SECTION 2.03. *Redemption of 2011 Bonds.*

(a) Optional Redemption of Capital Appreciation Bonds. The Capital Appreciation Bonds maturing on June 1, 20\_\_, are not subject to redemption prior to their respective Maturity Dates. The Capital Appreciation Bonds maturing on or after June 1, 20\_\_, are subject to redemption in whole, or in part at the Request of the Agency among maturities on such basis as the Agency shall designate and by lot within a maturity, at the option of the Agency, from any available source of funds, on any date on or after June 1, 20\_\_, at a redemption price equal to 100% of the Accreted Value of the Capital Appreciation Bonds to be redeemed, without premium, together with accrued interest to the redemption date.

The Agency shall give the Fiscal Agent written notice of its intention to redeem Capital Appreciation Bonds under this subsection (a), and the manner of selecting such Capital Appreciation Bonds for redemption from among the maturities thereof, in sufficient time to enable the Fiscal Agent to give notice of such redemption in accordance with subsection (d) of this Section.

(b) Optional Redemption of Current Interest Bonds. The Current Interest Bonds maturing on June 1, 20\_\_, are not subject to optional redemption prior to their respective stated maturities. The Current Interest Bonds maturing on or after June 1, 20\_\_, are subject to redemption in whole, or in part at the Request of the Agency among maturities on such basis as the Agency shall designate and by lot within a maturity, at the option of the Agency, from any available source of funds, on any date on or after June 1, 20\_\_, at a redemption price equal to 100% of the principal amount of the Current Interest Bonds to be redeemed, without premium, together with accrued interest to the redemption date.

The Agency shall give the Fiscal Agent written notice of its intention to redeem Current Interest Bonds under this subsection (a), and the manner of selecting such Current Interest Bonds for redemption from among the maturities thereof, in sufficient time to enable the Fiscal Agent to give notice of such redemption in accordance with subsection (d) of this Section.

(c) Mandatory Sinking Fund Redemption. The 2011 Term Bonds are subject to mandatory redemption, in whole or in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on June 1 in the respective years as set forth in the following table; *provided, however*, that if some but not all of the 2011 Term Bonds have been redeemed under subsection (b) of this Section, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the 2011 Term Bonds so redeemed, to be allocated among such sinking fund payments on such basis as the Agency may designate in a Certificate of the Agency filed with the Fiscal Agent.

Sinking Fund  
Redemption Date  
(June 1)

Principal Amount  
To Be Redeemed

(d) Notice of Redemption. The Fiscal Agent on behalf and at the expense of the Agency shall mail (by first class mail) notice of any redemption to the respective Owners of any 2011 Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to the Municipal Securities Rulemaking Board, at least 30 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such 2011 Bonds or the cessation of the accrual of interest thereon.

Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the bond numbers (if less than all 2011 Bonds of a maturity are to be redeemed) and the maturity or maturities (in the event of redemption of all of the 2011 Bonds of such maturity or maturities in whole) of the 2011 Bonds to be redeemed, and must require that such 2011 Bonds be then surrendered at the Office of the Fiscal Agent identified in such notice for redemption at the redemption price, giving notice also that further interest on such 2011 Bonds will not accrue from and after the redemption date. In addition, the redemption notice shall state that the Agency has the right to rescind the notice as provided in subsection (e) of this Section.

(e) Right to Rescind Notice of Redemption. The Agency has the right to rescind any notice of the optional redemption of Capital Appreciation Bonds or Current Interest Bonds under subsections (a) or (b) of this Section by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Capital Appreciation Bonds or Current Interest Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Agency and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall mail notice of such rescission of redemption to the respective Owners of any Capital Appreciation Bonds or Current Interest Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to the Municipal Securities Rulemaking Board.

(f) Manner of Redemption. Whenever provision is made in this Section 2.03 for the redemption of less than all of the 2011 Bonds of the same maturity, the Fiscal Agent shall select the 2011 Bonds to be redeemed by lot in any manner deemed fair by the Fiscal Year. For purposes of such selection, all 2011 Bonds will be deemed to be

comprised of separate \$5,000 denominations and such separate denominations will be treated as separate 2011 Bonds which may be separately redeemed.

SECTION 2.04. *Book Entry System.*

(a) Original Delivery. The 2011 Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the 2011 Bonds. Upon initial delivery, the Fiscal Agent shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding 2011 Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to 2011 Bonds the ownership of which is registered in the name of the Nominee, the Agency and the Fiscal Agent have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the 2011 Bonds. Without limiting the generality of the immediately preceding sentence, the Agency and the Fiscal Agent have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the 2011 Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a 2011 Bond Owner as shown in the Registration Books, of any notice with respect to the 2011 Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the 2011 Bonds to be redeemed if the Agency elects to redeem the 2011 Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a 2011 Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the 2011 Bonds or (v) any consent given or other action taken by the Depository as Owner of the 2011 Bonds. The Agency and the Fiscal Agent may treat and consider the person in whose name each 2011 Bond is registered as the absolute owner of such 2011 Bond for the purpose of payment of principal of and premium, if any, and interest on such 2011 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2011 Bond, for the purpose of registering transfers of ownership of such 2011 Bond, and for all other purposes whatsoever. The Fiscal Agent shall pay the principal of and the interest and premium, if any, on the 2011 Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the 2011 Bonds to the extent of the sum or sums so paid. No person other than a 2011 Bond Owner shall receive a 2011 Bond evidencing the obligation of the Agency to make payments of principal, interest and premium, if any, under this Fiscal Agent Agreement. Upon delivery by the Depository to the Agency of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Agency shall promptly deliver a copy of the same to the Fiscal Agent.

(b) Representation Letter. In order to qualify the 2011 Bonds for the Depository's book-entry system, the Agency shall execute and deliver to such Depository a letter representing such matters as may be necessary to so qualify the 2011 Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Agency or the

Fiscal Agent any obligation whatsoever with respect to persons having interests in the 2011 Bonds other than the 2011 Bond Owners. Upon the written acceptance by the Fiscal Agent, the Fiscal Agent agrees to take all action reasonably necessary for all representations of the Fiscal Agent in such letter with respect to the Fiscal Agent to at all times be complied with. In addition to the execution and delivery of such letter, the Agency may take any other actions, not inconsistent with this Fiscal Agent Agreement, to qualify the 2011 Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the 2011 Bonds, or (ii) the Agency determines to terminate the Depository as such, then the Agency shall thereupon discontinue the book-entry system with such Depository. In that event, the Depository shall cooperate with the Agency and the Fiscal Agent in the issuance of replacement 2011 Bonds by providing the Fiscal Agent with a list showing the interests of the Depository System Participants in the 2011 Bonds, and by surrendering the 2011 Bonds, registered in the name of the Nominee, to the Fiscal Agent on or before the date such replacement 2011 Bonds are to be issued. The Depository, by accepting delivery of the 2011 Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Agency fails to identify another Securities Depository to replace the Depository, then the 2011 Bonds are no longer required to be registered in the Registration Books in the name of the Nominee, but will be registered in whatever name or names the Owners transferring or exchanging 2011 Bonds may designate, in accordance with the provisions hereof.

If the Agency determines that it is in the best interests of the beneficial owners of the 2011 Bonds that they be able to obtain certificated bonds, the Agency may notify the Depository System Participants of the availability of such certificated bonds through the Depository. In such event, the Fiscal Agent will issue, transfer and exchange 2011 Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Fiscal Agent and the Agency shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the 2011 Bonds to any Depository System Participant having 2011 Bonds credited to its account with the Depository, or (ii) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such 2011 Bonds, all at the Agency's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Fiscal Agent Agreement to the contrary, so long as any 2011 Bond is registered in the name of the Nominee, all payments of principal of and interest and premium, if any, on that 2011 Bond and all notices with respect to that 2011 Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Form and Execution of 2011 Bonds.* The Current Interest Bonds, the form of Fiscal Agent's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Fiscal Agent Agreement. The Capital Appreciation Bonds, the form of Fiscal Agent's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix C attached hereto and by this

reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Fiscal Agent Agreement.

The Executive Director of the Agency shall execute, and the Secretary of the Agency shall attest each 2011 Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any 2011 Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any 2011 Bond may be signed and attested on behalf of the Agency by such persons as at the actual date of the execution of such 2011 Bond are the proper officers of the Agency, duly authorized to execute debt instruments on behalf of the Agency, although on the date of such 2011 Bond any such person was not an officer of the Agency.

Only those 2011 Bonds bearing a certificate of authentication in the form set forth in Appendix B and Appendix C, manually executed and dated by the Fiscal Agent, are valid or obligatory for any purpose or entitled to the benefits of this Fiscal Agent Agreement, and such certificate of the Fiscal Agent is conclusive evidence that such 2011 Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Fiscal Agent Agreement.

SECTION 2.06. *Transfer and Exchange of 2011 Bonds.*

(a) Transfer. Any 2011 Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such 2011 Bond to the Fiscal Agent at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Fiscal Agent, duly executed. The Fiscal Agent shall collect any tax or other governmental charge on the transfer of any 2011 Bonds under this Section 2.06. Whenever any 2011 Bond is surrendered for transfer, the Agency shall execute and the Fiscal Agent shall authenticate and deliver to the transferee a new 2011 Bond of like series, interest rate, maturity and aggregate principal amount. The Agency shall pay the cost of printing 2011 Bonds and any services rendered or expenses incurred by the Fiscal Agent in connection with any transfer of 2011 Bonds.

(b) Exchange. The 2011 Bonds may be exchanged at the Office of the Fiscal Agent for a like aggregate principal amount of 2011 Bonds of other authorized denominations and of the same series, interest rate and maturity. The Fiscal Agent shall collect any tax or other governmental charge on the exchange of any 2011 Bonds under this subsection (b). The Agency shall pay the cost of printing 2011 Bonds and any services rendered or expenses incurred by the Fiscal Agent in connection with any exchange of 2011 Bonds.

(c) Limitations. The Fiscal Agent may refuse to transfer or exchange, under the provisions of this Section 2.06, any 2011 Bonds selected by the Fiscal Agent for redemption under Section 2.03, or any 2011 Bonds during the period established by the Fiscal Agent for the selection of 2011 Bonds for redemption.

SECTION 2.07. *Registration Books*. The Fiscal Agent will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the

2011 Bonds, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the Agency; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, 2011 Bonds as hereinbefore provided.

SECTION 2.08. *2011 Bonds Mutilated, Lost, Destroyed or Stolen.* If any 2011 Bond is mutilated, the Agency, at the expense of the Owner of that 2011 Bond, shall execute, and the Fiscal Agent shall thereupon authenticate and deliver, a new 2011 Bond of like tenor in exchange and substitution for the 2011 Bond so mutilated, but only upon surrender to the Fiscal Agent of the 2011 Bond so mutilated. The Fiscal Agent shall cancel every mutilated 2011 Bond surrendered to it and deliver such mutilated 2011 Bond to, or upon the order of, the Agency. If any 2011 Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence is satisfactory and if indemnity satisfactory to the Fiscal Agent is given, the Agency, at the expense of the Owner, shall execute, and the Fiscal Agent shall thereupon authenticate and deliver, a new 2011 Bond of like tenor in lieu of and in substitution for the 2011 Bond so lost, destroyed or stolen. The Fiscal Agent may require payment of a sum not exceeding the actual cost of preparing each new 2011 Bond issued under this Section 2.08 and of the expenses which may be incurred by the Fiscal Agent in connection therewith. Any 2011 Bond issued under the provisions of this Section 2.08 in lieu of any 2011 Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Agency whether or not the 2011 Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Fiscal Agent Agreement with all other 2011 Bonds issued under this Fiscal Agent Agreement.

Notwithstanding any other provision of this Section 2.08, in lieu of delivering a new 2011 Bond for which principal has become due for a 2011 Bond which has been mutilated, lost, destroyed or stolen, the Fiscal Agent may make payment of such 2011 Bond in accordance with its terms upon receipt of indemnity satisfactory to the Fiscal Agent.

### **ARTICLE III**

#### **DEPOSIT AND APPLICATION OF PROCEEDS OF 2011 BONDS; ISSUANCE OF ADDITIONAL BONDS**

SECTION 3.01. *Issuance of 2011 Bonds.* Upon the execution and delivery of this Fiscal Agent Agreement, the Agency shall execute and deliver 2011 Bonds in the aggregate principal amount of \$\_\_\_\_\_ to the Fiscal Agent. At the Request of the Agency, the Fiscal Agent shall authenticate and deliver the 2011 Bonds to the Original Purchaser on the Closing Date.

SECTION 3.02. *Deposit and Application of Proceeds.* Upon receipt of the proceeds of the 2011 Bonds on the Closing Date, the Fiscal Agent shall apply such proceeds as follows:

- (a) On the Closing Date, the Fiscal Agent shall deposit the amount of \$\_\_\_\_\_ in the Costs of Issuance Fund.
- (b) On the Closing Date, the Fiscal Agent shall deposit the amount of \$\_\_\_\_\_ in the Reserve Account.
- (c) The Fiscal Agent shall deposit the amount of \$[25,000,000] in the Project Major Refurbishment Fund.
- (d) The Fiscal Agent shall deposit the amount of \$\_\_\_\_\_, constituting the remainder of the proceeds, in the Agency Stadium Investment Fund.

SECTION 3.03. *Costs of Issuance Fund.* There is hereby established a separate fund to be known as the "Costs of Issuance Fund," to be held by the Fiscal Agent in trust. The Fiscal Agent shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance upon submission of a Request of the Agency stating (a) the person to whom payment is to be made, (b) the amounts to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the Agency; in each case together with a statement or invoice for each amount requested thereunder. On September 1, 2011, the Fiscal Agent shall transfer all amounts remaining in the Costs of Issuance Fund to the Agency Stadium Investment Fund, and shall thereupon close the Costs of Issuance Fund.

SECTION 3.04. *Project Major Refurbishment Fund.* There is hereby established a separate account to be held by the Fiscal Agent in trust hereunder, to be known as "CIP Project 9076 - RDA Project Major Refurbishment Fund". Amounts on deposit in the Project Major Refurbishment Fund shall be derived solely from the proceeds of the 2011 Bonds deposited therein on the Closing Date under Section 3.02(c) and from earnings on the investment and reinvestment of amounts in the Project Major Refurbishment Fund. Amounts in the Project Major Refurbishment Fund shall be used solely in the manner provided by the Redevelopment Law to finance programs, projects and activities of the Agency relating to the Redevelopment Project which are described in (a) the Public Improvements Grant and Cooperation Agreement for Infrastructure Improvements which was approved by the Agency on February 22, 2011, and (b) the Public Improvements Grant and Cooperation Agreement for the Construction of the North Bayshore Area Library which was approved by the Agency on February 22, 2011. Such programs, projects and activities shall comply with the requirements of Section 5.12, and with all applicable provisions of the Redevelopment Law and the Redevelopment Plan.

Amounts on deposit in the Project Major Refurbishment Fund shall be disbursed by the Fiscal Agent for the foregoing purposes upon the receipt of Requests of the Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Project Major Refurbishment Fund. Each such Request of the Agency shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent has no duty to confirm the accuracy of such facts. Upon the completion by the Agency of the purposes for which moneys in the Project Major Refurbishment Fund are intended to be applied, or upon a determination by the Agency that no further amounts are required or permitted to be expended from the Project Major Refurbishment Fund, as

evidenced by a Certificate of the Agency to that effect filed with the Fiscal Agent, any remaining amounts in the Project Major Refurbishment Fund shall be applied for the payment or redemption of Outstanding 2011 Bonds, as shall be set forth in a Request of the Agency filed with the Fiscal Agent. Upon the disbursement of all amounts from the Project Major Refurbishment Fund, the Fiscal Agent shall close such fund.

SECTION 3.05. *Agency Stadium Investment Fund.* There is hereby established a separate account to be held by the Fiscal Agent in trust hereunder, to be known as "CIP Project 4911 - Agency Stadium Investment Fund". Amounts on deposit in the Agency Stadium Investment Fund shall be derived solely from the proceeds of the 2011 Bonds deposited therein on the Closing Date under Section 3.02(c), from amounts transferred for that purpose under Section 3.03, and from earnings on the investment and reinvestment of amounts in the Agency Stadium Investment Fund. Amounts in the Agency Stadium Investment Fund shall be used solely in the manner provided by the Redevelopment Law to finance programs, projects and activities of the Agency relating to the Redevelopment Project which are described in (a) the Cooperation Agreement to Assist Publically-Owned Stadium which was approved by the Agency on February 22, 2011, and (b) the Predevelopment Funding Agreement which was approved by the Agency on March 21, 2011. Such programs, projects and activities shall comply with the requirements of Section 5.12, and with all applicable provisions of the Redevelopment Law and the Redevelopment Plan.

Amounts on deposit in the Agency Stadium Investment Fund shall be disbursed by the Fiscal Agent for the foregoing purposes upon the receipt of Requests of the Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Agency Stadium Investment Fund. Each such Request of the Agency shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent has no duty to confirm the accuracy of such facts. Upon the completion by the Agency of the purposes for which moneys in the Agency Stadium Investment Fund are intended to be applied, or upon a determination by the Agency that no further amounts are required or permitted to be expended from the Agency Stadium Investment Fund, as evidenced by a Certificate of the Agency to that effect filed with the Fiscal Agent, any remaining amounts in the Agency Stadium Investment Fund shall be applied for the payment or redemption of Outstanding 2011 Bonds, as shall be set forth in a Request of the Agency filed with the Fiscal Agent. Upon the disbursement of all amounts from the Agency Stadium Investment Fund, the Fiscal Agent shall close such fund.

SECTION 3.06. *Issuance of Additional Bonds.* In addition to the 2011 Bonds and the Prior Bonds, the Agency may issue or incur Additional Bonds in such principal amount as may be determined by the Agency, in accordance with and upon satisfaction of all conditions precedent to such issuance as set forth in the Prior Bond Documents.

SECTION 3.07. *Issuance of Subordinate Debt.* The Agency may from time to time issue or incur Subordinate Debt in such principal amount as the Agency may determine, provided that the issuance of Subordinate Debt does not cause the Agency to exceed any applicable Plan Limitations.

SECTION 3.08. *Validity of 2011 Bonds.* The validity of the authorization and issuance of the 2011 Bonds shall not be dependent upon the completion of the

Redevelopment Project or upon the performance by any person of its obligation with respect to the Redevelopment Project.

SECTION 3.09. *Parity With Prior Bonds.* The 2011 Bonds constitute Additional Bonds under and within the meaning of the Master Resolution, on a parity with the Prior Bonds, and shall be entitled to all of the benefits and protections afforded under the Master Bond Resolution. The Agency hereby represents and covenants, in accordance with requirements of Section 3.06 of the Master Bond Resolution, that:

- (a) The Agency is in compliance with all covenants set forth in the Master Bond Resolution.
- (b) The taxes eligible for allocation (under the Redevelopment Law and the Constitution of the State of California and from which Tax Revenues are derived, but excluding such taxes derived from any business inventory tax subvention) as shown on the equalized assessment roll next preceding the Closing Date, as reported by the Santa Clara County Auditor-Controller, are at least equal to 1.25 times the Maximum Annual Debt Service on the Outstanding Prior Bonds and the 2011 Bonds.
- (c) The Agency has received a certificate of the Santa Clara County Auditor-Controller setting forth the amount of taxes referred to in the preceding clause (b).
- (d) The Agency has received all required approvals or rulings from any governmental authority having jurisdiction over the 2011 Bonds or their terms.
- (e) The Fiscal Agent has received an opinion of counsel which states that this Fiscal Agent Agreement complies with the requirements of the Prior Bond Documents.

## **ARTICLE IV**

### **SECURITY OF 2011 BONDS; FLOW OF FUNDS; INVESTMENTS**

SECTION 4.01. *Security of 2011 Bonds; Equal Security.* The 2011 Bonds are secured by a first pledge of, lien on and security interest in all of the Tax Revenues and all of the moneys on deposit in the funds and accounts established under the Master Bond Resolution, on a parity with the Prior Bonds. This pledge and lien is for the equal security of all Outstanding Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds of the Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the 2011 Bonds.

In consideration of the acceptance of the 2011 Bonds by those who hold the same from time to time, this Fiscal Agent Agreement constitutes a contract between the Agency and the Owners from time to time of the 2011 Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the 2011 Bonds without preference, priority or distinction as to security or otherwise of any of the 2011 Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

SECTION 4.02. *Special Fund; Deposit of Tax Revenues.*

(a) The Agency has previously established the Special Fund under Section 4.02 of the Master Bond Resolution. The Agency shall continue to hold the Special Fund so long as any of the 2011 Bonds remain Outstanding.

(b) The Agency shall deposit all of the Tax Revenues received in any Bond Year in the Special Fund promptly upon receipt thereof by the Agency, until such time as the amounts on deposit in the Special Fund equal (i) the aggregate amounts required to be transferred to the Fiscal Agent in such Bond Year for deposit into the Interest Account, the Principal Account and the Reserve Account under Section 4.03, and (b) the aggregate amounts required to be transferred in such Bond Year for deposit into the funds and accounts established with respect to the Prior Bonds and any Additional Bonds.

(c) All Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund during such Bond Year under paragraph (b) of this Section 4.02 are released from the pledge and lien hereunder for the security of the 2011 Bonds and may be applied by the Agency for any lawful purposes, including but not limited to, the payment of Subordinate Debt, or the payment of any amounts due and owing to the United States of America under the Prior Bond Documents. The provisions of this subsection (c) relating to the release of amounts from the Special Fund is subject to the provisions of Section 5.03, which prohibit the release of amounts from the Special Fund under certain circumstances.

(d) Prior to the payment in full of the principal of and interest and redemption premium (if any) on the 2011 Bonds, and the payment in full of all other amounts payable hereunder and under any Supplemental Agreement, the Agency has no beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Prior Bond Documents.

SECTION 4.03. *Debt Service Fund; Transfer of Amounts to Fiscal Agent.* The Fiscal Agent has previously established the Debt Service Fund under Section 4.03 of the Master Bond Resolution, and the Fiscal Agent shall continue the Debt Service Fund and the respective accounts therein so long as any of the 2011 Bonds or Prior Bonds remain Outstanding. Within the Debt Service Fund, the Fiscal Agent shall establish a separate Interest Account, Principal Account and Reserve Account which relate to the 2011 Bonds, each of which shall be deemed to be a part of the respective accounts by the same names established under the Master Bond Resolution.

The Agency shall transfer moneys in the Special Fund to the Fiscal Agent in the amounts and at the times set forth in the Prior Bond Documents. In addition, the Agency shall withdraw from the Special Fund and transfer to the Fiscal Agent for deposit into following accounts within the Debt Service Fund the following amounts at the following times, in the following order of priority:

- (a) Interest Account. On or before the 5<sup>th</sup> Business Day preceding each Interest Payment Date, the Agency shall withdraw from the Special Fund and transfer to the Fiscal Agent for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, is equal to the aggregate amount of the interest becoming due and payable on the Outstanding 2011 Bonds on that Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying the interest on the 2011 Bonds when due.
- (b) Principal Account. On or before the 5<sup>th</sup> Business Day preceding each date on which principal of the 2011 Bonds comes due and payable at maturity, the Agency shall withdraw from the Special Fund and transfer to the Fiscal Agent for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, is equal to the amount of principal coming due on such date on the Outstanding 2011 Bonds, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption on such date. All moneys in the Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying the principal of the 2011 Bonds upon their maturity or upon the mandatory sinking fund redemption of 2011 Term Bonds under Section 2.03(c).
- (c) Reserve Account. If the Fiscal Agent has actual knowledge that the amount on deposit in the Reserve Account at any time falls below the 2011 Reserve Requirement, the Fiscal Agent shall promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency shall transfer to the Fiscal Agent an amount of available Tax Revenues sufficient to maintain the 2011 Reserve Requirement on deposit in the Reserve Account.

The Fiscal Agent shall use and withdraw amounts in the Reserve Account solely for the purpose of making transfers to the Interest Account and the Principal Account, in that order of priority, on any date which the principal of or interest on the Bonds becomes due and payable hereunder, in the event of any deficiency at any time in any of such accounts, or at any time for the retirement of all the Bonds then Outstanding; *provided, however*, that if the Reserve Account is maintained in the form of a Qualified Reserve Account Credit Instrument, any deficiency in the Interest Account and the Principal Account shall be funded solely from amounts drawn on such Qualified Reserve Account Credit Instrument, and not from any other amounts credited to the respective reserve accounts established under the Prior Bond Documents.

So long as no Event of Default has occurred and is continuing, the Fiscal Agent shall withdraw any amount in the Reserve Account in excess of the 2011 Reserve Requirement on the Business Day preceding each Interest Payment Date for deposit in the Interest Account.

Upon the retirement of all of the Outstanding 2011 Bonds, the Fiscal Agent shall withdraw from the Reserve Account and transfer to the reserve account(s) established for any other issues of the Bonds, such amounts as may be required to maintain the Reserve Requirement on deposit in such account(s), as set forth in a Request of the Agency filed with the Fiscal Agent prior to the date of such retirement of all of the Outstanding 2011 Bonds.

The Agency may at any time direct the Fiscal Agent to substitute a Qualified Reserve Account Credit Instrument for any cash on deposit in the Reserve Account (if the 2011 Reserve Requirement is maintained in the form of cash) and to release funds from the Reserve Account, in whole or in part, by tendering to the Fiscal Agent the following: (A) a Qualified Reserve Account Credit Instrument, and (B) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2011 Bonds to become included in gross income for purposes of federal income taxation. Upon tender of these items to the Fiscal Agent, and upon delivery by the Agency to the Fiscal Agent of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer such funds from the Reserve Account to the Agency to be used for any lawful purposes. The Fiscal Agent shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall reasonably be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall reasonably be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this Section 4.03(c). Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency shall either (1) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (2) deposit or cause to be deposited with the Fiscal Agent an amount of funds equal to the 2011 Reserve Requirement, to be derived from the first available Tax Revenues.

- (d) Redemption Account. If the Agency notifies the Fiscal Agent of its determination to redeem any Current Interest Bonds under Section 2.03(b), the Fiscal Agent shall establish a separate account to be known as the Redemption Account. On or before the 5<sup>th</sup> Business Day preceding any date on which Current Interest Bonds are subject to redemption under Section 2.03(b), the Agency shall

withdraw from the Special Fund and transfer to the Fiscal Agent for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the 2011 Bonds to be so redeemed on such date. The Fiscal Agent shall apply amounts in the Redemption Account solely for the purpose of paying the principal of and premium, if any, on the Current Interest Bonds upon the redemption thereof under Section 2.03(b), on the date set for such redemption.

SECTION 4.04. *Investment of Moneys in Funds.* The Fiscal Agent shall invest moneys in the funds and accounts held by it hereunder in Permitted Investments specified in a Request of the Agency (which Request shall be deemed to include a certification that the specified investment is a Permitted Investment) delivered to the Fiscal Agent at least two Business Days in advance of the making of such investments. In the absence of any such direction from the Agency, the Fiscal Agent shall invest any such moneys solely in Permitted Investments described in clause (f) of the definition thereof; *provided, however*, that any such investment shall be made by the Fiscal Agent only if, prior to the date on which such investment is to be made, the Fiscal Agent has received a Request of the Agency specifying a specific money market fund and, if no such Request of the Agency is so received, the Fiscal Agent shall hold such moneys uninvested. The Agency shall invest moneys in the funds and accounts held by it hereunder in any obligations in which the Agency is legally authorized to invest funds within its control.

Notwithstanding the foregoing provisions of this Section 4.04, the Net Proceeds of the 2011 Bonds shall be invested solely in Qualified Investments specified in a Request of the Agency (which Request shall be deemed to include a certification that the specified investment is a Qualified Investment) delivered to the Fiscal Agent at least two Business Days in advance of the making of such investments.

Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Whenever in this Fiscal Agent Agreement the Agency is required to transfer any moneys to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments. The Fiscal Agent shall retain all interest or gain derived from the investment of amounts in any of the funds or accounts held by it hereunder in the fund or account from which such investment was made; except that the Fiscal Agent shall deposit all interest or gain from the investment of amounts in the Reserve Account in the Interest Account to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. For purposes of acquiring any investments hereunder, the Fiscal Agent may commingle funds held by it hereunder upon receipt by the Fiscal Agent of the Request of the Agency. The Fiscal Agent or an affiliate of the Fiscal Agent may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Fiscal Agent has no liability for losses arising from any investments made under this Section. Any Permitted Investments which are registrable securities shall be registered in the name of the Fiscal Agent.

The Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent

will furnish the Agency periodic transaction statements which include detail for all investment transactions made by the Fiscal Agent hereunder; provided that the Fiscal Agent is not obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date.

The Fiscal Agent or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Fiscal Agent hereunder.

All interest or gain derived from the investment of amounts in the Special Fund shall be retained therein. All Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund during such Bond Year under Section 4.02 shall be released from the pledge and lien hereunder for the security of the 2011 Bonds and shall be applied by the Agency for any lawful purposes; *provided, however*, that any amounts so released to the Agency shall be applied first to pay any obligations then due and owing to the Original Purchaser under the Bond Purchase Agreement.

#### SECTION 4.05. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, the Agency covenants that all investments of amounts deposited in any fund or account created by or under this Fiscal Agent Agreement, or otherwise containing gross proceeds of the 2011 Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Fiscal Agent Agreement or the Tax Code) at Fair Market Value as such term is defined in subsection (d) below. The Fiscal Agent has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Agency in any Certificate or Request of the Agency.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and investments in the Reserve Account shall be valued at cost thereof (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the Agency must inform the Fiscal Agent which funds are subject to a yield restriction, and must provide the Fiscal Agent with any necessary valuation criteria or formulae.

(c) Except as provided in the proceeding subsection (b), for the purpose of determining the amount in any fund, the Fiscal Agent shall value Permitted Investments credited to such fund at least annually at the Fair Market Value thereof. The Fiscal Agent shall have no duty in connection with the determination of Fair Market Value other than to follow its normal practice in determining the value of Permitted Investments, which may include utilizing computerized securities pricing services that may be available to it, including those available through its regular accounting system. If and as directed by the Agency in writing, the Fiscal Agent shall sell or present for redemption any Permitted Investment so purchased by the Fiscal Agent whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Fiscal Agent has no liability or responsibility for any loss resulting therefrom.

(d) For purposes of this Section 4.05, the term "Fair Market Value" shall mean the price at which a willing buyer would purchase the investment from a willing seller in a

bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

## ARTICLE V

### OTHER COVENANTS OF THE AGENCY

SECTION 5.01. *Punctual Payment.* The Agency shall punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Bonds in, strict conformity with the terms of the Master Bond Resolution, this Fiscal Agent Agreement and the Prior Bond Documents. The Agency shall faithfully observe and perform all of the conditions, covenants and requirements of this Fiscal Agent Agreement and all Supplemental Agreements. Nothing herein contained prevents the Agency from making advances of other legally available funds to make any payment referred to herein.

SECTION 5.02. *Compliance with Prior Bond Documents.* The Agency shall observe and perform all of the covenants and obligations imposed on it under the Prior Bond Documents. The Agency shall not take or permit to be taken any action within its control which constitutes or which, if not cured, with the passage of time would constitute, an event of default or breach of its obligations under the Prior Bond Documents. Nothing in this Fiscal Agent Agreement is intended or shall be construed to modify, amend or alter any of the covenants and obligations of the Agency under the Prior Bond Documents, or any of the terms and conditions thereof. If any of the terms of this Fiscal Agent Agreement conflict or are inconsistent with any of the terms and provisions of the Master Bond Resolution, the terms and provisions of the Master Bond Resolution shall control.

SECTION 5.03. *Compliance with Plan Limitations.* The Agency shall not take any action, including but not limited to the issuance of its bonds, notes or other obligations, which causes or which, with the passage of time, would cause any of the Plan Limitations to be exceeded or violated.

Within 90 days following the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2012, the Agency shall determine whether the amount of Tax Revenues which it is entitled to collect under the Plan Limitations is at least equal to 125% of the aggregate amount of debt service coming due and payable on the outstanding Bonds through final maturity. If the Agency determines at time that the

amount of Tax Revenues which it is entitled to collect under the Plan Limitations is less than 125% of the aggregate amount of debt service coming due and payable on the outstanding Bonds through final maturity, the Agency shall deposit all of the Tax Revenues thereafter received by it in the Special Fund and shall not release any amounts from the Special Fund, notwithstanding the provisions of Section 4.02(c). All amounts held in the Special Fund which would otherwise be eligible for release under Section 4.02(c) shall be applied by the Agency for the purpose of redeeming outstanding Bonds on the first available date for optional redemption of any of the Bonds under the Prior Bond Documents.

SECTION 5.04. *Extension of Payment of 2011 Bonds.* The Agency shall not directly or indirectly extend or assent to the extension of the maturity of any of the 2011 Bonds or the time of payment of any claims for interest by the purchase of such 2011 Bonds or by any other arrangement, and if the maturity of any of the 2011 Bonds or the time of payment of any such claims for interest is extended, such 2011 Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Outstanding Bonds and of all claims for interest thereon which have not been so extended. Nothing in this Section limits the right of the Agency to issue bonds for the purpose of refunding any Outstanding 2011 Bonds, and such issuance will not be deemed to constitute an extension of maturity of the 2011 Bonds.

SECTION 5.05. *Payment of Claims.* The Agency shall pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Tax Revenues or any part thereof, or upon any funds held by the Fiscal Agent pursuant hereto, or which might impair the security of the 2011 Bonds. Nothing contained in this Section requires the Agency to make any such payment so long as the Agency in good faith contests the validity of said claims.

SECTION 5.06. *Books and Accounts; Financial Statements; Additional Information.* The Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues and the Special Fund. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Fiscal Agent (who has no duty to inspect), and the Owners of not less than 10% in aggregate principal amount of the 2011 Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared annually, within 210 days after the close of each Fiscal Year so long as any of the 2011 Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements from the Special Fund and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Agency will furnish a copy of such statements, upon reasonable request, to the Fiscal Agent and any 2011 Bond Owner. The Fiscal Agent has no duty to review any such financial statement.

SECTION 5.07. *Protection of Security and Rights of Owners.* The Agency will preserve and protect the security of the 2011 Bonds and the rights of the Owners. From

and after the date of issuance of the 2011 Bonds, the Agency may not contest the validity or enforceability of the 2011 Bonds or this Fiscal Agent Agreement.

SECTION 5.08. *Payments of Taxes and Other Charges.* The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Project Area, when the same come due. Nothing contained in this Section requires the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

SECTION 5.09. *Limitation on Additional Indebtedness.* The Agency hereby covenants that so long as any of the 2011 Bonds remain Outstanding, the Agency will not issue any bonds, notes or other obligations which are otherwise secured on a basis which is senior to the pledge and lien that secures the 2011 Bonds. The Agency hereby covenants that it will not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only any Additional Bonds and any Subordinate Debt.

SECTION 5.10. *Maintenance of Tax Revenues.* The Agency shall comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and the State of California.

SECTION 5.11. *Qualification of 2011 Bonds as Hedge Bonds.*

(a) Qualified Investments. Beginning on the Closing Date, and at all times prior to the final maturity date of the 2011 Bonds, not less than 95% of the Net Proceeds of the 2011 Bonds will be invested in Qualified Investments. For purposes of this Section 5.11, amounts derived from the disposition or redemption of Qualified Investments and held pending reinvestment or redemption of 2011 Bonds for a period of not more than 30 days will be treated as Qualified Investments.

(b) Recordkeeping and Monitoring of Tax-Exempt Non-Housing Fund.

(i) Information Regarding Qualified Investments. The Agency hereby covenants that it will record or cause to be recorded with respect to each Qualified Investment the following information:

- purchase date,
- purchase price,
- information establishing the fair market value of such Qualified Investment,
- face amount,
- coupon rate,
- periodicity of interest payments,

- disposition price, and
- disposition date

(ii) Investment in Qualified Non-AMT Mutual Funds. The Agency covenants that, with respect to each investment of Net Proceeds of the 2011 Bonds in a Qualified Non-AMT Mutual Fund (as defined below), in addition to recording the information set forth in subsection (b)(i) above, it will retain a copy of each IRS information reporting form and account statement provided to it by such Qualified Non-AMT Mutual Fund. In the event any such reporting form or other document received by the Agency indicates that less than 97% of the income to the Agency derived from such Qualified Non-AMT Mutual Fund in any three-month period is derived from Non-AMT Bonds, the Agency will, within five business days after receipt of such notice, dispose of any investment in such Qualified Non-AMT Mutual Fund to the extent such investment is allocable to Net Proceeds of the 2011 Bonds.

(iii) Quarterly Monitoring of Qualified Investments. The Agency further covenants that it will monitor the investment of the Net Proceeds of the 2011 Bonds not less frequently than at the close of every three-month period during which any proceeds of the 2011 Bonds are invested in Qualified Investments.

(iv) Retention of Records. The Agency hereby covenants that it will retain the records referred to in subsection (b)(i) above, including each IRS information reporting form referred to in subsection (b)(ii), with its books and records with respect to the 2011 Bonds until six years following the last date that any obligation comprising the 2011 Bonds is retired.

(c) Arbitrage Investment Restrictions. Proceeds of the 2011 Bonds and the amounts on deposit in the aforementioned funds and accounts may be invested as follows:

- (i) Proceeds derived from the sale of the 2011 Bonds to be applied to pay Costs of Issuance that are not expended on the date hereof and those Net Proceeds of the 2011 Bonds that are to be deposited into the Project Major Refurbishment Fund and the Agency Stadium Investment Fund will be invested in Qualified Investments to the extent required by this Section 5.12(c) until such amounts are (A) expended to pay Costs of Issuance or (B) expended for purposes which are authorized under Section 3.04.
- (ii) Amounts in the Costs of Issuance Fund that are not expended on the date hereof will be invested in Qualified Investments until such amounts are expended or transferred to the Agency Stadium Investment Fund as provided in Section 3.03.

The Fiscal Agent shall not be responsible for monitoring the Agency's compliance with this Section 5.11.

SECTION 5.12. *Tax Covenants Relating to 2011 Bonds.*

(a) Generally. The Agency shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the 2011 Bonds to become includable in gross income for federal income tax purposes.

(b) Private Activity Bond Limitation. The Agency shall not use the proceeds of the 2011 Bonds in a manner which would cause the 2011 Bonds to become "private activity bonds" within the meaning of Section 141(a) of the Tax Code or to meet the private loan financing test of Section 141(c) of the Tax Code.

(c) Federal Guarantee Prohibition. The Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2011 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(d) No Arbitrage. The Agency shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the 2011 Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the 2011 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

(e) Rebate of Excess Investment Earnings. The Agency shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the 2011 Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The Agency shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the Agency. The Agency shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the 2011 Bonds, records of the determinations made under this subsection (e).

The Fiscal Agent has no duty to monitor the compliance by the Agency with any of the covenants contained in this Section 5.12.

SECTION 5.13. *Security Interest Representations.* Section 33641.5 of the Redevelopment Law provides statutory authority for pledging collateral for the payment of principal or redemption price of, and interest on, any bonds, and Section 33641.5 of the Redevelopment Law creates a continuing perfected security interest which attaches immediately to such collateral and be effective, binding, and enforceable against the pledgor, its successors, purchasers of the collateral, creditors, and all others asserting the rights therein, to the extent set forth in Section 33641.5, and in accordance with the pledge document irrespective of whether those parties have notice of the pledge and without the need for any physical delivery, recordation, filing, or further act.

In addition, Section 5451 of the Government Code of the State of California provides that the collateral is immediately subject to the pledge, and the pledge constitutes a lien and security interest which immediately attaches to the collateral and is effective, binding, and enforceable against the pledgor, its successors, purchasers of the

collateral, creditors, and all others asserting the rights therein, to the extent set forth, and in accordance with, the pledge document irrespective of whether those parties have notice of the pledge and without the need for any physical delivery, recordation, filing, or further act.

Based on the foregoing provisions of California law, the Agency hereby warrants and represents that the Owners have a first priority perfected security interest in the Tax Revenues and other moneys that serve as collateral for the 2011 Bonds in accordance with this Fiscal Agent Agreement.

SECTION 5.14. *Continuing Disclosure.* The Agency will comply with and carry out all of the provisions of the Continuing Disclosure Certificate which has been executed and delivered by the Agency on the Closing Date. Notwithstanding any other provision hereof, failure of the Agency to comply with such Continuing Disclosure Certificate does not constitute an Event of Default hereunder; *provided, however,* that any Participating Underwriter (as such term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the 2011 Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations under this Section 5.14.

SECTION 5.15. *Further Assurances.* The Agency will adopt, 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 Fiscal Agent Agreement, and for the better assuring and confirming unto the 2011 Bond Owners the rights and benefits provided in this Fiscal Agent Agreement.

## ARTICLE VI

### THE FISCAL AGENT

#### SECTION 6.01. *Duties, Immunities and Liabilities of Fiscal Agent.*

(a) The Fiscal Agent shall, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Fiscal Agent Agreement and no implied covenants or duties shall be read into this Fiscal Agent Agreement against the Fiscal Agent. The Fiscal Agent 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 Fiscal Agent Agreement, and use the same degree of care and skill in their exercise, as a reasonable corporate trustee would exercise or use.

(b) The Agency may remove the Fiscal Agent at any time, and shall remove the Fiscal Agent (i) 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 2011 Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Fiscal Agent ceases to be eligible in accordance with subsection (e) of this Section 6.01, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Fiscal Agent or its property is appointed, or any public officer takes control or charge of the Fiscal Agent or of its property or affairs

for the purpose of rehabilitation, conservation or liquidation. The Agency may accomplish such removal by giving 30 days written notice to the Fiscal Agent and the Original Purchaser, whereupon the Agency shall appoint a successor Fiscal Agent by an instrument in writing, with a copy to the Original Purchaser.

(c) The Fiscal Agent may at any time resign by giving written notice of such resignation to the Agency, and by giving notice of such resignation by first class mail, postage prepaid, to the 2011 Bond Owners at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Fiscal Agent by an instrument in writing, with a copy to the Original Purchaser.

(d) Any removal or resignation of the Fiscal Agent and appointment of a successor Fiscal Agent becomes effective upon acceptance of appointment by the successor Fiscal Agent. If no successor Fiscal Agent has been appointed and accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Fiscal Agent or any Owner (on behalf of such Owner and all other Owners) may, at the expense of the Agency, petition any federal or state court for the appointment of a successor Fiscal Agent, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Fiscal Agent. Any successor Fiscal Agent appointed under this Fiscal Agent Agreement shall signify its acceptance of such appointment by executing and delivering to the Agency and to its predecessor Fiscal Agent a written acceptance thereof, and such successor Fiscal Agent, 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 Fiscal Agent, with like effect as if originally named Fiscal Agent herein; but, nevertheless, upon the receipt by the predecessor Fiscal Agent of the Request of the Agency or the request of the successor Fiscal Agent, such predecessor Fiscal Agent shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Fiscal Agent all the right, title and interest of such predecessor Fiscal Agent in and to any property held by it under this Fiscal Agent Agreement and shall pay over, transfer, assign and deliver to the successor Fiscal Agent any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Fiscal Agent, the Agency will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Fiscal Agent all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Fiscal Agent as provided in this subsection, the successor Fiscal Agent shall mail, by first class mail postage prepaid, a notice of the succession of such Fiscal Agent to the trusts hereunder to each rating agency which then maintains a rating on the 2011 Bonds, and to the Owners at the addresses shown on the Registration Books.

(e) Any Fiscal Agent appointed under the provisions of this Section in succession to the Fiscal Agent must:

- be a company or bank having trust powers,
- have a corporate trust office in the State of California,

- have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least \$50,000,000, and
- be subject to supervision or examination by federal or state authority.

If such bank or company publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or 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 Fiscal Agent shall cease to be eligible in accordance with the provisions of this subsection (e), the Fiscal Agent shall resign immediately in the manner and with the effect specified in subsection (c) of this Section.

The Agency will maintain a Fiscal Agent qualified under the provisions of the foregoing provisions of this subsection (e), so long as any 2011 Bonds are Outstanding. Notwithstanding anything herein to the contrary, so long as any of the 2011 Bonds remain outstanding, the Agency shall assure that the same entity which acts as Fiscal Agent for the Prior Bonds and shall act as Fiscal Agent for the 2011 Bonds and as fiscal agent for any Additional Bonds.

SECTION 6.02. *Merger or Consolidation.* Any bank or company into which the Fiscal Agent may be merged or converted or with which either of them may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such bank or company shall be eligible under subsection (e) of Section 6.01, shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 6.03. *Liability of Fiscal Agent.*

(a) The recitals of facts herein and in the 2011 Bonds contained shall be taken as statements of the Agency, and the Fiscal Agent shall not assume responsibility for the correctness of the same, nor shall it have any liability whatsoever therefor, nor make any representations as to the validity or sufficiency of this Fiscal Agent Agreement or of the 2011 Bonds nor shall it incur any responsibility in respect thereof, other than as expressly stated herein. The Fiscal Agent shall, however, be responsible for its representations contained in its certificate of authentication on the 2011 Bonds. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent shall not be liable for the acts of any agents of the Fiscal Agent selected by it with due care. The Fiscal Agent may become the Owner of any 2011 Bonds with the same rights it would have if they were not Fiscal Agent and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the 2011 Bonds then Outstanding. The Fiscal Agent, either as principal or

agent, may engage in or be entrusted in any financial or other transaction with the Agency.

(b) The Fiscal Agent is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the 2011 Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Fiscal Agent, or exercising any trust or power conferred upon the Fiscal Agent under this Fiscal Agent Agreement.

(c) The Fiscal Agent shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Fiscal Agent Agreement, except for actions arising from the negligence or willful misconduct of the Fiscal Agent. The permissive right of the Fiscal Agent to do things enumerated hereunder shall not be construed as a mandatory duty.

(d) The Fiscal Agent will not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer of the Fiscal Agent has actual knowledge thereof, or unless and until a responsible officer of the Fiscal Agent has received written notice thereof at its Office. Except as otherwise expressly provided herein, the Fiscal Agent shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the 2011 Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Fiscal Agent shall not be responsible for the Agency's payment of principal and interest on the 2011 Bonds, the Agency's observance or performance of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, and notwithstanding anything herein to the contrary, the Fiscal Agent shall not be responsible for reviewing the contents of any financial statements furnished to the Fiscal Agent under Section 5.05 and may rely conclusively on any Certificate of the Agency accompanying such financial statements to establish the Agency's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Tax Revenues into the Special Fund and the investment and application of moneys on deposit in the Special Fund (other than its covenants to transfer such moneys to the Fiscal Agent when due hereunder).

(e) No provision in this Fiscal Agent Agreement requires the Fiscal Agent to risk or expend its own funds or otherwise incur any financial liability hereunder.

(f) The Fiscal Agent may establish additional accounts or subaccounts of the funds established hereunder as the Fiscal Agent deems necessary or prudent in furtherance of its duties under this Fiscal Agent Agreement.

(g) The Fiscal Agent has no responsibility or liability whatsoever with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2011 Bonds, nor shall the Fiscal Agent have any obligation to review any such material, and any such review by the Fiscal Agent will not be deemed to create any obligation, duty or liability on the part of the Fiscal Agent.

(h) Before taking any action under Article VIII hereof the Fiscal Agent may require indemnity satisfactory to the Fiscal Agent be furnished to it to hold the Fiscal Agent harmless from any expenses whatsoever and to protect it against any liability it may incur hereunder.

(i) The immunities extended to the Fiscal Agent also extend to its directors, officers, employees and agents.

(j) The permissive right of the Fiscal Agent to do things enumerated in this Fiscal Agent Agreement shall not be construed as a duty.

(k) The Fiscal Agent may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

(l) The Fiscal Agent agrees to accept and act upon instructions or directions pursuant to this Fiscal Agent Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Fiscal Agent has received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Agency elects to give the Fiscal Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Fiscal Agent in its discretion elects to act upon such instructions, the Fiscal Agent's understanding of such instructions shall be deemed controlling. The Fiscal Agent is not liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Agency agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(m) The Fiscal Agent shall hold any financial statements of the Agency solely as an accommodation to the 2011 Bond Owners and has no duty or obligation to review such financial statements.

(n) The Fiscal Agent is not liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of *force majeure*. The term "*force majeure*" means an occurrence that is beyond the control of the Fiscal Agent and could not have been avoided by exercising due care. *Force majeure* includes, but is not be limited to, acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

SECTION 6.04. *Right to Rely on Documents.* The Fiscal Agent is protected in acting upon any notice, resolution, requisition, request, consent, order, facsimile transmission, electronic mail, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the Agency, with regard to legal questions, and the

opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by the Fiscal Agent hereunder in accordance therewith.

The Fiscal Agent is not bound to recognize any person as the Owner of a Bond unless and until such 2011 Bond is submitted for inspection, if required, and such person's title thereto is established to the satisfaction of the Fiscal Agent.

Whenever in the administration of the trusts imposed upon it by this Fiscal Agent Agreement the Fiscal Agent deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Agency, which shall be full warrant to the Fiscal Agent for any action taken or suffered in good faith under the provisions of this Fiscal Agent Agreement in reliance upon such Certificate, but in its discretion the Fiscal Agent may (but has no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Fiscal Agent may conclusively rely on any certificate or report of any Independent Accountant appointed by the Agency.

SECTION 6.05. *Preservation and Inspection of Documents.* All documents received by the Fiscal Agent under the provisions of this Fiscal Agent Agreement shall be retained in its possession and shall be subject during normal business hours, and upon reasonable prior written notice, to the inspection of the Agency and any Owner, and their agents and representatives duly authorized in writing.

SECTION 6.06. *Compensation and Indemnification.* Absent any agreement to the contrary, the Agency shall pay to the Fiscal Agent from time to time compensation for all services rendered under this Fiscal Agent Agreement and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under this Fiscal Agent Agreement. The Fiscal Agent has a first lien on the Tax Revenues and all funds and accounts held by the Fiscal Agent hereunder to secure the payment to the Fiscal Agent of all fees, costs and expenses, including compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in Article VIII. Any such expenses incurred by the Fiscal Agent shall be deemed to constitute a substantial contribution to the trust estate which secures the 2011 Bonds.

The Agency further covenants and agrees to indemnify and save the Fiscal Agent and its officers, directors, agents and employees, harmless against any loss, expense and liabilities, including but not limited to legal fees and expenses, whether or not litigated, which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Fiscal Agent, its officers, directors, agents or employees. The obligations of the Agency under this Section 6.06 shall survive resignation or removal of the Fiscal Agent under this Fiscal Agent Agreement and payment of the 2011 Bonds and discharge of this Fiscal Agent Agreement.

SECTION 6.07. *Accounting Records and Financial Statements.* The Fiscal Agent shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the 2011 Bonds and all funds and accounts established and held by the Fiscal Agent under this Fiscal Agent Agreement. Such books of record and account shall be available for inspection by the Agency at reasonable hours, during regular business hours, with reasonable prior notice and under reasonable circumstances. The Fiscal Agent shall furnish to the Agency, at least monthly, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the 2011 Bonds and all funds and accounts held by the Fiscal Agent under this Fiscal Agent Agreement; provided that the Fiscal Agent is not obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date.

## ARTICLE VII

### MODIFICATION OR AMENDMENT OF THIS FISCAL AGENT AGREEMENT

#### SECTION 7.01. *Amendments Permitted.*

(a) Amendment With Bond Owner Consent. This Fiscal Agent Agreement and the rights and obligations of the Agency and of the Owners of the 2011 Bonds may be modified or amended by the Agency and the Fiscal Agent upon Written Request of the Agency at any time by the execution of a Supplemental Agreement, but only with the written consent of the Owners of a majority in aggregate principal amount of the 2011 Bonds then Outstanding with respect to all Bonds then Outstanding, exclusive of 2011 Bonds disqualified as provided in Section 9.06. Any such Supplemental Agreement becomes effective upon the execution and delivery thereof by the parties thereto and upon consent of the requisite 2011 Bond Owners. No such modification or amendment may:

- (i) extend the maturity of any 2011 Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Agency to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of such 2011 Bond, or
- (ii) permit the creation by the Agency of any mortgage, pledge or lien upon the Tax Revenues superior to or on a parity with the pledge and lien created for the benefit of the 2011 Bonds (except as expressly permitted by this Fiscal Agent Agreement), or reduce the percentage of 2011 Bonds required for the affirmative vote or written consent to an amendment or modification, or
- (iii) modify any of the rights or obligations of the Fiscal Agent without its written consent.

(b) Amendment Without Bond Owner Consent. This Fiscal Agent Agreement and the rights and obligations of the Agency and of the Owners of the 2011 Bonds may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners of the 2011 Bonds, but only for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Agency contained in this Fiscal Agent Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Agency;
- (ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in this Fiscal Agent Agreement, or in any other respect whatsoever as the Agency deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the Agency and the Fiscal Agent;
- (iii) to provide for the issuance of Additional Bonds under Section 3.06, and to provide the terms and conditions under which such Additional Bonds are issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of Section 3.06;
- (iv) to provide for the issuance of a Qualified Reserve Account Credit Instrument under Section 4.04, including but not limited to provisions securing such Qualified Reserve Account Credit Instrument and providing for the repayment of any draws made thereunder; or
- (v) to amend any provision hereof to assure the exclusion from gross income of interest on the 2011 Bonds for federal income tax purposes under the Tax Code, in the opinion of Bond Counsel filed with the Agency and the Fiscal Agent.

SECTION 7.02. *Effect of Supplemental Agreement.* From and after the time any Supplemental Agreement becomes effective under this Article VII, this Fiscal Agent Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Agreement shall be deemed to be part of the terms and conditions of this Fiscal Agent Agreement for any and all purposes.

SECTION 7.03. *Endorsement or Replacement of 2011 Bonds After Amendment.* After the effective date of any amendment or modification hereof under this Article VII, the Agency may determine that any or all of the 2011 Bonds shall bear a notation, by endorsement in form approved by the Agency, as to such amendment or modification

and in that case upon demand of the Agency the Owners of such 2011 Bonds shall present such 2011 Bonds for that purpose at the Office of the Fiscal Agent, and thereupon a suitable notation as to such action shall be made on such 2011 Bonds. In lieu of such notation, the Agency may determine that new 2011 Bonds shall be prepared and executed in exchange for any or all of the 2011 Bonds and in that case upon demand of the Agency the Owners of the 2011 Bonds shall present such 2011 Bonds for exchange at the Office of the Fiscal Agent without cost to such Owners.

SECTION 7.04. *Amendment by Mutual Consent.* The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular 2011 Bond held by such Owner, provided that due notation thereof is made on such 2011 Bond.

SECTION 7.05. *Fiscal Agent's Reliance.* The Fiscal Agent may conclusively rely, and is protected in relying, upon a Certificate of the Agency and an opinion of counsel stating that all requirements of this Fiscal Agent Agreement relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Owners.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

SECTION 8.01. *Events of Default and Acceleration of Maturities.* (a) Each of the following events constitutes an Event of Default hereunder:

- (i) Failure to pay any installment of the principal of or redemption premium (if any) on any 2011 Bonds when and as the same become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (ii) Failure to pay any installment of interest on any 2011 Bonds when and as the same become due and payable.
- (iii) Failure by the Agency to observe and perform any of the other covenants, agreements or conditions on its part contained in this Fiscal Agent Agreement or in the 2011 Bonds, if such failure continues for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, is given to the Agency by the Fiscal Agent; *provided, however*, if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Agency within such 30-day period and the Agency thereafter diligently and in good faith cures such failure in a reasonable period of time.
- (iv) The Agency commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

- (v) The occurrence of an event of default under and as defined in any of the Prior Bond Documents.

(b) If an Event of Default occurs and is continuing, the Fiscal Agent may, and at the written direction of the Owners of a majority in aggregate principal amount of the 2011 Bonds then Outstanding the Fiscal Agent shall, take the following actions:

- (i) declare the principal of the 2011 Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in this Fiscal Agent Agreement or in the 2011 Bonds to the contrary notwithstanding, and
- (ii) subject to the provisions of Sections 8.03 and 8.04, exercise any other remedies available to the Fiscal Agent and the 2011 Bond Owners in law or at equity to enforce the rights of the 2011 Bond Owners under this Fiscal Agent Agreement.

(c) Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Fiscal Agent shall give notice of such Event of Default to the Agency by telephone confirmed in writing. Such notice shall also state whether the principal of the 2011 Bonds has been declared to be or has immediately become due and payable. With respect to any Event of Default described in clauses (a)(i) or (a)(ii) above the Fiscal Agent shall, and with respect to any Event of Default described in clause (a)(iii) above the Fiscal Agent in its sole discretion may, also give such notice to the Owners in the same manner as provided herein for notices of redemption of the 2011 Bonds, which shall include the statement that interest on the 2011 Bonds shall cease to accrue from and after the date, if any, on which the Fiscal Agent declares the 2011 Bonds to become due and payable under subsection 8.01(b) above (but only to the extent that principal and any accrued, but unpaid, interest on the 2011 Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the 2011 Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Agency shall deposit with the Fiscal Agent a sum sufficient to pay all principal on the 2011 Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the 2011 Bonds, with interest on such overdue installments of principal and interest at an interest rate equal to the highest rate then borne by any Outstanding 2011 Bond, and the reasonable fees and expenses of the Fiscal Agent, including fees and expenses of its attorneys, and any and all other defaults known to the Fiscal Agent (other than in the payment of principal of and interest and any redemption premium on the 2011 Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Fiscal Agent or provision deemed by the Fiscal Agent to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the 2011 Bonds then Outstanding, by written notice to the Agency and to the Fiscal Agent, may, on behalf of the Owners of all of the 2011 Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall

affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 8.02. *Application of Funds Upon Event of Default.* All of the Tax Revenues and all sums in the funds and accounts established and held by the Fiscal Agent hereunder upon the occurrence of an Event of Default, and all sums thereafter received by the Fiscal Agent hereunder, shall be applied by the Fiscal Agent in accordance with the provisions of Article VIII of the Master Bond Resolution, for the equal and proportionate benefit of the owners of all the Outstanding Bonds.

SECTION 8.03. *Remedies of Fiscal Agent; Rights of Owners of 2011 Bonds.* Upon the happening of an Event of Default, the Fiscal Agent and the Owners of the 2011 Bonds shall have such rights, and shall be subject to such limitations and other provisions in the exercise of such rights, as are set forth in Article VIII of the Master Bond Resolution. Nothing in this Fiscal Agent Agreement is intended or shall be construed to enlarge upon or restrict the rights granted to the Fiscal Agent and the Owners of the 2011 Bonds under the Master Bond Resolution arising from the occurrence of an Event of Default.

## ARTICLE IX

### MISCELLANEOUS

SECTION 9.01. *Benefits Limited to Parties.* Nothing in this Fiscal Agent Agreement, expressed or implied, is intended to give to any person other than the Agency, the Fiscal Agent and the Owners of the 2011 Bonds, any right, remedy, claim under or by reason of this Fiscal Agent Agreement. Any covenants, stipulations, promises or agreements in this Fiscal Agent Agreement contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Fiscal Agent and the Owners of the 2011 Bonds.

SECTION 9.02. *Successor is Deemed Included in All References to Predecessor.* Whenever in this Fiscal Agent Agreement or any Supplemental Agreement either the Agency or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements contained in this Fiscal Agent Agreement by or on behalf of the Agency or the Fiscal Agent bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 9.03. *Defeasance of 2011 Bonds.* If the Agency pays and discharges the entire indebtedness on any 2011 Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such 2011 Bonds, as and when they become due and payable;
- (b) by irrevocably depositing with the Fiscal Agent or an escrow bank, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under this Fiscal Agent Agreement, in the

opinion or report of an Independent Accountant is fully sufficient to pay such 2011 Bonds, including all principal, interest and redemption premium, if any;

- (c) by irrevocably depositing with the Fiscal Agent or an escrow bank, in trust, Federal Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under this Fiscal Agent Agreement, be fully sufficient to pay and discharge the indebtedness on such 2011 Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or
- (d) by purchasing such 2011 Bonds prior to maturity and tendering such 2011 Bonds to the Fiscal Agent for cancellation;

and, if such 2011 Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been duly given or provision satisfactory to the Fiscal Agent has been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any such 2011 Bonds have not been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in this Fiscal Agent Agreement and all other obligations of the Fiscal Agent and the Agency under this Fiscal Agent Agreement with respect to such 2011 Bonds shall cease and terminate, except only:

- (i) the tax-related obligations of the Agency under Sections 5.11 and 5.12,
- (ii) the obligation of the Fiscal Agent to transfer and exchange 2011 Bonds hereunder,
- (iii) the obligation of the Agency to pay or cause to be paid to the Owners of such 2011 Bonds, from the amounts so deposited with the Fiscal Agent, all sums due thereon, and
- (iv) the obligations of the Agency to compensate and indemnify the Fiscal Agent under Section 6.06.

The Agency must file notice of such election with the Fiscal Agent. The Fiscal Agent shall pay any funds thereafter held by it, which are not required for said purpose, to the Agency.

In the case of a defeasance or payment of all of the 2011 Bonds Outstanding in accordance with this Section 9.03, the Fiscal Agent shall pay all amounts held by it in any funds or accounts hereunder, which are not required for said purpose or for payment of amounts due the Fiscal Agent under Section 6.06, to the Agency.

**SECTION 9.04. *Application of Provisions to Capital Appreciation Bonds.*** Whenever in this Fiscal Agent Agreement reference is made to the payment of the principal of and interest on the 2011 Bonds, such reference includes payment of the Accreted Value and Maturity Value of the Capital Appreciation Bonds, unless otherwise required by the context or by the express provisions of such reference.

SECTION 9.05. *Execution of Documents and Proof of Ownership by Owners.* Any request, declaration or other instrument which this Fiscal Agent Agreement may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

The ownership of 2011 Bonds, and the amount, maturity, number and date of ownership thereof, are conclusively proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any 2011 Bond binds all future Owners of such 2011 Bond in respect of anything done or suffered to be done by the Agency or the Fiscal Agent in good faith and in accordance therewith.

SECTION 9.06. *Disqualified 2011 Bonds.* In determining whether the Owners of the requisite aggregate principal amount of 2011 Bonds have concurred in any demand, request, direction, consent or waiver under this Fiscal Agent Agreement, 2011 Bonds which are owned or held by or for the account of the Agency or the City (but excluding 2011 Bonds held in any employees' retirement fund) must be disregarded and deemed not to be Outstanding for the purpose of any such determination. The Fiscal Agent will not be deemed to have knowledge that any 2011 Bond is owned by the Agency or the City unless the Agency or the City is the Owner of such 2011 Bond or the Fiscal Agent has received written notice to that effect.

SECTION 9.07. *Waiver of Personal Liability.* No member, officer, agent or employee of the Agency shall be individually or personally liable for the payment of the principal of or interest or redemption premium on the 2011 Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.08. *Destruction of Canceled 2011 Bonds.* Whenever in this Fiscal Agent Agreement provision is made for the surrender to the Agency of any 2011 Bonds which have been paid or canceled under the provisions of this Fiscal Agent Agreement, a certificate of destruction duly executed by the Fiscal Agent shall be deemed to be the equivalent of the surrender of such canceled 2011 Bonds and the Agency shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such 2011 Bonds therein referred to. The Agency shall pay all costs of any microfilming of 2011 Bonds to be destroyed.

SECTION 9.09. *Notices.* All written notices to be given under this Fiscal Agent Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) upon actual receipt after deposit in the United States mail, postage prepaid, or (c) in any other case, upon actual receipt. The Agency or the Fiscal Agent may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the Agency:*                      Redevelopment Agency of the City of Santa Clara  
1500 Warburton Avenue  
Santa Clara, California 95050  
Attention: Executive Director  
Fax: (408) 241-1543

*If to the Fiscal Agent:*              The Bank of New York Mellon Trust Company, N.A.  
550 Kearny Street, Suite 600  
San Francisco, California 94108  
Fax: (415) 399-1647

SECTION 9.10. *Partial Invalidity.* If any Section, paragraph, sentence, clause or phrase of this Fiscal Agent Agreement is for any reason held illegal, invalid or unenforceable, such holding will not affect the validity of the remaining portions of this Fiscal Agent Agreement. The Agency and the Fiscal Agent hereby declare that they would have entered into this Fiscal Agent Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the 2011 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Fiscal Agent Agreement may be held illegal, invalid or unenforceable.

SECTION 9.11. *Unclaimed Moneys.* Anything contained herein to the contrary notwithstanding, any money held by the Fiscal Agent in trust for the payment and discharge of the interest or premium (if any) on or principal of the 2011 Bonds which remains unclaimed for two years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Fiscal Agent at such date, or for two years after the date of deposit of such money if deposited with the Fiscal Agent after the date when the interest and premium (if any) on and principal of such 2011 Bonds have become payable, shall be repaid by the Fiscal Agent to the Agency as its absolute property free from trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Agency for the payment of the principal of and interest and redemption premium (if any) on such 2011 Bonds.

SECTION 9.12. *Execution in Counterparts.* This Fiscal Agent Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9.13. *Governing Law.* This Fiscal Agent Agreement shall be construed and governed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA has caused this Fiscal Agent Agreement to be signed in its name by its Executive Director and attested to by its Secretary, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., in token of its acceptance of the trusts created hereunder, has caused this Fiscal Agent Agreement to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**REDEVELOPMENT AGENCY OF THE  
CITY OF SANTA CLARA**

By \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Secretary

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Fiscal Agent**

By \_\_\_\_\_  
Authorized Officer

## APPENDIX A

### DEFINITIONS

"Additional Bonds" means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency on a parity with the 2011 Bonds and the Prior Bonds in accordance with the Prior Bond Documents.

"Accreted Value" means, with respect to any Capital Appreciation Bond, the total amount of principal thereof and interest payable thereon as of any Compounding Date determined solely by reference to the Table of Accreted Values set forth on such Capital Appreciation Bond. The Accreted Value of any Capital Appreciation Bond as of any date other than a Compounding Date will be the sum of (a) the Accreted Value as of the Compounding Date immediately preceding the date as of which the calculation is being made plus (b) interest on the Accreted Value determined under the preceding clause (a), computed to the date as of which the calculation is being made at the Accretion Rate set forth on such Capital Appreciation Bond (computed on the basis of a 360-day year of twelve 30-day months).

"Accretion Rate" means the rate which, when applied to the principal amount of any Capital Appreciation Bond and compounded semiannually on each Compounding Date, produces the Maturity Value of such Capital Appreciation Bond on the maturity date thereof.

"Agency" means the Redevelopment Agency of the City of Santa Clara, a public body corporate and politic duly organized and existing under the Redevelopment Law.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Agency of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"Bond Year" means any twelve-month period beginning on June two in any year and extending to the next succeeding June 1, both dates inclusive; except that the first Bond Year begins on the Closing Date and ends on June 1, 2012.

"Bonds" means, collectively, the Prior Bonds, the 2011 Bonds and any Additional Bonds.

"Business Day" means a day of the year (other than a Saturday or Sunday) on which banks in California are not required or permitted to be closed, and on which the New York Stock Exchange is open.

"Capital Appreciation Bonds" means the 2011 Bonds the interest on which is compounded semiannually on each Compounding Date and is payable in full at maturity as shown in the table of Accreted Value for the Capital Appreciation Bonds.

"Certificate of the Agency" means a certificate in writing signed by the Executive Director, Treasurer or Secretary of the Agency, or any other officer of the Agency duly authorized by the Agency for that purpose.

“City” means the City of Santa Clara, California, a charter city and municipal corporation organized and existing under the Constitution and laws of the State of California.

“Closing Date” means May \_\_, 2011, being the date on which the 2011 Bonds are delivered by the Agency to the Original Purchaser.

“Compounding Date” means, with respect to any Capital Appreciation Bond, each June 1 and December 1 on which interest compounds on the Capital Appreciation Bonds, commencing December 1, 2011.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the 2011 Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Fiscal Agent and its counsel, including the Fiscal Agent’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; and any other cost, charge or fee in connection with the original issuance of the 2011 Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Fiscal Agent under Section 3.03.

“County” means the County of Santa Clara, a county organized and existing under the Constitution and laws of the State of California.

“Current Interest Bonds” means the 2011 Bonds the interest on which is payable on a current basis on each Interest Payment Date.

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

“Debt Service Fund” means the fund by that name previously established and held by the Fiscal Agent under Section 4.03 of the Master Bond Resolution.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.04.

“Depository System Participant” means any participant in the Depository’s book-entry system.

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

“Event of Default” means any of the events described in Section 8.01.

“Fair Market Value” has the meaning set forth in Section 4.05(d).

"Federal Securities" means: (a) any direct general 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 of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

"Fiscal Agent" means The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent hereunder, or any successor thereto appointed as Fiscal Agent hereunder in accordance with the provisions of Article VI.

"Fiscal Agent Agreement" means this Fiscal Agent Agreement between the Agency and the Fiscal Agent, as amended or supplemented from time to time under any Supplemental Agreement entered into under the provisions hereof.

"Fiscal Year" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the Agency as its official fiscal year period under a Certificate of the Agency filed with the Fiscal Agent.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State of California, appointed by or acceptable to the Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Agency; (b) does not have any substantial interest, direct or indirect, with the Agency; and (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Independent Redevelopment Consultant" means any consultant or firm of such consultants appointed by or acceptable to the Agency and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of redevelopment projects; (b) is in fact independent and not under domination of the Agency; (c) does not have any substantial interest, direct or indirect, with the Agency; and (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Interest Account" means the account by that name held by the Fiscal Agent under Section 4.03(a), which is deemed to be a part of the Interest Account established under Section 4.02 of the Master Bond Resolution.

"Interest Payment Date" means December 1, 2011, and each June 1 and December 1 thereafter so long as any of the 2011 Bonds remain unpaid.

"Master Bond Resolution" means Resolution No. 87-5 (RA) adopted by the Agency on June 16, Master, as amended from time to time in accordance with its terms, providing general terms and provisions which are applicable to the Bonds.

"Maturity Value" means, with respect to any Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond to be paid at maturity.

"Maximum Annual Debt Service" means the largest annual Debt Service payable in any Fiscal Year during the period from the date of the 2011 Bonds through the final maturity date of any Outstanding 2011 Bonds.

"Net Proceeds" means the proceeds from the sale of the 2011 Bonds (par amount of the 2011 Bonds less original issue discount plus original issue premium) less proceeds of the 2011 Bonds deposited into the Reserve Account.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

"Office" means, with respect to the Fiscal Agent, the corporate trust office of the Fiscal Agent at the address set forth in Section 9.09, or at such other or additional offices as may be specified by the Fiscal Agent in writing to the Agency.

"Original Purchaser" means Stone & Youngberg LLC, as original purchaser of the 2011 Bonds upon the negotiated sale thereof.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.06) all Bonds except: (a) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (c) Bonds in lieu of or in substitution for which other Bonds have been authorized, executed, issued and delivered by the Agency pursuant hereto.

"Owner" means, with respect to any 2011 Bond, the person in whose name the ownership of such 2011 Bond is registered on the Registration Books.

"Prior Bonds" as of any date means each of the following issues of Bonds of the Agency which are outstanding on such date:

- (a) Redevelopment Agency of the City of Santa Clara Bayshore North Project 1999 Tax Allocation Bonds, Series A, issued in the aggregate principal amount of \$31,550,000;
- (b) Redevelopment Agency of the City of Santa Clara Bayshore North Project 1999 Tax Allocation Bonds, Series B issued by the Agency in the aggregate principal amount of \$16,905,000;
- (c) Redevelopment Agency of the City of Santa Clara Bayshore North Project 2002 Tax Allocation Refunding Bonds, issued in the aggregate principal amount of \$33,910,000; and
- (d) Redevelopment Agency of the City of Santa Clara Bayshore North Project 2003 Tax Allocation Bonds, issued in the aggregate principal amount of \$43,960,000.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) Obligations of any agency, department or instrumentality of the United States of America which are rated A or better by S&P.
- (c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State of California chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent and its affiliates), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (d) Commercial paper rated "A-1+" or better by S&P at the time of the purchase thereof.
- (e) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "A-1+" or better by S&P.
- (f) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Fiscal Agent, its affiliates, parent or subsidiaries provide investment advisory or other management services.
- (g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).
- (h) Bonds or notes issued by any state or municipality which are rated A or better by S&P.
- (i) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Fiscal Agent is authorized to register such investment in its name.

"Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from Tax Revenues which may be outstanding at any time, and (b) the period of time for establishing or incurring indebtedness payable from Tax Revenues.

"Principal Account" means the account by that name held by the Fiscal Agent under Section 4.03(b), which is deemed to be a part of the Principal Account established under Section 4.02 of the Master Bond Resolution.

"Prior Bond Documents" means all of the following documents which authorize the issuance of any issue of Prior Bonds, in each case as amended or supplemented from time to time:

- (a) the Master Bond Resolution;
- (b) Fiscal Agent Agreement dated as of August 1, 1999, between the Agency and The Bank of New York Mellon Trust Company, N.A., as fiscal agent;
- (c) Fiscal Agent Agreement dated as of June 1, 2002, between the Agency and The Bank of New York Mellon Trust Company, N.A., as fiscal agent;
- (d) Fiscal Agent Agreement dated as of May 1, 2003, between the Agency and The Bank of New York Mellon Trust Company, N.A., as fiscal agent.

"Project Area" means the project area described in the Redevelopment Plan.

"Project Major Refurbishment Fund" means the fund established and held by the Fiscal Agent under Section 3.04.

"Agency Stadium Investment Fund" means the fund established and held by the Fiscal Agent under Section 3.05.

"Qualified Investments" means (a) obligations the interest on which is excludable from gross income for federal income tax purposes under Section 103(a) of the Tax Code and not treated as an item of tax preference under Section 57(a)(5)(C) of the Tax Code ("Non-AMT Bonds"), and (b) stock in a regulated investment company to the extent that at least 95% of the income of such regulated investment company is interest that is excludable from gross income under Section 103 of the Tax Code and not an item of tax preference under Section 57(a)(5)(C) of the Tax Code (a "Qualified Non-AMT Mutual Fund"). A guaranteed investment contract or similar investment agreement (e.g., a forward supply contract, GIC, repo, etc.) does not constitute a Qualified Investment. As of the Closing Date, the Net Proceeds of the 2011 Bonds shall be invested in the Dreyfus New York AMT-Free Municipal Cash Management Fund (DYIXX), which constitutes a Qualified Investment hereunder.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent under Section 4.03(c), provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent:

- (a) the long-term credit rating of such bank or insurance company is A or better from each rating agency which then maintains a rating on the 2011 Bonds;
- (b) such letter of credit or surety bond has a term of at least 12 months;

- (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the 2011 Reserve Requirement with respect to which funds are proposed to be released under Section 4.03(c); and
- (d) the Fiscal Agent is authorized under the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required under Section 4.03.

“Record Date” means, with respect to any Interest Payment Date, the close of business on the 15<sup>th</sup> calendar day of the month preceding such Interest Payment Date, whether or not such 15<sup>th</sup> calendar day is a Business Day.

“Redemption Account” means the fund by that name established and held by the Agency under Section 4.03(d).

“Redevelopment Law” means the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California, and the acts amendatory thereof and supplemental thereto.

“Redevelopment Plan” means the Redevelopment Plan for the Bayshore North Project Area, entitled “Bayshore North Project,” approved by Ordinance No. 1283, enacted by the City Council of the City on December 28, 1973, together with any amendments thereof duly authorized under the Redevelopment Law.

“Redevelopment Project” means the undertaking of the Agency under the Redevelopment Plan and the Redevelopment Law for the redevelopment of the Project Area.

“Registration Books” means the records maintained by the Fiscal Agent under Section 2.07 for the registration and transfer of ownership of the 2011 Bonds.

“Request of the Agency” means a request in writing signed by the Executive Director, Treasurer or Secretary of the Agency, or any other officer of the Agency duly authorized by the Agency for that purpose.

“Reserve Account” means the account by that name established and held by the Fiscal Agent under Section 4.03(c), which is deemed to be a part of the Reserve Account established under Section 4.02 of the Master Bond Resolution.

“Reserve Requirement” means, as of the date of any calculation, the Reserve Requirement established by and as defined in the Master Bond Resolution, being an amount equal to the lesser of (i) 10% of the proceeds of sale of the Bonds to the investing public, or (ii) the largest annual scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation (excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period) payable in any Fiscal Year during the period from the date of the Bonds through the final maturity date of any Outstanding Bonds.

"S&P" means Standard & Poor's Corporation, of New York, New York, and its successors.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Agency may designate in a Request of the Agency delivered by the Agency to the Fiscal Agent.

"Special Fund" means the fund by that name established and held by the Agency under Section 4.02 of this Fiscal Agent Agreement.

"Subordinate Debt" means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency under Section 4.03 of the Master Bond Resolution and in accordance with the provisions of Section 3.07 of this Fiscal Agent Agreement, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues hereunder for the security of the 2011 Bonds.

"Supplemental Agreement" means any fiscal agent agreement, indenture, agreement or other instrument which amends, supplements or modifies this Fiscal Agent Agreement and which has been duly entered into between the Agency and the Fiscal Agent; but only if and to the extent that such Supplemental Agreement is specifically authorized hereunder.

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

"Tax Revenues" means all taxes annually allocated to the Agency, and paid into the Special Fund of the Agency under Article six (commencing with Section 33670) of Chapter six of the Law and Section 16 of Article XVI of the Constitution of the State of California, and as provided in the Redevelopment Plan, including all payments and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations. "Tax Revenues" does not include the portion of such taxes which is required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year under Section 33334.3 of the Redevelopment Law.

"2011 Bonds" means the Redevelopment Agency of the City of Santa Clara Bayshore North Project 2011 Tax Allocation Bonds issued by the Agency in the aggregate principal amount of \$ \_\_\_\_\_ under Section 2.01.

"2011 Reserve Requirement" means the lesser of (a) the amount of \$ \_\_\_\_\_, or (b) the amount necessary to bring the total aggregate amount in the reserve account established under the Master Bond Resolution (including the Reserve Account established hereunder and the reserve accounts established under the Prior Bond Documents) up to the full amount of the Reserve Requirement.

"2011 Term Bonds" means the 2011 Bonds maturing on June 1 in each of the years \_\_\_\_\_.

**APPENDIX B**

**FORM OF CURRENT INTEREST BOND**

No. \_\_\_\_\_

\*\*\*\$ \_\_\_\_\_\*\*\*

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

**REDEVELOPMENT AGENCY OF THE  
CITY OF SANTA CLARA**

**BAYSHORE NORTH PROJECT  
2011 TAX ALLOCATION BOND**

RATE OF INTEREST:    MATURITY DATE:    ORIGINAL ISSUE DATE:    CUSIP:

REGISTERED OWNER:

PRINCIPAL AMOUNT:    DOLLARS

The REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA, a public body, corporate and politic, organized and existing under the laws of the State of California (the "Agency"), for value received, hereby promises to pay (but only out of the Tax Revenues and other moneys and securities hereinafter referred to) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like lawful money from the date hereof, which date shall be the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the first calendar day of the month in which such Interest Payment Date occurs (a "Record Date"), in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to November 15, 2011, in which event it shall bear interest from the Original Issue Date identified above; *provided, however*, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on December 1 and June 1 in each year, commencing December 1, 2011 (the "Interest Payment Dates") until payment of such Principal Amount in full.

The Principal Amount hereof is payable upon presentation hereof at the corporate office of The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"), in San Francisco, California, or such other place as designated by the Fiscal Agent. Interest hereon is payable by check of the Fiscal Agent mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of such Registered Owner as it appears on the registration books of the Fiscal Agent as of the preceding Record Date; provided that at the written request of the owner of at least \$1,000,000 aggregate principal amount of Bonds which written request is on file with the Fiscal Agent prior to the Record Date immediately preceding any Interest Payment Date, interest on such Bonds shall be paid on such Interest Payment Date by wire transfer to such account within the United States of America as shall be specified in such written request.

This Bond is one of a duly authorized issue of bonds of the Agency designated as the "Redevelopment Agency of the City of Santa Clara Bayshore North Project 2011 Tax Allocation Bonds" (the "Bonds") of an aggregate principal amount of \$\_\_\_\_\_, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities or interest rates) and all issued under the provisions of Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law") and under a Fiscal Agent Agreement, dated as of May 1, 2011, between the Agency and the Fiscal Agent (the "Fiscal Agent Agreement"). The Bonds have been authorized to be issued by the Agency under a resolution of the Agency adopted on April 19, 2011. The Agency may issue or incur additional obligations on a parity with the Bonds, but only subject to the terms of the Fiscal Agent Agreement. Reference is hereby made to the Fiscal Agent Agreement (copies of which are on file at the office of the Agency) and all supplements thereto and to the Redevelopment Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues, as that term is defined in the Fiscal Agent Agreement, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Fiscal Agent and the rights and obligations of the Agency thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds are being issued in the form of Current Interest Bonds in the aggregate principal amount of \$\_\_\_\_\_ (of which this Bond is one) and as Capital Appreciation Bonds in the aggregate denominational amount of \$\_\_\_\_\_, all subject to the terms and conditions of the Fiscal Agent Agreement. The Bonds have been issued by the Agency to finance programs, projects and activities relating to the Bayshore North Project in the City of Santa Clara, California (the "Project Area"), a duly designated redevelopment project area under the laws of the State of California.

This Bond and the interest hereon and all other parity obligations and the interest thereon (to the extent set forth in the Fiscal Agent Agreement) are payable from, and are secured by a charge and lien on the Tax Revenues derived by the Agency from the Project Area, on a parity with certain existing obligations of the Agency on with any parity debt at any time issued by the Agency under and in accordance with the Fiscal Agent Agreement. As and to the extent set forth in the Fiscal Agent Agreement, all of the Tax Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Fiscal Agent Agreement and the Redevelopment Law, to the payment of the principal of and interest and redemption premium (if any) on the Bonds, such existing obligations and any such parity obligations. Notwithstanding the foregoing,

certain amounts out of Tax Revenues may be applied for other purposes as provided in the Fiscal Agent Agreement.

This Bond is not a debt of the City of Santa Clara, the State of California, or any of its political subdivisions, and neither said City, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties other than the Tax Revenues.

The rights and obligations of the Agency and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Fiscal Agent Agreement, but no such modification or amendment shall permit a change in the terms of maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages of the owners required to effect any such modification or amendment.

The Current Interest Bonds maturing on June 1, 20\_\_, are not subject to optional redemption prior to their respective stated maturities. The Current Interest Bonds maturing on or after June 1, 20\_\_, are subject to redemption in whole, or in part at the written request of the Agency among maturities on such basis as the Agency shall designate and by lot within a maturity, at the option of the Agency, from any available source of funds, on any date on or after June 1, 20\_\_, at a redemption price equal to 100% of the principal amount of the Current Interest Bonds to be redeemed, without premium, together with accrued interest to the redemption date.

The Current Interest Bonds maturing on June 1, \_\_\_\_\_, are Term Bonds which are subject to mandatory redemption, in whole or in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on June 1 in the respective years as set forth in the following table.

Sinking Fund Redemption Date (June 1)	Principal Amount To Be Redeemed
---	------------------------------------

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Current Interest Bonds of a maturity, the Fiscal Agent will select the Bonds of such maturity by lot. For purpose of such selection, all Current Interest Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

As provided in the Fiscal Agent Agreement, the Fiscal Agent is required to mail notice of redemption of any Current Interest Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before the redemption date, to the registered

owners of the Bonds to be redeemed, but neither failure to receive such notice nor any defect in the notice so mailed affects the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon. Any notice so given by the Fiscal Agent may be rescinded under the circumstances and with the effect set forth in the Fiscal Agent Agreement. If this Bond is called for redemption and payment is duly provided therefor as specified in the Fiscal Agent Agreement, interest hereon will cease to accrue from and after the date fixed for redemption.

If an Event of Default (as defined in the Fiscal Agent Agreement) occurs, the principal of all Bonds maybe declared due and payable upon the conditions, in the manner and with the effect provided in the Fiscal Agent Agreement, but such declaration and its consequences may be rescinded and annulled as further provided in the Fiscal Agent Agreement.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said corporate trust office of the Fiscal Agent in San Francisco, California, or such other place as designated by the Fiscal Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Fiscal Agent Agreement, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The Agency and the Fiscal Agent may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Agency and the Fiscal Agent shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Redevelopment Law and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Agency, does not exceed any limit prescribed by the Redevelopment Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Fiscal Agent Agreement.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Fiscal Agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Bond shall not be entitled to any benefit under the Fiscal Agent Agreement or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed has been signed by the Fiscal Agent.

IN WITNESS WHEREOF, the REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and its facsimile seal impressed hereon and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

**REDEVELOPMENT AGENCY OF THE  
CITY OF SANTA CLARA**

By \_\_\_\_\_  
Executive Director

(S E A L)

Attest:

\_\_\_\_\_  
Secretary

**FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds described in the within-mentioned Fiscal Agent Agreement.

Dated:

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Fiscal Agent**

By \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ whose address and social security or other tax identifying number is \_\_\_\_\_, the within-mentioned Bond and hereby \_\_\_\_\_ irrevocably constitute(s) \_\_\_\_\_ and \_\_\_\_\_ appoint(s) \_\_\_\_\_ attorney, to transfer the same on the registration books of the Fiscal Agent with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature(s) must be guaranteed by an eligible guarantor institution.

\_\_\_\_\_  
Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

**APPENDIX C**

**FORM OF CAPITAL APPRECIATION BOND**

No. \_\_\_\_\_

\*\*\*\$ \_\_\_\_\_\*\*\*

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

**REDEVELOPMENT AGENCY OF THE  
CITY OF SANTA CLARA**

**BAYSHORE NORTH PROJECT  
2011 TAX ALLOCATION BOND**

ACCRETION RATE:      MATURITY DATE:      ISSUE DATE:      CUSIP:

REGISTERED OWNER:

PRINCIPAL AMOUNT:      DOLLARS

MATURITY VALUE:

The REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA, a public body, corporate and politic, organized and existing under the laws of the State of California (the "Agency"), for value received, hereby promises to pay (but only out of the Tax Revenues and other moneys and securities hereinafter referred to) to the Registered Owner identified above or registered assigns (the "Registered Owner"), the Maturity Value stated above on the Maturity Date stated above. The Accreted Value (as such term is defined in the within-mentioned Fiscal Agent Agreement) of this Bond as of any date will be determined in accordance with the Table of Accreted Values set forth hereon, representing the principal amount per \$5,000 of Maturity Value together with interest thereon from the Issue Date stated above, compounded semiannually on June 1 and December 1 of each year, commencing December 1, 2011 (each, a "Compounding Date"), on the basis of a 360-day year comprised of twelve 30-day months, at a rate equal to the Accretion Rate per annum set forth above. The Accreted Value hereof is payable upon presentation and surrender hereof at the corporate office of The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"), in San Francisco, California, or such other place as designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds of the Agency designated as the "Redevelopment Agency of the City of Santa Clara Bayshore North Project 2011 Tax Allocation Bonds" (the "Bonds") of an aggregate principal amount of \$\_\_\_\_\_, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities or interest rates) and all issued under the provisions of Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law") and under a Fiscal Agent Agreement, dated as of May 1, 2011, between the Agency and the Fiscal Agent (the "Fiscal Agent Agreement"). The Bonds have been authorized to be issued by the Agency under a resolution of the Agency adopted on April 19, 2011. The Agency may issue or incur additional obligations on a parity with the Bonds, but only subject to the terms of the Fiscal Agent Agreement. Reference is hereby made to the Fiscal Agent Agreement (copies of which are on file at the office of the Agency) and all supplements thereto and to the Redevelopment Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues, as that term is defined in the Fiscal Agent Agreement, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Fiscal Agent and the rights and obligations of the Agency thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds are being issued in the form of Current Interest Bonds in the aggregate principal amount of \$\_\_\_\_\_ and as Capital Appreciation Bonds (of which this Bond is one) in the aggregate denominational amount of \$\_\_\_\_\_, all subject to the terms and conditions of the Fiscal Agent Agreement. The Bonds have been issued by the Agency to finance programs, projects and activities relating to the Bayshore North Project in the City of Santa Clara, California (the "Project Area"), a duly designated redevelopment project area under the laws of the State of California.

This Bond and the interest hereon and all other parity obligations and the interest thereon (to the extent set forth in the Fiscal Agent Agreement) are payable from, and are secured by a charge and lien on the Tax Revenues derived by the Agency from the Project Area, on a parity with certain existing obligations of the Agency on with any parity debt at any time issued by the Agency under and in accordance with the Fiscal Agent Agreement. As and to the extent set forth in the Fiscal Agent Agreement, all of the Tax Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Fiscal Agent Agreement and the Redevelopment Law, to the payment of the principal of and interest and redemption premium (if any) on the Bonds, such existing obligations and any such parity obligations. Notwithstanding the foregoing, certain amounts out of Tax Revenues may be applied for other purposes as provided in the Fiscal Agent Agreement.

This Bond is not a debt of the City of Santa Clara, the State of California, or any of its political subdivisions, and neither said City, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties other than the Tax Revenues.

The rights and obligations of the Agency and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Fiscal Agent Agreement, but no such modification or amendment shall permit a change in the terms of maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the rate of interest thereon without

the consent of the owner of such Bond, or shall reduce the percentages of the owners required to effect any such modification or amendment.

The Capital Appreciation Bonds are not subject to redemption prior to their respective stated maturities.

If an Event of Default (as defined in the Fiscal Agent Agreement) occurs, the principal of all Bonds maybe declared due and payable upon the conditions, in the manner and with the effect provided in the Fiscal Agent Agreement, but such declaration and its consequences may be rescinded and annulled as further provided in the Fiscal Agent Agreement.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said corporate trust office of the Fiscal Agent in San Francisco, California, or such other place as designated by the Fiscal Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Fiscal Agent Agreement, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The Agency and the Fiscal Agent may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Agency and the Fiscal Agent shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Redevelopment Law and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Agency, does not exceed any limit prescribed by the Redevelopment Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Fiscal Agent Agreement.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Fiscal Agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Bond shall not be entitled to any benefit under the Fiscal Agent Agreement or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed has been signed by the Fiscal Agent.

IN WITNESS WHEREOF, the REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and its facsimile seal impressed hereon and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

**REDEVELOPMENT AGENCY OF THE  
CITY OF SANTA CLARA**

By \_\_\_\_\_  
Executive Director

(S E A L)

Attest:

\_\_\_\_\_  
Secretary

**FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds described in the within-mentioned Fiscal Agent Agreement.

Dated:

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Fiscal Agent**

By \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ whose address and social security or other tax identifying number is \_\_\_\_\_, the within-mentioned Bond and hereby \_\_\_\_\_ irrevocably constitute(s) \_\_\_\_\_ and \_\_\_\_\_ appoint(s) \_\_\_\_\_ attorney, to transfer the same on the registration books of the Fiscal Agent with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature(s) must be guaranteed by an eligible guarantor institution.

\_\_\_\_\_  
Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

## TABLE OF ACCRETED VALUES

\$ \_\_\_\_\_  
**Redevelopment Agency of the  
City of Santa Clara  
Bayshore North Project  
2011 Tax Allocation Bonds**

**Bond Purchase Agreement**

May \_\_\_\_, 2011

Redevelopment Agency of the City of Santa Clara  
1500 Warburton Avenue  
Santa Clara, CA 95050

Ladies and Gentlemen:

The City of Santa Clara Joint Financing Authority (the "Authority") and Stone & Youngberg LLC (the "Underwriter") offer to enter into this Bond Purchase Agreement (this "Agreement") with the Redevelopment Agency of the City of Santa Clara (the "Agency"), which will be binding upon the Authority, the Agency and the Underwriter upon the acceptance hereof by the Agency. This offer is made subject to its acceptance by the Agency by execution of this Agreement and its delivery to the Authority and the Underwriter on or before 11:59 p.m., California time, on the date hereof. All terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Fiscal Agent Agreement (as hereafter defined).

**1. Purchase and Sale of Bonds.**

**(a) Purchase of Bonds By Authority from Agency.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth in this Agreement, the Authority hereby agrees to purchase from the Agency, and the Agency hereby agrees to sell to the Authority, all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of the bonds captioned above (the "Bonds") at a purchase price equal to \$\_\_\_\_\_ (being the aggregate principal amount of the Bonds (\$\_\_\_\_\_)) less a net original issue discount of \$\_\_\_\_\_ and less an underwriter's discount of \$\_\_\_\_\_).

Funds for the purchase of the Bonds by the Authority from the Agency shall be derived solely from the amounts paid to the Authority by the Underwriter as the purchase price of the Bonds pursuant to subsection (b) of this Section.

**(b) Purchase of Bonds By Underwriter from Authority.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth in

this Agreement, the Underwriter hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the Bonds at the purchase price set forth in subsection (a) above.

**2. Description of Bonds.** The Bonds are being issued under a Fiscal Agent Agreement, dated as of May 1, 2011 (the "Fiscal Agent Agreement"), by and between the Agency and The Bank of New York Mellon Trust Company, N.A. (the "Fiscal Agent"). The Bonds are also being issued under the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law").

The Bonds shall be as described in the Fiscal Agent Agreement and the Official Statement (as defined below). The Bonds shall be secured by a pledge of and lien on the Tax Revenues (as defined in the Fiscal Agent Agreement) allocated to the Agency with respect to the Bayshore North Project Area of the Agency (the "Project Area"). The Bonds are also secured by a pledge of and lien upon all of the moneys on deposit in the funds and accounts established under Resolution No. 87-5 (RA), adopted by the Agency on June 16, 1987 (the "Master Bond Resolution"), on a parity with the Outstanding Parity Bonds (as defined in the Fiscal Agent Agreement).

**3. Public Offering.** The Underwriter agrees to make a bona fide public offering of all the Bonds initially at the public offering prices (or yields) set forth on Appendix A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Appendix A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

**4. Preliminary and Final Official Statement; Continuing Disclosure.**

**(a) Preliminary Official Statement.** The Agency has delivered or caused to be delivered to the Underwriter copies of the Preliminary Official Statement relating to the Bonds dated May \_\_\_\_, 2011, (the "Preliminary Official Statement"). The Preliminary Official Statement is the official statement deemed final by the Agency for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") and approved for distribution by resolution of the Agency. The Agency has executed and delivered to the Underwriter a certification in the form attached hereto as Appendix B in connection with distribution of the Preliminary Official Statement.

**(b) Final Official Statement.** Within seven business days after the date hereof, and in sufficient time to accompany any confirmation requesting payment from a customer, the Agency shall deliver to the Underwriter a final Official Statement, executed on behalf of the Agency by an authorized representative of the Agency, which shall include information permitted to be omitted by paragraph (b)(1) of the Rule and with such other amendments or supplements as may be approved by the Agency and the Underwriter (the "Final Official Statement"). The Preliminary Official Statement and the Final Official Statement, including the cover page, appendices and all information incorporated therein by reference, are hereinafter referred collectively to as the "Official Statement."

**(c) Continuing Disclosure Certificate.** In order to assist the Underwriter with complying with the Rule, the Agency will execute a Continuing Disclosure Certificate with

respect to the Bonds (the "Continuing Disclosure Certificate") in the form attached as an appendix to the Preliminary Official Statement.

**5. The Closing.** At 9:00 a.m., California time, on May \_\_\_\_, 2011, or at such other time or on such earlier or later business day as may be mutually agreed upon by the Agency, the Authority and the Underwriter, the Agency will deliver (i) the Bonds in definitive form to the Authority, and the Authority will concurrently deliver the Bonds to the Underwriter in such city as the Underwriter shall request, and (ii) the closing documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation ("Bond Counsel") in San Francisco, California or another place to be mutually agreed upon by the Agency, the Authority and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by federal wire transfer to the order of the Fiscal Agent on behalf of the Agency. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the "Closing." The Bonds will be delivered in such denominations and deposited in the account or accounts specified by the Underwriter pursuant to written notice not later than two business days prior to Closing. The Bonds will be made available to the Underwriter for inspection and packaging not less than 24 hours prior to the Closing.

## **6. Representations, Warranties and Covenants.**

**(a) Representations, Warranties and Covenants of the Agency.** The Agency represents, warrants and covenants to the Authority and the Underwriter that:

(i) Due Organization, Existence and Authority. The Agency is a public body, corporate and politic, organized and existing under the laws of the State of California, including the Redevelopment Law, with full right, power and authority to issue the Bonds and to execute, deliver and perform its obligations under the Bonds, this Agreement, the Continuing Disclosure Certificate and the Fiscal Agent Agreement (collectively, the "Financing Documents") and to carry out and consummate the transactions contemplated by the Financing Documents and the Official Statement.

(ii) Due Authorization and Approval. By all necessary official action, the Agency has duly authorized and approved the execution and delivery of, and the performance by the Agency of the obligations contained in, the Bonds, the Preliminary Official Statement, the Official Statement, and the Financing Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the Bonds and the Financing Documents will constitute the legally valid and binding obligations of the Agency enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally. The Agency has complied, and will at the Closing be in compliance in all respects, with the terms of the Bonds and the Financing Documents.

(iii) Official Statement Accurate and Complete. The Preliminary Official Statement is as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statements up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement contain and up to and including the Closing will contain no misstatement of any material fact and do not, and up to and including the Closing will not, omit any

statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

(iv) Underwriter's Consent to Amendments and Supplements to Official Statement. The Agency will advise the Underwriter promptly of any proposal to amend or supplement either Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The Agency will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of either Official Statement in connection with the offering, sale or distribution of the Bonds.

(v) No Breach or Default. As of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, the Agency is not and will not be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State of California or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Agency is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the Financing Documents and the Bonds and compliance with the provisions of each of such agreements or instruments do not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State of California or the United States or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance agreement or other instrument to which the Agency (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Bonds and the Financing Documents.

(vi) No Litigation. As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or threatened

(1) in any way questioning the corporate existence of the Agency or the titles of the officers of the Agency to their respective offices;

(2) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the Financing Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Agency or its authority to issue the Bonds;

(3) which may result in any material adverse change relating to the Agency; or

(4) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and

(5) there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (1) through (4) above.

(vii) Preliminary Official Statement. For purposes of the Rule, the Agency has heretofore deemed final the Preliminary Official Statement prior to its use and distribution by the Underwriter, except for the information specifically permitted to be omitted by paragraph (b)(1) of the Rule.

(viii) Continuing Disclosure. The Agency will undertake, pursuant to the Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain listed events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Final Official Statement.

(ix) Compliance with Redevelopment Law.

(1) The Agency's Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Redevelopment Law does not on the date hereof, and will not on the date of Closing, contain an "excess surplus" (within the meaning of Section 33334.12 of the Redevelopment Law) that would cause the Agency to be subject to the sanctions contained in Section 33334.12(e) of the Redevelopment Law.

(2) As of the time of acceptance hereof and of the date of the Closing, except as otherwise disclosed in the Official Statement, the Agency has complied with the filing requirements of Section 33080, Section 33334.6 (if applicable) and Section 33675 of the Redevelopment Law.

(3) The Agency does not on the date hereof, and will not as of the Closing, have "major violations" (within the meaning of Section 33080.8(i) of the Redevelopment Law) so as to be subject to a court order prohibiting the activities set forth in Section 33080.8(e)(3) of the Redevelopment Law.

(x) Master Bond Resolution; Parity Bonds. The Agency is in compliance with the terms of the Master Bond Resolution and, as of the Closing, shall have met the requirements of the Master Bond Resolution for the issuance of the Bonds as parity debt.

(xi) Supplements to Official Statement. (1) If the Official Statement is supplemented or amended pursuant to paragraph (2) below, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and

including the date of the Closing, such Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(2) If between the date of this Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 11 hereof) any event known to the Agency occurs affecting the Agency that might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Agency shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

**(b) Representations, Warranties and Covenants of the Authority.** The Authority represents, warrants and covenants to the Agency and the Underwriter that:

(i) Due Organization, Existence and Authority. The Authority is a joint powers authority duly organized and existing under the laws of the State of California, with full right, power and authority to purchase and sell the Bonds as contemplated by this Agreement.

(ii) Due Authorization and Approval. By all necessary official action, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations contained in, this Agreement; and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, this Agreement will constitute the legally valid and binding obligation of the Authority enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally. The Authority has complied, and will at the Closing be in compliance in all respects, with the terms of this Agreement.

(iii) No Litigation. As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or threatened

(1) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; or

(2) in any way contesting or affecting the consummation of the transactions contemplated hereby.

**7. Closing Conditions.** The Underwriter has entered into this Agreement in reliance upon the representations, warranties and covenants herein and the performance by the Agency and the Authority of their respective obligations hereunder, both as of the date hereof and as of the date of the Closing. The Authority's obligations under this Agreement to purchase the

Bonds from the Agency, and the Underwriter's obligations under this Agreement to purchase the Bonds from the Authority, and to pay the purchase price thereof, shall be subject to the following additional conditions:

**(a) *Bring-Down Representation.*** The representations, warranties and covenants of the Agency and the Authority contained in this Agreement shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

**(b) *Executed Agreements and Performance Thereunder.*** At the time of the Closing (i) the Financing Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter and (ii) there shall be in full force and effect such resolutions of the Agency, the Authority and the City of Santa Clara (collectively, the "Resolutions") as, in the opinion of Bond Counsel, are necessary in connection with the transactions contemplated by the Official Statement and the Financing Documents.

**(c) *Termination Events.*** The Underwriter has the right to terminate this Agreement, without liability therefor, by notification to the Agency and the Authority if at any time at or prior to the Closing:

(i) any event occurs that causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(ii) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, is materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State of California, or the amendment of legislation pending as of the date of this Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the existence or powers of the Agency, the federal or State tax status of the Agency, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(iii) any legislation, ordinance, rule or regulation is introduced in, or be enacted by any governmental body, department or agency of the State of California, or a decision by any court of competent jurisdiction within the State of California or any court of the United States is rendered which, in the reasonable opinion of the Underwriter, would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the Bonds; or

(iv) legislation is enacted by the Congress of the United States, or a decision by a court of the United States is rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Agency or any other governmental agency having jurisdiction of the subject matter is issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Fiscal Agent Agreement need to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) additional material restrictions not in force as of the date hereof are imposed upon trading in securities generally by any governmental authority or by any national securities exchange, which restrictions materially adversely affect the Underwriter's ability to trade the Bonds; or

(vi) a general banking moratorium is established by federal or State authorities; or

(vii) the United States becomes engaged in hostilities that result in a declaration of war or a national emergency, or there has occurred any other outbreak of hostilities or a national or international calamity or crisis, or there has occurred any escalation of existing hostilities, calamity or crisis, financial or otherwise, the effect of which on the financial markets of the United States being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds; or

(viii) the commencement of any action, suit or proceeding described in Paragraphs 6(a)(vi) and 6(b)(iii) hereof which, in the judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(ix) there is in force a general suspension of trading on the New York Stock Exchange.

**(d) Closing Documents.** At or prior to the Closing, the Underwriter shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents:

(i) Bond Opinion. An approving opinion of Bond Counsel with respect to the Bonds addressed to the Agency dated the date of the Closing and substantially in the form appended to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Authority

and the Underwriter, to the effect that the approving opinion may be relied upon by the Authority and the Underwriter to the same extent as if such opinion were addressed to them.

(ii) Supplemental Opinion. A supplemental opinion or opinions of Bond Counsel addressed to the Authority and the Underwriter, in form and substance acceptable to the Underwriter, and dated the date of the Closing, substantially to the following effect:

(1) The Agency has full power and authority to execute, deliver and perform its obligations under the Bonds, this Agreement and the Fiscal Agent Agreement, and the Bonds, this Agreement and the Fiscal Agent Agreement have been duly authorized, executed and delivered by the Agency and constitute the valid, legal and binding agreements of the Agency enforceable in accordance with their respective terms.

(2) The statements pertaining to the Bonds contained in the Official Statement for the Bonds under the captions "THE 2011 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS," and "TAX MATTERS," and in APPENDIX C – "Summary of the Fiscal Agent Agreement" and APPENDIX D – "Proposed Form of Bond Counsel Opinion," insofar as such statements purport to summarize certain provisions of the Bonds, the Fiscal Agent Agreement and the final approving opinion of Bond Counsel, fairly and accurately summarize the information presented therein.

(3) The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(iii) Opinion of Counsel to the Agency. An opinion of Counsel to the Agency, dated the date of the Closing and addressed to the Authority and the Underwriter, in form and substance acceptable to Bond Counsel, the Authority and the Underwriter, substantially to the following effect:

(1) The Agency has full power and authority to execute, deliver and perform its obligations under the Financing Documents, and the Financing Documents have been duly authorized, executed and delivered by the Agency and constitute the valid, legal and binding agreements of the Agency enforceable in accordance with their respective terms.

(2) The Agency is a public body corporate and politic duly organized and validly existing under the laws of the State of California.

(3) The resolution of the Agency approving and authorizing the execution and delivery of the Financing Documents, and approving the Official Statement, has been duly adopted and is in full force and effect and has not been modified, amended or rescinded.

(4) The statements contained in the Official Statement under the captions "THE AGENCY," "THE BAYSHORE NORTH PROJECT AREA," "HISTORICAL AND ESTIMATED TAX REVENUES" and "ABSENCE OF MATERIAL LITIGATION" fairly and accurately summarize the information

presented therein; provided that such counsel need not express any opinion with respect to any financial or statistical information contained therein.

(5) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending or threatened against the Agency,

(a) challenging the creation, organization or existence of the Agency, or the validity of the Financing Documents, or

(b) seeking to restrain or enjoin the repayment of the Bonds, or

(c) in any way contesting or affecting the validity of the Financing Documents, or

(d) contesting the authority of the Agency to enter into or perform its obligations under any of the Financing Documents, or

(e) which, in any manner, questions the right of the Agency to use the Tax Revenues for repayment of the Bonds, or

(f) affects in any manner the right or ability of the Agency to collect or pledge the Tax Revenues.

(iv) Authority Counsel Opinion. An opinion of counsel to the Authority, dated the date of the Closing and addressed to the Agency and the Underwriter, in form and substance acceptable to Bond Counsel, the Agency and the Underwriter, substantially to the following effect:

(1) The Authority has full power and authority to execute, deliver and perform its obligations under this Agreement, and this Agreement has been duly authorized, executed and delivered by the Authority and constitutes the valid, legal and binding agreement of the Authority enforceable in accordance with its terms.

(2) The Authority is a joint powers authority duly organized and validly existing under the laws of the State of California.

(3) The resolution (the "Authority Resolution") of the Authority approving and authorizing the execution and delivery of this Agreement and the purchase and sale of the Bonds is in full force and effect and has not been modified, amended or rescinded.

(4) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental Authority or body, pending or threatened against the Authority, challenging the creation, organization or existence of the Authority, or the validity of this Agreement or seeking to restrain or enjoin the validity of

this Agreement or contesting the authority of the Authority to enter into or perform its obligations under this Agreement.

(v) Opinion of City Attorney. An opinion of the City Attorney, dated the date of the Closing and addressed to the Authority and the Underwriter, in form and substance acceptable to Bond Counsel, the Authority and the Underwriter, substantially to the effect that the resolution of the City Council approving and authorizing the issuance of the Bonds has been duly adopted and is in full force and effect and has not been modified, amended or rescinded.

(vi) Disclosure Counsel Letter. A letter of Jones Hall, A Professional Law Corporation, San Francisco, California, as disclosure counsel ("Disclosure Counsel"), dated the Closing Date, and addressed to the Agency, the Authority and the Underwriter, to the effect that, during the course of serving as Disclosure Counsel in connection with the execution and delivery of the Bonds and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, no information came to the attention of the attorneys in such firm rendering legal services in connection with the issuance of the Bonds that would lead them to believe that the Official Statement (excluding therefrom the financial statements, any financial or statistical data, or forecasts, charts, numbers, estimates, projections, assumptions or expressions of opinion included in the Official Statement, information relating to DTC and its book-entry only system and the appendices to the Official Statement as to which no opinion need be expressed), as of the date thereof, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(vii) Fiscal Agent Counsel Opinion. The opinion of counsel to the Fiscal Agent, dated the date of the Closing, addressed to the Underwriter, to the effect that:

(1) The Fiscal Agent is a national banking association organized and existing under the laws of the United States of America, having full power to enter into, accept and administer the trust created under the Fiscal Agent Agreement, and to execute and deliver and perform its obligations under the Fiscal Agent Agreement.

(2) The Fiscal Agent Agreement has been duly authorized, executed and delivered by the Fiscal Agent and constitutes the legal, valid and binding obligation of the Fiscal Agent enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought.

(viii) Agency Certificate. A certificate of the Agency, dated the date of the Closing, signed on behalf of the Agency by the Executive Director or other duly authorized officer of the Agency to the effect that:

(1) The representations, warranties and covenants of the Agency contained in this Agreement are true and correct in all material respects on

and as of the date of the Closing as if made on the date of the Closing and the Agency has complied with all of the terms and conditions of this Agreement required to be complied with by the Agency at or prior to the date of the Closing.

(2) No event affecting the Agency has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(ix) Authority Certificate. A certificate of the Authority, dated the date of the Closing, signed on behalf of the Authority by a duly authorized officer of the Authority, to the effect that the representations, warranties and covenants of the Authority contained in this Agreement are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Authority has complied with all of the terms and conditions of this Agreement required to be complied with by the Authority at or prior to the date of the Closing.

(x) Fiscal Agent's Certificate. A certificate of the Fiscal Agent, dated the date of Closing, addressed to the Agency and the Underwriter, in form and substance acceptable to the Underwriter, to the following effect:

(1) The Fiscal Agent is a national banking association organized and existing under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Fiscal Agent Agreement.

(2) The Fiscal Agent is duly authorized to enter into the Fiscal Agent Agreement.

(3) To the best knowledge of the Fiscal Agent, after due inquiry, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending against the Fiscal Agent or threatened against the Fiscal Agent which in the reasonable judgment of the Fiscal Agent would affect the existence of the Fiscal Agent or in any way contesting or affecting the validity or enforceability of the Fiscal Agent Agreement or contesting the powers of the Fiscal Agent or its authority to enter into and perform its obligations under the Fiscal Agent Agreement.

(xi) Fiscal Consultant Closing Certificate. A certificate of Keyser Marston Associates, Inc. (the "Fiscal Consultant") to the effect that the information and data provided by the Fiscal Consultant for inclusion in the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(xi) Rating. Evidence that the Bonds have received the rating from Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., set forth in the Official Statement.

(xii) Additional Documents. Such additional certificates, instruments and other documents as Bond Counsel, the Agency, the Authority or the Underwriter may reasonably deem necessary.

If the Agency and the Authority are unable to satisfy the conditions contained in this Agreement, or if the obligations of the Underwriter are terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter, the Agency nor the Authority shall be under further obligation hereunder.

#### **8. Expenses.**

(a) The Underwriter shall be under no obligation to pay and the Agency shall pay or cause to be paid the expenses incident to the performance of the obligations of the Agency hereunder including but not limited to (i) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the Financing Documents and the cost of preparing, printing, issuing and delivering the definitive Bonds, (ii) the fees and disbursements of any counsel, financial advisors, accountants or other experts or consultants retained by the Agency, the Authority and the City; (iii) the fees and disbursements of the Fiscal Consultant, Bond Counsel and Disclosure Counsel; and (iv) the cost of printing of the Preliminary Official Statement and any supplements and amendments thereto and the cost of printing of the Official Statement, including the requisite number of copies thereof for distribution by the Underwriter.

(b) The Underwriter shall pay and the Agency shall be under no obligation to pay all expenses incurred by it in connection with the public offering and distribution of the Bonds, including but not limited to (i) reporting fees chargeable by the California Debt and Investment Advisory Commission, (ii) CUSIP Service Bureau fees, (iii) fees chargeable by the California Public Securities Association, (iv) fees chargeable by the Securities Industry and Financial Markets Association, and (v) the fees and expenses of its counsel.

**9. Notice.** Any notice or other communication to be given to the Agency under this Agreement may be given by delivering the same in writing to the Agency at the address set forth above. Any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to:

Stone & Youngberg LLC  
One Ferry Building  
San Francisco, CA 94111  
Attention: Public Finance Department.

**10. Entire Agreement.** This Agreement, when accepted by the Agency, shall constitute the entire agreement between the Agency, the Authority and the Underwriter and is made solely for the benefit of the Agency, the Authority and the Underwriter (including the successors or assigns of the Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All the Agency's and the Authority's representations, warranties and agreements in this Agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter, until the earlier of (a) delivery of and payment for the Bonds hereunder, and (b) any termination of this Agreement.

**11. Determination of End of the Underwriting Period.** For purposes of this Agreement, the End of the Underwriting Period for the Bonds shall mean the earlier of (a) the day of the Closing unless the Agency has been notified in writing by the Underwriter, on or prior to the day of the Closing, that the "end of the underwriting period" for the Bonds for all purposes of Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule") will not occur on the day of the Closing, or (b) the date on which notice is given to the Agency by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the Agency pursuant to clause (a) above that the "end of the underwriting period" for the Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the Agency in writing as soon as practicable following the "end of the underwriting period" for the Bonds for all purposes of the Rule.

**12. No Fiduciary Relationship.** The Agency acknowledges and agrees that:

(a) the purchase and sale of the Bonds under this Agreement is an arm's-length commercial transaction between the Agency and the Underwriter,

(b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as the agent or fiduciary of the Agency,

(c) the Underwriter has not assumed a fiduciary responsibility in favor of the Agency with respect to: (a) the offering of the Bonds or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Agency on other matters) or (b) any other obligation to the Issuer except the obligations expressly set forth in this Purchase Contract; and

(d) the Agency has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

**13. Counterparts.** This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

**14. Severability.** If any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement.

**15. State of California Law Governs.** The validity, interpretation and performance of this Agreement shall be governed by the laws of the State of California.

**16. No Assignment.** The rights and obligations created by this Agreement shall not be subject to assignment by the Underwriter or the Agency without the prior written consent of the other parties hereto.

STONE & YOUNGBERG LLC

By: \_\_\_\_\_  
Title:       Managing Director

CITY OF SANTA CLARA JOINT  
FINANCING AUTHORITY

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Accepted as of the date first stated above:

REDEVELOPMENT AGENCY OF THE  
CITY OF SANTA CLARA

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**APPENDIX A  
MATURITY SCHEDULE**

\$ \_\_\_\_\_  
**Redevelopment Agency of the  
City of Santa Clara  
Bayshore North Project  
2011 Tax Allocation Bonds**

\$ \_\_\_\_\_ **Serial Bonds**

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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**Term Bonds**

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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APPENDIX B

§ \_\_\_\_\_  
Redevelopment Agency of the  
City of Santa Clara  
Bayshore North Project  
2011 Tax Allocation Bonds

**RULE 15c2-12 CERTIFICATE**

The undersigned hereby certifies and represents that he is a duly appointed and acting authorized officer of the Redevelopment Agency of the City of Santa Clara (the "Agency"), and as such is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the Agency as follows:

(1) This Certificate is delivered in connection with the offering and sale of the bonds captioned above (the "Bonds") in order to enable the underwriters of the Bonds to comply with Securities and Exchange Agency Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement dated \_\_\_\_\_, 2011, setting forth information concerning the Bonds and the issuer of the Bonds (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule.

Dated: \_\_\_\_\_, 2011

REDEVELOPMENT AGENCY OF THE  
CITY OF SANTA CLARA

By \_\_\_\_\_  
Authorized Officer



PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2011  
 NEW ISSUE - BOOK-ENTRY ONLY

RATINGS:  
 S&P: "\_\_\_\_"  
 (See "Ratings")

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, the interest on the 2011 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the 2011 Bonds is exempt from California personal income taxes. See "TAX MATTERS."*

\$ \_\_\_\_\_ \*

**Redevelopment Agency of the  
 City of Santa Clara  
 Bayshore North Project  
 2011 Tax Allocation Bonds**

**Dated: Date of Delivery**

**Due: June 1, as shown on inside cover page**

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

**Authority for Issuance.** The Redevelopment Agency of the City of Santa Clara (the "Agency") is issuing the bonds captioned above (the "2011 Bonds") under a resolution adopted by the Agency on April 19, 2011. The 2011 Bonds will be issued under a Fiscal Agent Agreement, dated as of May 1, 2011 (the "Fiscal Agent Agreement"), between the Agency and The Bank of New York Mellon Trust Company, N.A. (the "Fiscal Agent").

**Purposes.** The 2011 Bonds are being issued to (i) finance additional redevelopment activities with respect to the Agency's Bayshore North Project Area, in the City of Santa Clara (the "City"), (ii) increase the amount on deposit in the debt service reserve account for the 2011 Bonds and Outstanding Parity Bonds, and (iii) pay the costs of issuance of the 2011 Bonds. See "PLAN OF FINANCE."

**Security.** The 2011 Bonds are limited obligations of the Agency secured by a first pledge of, lien on and security interest in all of the "Tax Revenues" (as defined herein) and all of the moneys on deposit in the funds and accounts established under Resolution No. 87-5 (RA), adopted by the Agency on June 16, 1987. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS."

**Outstanding Parity Bonds.** The pledge of Tax Revenues securing the 2011 Bonds is on a parity with four outstanding series of tax allocation bonds previously issued by the Agency. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS - Outstanding Parity Debt."

**Book-Entry Form.** The 2011 Bonds will be issued in book-entry form, initially registered in the name of Cede & Co. as nominee of the Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the 2011 Bonds. Individual purchases of the 2011 Bonds will be in book-entry form only, and in principal amounts of \$5,000 or any integral multiple thereof. Purchasers will not receive physical certificates representing their interests in the 2011 Bonds. Principal of, interest on and redemption premium, if any, on the 2011 Bonds will be paid by the Fiscal Agent directly to DTC, which in turn is obligated to remit such principal, interest and redemption premium, if any, to DTC Participants for subsequent disbursement to the Beneficial Owners of the 2011 Bonds. See APPENDIX G—"DTC and the Book-Entry Only System."

**Interest and Principal.** The 2011 Bonds are being issued as Current Interest Bonds or as Capital Appreciation Bonds. The Current Interest Bonds bear current interest from the date of their delivery payable semiannually on December 1 and June 1 of each year, commencing December 1, 2011. The Capital Appreciation Bonds will not bear current interest but will accrete interest from the date of their delivery, compounded semiannually on December 1 and June 1 of each year, commencing December 1, 2011. Principal and maturity value of the 2011 Bonds is payable on the dates and in the respective principal amounts set forth on the inside cover page.

**Redemption.** The 2011 Bonds are subject to optional and mandatory sinking account redemption before maturity. See "THE 2011 BONDS—Redemption Provisions."

**Risk Factors.** For a discussion of some of the risks associated with the purchase of the 2011 Bonds, see "RISK FACTORS."

NEITHER THE 2011 BONDS NOR THE OBLIGATIONS OF THE AGENCY UNDER THE FISCAL AGENT AGREEMENT ARE A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AGENCY) AND NEITHER THE CITY, THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AGENCY) ARE LIABLE FOR THE 2011 BONDS. THE 2011 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE CITY COUNCIL NOR THE MEMBERS OF THE AGENCY, NOR ANY PERSONS EXECUTING THE 2011 BONDS, ARE LIABLE PERSONALLY ON THE 2011 BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

The 2011 Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Agency by Jones Hall, A Professional Law Corporation, as disclosure counsel to the Agency, and by the City Attorney of the City of Santa Clara in his capacity as Agency Counsel. Certain legal matters will be passed upon for the Underwriter by Quint & Thimmig LLP, San Francisco, California. It is anticipated that the 2011 Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York on or about \_\_\_\_\_, 2011.

STONE & YOUNGBERG

Dated: \_\_\_\_\_, 2011

\* Preliminary; subject to change.

**MATURITY SCHEDULE\***

**2011 Tax Allocation Bonds  
\$ \_\_\_\_\_ Serial Bonds**

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>No.†</u>
---	-----------------------------------	--------------------------------	--------------	--------------	-----------------------------

\$ \_\_\_\_\_ % Term Bonds due June 1, 20\_\_\_\_, Yield: \_\_\_\_%, Price: \_\_\_\_%  
CUSIP No. \_\_\_\_\_ †

\* Preliminary, subject to change.

† Copyright 2011, American Bankers Association. CUSIP numbers herein are provided by Standard & Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc., and are set forth herein for the convenience of reference only. The Agency, Bond Counsel, Disclosure Counsel and the Underwriter do not assume responsibility for the accuracy of such numbers.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Purpose.** This Official Statement is submitted in connection with the sale of the 2011 Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

**No Offering May Be Made Except by This Official Statement.** No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations other than those contained in this Official Statement. If any other information or representations are given or made, such other information or representations must not be relied upon as having been authorized by the Agency.

**No Unlawful Offers to Sell or Solicitations of Offers to Buy.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such an offer or solicitation is not authorized, or in which the person making the offer or solicitation is not qualified to do so, or an offer or solicitation to any person to whom it is unlawful to make such an offer or solicitation.

**Not a Contract.** This Official Statement is not to be construed as a contract with the purchasers of the 2011 Bonds.

**Estimates and Forecasts.** Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described, are intended solely as such and are not to be construed as representations of facts.

**Internet Addresses.** Any Internet addresses included in the Official Statement are included for reference only, and the information on any such Internet sites is not a part of this Official Statement or incorporated by reference into this Official Statement. The City maintains a website that includes information about the Agency. The information on the City's website is not a part of this Official Statement and it is not incorporated by reference into this Official Statement.

**Preparation of this Document.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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

**No Updates Will Be Provided.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2011 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Agency or any other parties described in this Official Statement since the date of this Official Statement.

**Document Summaries.** All summaries of the Fiscal Agent Agreement, other documents and certain California statutes are made subject to the provisions of those documents and statutes, respectively, and do not purport to be complete statements of those documents and statutes. Copies of the documents summarized in this Official Statement are on file with the Agency.

**No Registration with the SEC.** The issuance and sale of the 2011 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

**Stabilization of Bond Market Prices.** The Underwriter may overallocate or take other steps that stabilize or maintain the market price of the 2011 Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue market stabilization at any time. The Underwriter may offer and sell the 2011 Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

**Estimates and Projections.** Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Agency does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

**CITY OF SANTA CLARA  
REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA**

**CITY COUNCIL AND AGENCY MEMBERS**

Jamie L. Matthews, *Mayor and Agency Chairperson*

Patricia Mahan, *Vice Mayor and Agency Vice Chairperson*

Lisa M. Gillmor, *City Council and Agency Member*

Will Kennedy, *City Council and Agency Member*

Pat Kolstad, *City Council and Agency Member*

Jamie McLeod, *City Council and Agency Member*

Kevin Moore, *City Council and Agency Member*

**CITY AND AGENCY STAFF**

Jennifer Sparacino  
*City Manager and Executive Director for the Agency*

Carol L. McCarthy,  
*Acting Assistant City Manager and Acting Assistant Executive Director for the Agency*

Gary Ameling  
*City Director of Finance and Treasurer for the Agency*

Elizabeth H. Silver  
*Interim City Attorney and Interim General Counsel for the Agency*

Rod Diridon, Jr.  
*City Clerk/City Auditor and Secretary for the Agency*

**SPECIAL SERVICES**

Jones Hall, A Professional Law Corporation  
San Francisco, California  
*Bond Counsel and Disclosure Counsel*

KNN Public Finance, A Division of Zions First National Bank  
Oakland, California  
*Financial Advisor*

Keyser Marston Associates, Inc.  
San Francisco, California  
*Fiscal Consultant*

The Bank of New York Mellon Trust Company, N.A.  
San Francisco, California  
*Fiscal Agent*

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION	1	Estimated Tax Revenues and Debt	
PLAN OF FINANCE	5	Service Coverage	30
Purposes	5	RISK FACTORS	32
Estimated Sources and Uses of Funds	5	Accuracy of Assumptions	32
THE 2011 BONDS	6	Reduction of Tax Revenues	32
Description	6	Bankruptcy	35
Redemption Provisions – 2011 Bonds	7	Impact of State Budget Legislation	35
DEBT SERVICE SCHEDULE	9	LIMITATIONS ON TAX REVENUES	43
SECURITY AND SOURCES OF		Property Tax Limitations – Article XIII A	43
PAYMENT FOR THE 2011 BONDS	10	Challenges to Article XIII A	44
Pledge of Tax Revenues	10	Implementing Legislation	44
Tax Allocation Financing	11	Property Tax Collection Procedures	44
Allocation of Taxes	11	Unitary Tax Revenue	46
Special Fund; Deposit of Tax Revenues	12	No Power to Tax	46
Debt Service Fund; Flow of Funds	12	Appropriations Limitations – Article XIII B	46
Reserve Account	13	State Board of Equalization and Property	
Outstanding Parity Bonds	14	Assessment Practices	46
Issuance of Parity Debt	15	Exclusion of Tax Increment Revenues	
Issuance of Subordinate Debt	16	for General Obligation Bonds Debt	
Compliance with Plan Limitations	16	Service	47
THE AGENCY	18	Proposition 218	47
General	18	Future Initiatives	47
Powers	18	Low and Moderate Income Housing	47
Audited Financial Statements	18	AB 1290	48
THE BAYSHORE NORTH PROJECT		Senate Bill 211	48
AREA	19	Senate Bill 1045	48
Background	19	Senate Bill 1096	49
Land Use Summary	21	Assessed Valuation Appeals	49
Largest Taxpayers	22	Proposition 8 Assessed Value	
Redevelopment Plan Limitations	22	Reductions	50
HISTORICAL AND ESTIMATED TAX		TAX MATTERS	51
REVENUES	25	CERTAIN LEGAL MATTERS	51
History of Assessed Valuations and Tax		ABSENCE OF MATERIAL LITIGATION	52
Revenues	25	CONTINUING DISCLOSURE	52
Senior Agency Obligations	25	UNDERWRITING	52
Subordinate Agency Obligations	26	RATINGS	53
Assessed Valuation Appeals	27		

APPENDIX A	- CITY OF SANTA CLARA AND COUNTY OF SANTA CLARA ECONOMIC AND DEMOGRAPHIC INFORMATION	
APPENDIX B	- AGENCY AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010	
APPENDIX C	- FISCAL CONSULTANT'S REPORT	
APPENDIX D	- SUMMARY OF THE FISCAL AGENT AGREEMENT	
APPENDIX E	- PROPOSED FORM OF BOND COUNSEL OPINION	
APPENDIX F	- FORM OF CONTINUING DISCLOSURE CERTIFICATE	
APPENDIX G	- DTC AND THE BOOK-ENTRY ONLY SYSTEM	

## REGIONAL MAP

# OFFICIAL STATEMENT

\$ \_\_\_\_\_ \*

**Redevelopment Agency of the  
City of Santa Clara  
Bayshore North Project  
2011 Tax Allocation Bonds**

## INTRODUCTION

*This introduction contains only a brief summary of certain of the terms of the bonds captioned above (the "2011 Bonds").*

*A full review should be made of the entire Official Statement including the cover page, the table of contents and the appendices for a more complete description of the terms of the 2011 Bonds. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of provisions of, any other documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions of such documents.*

### **Authority for Issuance**

The Redevelopment Agency of the City of Santa Clara (the "**Agency**") is issuing the 2011 Bonds under the Community Redevelopment Law (constituting Part 1 of Division 24 of the Health and Safety Code of the State of California) (the "**Redevelopment Law**"), and a resolution of the Agency adopted on April 19, 2011 (the "**Resolution**"). The 2011 Bonds will be issued under a Fiscal Agent Agreement dated as of May 1, 2011 (the "**Fiscal Agent Agreement**"), by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "**Fiscal Agent**"). Under the Resolution, the 2011 Bonds may be issued in the maximum principal amount of \$35,000,000.

### **The Agency**

The City of Santa Clara (the "**City**") activated the Agency in 1957 under the Redevelopment Law. The seven members of the City Council also serve as members of the Agency and exercise all rights, powers, duties and privileges of the Agency. See "THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA."

The Agency adopted a redevelopment plan (the "**Bayshore North Redevelopment Plan**") for the Bayshore North Project Area in 1973. The Bayshore North Project Area consists of approximately 1,200 acres within the City, which is located in the County of Santa Clara (the "**County**"). See "THE BAYSHORE NORTH PROJECT AREA" and "HISTORICAL AND ESTIMATED TAX REVENUES."

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\* Preliminary; subject to change.

## **Purposes**

The 2011 Bonds are being issued to (i) finance additional redevelopment activities with respect to the Agency's Bayshore North Project Area, in the City of Santa Clara (the "City"), (ii) increase the amount on deposit in the debt service reserve account for the 2011 Bonds and the Outstanding Parity Bonds, and (iii) pay the costs of issuance of the 2011 Bonds. See "PLAN OF FINANCE."

## **Current Interest Bonds and Capital Appreciation Bonds**

The Bonds will be issued as current interest bonds ("Current Interest Bonds") and as capital appreciation bonds ("Capital Appreciation Bonds").

## **Security for the 2011 Bonds**

The 2011 Bonds are limited obligations of the Agency secured by a first pledge of, security interest in, and lien on all of the "Tax Revenues," which is generally defined in the Fiscal Agent Agreement as all taxes annually allocated to the Agency, and paid into the Special Fund of the Agency under the Redevelopment Law, and as provided in the Bayshore North Redevelopment Plan, including all payments and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations. The 2011 Bonds are also secured by a pledge of and lien upon all of the moneys on deposit in the funds and accounts established under Resolution No. 87-5 (RA), adopted by the Agency on June 16, 1987 (the "**Master Bond Resolution**"), on a parity with the Outstanding Parity Bonds (as defined below).

See "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS."

## **Tax Allocation Financing**

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a designated redevelopment project area. A redevelopment agency establishes the taxable valuation of a project area as last equalized before the adoption of the redevelopment plan, or base roll (the "**Base Year Valuation**"). Subsequently, the taxing agencies receive the taxes produced by the levy of the then-current tax rate upon the Base Year Valuation (except for any period during which the taxable valuation drops below the Base Year Valuation).

Taxes collected upon any increase in taxable valuation over the Base Year are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Twenty percent of taxes allocated to a redevelopment agency are set aside in a separate fund to develop and maintain low- and moderate-income housing in the City; these taxes are referred to as "**Housing Set-Aside**" in this Official Statement, and are not pledged to the repayment of the Bonds. Redevelopment agencies themselves have no taxing power.

## **Outstanding Parity Bonds**

The pledge of Tax Revenues securing the 2011 Bonds is on a parity with the pledge thereof securing the following tax allocation bonds (the "**Outstanding Parity Bonds**") previously issued by the Agency:

- Redevelopment Agency of the City of Santa Clara Bayshore North Project 1999 Tax Allocation Bonds, Series A, issued in the aggregate principal amount of \$31,550,000 (the "**1999A Bonds**"), and Redevelopment Agency of the City of Santa Clara Bayshore North Project 1999 Tax Allocation Bonds, Series B, issued in the aggregate principal amount of \$16,905,000 (the "**1999B Bonds**"), under Resolution No. 99-9 adopted on July 20, 1999 and a Fiscal Agent Agreement dated as of August 1, 1999, between the Agency and BNY Western Trust Company, as fiscal agent;

- Redevelopment Agency of the City of Santa Clara Bayshore North Project 2002 Tax Allocation Refunding Bonds, issued in the aggregate principal amount of \$33,910,000 (the "**2002 Refunding Bonds**") under Resolution No. 02-2 adopted on May 14, 2002 and under a Fiscal Agent Agreement dated as of June 1, 2002, between the Agency and BNY Western Trust Company, as fiscal agent; and

- Redevelopment Agency of the City of Santa Clara Bayshore North Project 2003 Tax Allocation Refunding Bonds, issued in the aggregate principal amount of \$43,960,000 (the "**2003 Bonds**") under Resolution No. 03-02 adopted on April 15, 2003 and under a Fiscal Agent Agreement dated as of May 1, 2003, between the Agency and BNY Western Trust Company, as fiscal agent.

The 2011 Bonds and the Outstanding Parity Bonds are referred to collectively in this Official Statement as the "**Bonds**."

See "DEBT SERVICE SCHEDULE," "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS—Outstanding Parity Bonds" and "HISTORICAL AND ESTIMATED TAX REVENUES."

### **Debt Service Reserve Account**

The Master Bond Resolution established the Reserve Account to be funded with respect to each series of Outstanding Bonds. As further security for the Bonds, simultaneously with the issuance of the 2011 Bonds, the Agency will deposit a portion of the proceeds of the 2011 Bonds to the Reserve Account to raise the aggregate balance to the Reserve Requirement for all Outstanding Bonds. See "PLAN OF FINANCE" and "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS—Reserve Account."

### **Limited Obligation**

NEITHER THE 2011 BONDS NOR THE OBLIGATIONS OF THE AGENCY UNDER THE FISCAL AGENT AGREEMENT ARE A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AGENCY) AND NEITHER THE CITY, THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AGENCY) ARE LIABLE FOR THE 2011 BONDS. THE 2011 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE CITY COUNCIL NOR THE AGENCY NOR ANY PERSONS EXECUTING THE 2011 BONDS ARE LIABLE PERSONALLY ON THE 2011 BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

## **Additional Information**

Definitions of certain terms used in this Official Statement are set forth in APPENDIX D. This Official Statement contains brief descriptions of, among other things, the 2011 Bonds, the Fiscal Agent Agreement, the Agency and the Bayshore North Project Area. These descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to those documents, and references to the 2011 Bonds are qualified in their entirety by reference to the form of bond included in the Fiscal Agent Agreement.

Copies of the Fiscal Agent Agreement and other documents described in this Official Statement may be obtained from the Fiscal Agent.

## PLAN OF FINANCE

### Purposes

The Agency will use the proceeds of the 2011 Bonds to finance additional redevelopment activities within the Bayshore North Project Area, which are currently intended to include, among others, construction of or renovation and improvements to the following facilities: the Santa Clara Convention Center, the existing Santa Clara Convention Center complex garage, a new parking garage, David's of Santa Clara banquet and meeting facility, Fire Station No. 10, the Santa Clara Youth Soccer Park, the Martinson Day Care Center, Fire Station No. 6, and a new North Bayshore Library. Net proceeds of the 2011 Bonds beyond \$25 million, if any, will be used for certain eligible improvements benefiting the planned professional football stadium within the Bayshore North Project Area.

*None of the projects financed with proceeds of the 2011 Bonds are security for the 2011 Bonds.*

Proceeds of the 2011 Bonds will also be used to increase the amounts on deposit in the common reserve fund established for the Outstanding Bonds, and to pay certain costs of issuing the 2011 Bonds.

### Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2011 Bonds are as follows:

#### Sources:

Principal Amount  
Total Sources

#### Uses:

Redevelopment Fund [1]  
Reserve Account [2]  
Underwriter's Discount  
Costs of Issuance [3]  
Total Uses

- [1] To be used to finance additional redevelopment activities in the Bayshore North Project Area.  
[2] Represents the amount needed to bring the amount in the Reserve Account to the Reserve Requirement for all Outstanding Bonds following the issuance of the 2011 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS - Reserve Account."  
[3] Includes the fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Fiscal Agent, and the Fiscal Consultant, printing costs, rating agency fees and other costs related to the issuance of the 2011 Bonds.

## THE 2011 BONDS

*This section provides summaries of the terms of the 2011 Bonds and certain provisions of the Fiscal Agent Agreement. See APPENDIX D for a more complete summary of the Fiscal Agent Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX D.*

### Description

**Current Interest Bonds – General.** The Current Interest Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000, so long as no Current Interest Bond has more than one maturity date.

The Current Interest Bonds will be dated as of the Closing Date, and will mature on June 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum, as set forth on the inside cover of this Official Statement, and will mature on the dates and in the amounts set forth on the inside cover of this Official Statement.

Interest on the Current Interest Bonds is payable semiannually on December 1 and June 1 (each, an “**Interest Payment Date**”), commencing December 1, 2011.

**Capital Appreciation Bonds – General.** The Capital Appreciation Bonds will be issued in fully registered form without coupons in denominations of \$5000 in Maturity Values or any integral multiple thereof, maturing on June 1 in each of the years and having the respective Denominational Amounts and Maturity Values as set forth on the inside cover of this Official Statement.

Interest on the Capital Appreciation Bonds will compound on each Compounding Date at the respective Accretion Rates set forth in the preceding table. Interest on the Capital Appreciation Bonds is payable solely at maturity or upon earlier redemption thereof as provided in the Fiscal Agent Agreement. Each Capital Appreciation Bond will be dated as of the Closing Date. The Accreted Value of the Capital Appreciation Bonds and any redemption premium thereon will be payable solely at maturity or earlier redemption thereof to the Owners thereof upon presentation and surrender thereof at the Office of the Fiscal Agent. The Accreted Value of the Capital Appreciation Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof at the Office of the Fiscal Agent.

**Fully Registered Form.** The 2011 Bonds will be issued only as one fully registered 2011 Bond for each series and maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“**DTC**”), as registered owner of all 2011 Bonds. See APPENDIX G–“DTC and the Book-Entry Only System.” Ownership may be changed only upon the registration books maintained by the Fiscal Agent as provided in the Fiscal Agent Agreement.

**Calculation of Interest.** Interest on the 2011 Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a 2011 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,

(b) a 2011 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or

(c) interest on any 2011 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

**Payment of Interest and Principal.** Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the 2011 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below.

Interest on any 2011 Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such 2011 Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Fiscal Agent, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Fiscal Agent will pay interest on the 2011 Bonds by check of the Fiscal Agent mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2011 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

At the written request of the Owner of 2011 Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Fiscal Agent as of any Record Date, the Fiscal Agent will pay interest on such 2011 Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Fiscal Agent will pay principal of the 2011 Bonds in lawful money of the United States of America by check of the Fiscal Agent upon presentation and surrender thereof at the Office of the Fiscal Agent.

*While the 2011 Bonds are held in the book-entry only system of DTC, all such payments will be made to Cede & Co., as the registered Owner of the 2011 Bonds. See APPENDIX G.*

## **Redemption Provisions**

**Capital Appreciation Bonds – No Optional Redemption.** The Capital Appreciation Bonds are not subject to redemption prior to their respective Maturity Dates.

**Current Interest Bonds – Optional Redemption.** The Current Interest Bonds maturing on June 1, 20\_\_, are not subject to optional redemption prior to their respective stated maturities.

The Current Interest Bonds maturing on or after June 1, 20\_\_, are subject to redemption in whole, or in part at the Request of the Agency among maturities on such basis as the Agency may designate and by lot within a maturity, at the option of the Agency, from any available source of funds, on any date on or after June 1, 20\_\_, at a redemption price equal to 100% of the principal amount of the Current Interest Bonds to be redeemed, without premium, together with accrued interest to the redemption date.

**Mandatory Sinking Fund Redemption.** The 2011 Term Bonds are subject to mandatory redemption, in whole or in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on June 1 in the respective years as set forth in the following table; *provided, however*, that if some but not all of the 2011 Term Bonds have been redeemed through optional redemption as described above, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the 2011 Term Bonds so redeemed, to be allocated among such sinking fund payments on such basis as designated by the Agency and absent such designation on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Agency to the Fiscal Agent).

Term 2011 Bonds Maturing June 1, 20\_\_

Sinking Fund Redemption Date (June 1)	Principal Amount To Be Redeemed
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**Notice of Redemption.** The Fiscal Agent on behalf and at the expense of the Agency shall mail (by first class mail) notice of any redemption to the respective Owners of any 2011 Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to the Municipal Securities Rulemaking Board, at least 30 but not more than 60 days prior to the date fixed for redemption; provided, however, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such 2011 Bonds or the cessation of the accrual of interest thereon.

**Rescission of Redemption.** The Agency has the right to rescind any notice of the optional redemption of Current Interest Bonds under the Fiscal Agent Agreement by written notice to the Fiscal Agent on or prior to the date fixed for redemption.

Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2011 Bonds then called for redemption, and such cancellation will not constitute an Event of Default under either Fiscal Agent Agreement.

The Agency and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption.

The Fiscal Agent will mail notice of such rescission of redemption to the respective Owners of any 2011 Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to the Municipal Securities Rulemaking Board.

**Selection of 2011 Bonds for Redemption.** Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2011 Bonds of the same maturity, the Fiscal Agent will select the 2011 Bonds to be redeemed by lot in any manner deemed fair by the Fiscal Agent. For purposes of such selection, all 2011 Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate 2011 Bonds which may be separately redeemed.

## DEBT SERVICE SCHEDULE

Set forth below is the debt service schedule for the 2011 Bonds.

Year Ending June 1	Interest	Principal	Total
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Total:

## SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS

*This section provides summaries of the security for the 2011 Bonds and certain provisions of the Fiscal Agent Agreement. See APPENDIX D for a more complete summary of the Fiscal Agent Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX D.*

### **Pledge of Tax Revenues**

***Pledge of Tax Revenues and Other Amounts.*** Under the Master Bond Resolution, the Agency has irrevocably pledged to the payment of the principal or redemption price of and interest on the Bonds all Tax Revenues and all moneys on deposit in the funds and accounts under the Master Bond Resolution.

The 2011 Bonds are secured by a first pledge of and lien on all of the Tax Revenues and all of the moneys on deposit in the funds and accounts established under the Master Bond Resolution, on a parity with the Outstanding Parity Bonds. This pledge and lien is for the equal security of the Outstanding Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds of the Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the 2011 Bonds.

See “- Outstanding Parity Bonds” and “- Issuance of Parity Debt” below.

***Tax Revenues.*** “Tax Revenues” are defined in the Fiscal Agent Agreement as all taxes annually allocated to the Agency, and paid into the Special Fund of the Agency under Article 6 (commencing with Section 33670) of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California, and as provided in the Bayshore North Redevelopment Plan, including all payments and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations.

“Tax Revenues” does not include Housing Set-Aside, which is the portion of such taxes which is required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year under Section 33334.3 of the Redevelopment Law.

***Limited Obligation of the Agency.*** Except for the Tax Revenues and such moneys on deposit from time to time under the Master Bond Resolution, no funds or properties of the Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the 2011 Bonds.

NEITHER THE 2011 BONDS NOR THE OBLIGATIONS OF THE AGENCY UNDER THE FISCAL AGENT AGREEMENT ARE A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AGENCY) AND NEITHER THE CITY, THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AGENCY) ARE LIABLE FOR THE 2011 BONDS. THE 2011 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE CITY COUNCIL NOR THE AGENCY NOR ANY PERSONS EXECUTING THE 2011 BONDS ARE LIABLE PERSONALLY ON THE 2011 BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

## **Tax Allocation Financing**

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected by a redevelopment agency within a redevelopment project area.

The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then-current tax rate upon the base roll.

Taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project.

Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as above indicated.

## **Allocation of Taxes**

***Allocation of Taxes Under the Redevelopment Law.*** Under provisions of the California Constitution and the Redevelopment Law, taxes levied upon taxable property in a redevelopment project area each year by or for the benefit of the State of California, any city, county, city and county or other public corporation ("**Taxing Agencies**") for fiscal years beginning after the effective date of the ordinance approving the redevelopment plan (the "**Effective Date**"), are divided as follows:

1. The portion equal to the amount of those taxes that would have been produced by the current tax rate, applied to the assessed value of the taxable property in the redevelopment project area as last equalized prior to the Effective Date is paid (when collected) into the funds of those respective Taxing Agencies as taxes by or for such Taxing Agencies; and

2. Except for taxes which are attributable to a tax rate levy by a Taxing Agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the Taxing Agency on or after January 1, 1989, which will be allocated to and when collected will be paid to the respective Taxing Agency, that portion of such levied taxes each year in excess of such amount is allocated to and when collected paid into a special fund of the Agency, to the extent required to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the Agency to finance or refinance, in whole or in part, the Agency's redevelopment projects within the subject redevelopment project area.

***Possible Limitations on Tax Revenues.*** The Agency has no power to levy and collect property taxes. The amount of Tax Revenues that would otherwise be available to pay the Agency's obligations, and thus the amount of Tax Revenues available to pay the principal of, premium (if any) and interest on the Bonds, could be reduced by (a) any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to Taxing Agencies that have the effect of reducing the property tax rate, and (b) broadened property tax exemptions. See "BOND OWNERS' RISKS" and "LIMITATIONS ON TAX REVENUES."

## **Special Fund; Deposit of Tax Revenues**

**Establishment.** The Agency has previously established the Special Fund under the Master Bond Resolution, which will continue to be held by the Agency so long as any of the Bonds remain Outstanding.

**Deposit and Allocation of Tax Revenues.** The Agency shall deposit all of the Tax Revenues received in any Bond Year in the Special Fund promptly upon receipt thereof by the Agency, until such time as the amounts on deposit in the Special Fund equal

(a) the aggregate amounts required to be transferred to the Fiscal Agent in such Bond Year for deposit into the Interest Account, the Principal Account and the Reserve Account under the Fiscal Agent Agreement, and

(b) the aggregate amounts required to be transferred in such Bond Year for deposit into the funds and accounts established with respect to the Outstanding Parity Bonds and any Additional Bonds.

**Excess Tax Revenues.** All Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund during such Bond Year as described above are released from the pledge and lien established by the Fiscal Agent Agreement for the security of the 2011 Bonds and may be applied by the Agency for any lawful purposes, including but not limited to, the payment of Subordinate Debt, or the payment of any amounts due and owing to the United States of America under the Parity Bond Documents.

These provisions of the Fiscal Agent Agreement relating to the release of amounts from the Special Fund is subject to the provisions of the Fiscal Agent Agreement that prohibit the release of amounts from the Special Fund under certain circumstances. See “– Compliance with Plan Limitations” below.

Prior to the payment in full of the principal of and interest and redemption premium (if any) on the 2011 Bonds, and the payment in full of all other amounts payable under the Fiscal Agent Agreement and under any Supplemental Agreement, the Agency has no beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Parity Bond Documents

## **Debt Service Fund; Flow of Funds**

The Fiscal Agent has previously established the Debt Service Fund under the Master Bond Resolution, and the Fiscal Agent will continue the Debt Service Fund and the respective accounts therein so long as any of the 2011 Bonds or Outstanding Parity Bonds remain Outstanding. Within the Debt Service Fund, the Fiscal Agent will establish a separate Interest Account, Principal Account and Reserve Account which relate to the 2011 Bonds, each of which will be deemed to be a part of the respective accounts by the same names established under the Master Bond Resolution.

The Agency will transfer moneys in the Special Fund to the Fiscal Agent in the amounts and at the times set forth in the Parity Bond Documents. In addition, the Agency will withdraw from the Special Fund and transfer to the Fiscal Agent for deposit into following accounts within the Debt Service Fund the following amounts at the following times, in the following order of priority:

**Interest Account.** On or before the 5th Business Day preceding each Interest Payment Date, the Agency will withdraw from the Special Fund and transfer to the Fiscal Agent for deposit in the Interest Account for the 2011 Bonds an amount which, when added to the amount then on deposit in that Interest Account, is equal to the aggregate amount of the interest becoming due and payable on the Outstanding 2011 Bonds on that Interest Payment Date.

All moneys in each Interest Account will be used and withdrawn by the Fiscal Agent solely for the purpose of paying when due the interest on the 2011 Bonds.

**Principal Account.** On or before the 5th Business Day preceding each date on which principal of the 2011 Bonds comes due and payable at maturity, the Agency shall withdraw from the Special Fund and transfer to the Fiscal Agent for deposit in the Principal Account for the 2011 Bonds an amount which, when added to the amount then on deposit in that Principal Account, is equal to the amount of principal coming due on such date on the Outstanding 2011 Bonds, including the principal amount of any 2011 Term Bonds that are subject to mandatory sinking fund redemption on such date.

All moneys in each Principal Account will be used and withdrawn by the Fiscal Agent solely for the purpose of paying the principal of the 2011 Bonds upon their maturity or upon the mandatory sinking fund redemption thereof under the Fiscal Agent Agreement.

**Reserve Account.** If the Fiscal Agent has actual knowledge that the amount on deposit in the Reserve Account at any time falls below the 2011 Reserve Requirement (as defined below), the Fiscal Agent will promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency will transfer to the Fiscal Agent an amount of available Tax Revenues sufficient to maintain the 2011 Reserve Requirement on deposit in the Reserve Account.

**Redemption Account.** If the Agency notifies the Fiscal Agent of its determination to redeem any 2011 Bonds through an optional redemption under the respective Fiscal Agent Agreement, the Fiscal Agent will establish a separate account to be known as the Redemption Account. On or before the 5th Business Day preceding any date on which 2011 Bonds are subject to optional redemption under its respective Fiscal Agent Agreement, the Agency will withdraw from the Special Fund and transfer to the Fiscal Agent for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the 2011 Bonds to be so redeemed on such date.

The Fiscal Agent will apply amounts in the Redemption Account solely for the purpose of paying the principal of and premium, if any, on the 2011 Bonds upon the optional redemption thereof on the date set for such redemption.

## **Reserve Account**

**Establishment and Funding.** Under the Master Bond Resolution, in order to further secure the payment of principal of and interest on the Bonds, the Agency has previously established the Reserve Account. The Agency is required upon delivery of the 2011 Bonds to deposit into the Reserve Account an amount equal to the amount necessary to bring the total amount in the Reserve Account up to the full amount of the Reserve Requirement for all Outstanding Bonds.

On the Closing Date, the Agency will deposit an additional \$\_\_\_\_\_ to the Reserve Account from the proceeds of the 2011 Bonds, to raise the aggregate balance in the Reserve Account to the Reserve Requirement for all Outstanding Bonds. See "PLAN OF FINANCE."

**Reserve Requirement.** Under the Master Bond Resolution, "**Reserve Requirement**" means an amount equal to the lesser of

(i) 10% of the proceeds of the sale of the Outstanding Bonds to the investing public, or

(ii) the largest annual scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation (excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period) payable in any fiscal year during the period from the date of the Bonds through the final maturity date of any Outstanding Bonds.

The Fiscal Agent Agreement further defines the "**2011 Reserve Requirement**" as the lesser of

(a) the amount of \$\_\_\_\_\_, or

(b) the amount necessary to bring the total aggregate amount in the reserve account established under the Master Bond Resolution (including the Reserve Account established under the Fiscal Agent Agreement and the reserve accounts established under the Parity Bond Documents) up to the full amount of the Reserve Requirement.

**Use of Funds in the Reserve Account.** The Fiscal Agent shall use and withdraw amounts in the Reserve Account solely for the purpose of making transfers to the Interest Account and the Principal Account, in that order of priority, on any date which the principal of or interest on the Bonds becomes due and payable hereunder, in the event of any deficiency at any time in any of such accounts, or at any time for the retirement of all the Bonds then Outstanding

See APPENDIX D for a further discussion of disbursements from the Reserve Account.

**Common Reserve** All of the Outstanding Parity Bonds are equally secured by a first pledge of, security interest in, and lien on the Reserve Account.

**Substitution of Credit Facility.** The Agency may at any time direct the Fiscal Agent to release funds from the Reserve Account, in whole or in part, by tendering to the Fiscal Agent a "Qualified Reserve Account Credit Instrument" and meeting the other requirements set forth in the Parity Bond Documents. See APPENDIX D.

### **Outstanding Parity Bonds**

The pledge of Tax Revenues securing the 2011 Bonds is on a parity with the pledge thereof securing four outstanding series of tax allocation bonds issued under the Master Bond Resolution:

- the 1999A Bonds, which were issued in the original principal amount of \$31,550,000 and are currently outstanding in their original principal amount of \$31,550,000,
- the 1999B Bonds, which were issued in the original principal amount of \$16,905,000 and are currently outstanding in their original principal amount of \$16,905,000,
- the 2002 Refunding Bonds, which were issued in the original principal amount of \$33,910,000 and are currently outstanding in the principal amount of \$21,180,000, and
- the 2003 Bonds, which were issued in the original principal amount of \$43,960,000 and are currently outstanding in their original principal amount of \$43,960,000.

**Issuance of Parity Debt**

In addition to the 2011 Bonds and the Outstanding Parity Bonds, the Agency may issue or incur additional parity obligations (“**Additional Bonds**”) in such principal amount as will be determined by the Agency, pursuant to a Supplemental Resolution adopted or entered into by the Agency, and so long as the following conditions (set forth in the Master Bond Resolution) are met:

*(a) Compliance with Covenants.* The Agency is in compliance with all covenants set forth in the Master Bond Resolution.

*(b) Debt Service Coverage Ratios.* The Tax Revenues (excluding business inventory subvention revenues) as shown on the equalized assessment roll (as reported by the County Auditor – Controller) next preceding the issuance of Additional Bonds, must be at least equal to 1.25 times Maximum Annual Debt Service on all series of Bonds and Additional Bonds then Outstanding and on the additional series of Bonds (except refunding bonds issued to refund Bonds or Additional Bonds) proposed to be issued.

At the option of the Agency, there may be added to such taxes the estimated amount of additional taxes eligible for allocation (excluding such taxes derived from any business inventory tax subvention), based on the tax rates in effect on the date on which the estimate is made, from the estimated assessed valuations of that portion of any improvements the construction of which have been completed prior to the date of issuance of the Additional Bonds, but which is not yet on the tax rolls, including any increase in assessed valuation of the land underlying such improvements, as such estimates are shown in an opinion of an Independent Financial Consultant; provided, however, that if payment of principal and interest on the Bonds is covered by a municipal bond insurance policy issued by the Bond Insurer (as defined in the Master Bond Resolution), the Agency, despite this option, has agreed not to issue any Additional Bonds unless coverage provided by Tax Revenues based on the equalized assessment roll next preceding the sale of such Additional Bonds equals at least 1.0 times Maximum Annual Debt Service on all Bonds Outstanding, including such Additional Bonds.

**(c) Independent Consultant Certificate.** The Agency must receive from an Independent Certified Public Accountant a certificate stating that the requirements of paragraph (b) above have been complied with, or a certificate of the County Auditor-Controller setting forth such taxes.

**(d) Supplemental Resolution.** The Supplemental Resolution providing for the issuance of such Additional Bonds must provide that:

(i) money will be deposited in the Reserve Account from the proceeds of the sale of the Additional Bonds to increase the amount on deposit in the Reserve Account to an amount equal to the Reserve Requirement taking into account the aggregate Debt Service on the Bonds and such Additional Bonds, and

(ii) the proceeds of the Additional Bonds will be applied solely for the purpose of (A) aiding in financing or refinancing the Redevelopment Project, including the payment of all costs incidental to or connected with such financing or refinancing, or (B) refunding any Bonds, including the payment of all costs incidental to or connected with such financing.

**(e) Governmental Approvals.** The Agency must receive all required approvals or rulings from any governmental authority having jurisdiction over such series of bonds or their terms.

**(f) Opinion of Counsel.** The Fiscal Agent must receive an opinion of counsel that states that such Supplemental Resolution complies with the requirements of the 1987 Resolution.

### **Issuance of Subordinate Debt**

In addition to the Bonds, the Agency may incur Subordinate Debt in such principal amount as may be determined by the Agency, upon the satisfaction of the conditions contained in the Master Bond Resolution. See APPENDIX D.

### **Compliance with Plan Limitations**

Under the Fiscal Agent Agreement, the Agency agrees that it will not take any action, including but not limited to the issuance of its bonds, notes or other obligations, which causes or which, with the passage of time, would cause any of the Plan Limitations to be exceeded or violated.

Within 90 days following the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2012, the Agency will determine whether the amount of Tax Revenues it is entitled to collect under the Plan Limitations is at least equal to 125% of the aggregate amount of debt service coming due and payable on the outstanding Bonds through final maturity. If the Agency determines that the amount of Tax Revenues it is entitled to collect under the Plan Limitations is less than 125% of the aggregate amount of debt service coming due and payable on the outstanding Bonds through final maturity, the Agency will deposit all of the Tax Revenues thereafter received by it in the Special Fund and may not release any amounts from the Special Fund, notwithstanding the provisions of the Fiscal Agent Agreement regarding the release of excess Tax Revenues.

All amounts held in the Special Fund that would otherwise be eligible for release under the Fiscal Agent Agreement will be applied by the Agency for the purpose of redeeming outstanding Bonds on the first available date for optional redemption of any of the Bonds under the Parity Bond Documents.

## THE AGENCY

### General

**Activation of the Agency.** The Agency was activated by the City Council in 1957 pursuant to the Redevelopment Law. The City Council members also sit as Agency members.

**Agency Officers.** Brief biographies of certain Agency officers are set forth below.

*Jennifer Sparacino, Executive Director of the Agency.* Day to day operations of the Agency are performed by the City Manager/Executive Director of the Agency and City staff. Ms. Sparacino has been City Manager/Executive Director of the Agency since 1987. Prior to such time Ms. Sparacino worked as Deputy City Manager for four years. Ms. Sparacino received her Bachelor's degree and Master's degree from San Jose State University.

*Gary Ameling, Treasurer of the Agency.* Mr. Ameling has served as City Director of Finance and Treasurer of the Agency since early 2010. Previously, Mr. Ameling served as Director of Administrative Services for the City of La Mesa, California from 2002 through early 2010 and in various positions in the Finance Department of the City of Bellevue, Washington, from 1989 through 2002. Mr. Ameling received his Bachelor of Science in Business Administration and Master of Business Administration degrees from Northern Arizona University.

### Powers

All powers of the Agency are vested in its seven members. The Agency exercises all of the governmental functions authorized under the Redevelopment Law and has, among other powers, the authority to acquire, administer, develop and sell or lease property, including the right to acquire property through the power of eminent domain, and the right to issue bonds and expend the proceeds.

### Audited Financial Statements

The Agency's audited financial statements for the Fiscal Year ending June 30, 2010, which were audited by Vavrinek, Trine, Day & Company, LLP, Certified Public Accountants, Pleasanton, California (the "**Auditor**"), are attached as APPENDIX B.

*The Agency has not requested the Auditor's consent to the inclusion of its report in this Official Statement and the Auditor has not undertaken to update the financial statements included as APPENDIX B or their report. The Auditor expresses no opinion with respect to any event subsequent to its report.*

## THE BAYSHORE NORTH PROJECT AREA

### Background

The Bayshore North Redevelopment Plan was established by City Council Ordinance No. 1283 on December 28, 1973. The Bayshore North Redevelopment Plan designated approximately 1,200 acres as the Bayshore North Project Area.

Located in the northwestern corner of the City, the Bayshore North Project Area is bounded by the Bayshore Freeway (U.S. Highway 101) to the south, Calabazas Creek to the west, Highway 237 to the north, Lafayette Street and San Tomas Aquino Creek to the east. The area was designated as blighted due to the lack of utilities, barriers to physical access, inadequate street layout and uneconomic land use. The purposes of the Plan are to enable the Agency to overcome these factors and to assist the development of the area according to the City's General Plan which had proposed urbanization of this area since 1963.

For additional information regarding the City, see APPENDIX A.

See APPENDIX C for a complete copy of the Fiscal Consultant's Report, which further describes the Bayshore North Project Area.

Set forth on the following page is a map of the City showing the Bayshore North Project Area.

*Project Area Map*

## Land Use Summary

The table below summarizes the property in the Bayshore North Project Area by land use category and net taxable value for the current Fiscal Year. As shown below, the properties within the Bayshore North Project Area primarily include commercial land uses such as office, industrial/research and development, entertainment, and retail uses.

**Table 1**  
**Bayshore North Project Area**  
**Land Use Categories**  
**Fiscal Year 2010-11**

<u>Designated Land Use</u>	<u>No. of Parcels</u>	<u>2010-11 Assessed Value</u>	<u>% of Total</u>
<i>Secured Property</i>			
Office	75	\$1,265,431,800	46.4%
Industrial/Research & Development	23	254,899,592	9.3
Retail	9	198,271,701	7.3
Vacant Land	20	28,448,563	1.0
Other Secured	8	2,393,702	0.1
Publicly Owned [1]	<u>43</u>	<u>0</u>	<u>0.0</u>
<i>Subtotal Secured Property:</i>	178	1,749,445,358	64.2
<i>Unsecured Property [2]</i>			
Office	9	244,957,211	9.0
Amusement	3	116,082,880	4.3
Shopping	<u>2</u>	<u>46,487,879</u>	<u>1.7</u>
Subtotal	14	407,527,970	14.9
Other Unsecured [3]	<u>410</u>	<u>569,236,098</u>	<u>20.9</u>
<i>Subtotal Unsecured Property:</i>	424	976,764,068	35.8
<b>Totals:</b>	<b>602</b>	<b>\$2,726,209,426</b>	<b>100.0%</b>

[1] Includes publicly owned secured parcels not otherwise included in the land use designations above.

[2] Represents properties on ground leases from a public agency.

[3] Represents tenant improvements, business-owned personal property, and all other property on the unsecured roll not shown above.

Source: Keyser Marston Associates, Inc.

## Largest Taxpayers

**Top Ten Taxpayers.** The table below shows the property owners with the highest taxable values in the Bayshore North Project Area for the current Fiscal Year.

**Table 2**  
**Bayshore North Project Area**  
**Top Ten Taxpayers**  
**Fiscal Year 2010-11**

Assessee Name	Property Uses [1]	No. of Parcels [2]	2010-11 Assessed Value	Total Value [3]	Incrementa l Value [3]	Potential Assessed Value Impact from Outstanding Appeals by Top Ten [5]	
						AV Reduction Requested by Applicant [4]	AV Reduction Assumed for Projection of 2011-12 Revenues
1 Sobrato [6]	Office	11	\$342,042,000	13%	13%	(\$45,625,000)	(\$24,826,000)
2 Prudential Insurance Co.	Office	2	164,922,000	6	6	(76,614,000)	(392,000)
3 Yahoo Inc.	Office/R&D	11	155,961,000	6	6	(65,739,000)	(1,234,000)
4 CarrAmerica [7]	Office	4	140,086,000	5	5	(36,665,000)	(25,765,000)
5 Santa Clara Towers I & II	Office	2	116,400,000	4	4	(44,400,000)	0
6 Paramount Parks	Amusement Park	3	116,083,000	4	4	(30,291,000)	(4,305,000)
7 Silicon Valley Ca I, II LLC	Office / R&D	2	104,811,000	4	4	(30,960,000)	(15,612,000)
8 Hyatt Hotels Corporation	Hotel	2	100,842,000	4	4	(62,235,000)	(16,184,000)
9 Lake Marriott LLC	Office	1	78,079,000	3	3	(38,764,000)	(185,000)
10 Savvis Communications Inc.	Business Property	2	72,085,000	3	3	(17,058,000)	(14,571,000)
<b>TOTAL</b>		<b>40</b>	<b>\$1,391,311,000</b>	<b>51%</b>	<b>51%</b>	<b>(\$448,351,000)</b>	<b>(\$103,074,000)</b>

[1] Based on land use codes in County Assessor database

[2] Number of secured parcels or unsecured assessments, as applicable.

[3] Based upon reported Fiscal Year 2010-11 total Project Area assessed value of \$2,726,209,426 and incremental assessed value of \$2,717,371,470.

[4] Outstanding appeals per the Santa Clara County Clerk to the Board of Supervisors/Assessment Appeals Board. See "HISTORICAL AND ESTIMATED TAX REVENUES – Assessed Valuation Appeals."

[5] Reflects unique appeal filings. See Table 4.3 in APPENDIX C, the Fiscal Consultant's Report for details on basis for projected reduction.

[6] Includes the following related entities: Sobrato Interests, Sobrato Interests II, Sobrato Interests III, Sobrato Development Co. 961, Sobrato Development Co. 871.

[7] Includes the following related entities: Carr NP Props LLC, CarrAmerica Realty Operating Partnership LP, CarrAmerica Realty Corporation.

Source: Keyser Marston Associates, Inc..

## Redevelopment Plan Limitations

**General.** Sections 33333.2 and 33333.4 of the Redevelopment Law requires each redevelopment agency to either include in each redevelopment plan or to adopt by ordinance a limitation on the amount of taxes that may be divided and allocated to the redevelopment agency with respect to the related redevelopment project area. Under Section 33333.2, taxes

may not be allocated to a redevelopment agency beyond this limitation except by amendment of the redevelopment plan.

**Time Limits.** The following is a summary of the existing plan time limits for the Bayshore North Project Area.

<b>Adoption</b>	<b>Incurrence of Debt Time Limit</b>	<b>Effectiveness of Plan</b>	<b>Repayment of Debt Time Limit</b>
December 28, 1973	Eliminated	December 28, 2017 [1]	December 28, 2027 [1]

[1] Reflects one year extension under Health and Safety Code 33331.5. See discussion below regarding pending litigation.  
Source: Keyser Marston Associates, Inc.

The redevelopment plan time limits reflect amendments that have been adopted by the City Council to comply with time limits imposed under AB 1290, eliminate time limits on incurrence of debt as permitted under SB 211, and extend plan effectiveness and debt repayment limits as permitted under SB 1045, SB 1096, and AB 26 – 4X.

Elimination of the debt incurrence time limit was adopted as an emergency ordinance on March 8, 2011 (Ordinance No. 1878). As a legal precaution, additional ordinances to eliminate the debt incurrence time limit were adopted on March 15, 2011 including an emergency ordinance (Ordinance No. 1881) and a regular ordinance (Ordinance No. 1875). The emergency ordinances were effective immediately while the regular ordinance was effective on April 14, 2011.

The extension of Plan Effectiveness and Debt Repayment time limitations by one year under AB 26 – 4X (which added Health and Safety Code Section 33331.5) was adopted on March 15, 2011 by Ordinance 1876 with an effective date of April 14, 2011. Legislation creating the statutory authority to extend the Plan Limits by one year (AB 26 – 4X) is the subject of pending litigation (*California Redevelopment Association v. Genest*; see “RISK FACTORS – Impact of State Budget Legislation”). One potential outcome of the litigation could be the forfeiture of the additional year for receipt of tax increment under the recently adopted amendment.

**Dollar Limit.** The Bayshore North Project Area has a limitation specified in the redevelopment plan establishing a dollar limit on the cumulative amount of gross tax increment revenue that may be received, which equals \$1,218,520,195 (plus amounts actually received through Fiscal Year 1985-86).

Based on tax increment receipt records of the Agency, Tax Increment Revenue for Bayshore North Project Area has totaled \$422,150,185 through Fiscal Year 2009-10 (which does not include amounts actually received through Fiscal Year 1985-86), representing 34.6% of the \$1.219 billion tax increment receipt limit.

Based upon the maximum allowable inflationary growth factor of 2% per year and identified transfer of ownership activity; \$917 million or 75.3% of the \$1.219 billion limit is projected to be collected through the FY 2027-28 tax increment receipt time limit for the Bayshore North Project Area.

It is estimated that the \$1.219 billion tax increment revenue limit would be reached prior to the end of the last full fiscal year the Agency could receive tax increment to repay debt (Fiscal Year 2026-27) if assessed values in the Project were to grow at a future annual rate of

more than approximately 7.6% per year commencing in FY 2012-13. Between Fiscal Years 2005-06 and 2010-11, assessed values in the Project grew an average of approximately 7.4% per year.

See "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS – Compliance with Plan Limits."

## HISTORICAL AND ESTIMATED TAX REVENUES

### History of Assessed Valuations and Tax Revenues

The following table sets forth historical taxable property values and tax increment revenues for the Bayshore North Project Area for the prior five Fiscal Years.

**Table 3**  
**Bayshore North Project Area**  
**Historical Assessed Values and Gross Tax Increment Revenues**

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
<b>I. Reported Assessed Values</b>					
Secured and SBE Values	\$1,203,658,924	\$1,355,960,977	\$1,503,188,442	\$1,830,722,526	\$1,870,286,481
Unsecured Values	705,469,520	829,852,426	880,614,381	988,189,162	1,145,613,910
Total	1,909,128,444	2,185,813,403	2,383,802,823	2,818,911,688	3,015,900,391
Less Base Year Value	(8,837,956)	(8,837,956)	(8,837,956)	(8,837,956)	(8,837,956)
Incremental Value	1,900,290,488	2,176,975,447	2,374,964,867	2,810,073,732	3,007,062,435
Secured Land & Improvements	1,165,709,936	1,320,676,444	1,477,573,986	1,811,146,858	1,842,815,763
Unsecured Land & Improvements	437,287,792	521,614,684	543,482,051	633,717,254	788,532,681
Tax Rate Applied to total Incremental AV	1.0388%	1.0388%	1.0388%	1.0388%	1.0388%
Additional Rate: Secured Land & Impvmts	0.0078%	0.0072%	0.0071%	0.0061%	0.0074%
Additional Rate: Unsecured Land & Impvmts	0.0092%	0.0078%	0.0072%	0.0071%	0.0061%
<b>II. Calculated Gross Tax Increment</b>	19,871,373	22,750,196	24,815,174	29,346,520	31,421,833
<b>III. Actual Secured and Unsecured Gross Tax Increment Collected [1]</b>	19,871,373	22,750,196	24,815,174	29,346,520	31,421,833
<b>IV. Unitary and Supplemental Receipts</b>					
Unitary Tax Revenue	180,648	195,809	220,905	250,194	234,443
Supplemental Tax Revenue	(615,910)	951,670	1,305,883	1,627,643	93,780
Total	(435,262)	1,147,479	1,526,788	1,877,837	328,223
<b>V. Actual Gross TI Collected including Supplemental and Unitary Tax Increment</b>	19,436,112	23,897,674	26,341,961	31,224,357	31,750,056
% of Computed Levy With Supplemental and Unitary	97.8%	105.0%	106.2%	106.4%	101.0%

[1] Amounts shown are as reported on statements of annual property tax disbursement provided to the Agency by the Santa Clara County Controller's Office. Amounts do not reflect administrative fees, interest earnings, ERAF or SERAF payment obligations. The RDA was not required to make pass through payments to other taxing agencies during the period from 2005-06 to 2009-10.

Source: Keyser Marston Associates, Inc.

### Senior Agency Obligations

The Agency is subject to the following statutory obligations with respect to its receipt of tax increment revenue from the Bayshore North Project Area.

The projections of Tax Revenues contained in the Fiscal Consultant's Report and this Official Statement are net of the senior obligations described below. See "– Estimated Tax Revenues and Debt Service Coverage" below.

**County Administrative Fees.** Chapter 466, Statutes of 1990, (referred to as SB 2557) permits the County to withhold a portion of annual tax revenues for the recovery of County charges related to property tax administration services to cities in an amount equal to their property tax administration costs proportionately attributable to cities. SB 2557, and subsequent legislation under SB 1559 (Statutes of 1992), permitted counties to charge all jurisdictions, including redevelopment agencies, on a year-to-year basis.

The actual Fiscal Year 2009-10 charge to the Bayshore North Project Area equates to 1.03% of gross tax increment.

The projections contained in the Fiscal Consultant's Report and this Official Statement assume that the County administrative charge will remain 1.03% of gross tax increment in 2010-11 and future years.

**Low and Moderate Income Housing Set-Aside.** The Redevelopment Law requires redevelopment agencies to annually set aside 20% of all tax increment revenues into a Low and Moderate Income Housing Set-Aside Fund. The use of these funds is restricted to preserving or adding to the stock of affordable housing.

**Statutory Pass Through Triggered by SB 211.** A statutory pass through obligation was triggered when the City adopted ordinances earlier in 2011 to eliminate the Project Area's debt incurrence time limitation. This election is allowed under legislation enacted under SB 211. The statutory pass through obligation (set forth under Health and Safety Code Sections 33607.7 and 33607.5) commences in Fiscal Year 2011-12. Pass throughs are calculated against incremental growth in assessed valuation over and above Fiscal Year 2003-04, the year in which the debt incurrence time limit was reached. All taxing agencies are eligible to receive their allocation of the resulting statutory pass through amount.

**Payments to Basic Aid Local Education Agencies Triggered by SB 211.** The Agency is required to make payments to the Santa Clara Unified School District and the Santa Clara County Office of Education pursuant to Health and Safety Code 33676. As with the statutory pass through payments described above, payments were triggered by the elimination of the debt incurrence time limitation as permitted under SB 211.

Health and Safety Code 33676 requires additional pass through payments to local educational agencies that are "basic aid" at the time the ordinance amending the Redevelopment Plan is adopted. Basic aid districts derive all general purpose funding from local property taxes and do not receive any general purpose funding from the State. Both Santa Clara Unified and the Santa Clara County Office of Education have "basic aid" status as of Fiscal Year 2010-11; therefore the recently adopted SB 211 ordinance triggers payments to these agencies pursuant to Health and Safety Code 33676 (b) (3). The pass through calculation formula specified in the statute applies only to incremental growth in assessed valuation over and above Fiscal Year 2003-04, the year the debt incurrence time limit was reached.

### **Subordinate Agency Obligations**

The Agency is subject to the following subordinate or unsecured contractual commitments of the Agency's non-Housing funds that represent future or on-going commitments of Agency revenues.

The obligations described below are *not* reflected in the projections contained in the Fiscal Consultant's Report and this Official Statement.

***Supplemental Educational Revenue Augmentation Fund.*** The California State Legislature adopted Assembly Bill 26-4x to take \$1.7-billion from local redevelopment funds in FY 2009-10 and an additional \$350-million in FY 2010-11, and shift the tax increment funds to the Supplemental Education Revenue Augmentation Fund (SERAF) to offset State deficits to K-12 schools and community college districts. See "RISK FACTORS – Impact of State Budget Legislation."

The Agency made the required payment of \$9,834,223 for Fiscal Year 2009-10 using available funding balance. The payment required for Fiscal Year 2010-11 of \$2,024,693 will be due on May 10, 2011. Agency staff has indicated that the payment will be made out of available cash on hand.

***City Loans, Reimbursement, and Cooperation Agreements.***

*1983 Reimbursement Agreement.* The Agency agreed to reimburse the City for the cost of City staff, services, and facilities utilized by the Agency.

*1993 Reimbursement Agreement.* The Agency agreed to reimburse the City for an allocable share of debt service related to road improvements to Centennial Boulevard and parking lot improvements to the Great America Theme Park. The obligation that remains outstanding is represented as a reimbursement for a proportionate share of debt service on the City's 2002 Series B Certificates of Participation.

*1998 City Loan.* The Agency borrowed \$6,854,000 from the City in 1998. The Agency is currently repaying the loan in annual installments of approximately \$1,022,000.

*1999 Cooperation Agreement.* The Agency purchased 41 acres of land from the City and agreed to pay the purchase price of the land over time.

*2011 Infrastructure and Library Cooperation Agreements.* Two separate agreements obligating the Agency to fund or reimburse the City for certain public improvement costs that benefit the Project Area.

***2011 Stadium Agreements.*** The Agency entered into a cooperation agreement with the Santa Clara Stadium Authority to fund or reimburse \$41.7 million in expenses associated with development of a publicly owned stadium in the Project Area. The Agency is also a party to a related pre-development funding agreement with the Santa Clara Stadium Authority and 49ers Stadium Company LLC.

**Assessed Valuation Appeals**

***General.*** Property taxable values determined by the County Assessor may be subject to an appeal by property owners. Assessment appeals are annually filed with the County Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the Assessor's original taxable value and a tax refund to the property owner. The reduction in future taxable values affects all taxing entities, including the Agency.

**Current Appeals Information.** The Fiscal Consultant researched the status of assessment appeals filed by property owners in the Bayshore North Project Area based upon the latest information available from the County Appeals Board database as of February 10, 2011, for appeals filed for Fiscal Years 2005-06 through 2010-11.

The tables below provides a summary of assessment appeals activity over this period. For further analysis of prior and pending appeals within the Bayshore North Project Area, see "APPENDIX C – Fiscal Consultant’s Report."

**Table 4A  
Bayshore North Project Area  
Summary of All Assessment Appeals  
Resolved and Pending  
(\$millions)**

	<u>Number of Appeals</u>	<u>Contested Value</u>	<u>Reduction Requested</u>
<u>2005-06</u>	52	\$ 691	\$ 237
<u>2006-07</u>	49	883	379
<u>2007-08</u>	51	1,228	614
<u>2008-09</u>	47	1,107	482
<u>2009-10</u>	64	1,361	520
<u>2010-11</u>	51	1,049	411

Source: Keyser Marston Associates, Inc.

**Table 4B  
Bayshore North Project Area  
Resolved Appeals  
(\$millions)**

	<u>Number of Appeals</u>	<u>Contested Value</u>	<u>Reduction Requested</u>	<u>Final Resolved Value</u>	<u>Percent Reduction</u>
<u>2005-06</u>	50	\$ 688	\$ 234	\$632	8%
<u>2006-07</u>	45	878	373	834	5%
<u>2007-08</u>	44	1,189	576	1,166	2%
<u>2008-09</u>	41	1,024	444	962	6%
<u>2009-10</u>	20	235	76	233	1%
<u>2010-11</u>	0	N/A	N/A	N/A	N/A

Source: Keyser Marston Associates, Inc.

**Table 4C**  
**Bayshore North Project Area**  
**Pending Appeals**  
**(\$millions)**

	<u>Number of Appeals</u>	<u>Contested Value</u>	<u>Reduction Requested</u>
<u>2005-06</u>	2	\$ 3	\$ 3
<u>2006-07</u>	4	5	5
<u>2007-08</u>	7	39	38
<u>2008-09</u>	6	83	38
<u>2009-10</u>	44	1,126	443
<u>2010-11</u>	51	1,049	411

Source: Keyser Marston Associates, Inc.

**Future Appeals.** The actual reductions in tax increment and Bayshore North Project Area taxable values for future appeals could be significant. Resolution of appeals are determined by a number of factors including vacancy and rental rates, circumstances of hardship and other real estate comparables, all of which are unique to the individual assessment. See "RISK FACTORS – Reduction of Tax Revenues."

The projections included in the Fiscal Consultant's Report and this Official Statement include certain assumptions regarding successful assessment appeals. See "–Estimated Tax Revenues and Debt Service Coverage" and "APPENDIX C – Fiscal Consultant's Report."

## Estimated Tax Revenues and Debt Service Coverage

**Projected Tax Revenues.** The table below sets forth a calculation of the amount of Tax Revenues for the Bayshore North Project Area that are used to show debt service coverage in this Official Statement.

The Agency has elected to show projected Tax Revenues based on the assumption of no growth for the 30-year projection period, and certain deductions for Housing Set-Aside, appeals in fiscal year 2011-12, statutory pass-throughs and the County administration charge.

**TABLE 5**  
**Projected Tax Increment Revenue Calculations**  
**(in thousands)**

	2010-11	2011-12	2012-13	2013-14	2014-15
<b>I. Real Property</b>	\$1,924,171	\$1,924,171	\$1,786,555	\$1,786,555	\$1,786,555
Prop 13 Inflationary Growth [1]	0	14,489	0	0	0
Estimated Assessment Appeals Impact	0	(151,399)	0	0	0
Identified Transfers of Ownership [2]	0	(706)	0	0	0
<b>Total</b>	<b>1,924,171</b>	<b>1,786,555</b>	<b>1,786,555</b>	<b>1,786,555</b>	<b>1,786,555</b>
<b>II. Personal Property</b>	802,039	802,039	731,300	731,300	731,300
Estimated Assessment Appeals Impact	0	(70,739)	0	0	0
<b>Total</b>	<b>802,039</b>	<b>731,300</b>	<b>731,300</b>	<b>731,300</b>	<b>731,300</b>
<b>III. Total Project Value</b>	2,726,209	2,517,855	2,517,855	2,517,855	2,517,855
Less Base Value	(8,838)	(8,838)	(8,838)	(8,838)	(8,838)
<b>Incremental Value</b>	<b>2,717,371</b>	<b>2,509,017</b>	<b>2,509,017</b>	<b>2,509,017</b>	<b>2,509,017</b>
Tax Rate Applied to total Incremental AV	1.0388%	1.0388%	1.0388%	1.0388%	1.0388%
<b>IV. Gross Tax Revenue [3]</b>	28,228	26,064	26,064	26,064	26,064
SBE Unitary Revenue	234	234	234	234	234
Estimated Appeal Refund [4]	0	(1,663)	(1,663)	0	0
<b>Subtotal Gross Tax Increment [5]</b>	<b>28,462</b>	<b>24,635</b>	<b>24,635</b>	<b>26,298</b>	<b>26,298</b>
<b>V. Senior Obligations [6]</b>					
Housing Set-Aside	5,692	4,927	4,927	5,260	5,260
County Property Tax Administration Fee [7]	290	268	268	268	268
Statutory Pass Thru (SB 211)	0	230	230	230	230
School Pass Thru (Basic Aid Payments)	0	351	351	351	351
<b>Total Senior Obligations / Non-Housing</b>	<b>5,982</b>	<b>5,776</b>	<b>5,776</b>	<b>6,108</b>	<b>6,108</b>
<b>VI. Net Tax Increment Revenue</b>	<b>\$22,480</b>	<b>\$18,860</b>	<b>\$18,860</b>	<b>\$20,190</b>	<b>\$20,190</b>

[1] Based on a reported factor of 0.75%.

[2] See Table 6 in the Fiscal Consultant's Report attached as APPENDIX C.

[3] Includes basic 1% levy plus .0388% for the County Retirement Levy (eligible voter-approved over-ride). The Santa Clara Valley Water District levy is excluded because it may decline over time.

[4] See "--Assessed Valuation Appeals" above.

[5] Assumes a statement of indebtedness is filed each year resulting in collection of 100% of gross Tax Increment available to be allocated.

[6] See "--Senior Agency Obligations" above.

[7] Projected at 1.03% of gross Tax Increment (percentage for 2009-10).

Source: Keyser Marston Associates, Inc.

**Projected Debt Service Coverage.** The table below shows projected Tax Revenues and projected debt service coverage on the 2011 Bonds and the Outstanding Parity Bonds based on the projected tax increment revenues shown in the table above.

**Table 6**  
**DEBT SERVICE COVERAGE PROJECTIONS**  
**(\$millions)**

Bond Year Ending June 1	Projected Tax Revenues [1]	Outstanding Parity Bonds Debt Service	2011 Bonds Debt Service*	Total Debt Service*	Estimated Coverage*
2012	\$18,860			\$ 15,088	125%
2013	18,860			15,088	125
2014	20,190			16,152	125
2015	20,190			16,152	125
2016	20,190			16,152	125
2017	20,190			16,152	125
2018	20,190			16,152	125
2019	20,190			16,152	125
2020	20,190			16,152	125
2021	20,190			16,152	125
2022	20,190			16,152	125
2023	20,190			16,152	125
2024	20,190			16,152	125
2025	20,190			16,152	125
2026	20,190			16,152	125
2027	20,190			16,152	125
Totals	\$320,380			\$ 256,304	

\* Preliminary, subject to change.  
Source: The Agency.

## RISK FACTORS

*The following information should be considered by prospective investors in evaluating the 2011 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to making an investment decisions with respect to the 2011 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

### **Accuracy of Assumptions**

To estimate the revenues available to pay debt service on the 2011 Bonds, the Agency has made certain assumptions with regard to the assessed valuation of taxable property in the Bayshore North Project Area, future tax rates and the percentage of taxes collected. The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates and the percentages collected are less than the Agency's assumptions, the Tax Revenues available to pay debt service on the 2011 Bonds will, in all likelihood, be less than those projected in this Official Statement. See "HISTORICAL AND ESTIMATED TAX REVENUES."

### **Reduction of Tax Revenues**

Tax Revenues allocated to the Agency are determined by the incremental assessed value of taxable property in the Bayshore North Project Area, the current rate or rates at which property in the Bayshore North Project Area is taxed, and the percentage of taxes collected in the Bayshore North Project Area.

Several types of events which are beyond the control of the Agency could occur and cause a reduction in available Tax Revenues.

***Reduction in Assessed Valuation.*** Future reductions in assessed values of taxable property in the Bayshore North Project Area could be caused by many factors, including without limitation the following:

*Economic Factors.* Economic factors beyond the Agency's control, such as a relocation out of the Bayshore North Project Area by one or more major property owners, or a continued and prolonged economic downturn, could cause a long-term reduction in assessed values. All of the property in the Bayshore North Project Area is currently occupied by office, industrial, research and development, retail and other non-residential uses. See "THE BAYSHORE NORTH PROJECT AREA."

*Assessed Value Appeals.* Property owners may appeal to the County Assessor for a reduction of their individual assessed valuations. See "HISTORICAL AND ESTIMATED TAX REVENUES – Assessed Valuation Appeals." In addition, the County Assessor could order a blanket reduction in assessed valuations based on then-current economic conditions. See, "LIMITATIONS ON TAX REVENUES – Proposition 8 Assessed Value Reductions."

*Seismic and Environmental Events.* The property in the Bayshore North Project Area could become subject to complete or partial destruction caused by natural disasters such as earthquakes, wildfires or flooding, which could result in a reduction of assessed values of the affected property.

The Bayshore North Project Area is located in the Santa Clara Valley, a region of high seismic activity, as is all of California. Although no earthquake faults identified as active are located within the City, the City is seven miles from both the San Andreas and Calaveras Faults and five miles from the Hayward Fault.

*Flood.* The most recent Flood Insurance Rate Map prepared by the Federal Emergency Management Agency ("FEMA") for the City is dated \_\_\_\_\_, \_\_\_\_\_, and indicates that \_\_\_\_\_.

*Hazardous Substances.* In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The discovery of hazardous substances on property within the Bayshore North Project Area could reduce the marketability and value of the property.

*Eminent Domain.* Under Article XIII A(2)(d) of the California Constitution and California Revenue and Taxation Code Section 68, a person who is displaced from property by eminent domain proceedings, or by governmental action resulting in a judgment of inverse condemnation, is permitted to transfer the adjusted base year value of the property from which the person is displaced to another comparable property anywhere within the State. Persons acquiring replacement property must request assessment pursuant to these provisions within four years of the date the property was acquired by eminent domain or purchase or the date the judgment of inverse condemnation becomes final. Such a reassessment affecting property in the Bayshore North Project Area could result in a reduction in assessed values within the Bayshore North Project Area.

*Statewide Legislation.* Actions of the California Legislature or electorate could adversely affect the existence or powers of the Agency or the availability of future Tax Revenues and adversely affect the security for the 2011 Bonds. See "– Impact of State Budget Legislation" below.

Future reductions of assessed valuations could result in a reduction of the Tax Revenues that secure the 2011 Bonds, which in turn could impair the ability of the Agency to make payments of principal of or interest on the 2011 Bonds when due.

***Reduction in Tax Rates.*** While the Agency is authorized to receive the Tax Revenues, it does not have the power to levy and collect property taxes directly. Accordingly, any reduction in tax rates, whether as a result of new statutes, constitutional amendment, changes in methods by which assessed valuation is established, the provisions of additional sources of revenues to taxing agencies which would reduce the need for Tax Revenues, or any increases in exemptions for the type of property to be located in a Bayshore North Project Area which are not offset by funds from other sources, would have the effect of reducing the Agency's Tax Revenues. Accordingly, such events could have an adverse impact on the ability of the Agency to pay debt service on the 2011 Bonds.

***Reduction in Inflationary Rate.*** As described in greater detail below, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any calendar year, or may be reduced to reflect a reduction in the consumer price index or comparable local data.

Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation seven times:

<u>Fiscal Year</u>	<u>Inflationary Rate</u>
1983-84	1.000%
1995-96	1.194%
1996-97	1.115%
1999-00	1.853%
2004-05	1.867%
2010-11	(0.237%)
2011-12	0.753%

Fiscal year 2010-11 was the first time the inflationary value adjustment has been negative. The Agency is unable to predict if any adjustments to the full cash value base of real property within the Bayshore North Project Area, whether an increase or a reduction, will be realized in the future. See "LIMITATIONS ON TAX REVENUES."

**Property Tax Collections and Delinquencies; Bankruptcy; Concentration of Ownership.** The Agency has no independent power to levy and collect property taxes or to foreclose the lien of delinquent property taxes.

Although the Agency currently receives 100% of its Tax Revenues from the County under the Teeter Plan, if the County were to discontinue this practice in the future, the Agency's Tax Revenue receipts would become subject to property tax payment delinquencies. See "LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedures."

Further, the collection of property taxes by the County, and the ability of the County to timely foreclose the lien of a delinquent unpaid property tax, may be limited or delayed by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure.

The top ten property taxpayers in the Bayshore North Project Area are responsible for a significant portion of the property taxes collected within the Bayshore North Project Area. See "THE BAYSHORE NORTH PROJECT AREA" for a listing of the major property taxpayers within the Bayshore North Project Area.

**Reductions in Unitary Values.** As the result of the adoption of AB 454 (Chapter 921, Statutes of 1986), a portion of the County-wide unitary values assigned to public utilities was allocated to the Bayshore North Project Area.

Any substantial reduction in the values of public utility properties, either because of deregulation of a utility industry or for any other reason, will have an adverse impact on the amount of Tax Revenues. However, any such impact with respect to utility properties within the Bayshore North Project Area will be lessened because the impact will be spread on a County-wide basis.

For further information concerning unitary values, see "LIMITATIONS ON TAX REVENUES—Property Tax Collection Procedures" and "—Taxation of Unitary Property."

**Risks Related to Unsecured Assessed Valuations.** Unsecured assessed valuation may be more susceptible to fluctuation from year to year than secured roll valuation because property on the unsecured tax roll includes personal property (including inventory and equipment) and leasehold interests, which can be more susceptible to reductions in value due to adverse economic circumstances affecting the owner of the properties assessed.

Reductions in unsecured assessed valuation may be caused by factors including, among others: increased competition or adverse economic conditions resulting in less personal property being located (and assessed) within the Bayshore North Project Area; relocation of businesses out of the Bayshore North Project Area, and resulting loss of the ability to assess the related personal property; and local real estate conditions that cause reductions in the assessed valuation of leaseholds.

As described below, a significant portion of the assessed value of the combined Project Areas consists of unsecured assessed valuation. See "THE BAYSHORE NORTH PROJECT AREA – Land Use Summary" and "HISTORICAL AND ESTIMATED TAX REVENUES – History of Assessed Valuations and Tax Revenues."

The Agency cannot predict the impact of these factors on unsecured assessed valuations within the Project Areas in the future. Substantial reductions in the unsecured tax roll could result in reduced tax increment revenues to the Agency notwithstanding increases in valuation in the secured roll.

## **Bankruptcy**

The rights of the Owners of the 2011 Bonds and the enforceability of the obligation to make payments on the 2011 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel as to the enforceability of the obligation to make payments on the 2011 Bonds will be qualified as to bankruptcy and such other legal events. See APPENDIX E—"Proposed Form of Bond Counsel Opinion."

## **Impact of State Budget Legislation**

**Prior Fiscal Years.** In connection with its approval of the budget for fiscal years 1992-93, 1993-94, 1994-95, 2002-03, 2003-04, 2004-05, and 2005-06, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("ERAF").

The Agency has made all of its ERAF payments prior to the respective deadlines.

**AB 1389.** In 2008, the State enacted legislation known as AB 1389 (Chapter 751, Statutes 2008) ("AB 1389"), that among other things required redevelopment agencies to pay into ERAF in fiscal year 2008-09, prior to May 10, 2009, an aggregate amount of \$350 million. Unlike prior years, there is no redevelopment plan time limit extension for agencies making the ERAF payment.

On April 30, 2009, a California Superior Court in *California Redevelopment Association v. Genest* (County of Sacramento) (Case No. 34-2008-00028334) held that these required

payments violated the California constitution and invalidated and enjoined the operation of the California Health and Safety Code section requiring such payment. On May 26, 2009, the State filed a notice that it would appeal the decision of the superior court. On September 28, 2009, the State noticed its withdrawal of its appeal; accordingly, the Superior Court holding of invalidity of the applicable portion of AB 1389 is final.

As a result, the Agency was not responsible for an ERAF payment in Fiscal Year 2008-09.

**2009 SERAF Legislation.** In July 2009, in connection with various legislation related to the Fiscal Year 2009-10 State budget, the State enacted Assembly Bill No. 26 (the "2009 SERAF Legislation"), which mandates that redevelopment agencies make deposits to the Supplemental Educational Revenue Augmentation Fund ("SERAF") established in each county treasury. The aggregate SERAF contribution for fiscal year 2009-10 was \$1.7 billion, which was due prior to May 10, 2010, and for Fiscal Year 2010-11 is \$350 million, which is due prior to May 10, 2011.

Under this legislation the Agency was required to pay \$9,834,223 by May 10, 2010, which the Agency paid in full, and it is further required to pay \$2,024,693 in May 2011. The Agency paid the fiscal year 2009-10 payment from its available fund balances, and the Agency expects that it will pay the SERAF payment due in May 2011 in a timely manner from available fund balances. The Agency did not borrow money from its Low and Moderate Income Housing Fund to make the SERAF payments. See "HISTORICAL AND ESTIMATED TAX REVENUES—Subordinate Agency Obligations."

The 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments specified therein to certain indebtedness. Section 6 of AB 26, codified at Health and Safety Code, § 33690 (a) (3), states:

"The obligation of any agency to make the payments required pursuant to this subdivision shall be subordinate to the lien of any pledge of collateral securing, directly or indirectly, the payment of the principal, or interest on any bonds of the agency including, without limitation, bonds secured by a pledge of taxes allocated to the agency pursuant to Section 33670 of the California Health and Safety Code."

The 2009 SERAF Legislation imposes various restrictions on redevelopment agencies that fail to timely make the required SERAF payments, including (i) a prohibition on adding or expanding project areas, (ii) a prohibition on the incurrence of additional debt, (iii) limitations on the encumbrance and expenditure of funds, including funds for operation and administration expenses, and (iv) commencing with the July 1 following the due date of a SERAF annual payment that is not timely made, a requirement that the applicable redevelopment agency allocate an additional 5% of all taxes that are allocated to the redevelopment agency under the Redevelopment Law for low and moderate income housing for the remainder of the time that the applicable redevelopment agency receives allocations of tax revenues under the Redevelopment Law.

The 5% additional housing set-aside penalty provision referred to in the 2009 SERAF Legislation (the "Penalty Set-Aside Requirement") would be in addition to the 20% of such tax revenues already required to be used for low and moderate income housing purposes. A redevelopment agency that borrows from amounts required to be allocated to its housing set aside funds to make required SERAF payments but does not timely repay the funds, will also be subject to the Penalty Set-Aside Requirement.

Although the 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments specified therein to certain indebtedness (which would include a subordination of the Agency's obligations with respect to the new SERAF payments to the Agency's obligation to pay debt service on the 2011 Bonds), there is no provision in the 2009 SERAF Legislation subordinating the Penalty Set-Aside Requirement to any indebtedness of a redevelopment agency that fails to timely make the SERAF payments mandated by the SERAF Legislation.

The California Redevelopment Association, the Union City Redevelopment Agency and the Fountain Valley Redevelopment Agency filed a lawsuit in Sacramento County Superior Court on October 20, 2009, challenging the constitutionality of the 2009 SERAF Legislation and seeking a permanent injunction to prevent the State from taking redevelopment funds for non-redevelopment purposes. On May 4, 2010, the Superior Court upheld the 2009 SERAF Legislation. The plaintiffs have appealed the decision in the Third District Court of Appeal. The appeal seeks repayment of the fiscal year 2009-10 payment and a prohibition of the second payment. The Agency cannot predict the outcome of the appeal.

**Proposition 22.** The State's ability to impose future ERAF and SERAF payments on redevelopment agencies may be affected by Proposition 22, which was approved by the California electorate on November 2, 2010.

Proposition 22, among other things, amends Sections 24 and 25.5 of Article XIII of the California Constitution to prohibit the State from reallocating, transferring, borrowing, appropriating or restricting the use of taxes imposed or levied by a local government solely for the local government's purposes.

As applied to redevelopment agencies, Proposition 22 adds Section 25.5(A)(7) to Article XIII of the State Constitution to prohibit the State from requiring a redevelopment agency

(A) to pay, remit, loan, or otherwise transfer, directly or indirectly, taxes on ad valorem real property and tangible personal property allocated to the agency pursuant to Section 16 of Article XVI of the State Constitution to or for the benefit of the State, any agency of the State, or any other jurisdiction; or

(B) to use, restrict, or assign a particular purpose for such taxes for the benefit of the State, any agency of the State, or any other jurisdiction, other than (i) statutory pass through payments required by Health and Safety Code Sections 33607.5 and 33607.7 and (ii) payments for the purpose of increasing, improving, and preserving the supply of low and moderate income housing available at affordable housing cost.

Although the passage of Proposition 22 will have no impact upon the Agency's obligation to pay the 2010 SERAF Amount, the State Legislative Analyst's Office ("LAO") has stated that the measure prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies.

No assurance can be provided that Proposition 22 will be implemented as contemplated by the LAO. In addition, Proposition 22 is subject to interpretation by the courts and there can be no assurance that the measure will not be challenged by the State or other parties or repealed by the voters of the State in the future.

**Proposed 2011-12 Budget and Redevelopment Agencies.** On January 10, 2011 Governor Jerry Brown released his proposed budget for fiscal year 2011-12 ("Proposed Budget"). The Proposed Budget is designed to address an estimated budget shortfall of \$25.4 billion in the fiscal year 2011-12 California State Budget, which consists of an \$8.2 billion projected deficit for 2010-11 and a \$17.2 billion gap between projected revenues and spending in 2011-12. The Governor's proposal includes approximately \$12.5 billion in budget cuts, \$12 billion in tax extensions and changes, and \$1.9 billion in other solutions. The Governor is calling for a statewide special election in June to extend for five more years tax measures currently set to expire.

The Proposed Budget proposed disbanding redevelopment agencies and redirecting property tax increment from successor agencies.

**Legislative Analyst Reports.** The LAO released its Overview of the Governor's Budget ("LAO Overview") on January 12, 2011. As it relates to the RDA Provisions the LAO Overview suggests the proposal has merit "but faces considerable implementation issues." The LAO Overview notes:

"The administration's plan will require considerable work by the Legislature to sort through many legal, financial and policy issues. Several voter-approved constitutional measures, for example, constrain the State's authority to redirect redevelopment funds, use property tax revenues to pay for state programs, or impose increased costs on local agencies. In addition, the administration's plan does not address many related issues, such as clarifying the future financial responsibility for low- and moderate- income housing (currently, a redevelopment program)."

Finally, the LAO Overview recommends that the Legislature pass urgency legislation as soon as possible prohibiting redevelopment agencies, during the period of legislative review of the Proposed Budget, from taking actions that increase their debt.

On February 9, 2011, the LAO released its report regarding the Governor's proposal to end redevelopment agencies, entitled "Should California End Redevelopment Agencies?", which further notes:

"Ordinarily, we would recommend that the state phase out [the redevelopment] program over several years or longer to minimize the disruption an abrupt ending likely would engender. Given the state's extraordinary fiscal difficulties, however, the Legislature will need to weigh the effect of this disruption in comparison with other major and urgent changes that the state would need to make if this budget solution were not adopted."

**Proposed Legislation to Eliminate Redevelopment Agencies and Restrict Activities.** Draft legislation implementing the Governor's Proposed Budget was released by the Department of Finance of the State on February 23, 2011 (the "**draft legislation**"). On March 3, 2011, after making certain revisions to the Governor's Proposed Budget, the Joint Budget Committee of the California Legislature voted six to four in favor of the Governor's Proposed Budget (as revised), which still included the draft legislation. Since then, the draft legislation – in a revised form and introduced as SB 77 and AB 101 – has been considered by both the Assembly and the Senate, respectively, but SB 77/AB 101 have not yet been adopted. The Agency can provide no assurances that SB 77/AB 101 will be enacted in their present form, in a different form, or at all.

A brief summary of SB 77/AB 101 is set forth below, but investors are encouraged to read SB 77/AB 101 in their entirety. Copies of SB 77/AB 101 can be obtained from the following California Legislature internet address (this address is provided for the convenience of investors and the website is not incorporated in this Official Statement): <http://www.leginfo.ca.gov/bilinfo.html>.

SB 77/AB 101 are styled as urgency measures, which require a two-thirds vote of each house of the Legislature for passage; urgency legislation is effective immediately upon passage and upon the signature of the Governor. It is possible that, if SB 77/AB 101 are included as a part of a complete budget package passed by the Legislature, it could be passed with only majority vote approval and still become effective immediately. SB 77/AB 101 make it clear that their provisions would not be retroactive to the extent they would dissolve redevelopment agencies or prohibit the issuance of new indebtedness.

SB 77/AB 101 declare that it is the intent of the Legislature to do the following:

"(1) Bar existing redevelopment agencies from incurring new obligations, prior to their dissolution, that would divert any more money from core governmental functions and dissolve all existing redevelopment agencies effective July 1, 2011. It is further the intent of the Legislature that the greatest amount of funding be realized from these actions in order to provide additional funds for core governmental services.

(2) Allocate property tax revenues to successor agencies for making payments on indebtedness incurred by the redevelopment agency prior to its dissolution and allocate remaining balances in accordance with applicable constitutional and statutory provisions.

(3) Beginning July 1, 2012, allocate these funds according to the existing property tax allocation within each county, except for enterprise special districts, after reserving passthrough amounts, to make the funds available for cities, counties, special districts, and school and community college districts to provide core governmental services. As a result of these actions, it is estimated that, by the 2012-13 fiscal year, these local entities will receive \$1.9 billion per year in new resources to use for their core priorities.

(4) Require successor agencies to expeditiously wind down the affairs of the dissolved redevelopment agencies and to provide the successor agencies with limited authority that extends only to the extent needed to implement a winddown of redevelopment agency affairs."

SB 77/AB 101 would suspend immediately upon adoption a variety of Agency activities, including the issuance of bonds and the entering into of contracts, but would allow agencies to continue to make all scheduled payments for "enforceable obligations," which is a defined term that includes bonds. Because SB 77/AB 101 purport to prohibit the Agency from entering into new contracts after the effective date of the draft legislation, it is not clear whether the Agency would be authorized to enter into new contracts involving the expenditure of 2011 Bond proceeds for redevelopment projects after the effective date of SB 77/AB 101.

Thereafter, on July 1, 2011, SB 77/AB 101 would dissolve all redevelopment agencies and vest their remaining powers in successor agencies. Each successor agency would be governed by a new seven-member oversight board, which would consist of, among others, a

member appointed by the county board of supervisors, a member appointed by the mayor for the city that formed the redevelopment agency, a member selected by the largest special district (by property tax share), and two members selected to represent schools and community college districts. One member of the public would be appointed by the county board of supervisors and one member representing the employees of the former redevelopment agency appointed by the mayor or chair of the board of supervisors.

Again, because SB 77/AB 101 purport to prohibit the successor agency from entering into new contracts, it is not clear whether the successor agency would be authorized to enter into new contracts involving the expenditure of 2011 Bond proceeds for redevelopment projects after the effective date of the draft legislation. In addition, SB 77/AB 101 would direct the State Controller to review and order the reversal of post-January 1, 2011 asset transfers, which may include the proposed use of 2011 Bond proceeds to repay the City loan, and would obligate the oversight board to direct the successor agency to terminate certain agreements between the dissolved redevelopment agency and any public entity in the same county.

Under SB 77/AB 101, the county or city that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency or may designate its local housing authority to perform such functions.

Subject to the approval of the oversight board, each successor agency would be charged with preparing "Recognized Obligation Payment Schedules" which document the minimum payments and due dates of payments required by "enforceable obligations" for each half-year fiscal period. "Enforceable obligations" include, among other things, bonds issued pursuant to the Redevelopment Law (including the required debt service, reserve set-asides and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former agency). Commencing January 1, 2012, only those payments listed in the Recognized Obligation Payment Schedule may be made by the successor agency from funds specified in the Recognized Obligation Payment Schedule. For Fiscal Year 2011-12, the draft of the Recognized Obligation Payment Schedule must be reviewed and certified, as to its accuracy, by an external auditor. A copy of the approved Recognized Obligation Payment Schedule must be submitted to the county auditor-controller and both the State Controller's office and the State Department of Finance and be posted on the successor agency Internet Web site.

The SB 77/AB 101 provides as follows with respect to pledges that existed prior to the effective date of the legislation:

It is the intent of this part that all enforceable obligations that were entered into with a pledge of tax increment by the former redevelopment agencies shall continue to have the revenues in amounts equivalent to those that were pledged. Property taxes no longer available to dissolved redevelopment agencies, due to the operation of the act that added this part, are deemed property tax revenues within the meaning of subdivision (a) of Section 1 of Article XIII A of the California Constitution. Property tax revenues in amounts equivalent to those that were pledged to pay enforceable obligations are to be deposited into the Redevelopment Obligation Retirement Fund pursuant to the act adding this part. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, nor the stream of equivalent revenues available to make good on that pledge.

SB 77/AB 101 establishes a priority of allocation with respect to property tax increment that would have been allocated to each redevelopment agency without regard for existing

priority relationships; these property taxes would be deposited in a Redevelopment Property Tax Trust Fund (to be administered by the county auditor-controller) and then, in Fiscal Year 2012-13 and following, first allocated to schools and community college districts in the amount that they would have received if the draft legislation had not been adopted into law, and, second, for payments listed in the Recognized Obligation Payment Schedule. For Fiscal Year 2011-12, SB 77/AB 101 provides for a system of grants by counties aggregating \$1.7 billion to a "Public Health and Safety Fund."

Finally, the SB 77/AB 101, if adopted, would lengthen the statute of limitations (i) for the commencement of an action to review a determination or finding by a redevelopment agency or its legislative body, from 90 days to two years after the determination or finding, if such determination or finding is made after January 1, 2011, and (ii) for any action that is brought on or after January 1, 2011, to determine the validity of bonds issued by the redevelopment agency, from 60 days to two years after the date of the triggering event. Although the Agency does not believe there is any defect in the proceedings for the issuance of the 2011 Bonds that could give rise to a successful challenge and Bond Counsel is providing its opinion with respect to the Bonds as set forth as an appendix to this Official Statement, there could be an increased risk of a legal challenge because the Agency is issuing the 2011 Bonds after January 1, 2011, and any such challenge could affect the market price of the 2011 Bonds on the secondary market.

**Potential investors should be aware that both the Agency and the Underwriter have the right not to proceed with issuance of the 2011 Bonds if SB 77/AB 101 or something similar to SB 77/AB 101 is signed into law after the sale date and prior to the closing date for the 2011 Bonds.**

Potential Impact on the Agency and the 2011 Bonds. There are a variety of ways in which SB 77/AB 101, if adopted, could impact the Agency and the 2011 Bonds, although the Agency is not able to predict the full variety or extent of these impacts, and the impacts will vary greatly depending on the final terms of SB 77/AB 101, if adopted:

- (i) SB 77/AB 101, if adopted, could impact the Agency's activities and programs generally and could reduce or eliminate its fund balances and staffing.
- (ii) SB 77/AB 101, if adopted, could affect the Agency's compliance with and performance under existing contracts and obligations, including Housing Set-Aside obligations.
- (iii) Subject to certain constitutional protections described below, SB 77/AB 101, if adopted, could affect the Agency's compliance with and performance under the terms of the Fiscal Agent Agreement and the 2011 Bonds. These impacts could relate to the amount or availability of property tax revenue, tax increment revenues or Tax Revenues for the 2011 Bonds and other uses, the manner of application of Tax Revenues to debt service, flow of funds, use of 2011 Bond proceeds to fund new projects, compliance with Fiscal Agent Agreement covenants, continuing disclosure and other matters.
- (iv) Most significantly, SB 77/AB 101-- if adopted and implemented in their proposed form -- would eliminate redevelopment agencies, redeploy tax increment revenues affecting redevelopment agencies, potentially eliminate the pledge of Tax Revenues, recharacterize tax increment revenue as property tax revenues and combine all former tax increment revenue into a single pool of revenues. These actions would almost certainly raise legal and practical issues, some of which may be subject to

litigation and ultimate resolution in the courts, or subsequent legislative action, and could adversely impact the credit quality of the 2011 Bonds. These issues could affect the Agency and its compliance with the terms of the Fiscal Agent Agreement and the 2011 Bonds, and resolution of these issues could involve expense and delay or modification of certain of the rights of the bondholders in ways the Agency cannot predict.

**Constitutional Protections.** The Agency believes that constitutional protections against the impairment of contracts will prevent the proposed actions in SB 77/AB 101 from adversely affecting the validity of the 2011 Bonds or the Agency's pledge of Tax Revenues to secure the payment of the 2011 Bonds. Indeed, SB 77/AB 101 purport to provide for the payments by successor entities of existing redevelopment agencies' "debts and contractual obligations."

Article I, section 10 of the United States Constitution provides that "No state shall...pass any...law impairing the obligation of contracts." Article I, section 9 of the California Constitution provides that a "law impairing the obligation of contracts may not be passed." Each of these provisions is generally referred to as a "contracts clause". Federal courts have applied a fact-based three-part test to determine whether a state law violates the federal contracts clause. In general, the test compares any impairment against the significant and legitimate public purpose behind the state law; there is no absolute prohibition against impairment.

The United States Supreme Court has declared in the context of a New Jersey law that would have retroactively repealed a 1962 statutory (but contractual) covenant that would have adversely impacted bondowners: "A governmental entity can always find a use for extra money, especially when taxes do not have to be raised. If a State could reduce its financial obligations whenever it wanted to spend the money for what it regarded as an important public purpose, the Contract Clause would provide no protection at all." See *United States Trust Co. of New York v. New Jersey* (1977) 431 U.S. 1, 25-26.

The Agency cannot predict the applicable scope of "contract clause" protections to the 2011 Bonds and SB 77/AB 101 as they may ultimately be implemented. Efforts to protect the rights of Bondholders and to enforce the terms of the Fiscal Agent Agreement, if necessary, could involve expense and delay including with respect to the determination of the applicable scope of the "contract clause" provisions.

**Future State Action.** The Agency cannot predict what actions will be taken in the future by the voters of the State, the State Legislature and the Governor to deal with changing State revenues and expenditures and the repercussions they may have on the current fiscal year State Budget, the Proposed Budget and future State budgets, or their impact on the Agency. These developments at the State level, whether related to the Proposed Budget or not, may, in turn, affect local governments and agencies, including the Agency. Even if the proposals affecting the Agency in the Proposed Budget are not adopted, the State Legislature may adopt other legislation from time to time requiring redevelopment agencies to make other payments to ERAF or SERAF or to make other payments. The impact that current and future State fiscal shortfalls will have on the Agency is unknown at this time. In prior years, the State has experienced budgetary difficulties and as in the Proposed Budget, balanced its budget by requiring local political subdivisions, such as the County, the City and the Agency, to fund certain costs previously borne by the State.

**Information About the State Budget and the State.** Information about the State budget and State spending is regularly available from various State offices, including the Department of Finance, the Office of the Legislative Analyst and the State Treasurer. However, none of such information is incorporated by such reference.



## LIMITATIONS ON TAX REVENUES

*The Agency does not have any independent power to levy and collect property taxes; accordingly, the amount of Tax Revenues available to the Agency for payment of the principal of and interest on the 2011 Bonds is affected by several factors, including but not limited to those discussed below. See also "RISK FACTORS" above.*

See "APPENDIX C – Fiscal Consultant's Report," for further discussion of limitations on tax revenues.

### **Property Tax Limitations – Article XIII A**

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution.

Proposition 13 added Article XIII A to the California Constitution which, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors.

Proposition 13 further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII adopted by initiative in June 1986 exempts from the 1% limitation any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property.

The Legislature and California voters have, from time to time, adopted exceptions to the general statutory scheme enacted by Proposition 13. For example, in the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend Article XIII A. Proposition 58 amends Article XIII A to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children.

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

## Challenges to Article XIII A

There have been many challenges to Article XIII A of the California Constitution. In *Nordlinger v. Hahn*, the United States Supreme Court heard an appeal relating to residential property. Based upon the facts presented in *Nordlinger*, the United States Supreme Court held that the method of property tax assessment under Article XIII A did not violate the federal Constitution.

The Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of Tax Revenues should a future decision hold unconstitutional the method of assessing property.

## Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on certain voter-approved indebtedness, and that each county will levy the maximum tax permitted by Article XIII A.

The apportionment of property taxes in fiscal years after 1978-79 was revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief.

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

## Property Tax Collection Procedures

**Classifications.** In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor.

The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens.

A tax levied on unsecured property does not become a lien against unsecured property, but may become a lien on certain other property owned by the taxpayer.

**Collections.** The method of collecting delinquent taxes is substantially different for the two classifications of property.

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

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

**Penalties.** A 10% penalty is added to delinquent taxes levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption and a \$15 redemption fee. If taxes are unpaid for a period of five years or more, the property is recorded in a "Power to Sell" status and is subject to sale by the county tax collector.

A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

**Delinquencies.** The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10.

Taxes on unsecured property are due January 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 at 5:00 p.m. and are subject to penalty; unsecured taxes added to roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

**County Currently Distributes Tax Proceeds Under the Teeter Plan.** The County currently distributes Tax Revenues to the Agency under the statutory program entitled the "Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds" (commonly known as the "Teeter Plan"), under which the County allocates property taxes to the Agency based on 100% of the tax levy, notwithstanding delinquencies. However, there can be no assurance the County will continue this practice, or will not discontinue the Teeter Plan in the future.

**Supplemental Assessments.** A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. The statute may provide increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the lien date.

## **Unitary Tax Revenue**

Commencing in 1988-89, the reporting of public utility values assessed by the State Board of Equalization (the "SBE") was modified pursuant to legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter 921). Previously, property assessed by the SBE was assessed State-wide and was allocated according to the location of individual components of a utility in a Tax Rate Area. Hence, public utility values located within a project area were fully reflected in the project area's annual taxable value. Since the County no longer included the taxable value of unitary properties as part of the reported taxable values in a redevelopment project, base year reductions were made equal to the amount of unitary taxable value that existed originally in the base year. The values of most public utility properties are now assessed as a single unit on a County-wide basis (referred to as unitary values). Railroad properties and utility owned parcels not included by SBE in the unitary assessment are referred to as Non-Unitary assessments.

Unitary tax revenues are distributed by the County in the following manner: (1) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to 2%; (2) if utility tax revenues are insufficient to provide the same amount of revenue as in the previous year, allocation of the taxes would be reduced pro-rata County-wide; and (3) any increase in revenue above 2% would be allocated in the same proportion as the taxing entity's local secured taxable values are distributed to the local secured taxable values of the County.

## **No Power to Tax**

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to Taxing Agencies having the effect of reducing the property tax rate, could reduce the amount of Tax Revenues that would otherwise be available to pay the principal of, and interest on, the 2011 Bonds. Likewise, broadened property tax exemptions could have a similar effect. See " RISK FACTORS."

## **Appropriations Limitations – Article XIII B**

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity.

Effective November 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provided that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B, nor will such portion of taxes be deemed receipt of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law.

## **State Board of Equalization and Property Assessment Practices**

On December 10, 1998, the SBE approved revisions to its guidelines regarding the valuation of intangible business and commercial property for property tax purposes. The SBE approved these revisions over the strong objections of the California Assessors Association, an organization representing all 58 County Assessors in California.

The Agency is not able to predict whether the revised SBE guidelines will cause any reductions in Tax Revenues. However, the Agency does not believe that the SBE's adoption of the revised guidelines will affect its ability to pay debt service on the 2011 Bonds.

## **Exclusion of Tax Increment Revenues for General Obligation Bonds Debt Service**

An initiative to amend the California Constitution entitled "Property Tax Revenues - Redevelopment Agencies" was approved by California voters at the November 8, 1988 general election. Under prior law, a redevelopment agency using tax increment received additional property tax revenue whenever a local government increased its property tax rate to pay off its general obligation bonds. This initiative amended the California Constitution to allow the California Legislature to prohibit redevelopment agencies from receiving any of the property tax revenues raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness.

The initiative only applies to tax rates levied to finance general obligation bonds approved by the voters on or after January 1, 1989. Any revenue reduction to redevelopment agencies would depend on the number and value of the general obligation bonds approved by voters in prior years, which tax rate will reduce due to increased valuation subject to the tax or the retirement of the indebtedness.

## **Proposition 218**

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes – Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

Tax Revenues securing the 2011 Bonds are derived from property taxes that are outside the scope of taxes, assessments and property-related fees and charges that were limited by Proposition 218.

## **Future Initiatives**

Article XIII A, Article XIII B and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

## **Low and Moderate Income Housing**

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the Redevelopment Law, requiring redevelopment agencies to set aside 20% of all tax increment allocated to redevelopment agencies from project areas adopted after December 31, 1976, in a

low- and moderate-income housing fund to be expended for authorized low- and moderate-income housing purposes. Other statutes imposed this requirement on redevelopment plans adopted on or before December 31, 1976.

Housing Set-Aside may be applied to pay debt service on bonds, loans or advances of redevelopment agencies to provide financing for such low- and moderate-income housing purposes. Housing Set-Aside is *not* pledged toward or available for the payment of debt service on the 2011 Bonds or the Outstanding Parity Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS" and "HISTORICAL AND ESTIMATED TAX REVENUES – Estimated Tax Revenues and Debt Service Coverage."

### **AB 1290**

In 1993, the California Legislature enacted Assembly Bill 1290 ("AB 1290") which contained several significant changes in the Redevelopment Law. Among the changes made by AB 1290 was a provision that limits the period of time for incurring and repaying loans, advances and indebtedness payable from tax increment. Since then, the Legislature has amended the Redevelopment Law in a variety of ways that impacts the factors regulated by AB 1290.

The Redevelopment Plan for the Bayshore North Project Area contains tax increment limitations that are in compliance with the Redevelopment Law. See "THE BAYSHORE NORTH PROJECT AREA."

### **Senate Bill 211**

On October 10, 2001 the Governor of the State signed into law Senate Bill 211 ("SB 211"), which allows redevelopment agencies to eliminate the time limits on their ability to incur debt for project areas established prior to January 1, 1994. Additionally, SB 211 allows redevelopment agencies to extend the termination date of their redevelopment plans and the deadline for the receipt of tax increment for the repayment of debt by 10 years for project areas established prior to January 1, 1994.

In order to extend the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt, the redevelopment agency must make certain findings of blight in the applicable project areas. In addition, if a redevelopment agency elects to extend the time limits on the incurrence of debt, the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt, the redevelopment agency must make certain additional statutory pass-throughs to other taxing entities.

The Agency has eliminated its time limit to incur indebtedness in connection with the Bayshore North Project Area. See "THE BAYSHORE NORTH PROJECT AREA – Redevelopment Plan Limitations."

### **Senate Bill 1045**

Pursuant to Senate Bill 1045 ("SB 1045") in connection with adoption of statutes requiring an ERAF shift for fiscal year 2003-04, the State Legislature authorized amendments of redevelopment plans to extend by one year the time limit of the effectiveness of the plan and the time limit to repay indebtedness and receive Tax Increment.

The City Council has extended the redevelopment plan effectiveness for the Bayshore North Project Area by the one year authorized by SB 1045.

### **Senate Bill 1096**

Pursuant to Senate Bill 1096 ("SB 1096") in connection with the adoption of statutes requiring an ERAF shift for fiscal years 2004-05 and 2005-06, the State Legislature authorized amendments of redevelopment plans to extend by one year the time limit of the effectiveness of the plan and the time limit to repay indebtedness and receive Tax Increment.

The City Council has extended the redevelopment plan effectiveness for the Bayshore North Project Area by two years as authorized by SB 1096.

### **Assessed Valuation Appeals**

An assessee of locally assessed or state-assessed property may contest the taxable value enrolled by the county assessor or by the SBE, respectively. The assessee of SBE-assessed property or locally-assessed personal property, the valuation of which is subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally assessed real property by Article XIII A, an assessee of locally assessed real property generally contests the original determination of the base assessment value of the parcel, i.e. the value assigned after a change of ownership or completion of new construction. In addition, the assessee of locally assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sale transaction or the recently completed improvement. A base assessment appeal has significant future revenue impact because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the 2% inflation factor allowable under Article XIII A, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Under Section 51(b) of the Revenue and Taxation Code, the assessor may place a value on the tax roll lower than the compounded base assessment value if the full cash value of real property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in the value. Reductions in value under Section 51(b), commonly referred to as Proposition 8 appeals, can be achieved either by formal appeal or administratively by assessor staff appraising the property. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Proposition 8 appeal is dependent upon a change in the conditions which caused the drop in value. In fiscal years following a successful Proposition 8 appeal, the assessor may determine that the value of the property has increased as a result of corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel's compounded base assessment value. Additionally, successful appeals regarding property on the unsecured rolls does not necessarily affect the valuation of such property in any succeeding fiscal year.

Utility companies and railroads may contest the taxable value of utility property to the SBE. Generally, the impact of utility appeals is on the State-wide value of a utility determined

by SBE. As a result, the successful appeal of a utility may not impact the taxable value of property within a project area, but could impact a project area's allocation of unitary property taxes.

The actual impact to tax increment is dependent upon the actual revised value of assessments resulting from values determined by the County Assessment Appeals Board or through litigation and the ultimate timing of successful appeals.

See "HISTORICAL AND ESTIMATED TAX REVENUES – Assessed Valuation Appeals" for a discussion of historic and pending appeals in the Bayshore North Project Area.

### **Proposition 8 Assessed Value Reductions**

In 1978, a Constitutional amendment was passed by the California voters (Proposition 8) that provides for a temporary reduction in assessed value when the Proposition 13 value of a property exceeds its actual market value. The property owner is entitled to the lower of two values: (1) the property's existing Proposition 13 value, which is the purchase price and/or the cost of new construction, annually adjusted for inflation not to exceed 2% per year; or (2) the property's market value as of the January 1 property tax lien date.

Once this temporary reduction in assessed value has been granted by the County Assessor, the Assessor must review the property's value annually until it is fully restored to its Proposition 13 value. Depending on the market value determined by such future reviews, the assessed value may be further adjusted, left unchanged, be partially increased or be fully restored to its Proposition 13 value.

## **TAX MATTERS**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to the qualifications set forth below, under existing law, the interest on the 2011 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions described in the preceding paragraph are subject to the condition that the Agency comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the 2011 Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2011 Bonds.

In the further opinion of Bond Counsel, interest on the 2011 Bonds is exempt from California personal income taxes.

Owners of the 2011 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2011 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2011 Bonds other than as expressly described above.

The proposed form of opinion of Bond Counsel with respect to the 2011 Bonds to be delivered on the date of issuance of the 2011 Bonds is set forth in APPENDIX E.

## **CERTAIN LEGAL MATTERS**

The validity of the 2011 Bonds and certain other legal matters are subject to the approving legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. A copy of the proposed form of Bond Counsel's opinion is contained in APPENDIX E to this Official Statement, and the final opinion will be made available to the owners of the 2011 Bonds at the time of delivery of the 2011 Bonds.

Certain legal matters will be passed upon for the Agency by Jones Hall, A Professional Law Corporation, as Disclosure Counsel to the Agency, and by the City Attorney of the City, as Agency Counsel. Certain legal matters will be passed upon for the Underwriter by \_\_\_\_\_, \_\_\_\_\_, California. Bond Counsel, Disclosure Counsel and Underwriter's Counsel will receive compensation that is contingent upon the sale and delivery of the 2011 Bonds.

## **ABSENCE OF MATERIAL LITIGATION**

No material litigation is pending, with service of process having been accomplished or, to the knowledge of the Agency, threatened, concerning the validity of the 2011 Bonds, the corporate existence of the Agency, or the title of the officers of the Agency who will execute the 2011 Bonds as to their respective offices. The Agency will furnish to Underwriter of the 2011 Bonds a certificate of the Agency as to the foregoing as of the time of the original delivery of the 2011 Bonds.

## **CONTINUING DISCLOSURE**

The Agency has covenanted for the benefit of owners of the 2011 Bonds to provide certain financial information and operating data relating to the Agency by not later than 9 months after the end of the Agency's fiscal year, or March 31 each year based on the Agency's current fiscal year end of June 30 (the "Annual Report") and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the Agency is set forth in APPENDIX F.

The Agency has never failed to comply in all material respects with any previous undertaking with regard to Rule 15c2-12(b)(5) to provide annual reports or notices of listed events.

## **UNDERWRITING**

The 2011 Bonds are being purchased through negotiation by Stone & Youngberg LLC (the "Underwriter") at a price equal to \$\_\_\_\_\_ which represents the principal amount of the 2011 Bonds, less original issue discount of \$\_\_\_\_\_, and less an Underwriter's discount of \$\_\_\_\_\_. The initial public offering prices of the 2011 Bonds may be changed from time to time by the Underwriter.

The Purchase Contract for the 2011 Bonds, which is among the Agency, the City of Santa Clara Joint Financing Authority (the "Authority") and the Underwriter, provides that the Underwriter will purchase all the 2011 Bonds from the Authority if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract including, among others, the approval of certain legal matters by counsel.

## FINANCIAL ADVISOR

KNN Public Finance, A Division of Zions First National Bank, served as Financial Advisor to the Agency in connection with the issuance of the 2011 Bonds. In connection with the Official Statement, the Financial Advisor has relied upon Agency officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Agency to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

## RATINGS

It is anticipated that, on or before the Closing Date, Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("**S&P**"), will assign its municipal bond rating of "\_\_\_\_" to the 2011 Bonds.

This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Agency has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the 2011 Bonds may have an adverse effect on the market price or marketability of the 2011 Bonds.

## EXECUTION

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

REDEVELOPMENT AGENCY OF  
THE CITY OF SANTA CLARA

By: \_\_\_\_\_  
Jennifer Sparacino  
Executive Director

## APPENDIX A

### CITY OF SANTA CLARA AND COUNTY OF SANTA CLARA ECONOMIC AND DEMOGRAPHIC INFORMATION

*The following information concerning the City of Santa Clara and surrounding areas are included only for the purpose of supplying general information regarding the areas in and surrounding the Bayshore North Project Area. The 2011 Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.*

#### General

The City is located at the southern end of the San Francisco Bay. Encompassing a total area of 19.3 square miles within northern Santa Clara County, the City is situated in the heart of "Silicon Valley." Surrounded by the Diablo Mountain Range to the east and the Santa Cruz mountains to the west, the valley is protected from ocean fog. The City experiences sunny days throughout the year. The less than 15 inches of rain each year usually falls in the autumn and winter months. Winter temperatures range from a low average of 38 degrees Fahrenheit to a high average of 57 degrees Fahrenheit. Average summer temperatures are between 53 degrees Fahrenheit and 82 degrees Fahrenheit.

#### Municipal Government

The City of Santa Clara was incorporated in 1852 and adopted its City Charter in 1951. The City Council consists of seven members elected at large by City voters. Council members serve a four year term, and may serve two consecutive terms.

#### Population

The City experienced rapid population growth during the 1950s and continues to grow, although the growth rate has decreased. This growth is shown in the table below along with comparable population data from Santa Clara County and the State of California.

#### CITY OF SANTA CLARA, COUNTY OF SANTA CLARA AND STATE OF CALIFORNIA Population Estimates

<u>Year</u>	<u>City of Santa Clara</u>	<u>County of Santa Clara</u>	<u>State of California</u>
2006	110,682	1,771,291	37,087,005
2007	113,575	1,797,623	37,463,609
2008	114,988	1,828,977	37,871,509
2009	117,237	1,857,516	38,255,508
2010 <sup>(1)</sup>	116,468	1,781,642	37,253,956

(1) As of April 1, 2010  
Source: California State Department of Finance, as of January 1.

## Employment

Due to the nature of local industry, with its heavy emphasis on electronics, aerospace and research, Santa Clara has attracted many professional people and industrial workers possessing skills well above the average. The County civilian labor force figures are shown in the following table. These figures are County-wide and may not necessarily accurately reflect employment trends in the City. The following table shows employment statistics for the County for the past five calendar years.

### SANTA CLARA COUNTY Annual Average Labor Force and Industry Employment

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Civilian Labor Force <sup>(1)</sup>	N/A	N/A	N/A	874,300	874,000
Employment	N/A	N/A	N/A	779,400	776,500
Unemployment	N/A	N/A	N/A	94,900	97,400
Civilian Unemployment Rate	N/A	N/A	N/A	10.9%	11.1%
<u>Wage and Salary Employment: <sup>(2)</sup></u>					
Agriculture	3,800	3,900	3,700	3,700	N/A
Natural Resources and Mining	300	300	300	200	N/A
Construction	44,900	45,500	42,800	32,900	N/A
Manufacturing	160,600	163,800	165,200	153,500	N/A
Wholesale Trade	37,800	39,400	39,400	35,200	N/A
Retail Trade	84,000	84,600	82,700	77,200	N/A
Transportation, Warehousing and Utilities	12,700	13,300	13,300	11,800	N/A
Information	37,400	39,500	42,200	41,000	N/A
Finance and Insurance	21,800	21,500	19,900	18,500	N/A
Real Estate, Rental and Leasing	14,900	15,200	14,300	12,900	N/A
Professional and Business Services	170,300	176,600	178,000	161,200	N/A
Educational and Health Services	99,700	102,500	107,200	107,300	N/A
Leisure and Hospitality	73,700	75,300	76,600	72,900	N/A
Other Services	24,300	24,600	25,000	23,900	N/A
Federal Government	10,900	10,800	10,800	10,600	N/A
State Government	7,300	7,400	7,300	6,700	N/A
Local Government	75,400	76,100	76,800	77,700	N/A
Total All Industries <sup>(3)</sup>	879,800	900,300	905,200	847,200	N/A

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

**COUNTY OF SANTA CLARA  
Largest Employers  
March 2011**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
AAA-Affordable Tutoring	Santa Clara	Tutoring
Adobe Systems Inc	San Jose	Publishers-Computer Software (Mfrs)
Advanced Micro Devices Inc	Sunnyvale	Semiconductors & Related Devices (Mfrs)
Apple Inc	Cupertino	Computers-Electronic-Manufacturers
Avago Technologies Ltd	San Jose	Exporters (Whls)
Cadence Design Systems Inc	San Jose	Computers-System Designers & Consultants
Cafe Adobe	San Jose	Full-Service Restaurant
California's Great America	Santa Clara	Amusement & Theme Parks
Christopher Ranch Llc	Gilroy	Garlic (Mfrs)
Cisco Systems Inc	San Jose	Computer Peripherals (Mfrs)
E4e Inc	Santa Clara	Business Management Consultants
El Camino Hospital	Mountain View	Hospitals
Flextronics International	Milpitas	Solar Energy Equipment-Manufacturers
Fujitsu IT Holdings Inc	Sunnyvale	Computers-Wholesale
Goldsmith Seeds Inc	Gilroy	Florists-Retail
Hewlett-Packard	Cupertino	Computer & Equipment Dealers
Hewlett-Packard Co	Palo Alto	Computers-Electronic-Manufacturers
HP Pavillion at San Jose	San Jose	Stadiums Arenas & Athletic Fields
Intel Corp	Santa Clara	Semiconductor Devices (Mfrs)
Kaiser Permanente Medical Ctr	San Jose	Clinics
Microsoft Corp	Mountain View	Computer Software-Manufacturers
National Semiconductor Corp	Santa Clara	Semiconductor Devices (Mfrs)
Net App Inc	Sunnyvale	Computers-Electronic-Manufacturers
Santa Teresa Community Hosp	San Jose	Hospitals
V A Medical Ctr-Palo Alto	Palo Alto	Hospitals

*Source: State of California Employment Development Department.*

**CITY OF SANTA CLARA  
Principal Private Employers  
June 30, 2010**

<u>Employer Name</u>	<u>Number of Employees</u>	<u>Industry</u>
Intel Corporation	5,734	Microprocessors
Kaiser Foundation Hospitals	5,630	Hospitals
Applied Materials	3,746	Semiconductors Machinery Manufacturer
Oracle	2,700	Computers
NVIDIA Corporation	2,657	Visual Computing Technologies
BAE Systems Land & Armaments	1,914	Defence, Security and Aerospace Systems
National Semiconductor Corporation	1,500	Semiconductors
Agilent Technologies, Inc.	1,384	Measurement Equipment & Technologies
Santa Clara University	1,350	College
Pacific Maintenance Company	1,000	Office & Lab Maintenance

*Source: City of Santa Clara Comprehensive Annual Finance Report*

## Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County of Santa Clara, the State and the United States for the period 2005 through 2009.

**CITY OF SANTA CLARA  
Effective Buying Income  
2005 through 2009  
As of January 1  
(000's Omitted)**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2005	City of Santa Clara	\$2,830,508	\$59,975
	Santa Clara County	46,910,278	63,293
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	City of Santa Clara	\$2,978,243	\$61,898
	Santa Clara County	49,261,000	65,458
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	City of Santa Clara	\$3,219,320	\$64,307
	Santa Clara County	52,377,985	67,498
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Santa Clara	\$3,308,393	\$65,550
	Santa Clara County	53,987,635	68,929
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Santa Clara	\$3,474,018	\$68,075
	Santa Clara County	55,561,405	71,077
	California	844,823,319	49,736
	United States	6,571,536,768	43,252

Source: The Nielsen Company (US), Inc.

## Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 is not comparable to that of prior years. A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2009 in the City were reported to be \$2,689,718,000, a 17.38% decrease over the total taxable sales of \$3,255,606,000 reported during calendar year 2008. Figures are not yet available for 2010.

### CITY OF SANTA CLARA Taxable Transactions (figures in thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2005	1,773	1,880,621	4,630	3,198,588
2006	1,790	2,006,897	4,660	3,536,282
2007	1,763	1,943,299	4,674	3,486,464
2008	1,753	1,703,288	4,592	3,255,606
2009 <sup>(1)</sup>	2,111	1,464,049	4,320	2,689,718

(1) Data not comparable to prior years.  
Source: State Board of Equalization.

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 is not comparable to that of prior years. A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2009 in the County were reported to be \$27,427,709,000, a 15.02% decrease over the total taxable sales of \$32,274,306,000 reported during calendar year 2008. Figures are not yet available for 2010.

### COUNTY OF SANTA CLARA Taxable Transactions (figures in thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2005	20,820	18,903,508	48,903	30,193,802
2006	21,035	20,039,932	48,313	32,273,238
2007	20,480	20,790,258	47,651	33,663,448
2008	20,603	19,313,313	47,253	32,274,306
2009 <sup>(1)</sup>	26,695	16,385,238	43,396	27,427,709

(1) Data not comparable to prior years.  
Source: State Board of Equalization.

## Building Permit Activity

The following table shows the number and value of building permits issued in the City during calendar years 2005 through 2009.

### CITY OF SANTA CLARA Building Permit Valuation For Calendar Years 2005 through 2009 (Dollars in Thousands)

<u>Permit Valuation</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
New Single-family	\$35,987.1	\$15,975.8	\$19,258.0	\$10,151.8	\$1,009.9
New Multi-family	115,146.7	69,632.4	890.3	87,104.4	11,840.2
Res. Alterations/Additions	<u>21,317.2</u>	<u>30,944.9</u>	<u>29,490.0</u>	<u>22,050.1</u>	<u>9,560.6</u>
Total Residential	172,451.0	116,553.1	49,638.2	119,306.3	22,410.8
New Commercial	37,373.7	2,203.7	1,832.0	20,324.2	6,375.0
New Industrial	444.0	0.0	0.0	40,797.3	0.0
New Other	14,004.0	59,113.0	33,379.5	3,017.6	11,857.7
Com Alterations/Additions	<u>94,506.3</u>	<u>133,246.2</u>	<u>210,965.6</u>	<u>137,625.2</u>	<u>81,011.3</u>
Total Nonresidential	\$146,328.0	\$194,562.9	\$246,177.1	201,764.3	99,244.0
<u>Units</u>					
<u>New Dwelling</u>					
Single Family	197	79	80	45	9
Multiple Family	<u>714</u>	<u>430</u>	<u>5</u>	<u>492</u>	<u>60</u>
TOTAL	911	509	85	537	69

Source: Construction Industry Research Board, Building Permit Summary.

The following table shows the number and value of building permits issued in the County during calendar years 2005 through 2009.

**COUNTY OF SANTA CLARA**  
**Building Permit Valuation**  
**For Calendar Years 2005 through 2009**  
**(Dollars in Thousands)**

<u>Permit Valuation</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
New Single-family	\$745,052.7	\$683,875.1	\$643,374.4	\$382,422.9	\$245,033.4
New Multi-family	395,690.6	551,145.6	327,006.0	302,104.5	74,466.1
Res. Alterations/Additions	<u>416,269.1</u>	<u>411,924.3</u>	<u>404,730.8</u>	<u>366,601.7</u>	<u>259,190.4</u>
Total Residential	1,557,012.4	1,646,945.0	1,375,111.3	1,051,129.1	578,689.8
New Commercial	299,945.2	394,002.8	666,881.2	489,100.5	215,433.8
New Industrial	10,839.6	63,551.6	60,014.1	48,564.6	0.0
New Other	152,685.0	204,246.1	179,103.1	389,032.4	213,976.4
Com Alterations/Additions	<u>822,243.8</u>	<u>872,389.0</u>	<u>1,080,225.4</u>	<u>987,854.9</u>	<u>758,365.7</u>
Total Nonresidential	\$1,285,713.7	\$1,534,189.5	1,986,223.9	1,914,552.3	1,187,775.9
 <u>New Dwelling Units</u>					
Single Family	2,577	2,132	2,063	1,254	667
Multiple Family	<u>3,295</u>	<u>4,072</u>	<u>2,520</u>	<u>2,417</u>	<u>450</u>
TOTAL	5,872	6,204	4,583	3,671	1,117

Source: Construction Industry Research Board, Building Permit Summary.

**APPENDIX B**

**AGENCY AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**APPENDIX C**  
**FISCAL CONSULTANT'S REPORT**

**APPENDIX D**  
**SUMMARY OF THE FISCAL AGENT AGREEMENT**

**APPENDIX E**  
**PROPOSED FORMS OF BOND COUNSEL OPINIONS**

## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
Redevelopment Agency of the  
City of Santa Clara  
Bayshore North Project  
2011 Tax Allocation Bonds

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the Redevelopment Agency of the City of Santa Clara (the "Agency") in connection with the issuance of the bonds captioned above (the "Bonds"). The Bonds will be issued under a Fiscal Agent Agreement dated as of May 1, 2011 (the "Fiscal Agent Agreement"), by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent").

The Agency covenants and agrees as follows:

1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

*"Annual Report"* means any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

*"Annual Report Date"* means 9 months after the end of the Agency's fiscal year (which currently would be March 31 based upon the Agency's current June 30 fiscal year end).

*"Dissemination Agent"* means the Agency, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency a written acceptance of such designation.

*"Listed Events"* means any of the events listed in Section 5(a) of this Disclosure Certificate.

*"MSRB"* means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

*"Official Statement"* means the final official statement executed by the Agency in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Stone & Youngberg LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2012, with the report for the 2010-11 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Agency to determine if the Agency is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Agency’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Agency hereunder. The Dissemination Agent may conclusively rely upon such certification of the Agency and shall have no duty or obligation to review any Annual Report.

(b) If the Agency does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Agency shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Agency, file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

4. Content of Annual Reports. The Agency’s Annual Report shall contain or incorporate by reference the following:

(a) The Agency’s Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained

in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for the Annual Reports provided for in Section 3 above, financial information and operating data with respect to the Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement for the Bonds, as follows:

- (i) aggregate assessed values of the Project Area;
- (ii) list of top ten largest local secured property taxpayers in the Project Area;
- (iii) information on appeals, if any, by top ten taxpayers in the Project Area;
- (iv) description of outstanding indebtedness other than the Bonds payable from Tax Revenues; and
- (v) a description of the status of the Agency's compliance with the covenants contained in the Fiscal Agent Agreement concerning Redevelopment Plan limitations as described in the section of the Official Statement captioned "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS – Compliance with Plan Limitations."

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Agency shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Agency shall clearly identify each such other document so included by reference.

5. Reporting of Listed Events.

(a) The Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.

- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the Agency or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the Agency or an obligated person, or the sale of all or substantially all of the assets of the Agency or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall, or shall cause the Dissemination Agent (if not the Agency) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Fiscal Agent Agreement.

(c) The Agency acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material." The Agency shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the Agency determines the event's occurrence is material for purposes of U.S. federal securities law.

6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

7. Termination of Reporting Obligation. The obligations of the Agency under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the

Bonds. If such termination occurs prior to the final maturity date of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5.

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate; and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; and

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

9. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the Agency and the Fiscal Agent. The initial Dissemination Agent shall be the Agency.

10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Fiscal Agent thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss,

expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder (including, without limitation, any alleged violations of the Securities Exchange Act of 1934, as amended), including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Neither the Fiscal Agent nor the Dissemination Agent shall be responsible for the accuracy or validity of any information contained in any Annual Report or report of a Listed Event prepared by the Agency under this Disclosure Certificate.

11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Date: \_\_\_\_\_, 2011

REDEVELOPMENT AGENCY OF THE CITY OF SANTA CLARA

By: \_\_\_\_\_

Authorized Representative

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Redevelopment Agency of the City of Santa Clara

Name of Issues: Redevelopment Agency of the City of Santa Clara  
Bayshore North Project  
2011 Tax Allocation Bonds

Date of Issuance: \_\_\_\_\_, 2011

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the Redevelopment Agency of the City of Santa Clara (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated as of \_\_\_\_\_, 2011, relating to the Bonds. The Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_  
Authorized Representative

## APPENDIX G

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the "Agent") take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE CITY OF  
SANTA CLARA JOINT FINANCING AUTHORITY AUTHORIZING THE  
PURCHASE AND SALE OF TAX ALLOCATION BONDS FOR THE  
BAYSHORE NORTH PROJECT, APPROVING RELATED DOCUMENTS  
AND AUTHORIZING OFFICIAL ACTIONS**

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF SANTA  
CLARA JOINT FINANCING AUTHORITY AS FOLLOWS:**

**WHEREAS**, the Redevelopment Agency of the City of Santa Clara (the “Agency”) has established a Redevelopment Plan for the Bayshore North Project in the City of Santa Clara, California (the “Redevelopment Project”); and

**WHEREAS**, for the purpose of financing programs, projects and activities of the Agency relating to the Redevelopment Project, the Agency has determined to authorize the issuance of its Bayshore North Redevelopment Project 2011 Tax Allocation Bonds (the “2011 Bonds”), on a parity with outstanding tax allocation bonds which have previously been issued to provide financing for the Redevelopment Project (the “Prior Bonds”); and

**WHEREAS**, for the purpose of financing programs, projects and activities of the Agency relating to the Redevelopment Project, the Agency has determined to authorize the issuance of its Bayshore North Redevelopment Project 2011 Tax Allocation Bonds (the “2011 Bonds”), the interest on which is tax-exempt under federal tax law, on a parity with outstanding tax allocation bonds which have previously been issued to provide financing for the Redevelopment Project; and

**WHEREAS**, in order to assist the Agency in its financings, the Agency has requested the City of Santa Clara Joint Financing Authority (the “Financing Authority”) to purchase the 2011 Bonds as

provided herein and to re-sell the 2011 Bonds to Stone & Youngberg LLC, as underwriter (the “Underwriter”); and

**WHEREAS**, the Board of Directors of the Financing Authority wishes at this time to authorize the purchase and sale of the 2011 Bonds and to approve all related documents and actions;

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SANTA CLARA JOINT POWERS FINANCING AUTHORITY AS FOLLOWS:**

**Section 1. Purchase of 2011 Bonds from Agency.** The Board of Directors hereby authorizes the purchase of the 2011 Bonds from the Agency, and the concurrent sale of the 2011 Bonds to the Underwriter, under the provisions of Sections 6588(v) and 6589 of the Government Code of the State of California. The Financing Authority shall concurrently purchase the 2011 Bonds from the Agency and sell the 2011 Bonds to the Underwriter under a Bond Purchase Agreement among the Agency, the Financing Authority and the Underwriter, in substantially the form on file with the Secretary together with any additions thereto or changes therein approved by the Executive Director or the Chief Financial Officer (each, an “Authorized Officer”), and the execution thereof by an Authorized Officer shall be conclusive evidence of the approval of any such additions or changes. An Authorized Officer is hereby authorized and directed to execute the Bond Purchase Agreement for and in the name and on behalf of the Financing Authority.

**Section 2. Sale of 2011 Bonds to Underwriter.** The 2011 Bonds shall be sold by the Financing Authority to the Underwriter upon substantially the same terms and conditions as the Financing Authority agrees to purchase the 2011 Bonds from the Agency, provided that the aggregate amount of Underwriter’s discount on the sale of the 2011 Bonds shall not exceed 1.00% of the par amount thereof, and the true interest rate on the 2011 Bonds (taking into account any original issue discount on the sale thereof) shall not exceed 8.50% per annum. The Financing Authority

shall sell the 2011 Bonds to the Underwriter in accordance with the Bond Purchase Agreement which is approved under Section 1 of this Resolution.

**Section 3. Official Actions.** All actions previously taken by the officers and agents of the Financing Authority with respect to the purchase and sale of the 2011 Bonds are hereby approved, confirmed and ratified. The Chairperson, the Executive Director, the Chief Financial Officer and the Secretary of the Financing Authority, and any and all other officers of the Financing Authority, are hereby authorized and directed, for and in the name and on behalf of the Financing Authority, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the transactions described herein. Whenever in this resolution any officer of the Financing Authority is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

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**Section 4. Effective Date.** This resolution shall take effect from and after the date of approval and adoption thereof.

I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY THE BOARD OF DIRECTORS OF THE CITY OF SANTA CLARA JOINT FINANCING AUTHORITY AT A SPECIAL MEETING THEREOF HELD ON THE 19<sup>th</sup> DAY OF APRIL, 2011, BY THE FOLLOWING VOTE:

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSTAINED: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

ATTEST: \_\_\_\_\_  
ROD DIRIDON, JR.  
SECRETARY  
CITY OF SANTA CLARA JOINT  
FINANCING AUTHORITY

Attachments incorporated by reference: None

**EXECUTIVE SUMMARY OF THE TRANSACTION:**

Presented for your review and approval are three Resolutions authorizing and approving the following documents and actions relating to the issuance of the Tax Allocation Bonds for the Bayshore North Project Area. The resolutions approve the following documents and actions:

1. The resolutions approve the issuance of bonds in the aggregate principal amount of not to exceed \$35 million and approve the form of a Fiscal Agent Agreement between the Redevelopment Agency and The Bank of New York Mellon Trust Company, N.A., as fiscal agent for the 2011 Tax Allocation Bonds (the "2011 Fiscal Agent"). This document sets out the terms and conditions for the issuance and payment of the bonds and supplements the original resolution under which the 1999, 2002 and 2003 Tax Allocation Bonds were issued. The bonds will be issued on a parity with the 1999, 2002 and 2003 Tax Allocation Bonds, as a result of which the financial covenants for the new issue are substantially identical to those which secure the prior bond issues. The Fiscal Agent Agreement includes all covenants which are required under federal tax law to ensure the tax-exempt status of interest on the bonds.
2. Bond Purchase Agreement among the Redevelopment Agency, the Financing Authority and the Underwriter, setting out the interest rates, maturities and principal amounts of the bonds, and terms under which the Agency will sell the bonds to the Financing Authority and the Financing Authority will concurrently sell the bonds to the Underwriter. The resolutions authorize the sale of the bonds to the Underwriter on a negotiated basis and specify the parameters for the bond sale.
3. Preliminary Official Statement, which is the primary disclosure document under which the Underwriter will offer the bonds for sale to the public market. The Preliminary Official Statement sets forth all of the material financial and operating information relating to the Agency, the Bayshore North Project and the Bonds, and should be reviewed by the Agency members for matters within their personal knowledge.
4. The resolutions authorize various officer and staff representatives of the Agency and Finance Authority to execute all documents that may be needed to close the transaction, and specify that if any authorized signatory is absent or unavailable, such actions may be taken by a designee of the authorized signatory.

Staff will present fiscal, economic and scheduling information prior to the presentation of the Resolutions approving documents and actions as outlined above. The Resolutions are attached, and all other documents are available in the Council Offices and the City Clerk's Office for review.

percentage of the price of all tickets sold in that year (excluding the amount of suite, club and other premiums attached to the tickets). The Stadium Authority will make a good faith effort to issue bonds or enter into other financing arrangements secured by and paid from the annual revenue derived from the NFL Ticket Surcharge. The timing of the actual issuance of the bonds will be determined by mutual agreement of the Parties. The proceeds of the NFL Ticket Surcharge financing will be used by the Stadium Authority to fund the construction of the Stadium. The rate of the NFL Ticket Surcharge will initially be set by the Stadium Authority and 49ers Stadium Company such that the proceeds generated by the NFL Ticket Surcharge will not be less than the debt service and coverage amounts required by the NFL Ticket Surcharge financing, and such rate may be adjusted from time to time in accordance with the requirements of such financing. The NFL Ticket Surcharge will terminate upon repayment of the NFL Ticket Surcharge financing.

(d) Upfront Vendor Payments. The Stadium Authority, subject to the approval of 49ers Stadium Company, may use for Stadium construction any upfront payment(s) made by the concessionaire and/or other vendors for the Stadium.

**Section 7.4 Agency Investment in Stadium Construction**. The Agency will invest an amount not to exceed a total of Forty Million Dollars (\$40,000,000) (exclusive of debt service and other financing costs and exclusive of payments to the City for development fees pursuant to Section 6.4 above) toward the construction of the Stadium which investment will be derived from the following sources:

(a) Available Funds. The Agency will invest cash on hand from existing unallocated Agency funds not otherwise needed to make any State mandated payments to offset State budget shortfalls, currently estimated to be approximately Seven Million Dollars (\$7,000,000).

(b) Tax Allocation Bonds. The Agency will invest the proceeds from one or more new tax allocation bond issuances (the "Tax Allocation Bonds"). The Agency tax increment available for payment on these bonds will be from "Net Tax Increment." For purposes of this subsection 7.4(b), Net Tax Increment will mean tax increment received by the Agency from the Redevelopment Project Area net of the following amounts (i) legally required set asides, (ii) existing debt service payments on bonds and City loans, (iii) pass-through payments, and other State mandated payments, (iv) debt service on a new tax allocation bond issuance with net proceeds of Twenty-Five Million Dollars (\$25,000,000) for future Agency projects other than the Stadium; and (v) Agency administrative costs at the fiscal year 2008/2009 level escalated by four percent (4%) annually. The Agency will endeavor to generate the maximum proceeds, subject to fiscal prudence and consistent with the City's financial policies, from the issuance of new Tax Allocation Bonds. Under current economic conditions, the Agency estimates that the Tax Allocation Bonds could yield upfront proceeds of approximately Twenty-One Million Dollars (\$21,000,000), however, the Parties recognize that the proceeds from the Tax Allocation Bonds could be substantially less depending on the market conditions and the amount of Net Tax Increment available to the Agency and the Parties have not set a minimum amount of proceeds to be derived from the Tax Allocation Bonds.