CREDIT FACILITY SUBSTITUTION - NOT A NEW ISSUE
FULL BOOK-ENTRY

RATINGS

Moody's: [Aaa/VMIG1
S&P: AAA/A-1+
Fitch: AAA/F1+]
(See "RATINGS" herein)

On the date of the issuance of the Series 2008E Bonds, Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, rendered an opinion to the effect that the interest on the Series 2008E Bonds is not excluded from gross income for federal income tax purposes. It was the further opinion of Bond Counsel, that such interest is exempt from California personal income taxes. These legal opinions are not being updated in connection with the preparation of this Remarketing Memorandum. See "TAX MATTERS" for a description of the legal opinion given by Bond Counsel on the date of issuance of the Series 2008E Bonds and of the opinion to be given by Bond Counsel in connection with execution and delivery of the First Supplemental Indenture of Trust and the Series 2008E-1 Credit Facility and the Series 2008E-2 Credit Facility (all as defined herein).

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

CITY OF SAN JOSE FINANCING AUTHORITY
$13,015,000
TAXABLE LEASE REVENUE BONDS
SERIES 2008E-1
(ICE CENTRE REFUNDING PROJECT)

CITY OF SAN JOSE FINANCING AUTHORITY
$13,010,000
TAXABLE LEASE REVENUE BONDS
SERIES 2008E-2
(ICE CENTRE REFUNDING PROJECT)

Dated: Date of Delivery

Price: 100%

Due: June 1, 2025
Series 2008E-1 CUSIP: 798153 KA9
Series 2008E-2 CUSIP: 798153 KB7

The City of San José Financing Authority (the "Authority") issued its $28,070,000 initial principal amount of Taxable Lease Revenue Bonds, Series 2008E (Ice Centre Refunding Project) (the "Series 2008E Bonds") on July 3, 2008 in order to refund the City of San José Financing Authority Taxable Lease Revenue Bonds, Series 2004A (Ice Centre of San José Expansion Project) and the City of San José Financing Authority Taxable Lease Revenue Bonds, Series 2000C (Ice Centre of San José Refunding and Improvement Project), both of which were issued to finance and refinance the acquisition and construction by the City of San José (the "City") of the Ice Centre of San José (the "Facilities") located on certain real property (the "Site") located within the City. The Series 2008E Bonds were issued by the Authority pursuant to an Indenture of Trust (the "Original Indenture"), between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

On or about October __, 2010 (the "Remarketing Date"), the Authority and the Trustee will execute and deliver a First Supplemental Indenture of Trust dated as of October 1, 2010 (the "First Supplemental Indenture of Trust" and, together with the Original Indenture, the "Indenture") that will re-designate the Series 2008E Bonds into two series to be known as the "Series 2008E-1 Bonds" and the "Series 2008E-2 Bonds" (which collectively are referred to herein as the "Series 2008E Bonds"). Additionally, on the Remarketing Date, the existing letter of credit that secures the Series 2008E Bonds will be replaced by the Series 2008E-1 Credit Facility and the Series 2008E-2 Credit Facility, as described and defined below and herein. The purpose of this Remarketing Memorandum is to provide certain information regarding the Series 2008E Bonds as of the Remarketing Date.

The Series 2008E Bonds were issued in book-entry form, initially in denominations of $100,000 or any integral multiple of $5,000 in excess of $100,000. The Series 2008E Bonds were delivered in fully registered book-entry form only and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which is acting as securities depository for the Series 2008E Bonds. Upon receipt of payments of the principal of, and premium, if any, and interest on the Series 2008E Bonds, DTC will remit such principal, premium, if any, and interest to its participants (as described herein) for subsequent disbursement to the beneficial owners of the Series 2008E Bonds. Purchasers of the Series 2008E Bonds will not receive physical bonds representing their interests in the Series 2008E Bonds purchased. See APPENDIX E– "THE BOOK-ENTRY SYSTEM." During any period that the Series 2008E Bonds bear interest at a Weekly Rate (as defined herein) or a Daily Rate (as defined herein), interest on the Series 2008E Bonds is payable on the first Business Day (as defined herein) of each month. The first Interest Payment Date for the Series 2008E Bonds after the Remarketing Date will be November 1, 2010.

THIS REMARKETING MEMORANDUM IS INTENDED FOR USE WITH RESPECT TO THE SERIES 2008E BONDS ONLY WHEN THE SERIES 2008E BONDS BEAR INTEREST AT A WEEKLY RATE OR DAILY RATE.

The Series 2008E Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2008E BONDS—Redemption Provisions." The Series 2008E Bonds are subject to optional and mandatory tender for purchase at the times and subject to the occurrence of certain events as set forth herein (any date on which the Series 2008E Bonds are subject to optional or mandatory tender is referred to herein as a "Tender Date.") See "THE SERIES 2008E BONDS–Tender Provisions."

On and after the Remarketing Date, the payment of the principal of and interest on the Series 2008E-1 Bonds and the purchase price of the Series 2008E-1 Bonds upon the optional or mandatory tender thereof will initially be supported by an irrevocable direct-pay letter of credit (the "Series 2008E-1 Credit Facility") to be issued by Bank of America, N.A. (the "Series 2008E-1 Credit Provider").

[Bank of America's' Logo]

The Series 2008E-1 Credit Facility being delivered on the Remarketing Date has a stated expiration date of October __, 2013 (subject to earlier termination as described herein under "THE SERIES 2008E-1 CREDIT FACILITY AND THE SERIES 2008E-1 CREDIT PROVIDER – The Series 2008E-1 Credit Agreement"), and may be replaced by an Alternate Credit Facility (as defined in the Indenture) at any time under the circumstances described herein.

On and after the Remarketing Date, the payment of the principal of and interest on the Series 2008E-2 Bonds and the purchase price of the Series 2008E-2 Bonds upon the optional or mandatory tender thereof will initially be supported by an irrevocable direct-pay letter of credit (the "Series 2008E-2 Credit Facility") to be issued by U.S. Bank National Association (the "Series 2008E-2 Credit Provider").

[U.S. Bank's Logo]

The Series 2008E-2 Credit Facility being delivered on the Remarketing Date has a stated expiration date of October __, 2013 (subject to earlier termination as described herein under "THE SERIES 2008E-2 CREDIT FACILITY AND THE SERIES 2008E-2 CREDIT PROVIDER – The Series 2008E-2 Credit Agreement"), and may be replaced by an Alternate Credit Facility (as defined in the Indenture) at any time under the circumstances described herein.

The Series 2008E Bonds are limited obligations of the Authority payable solely from the Revenues pledged under the Indenture (as defined herein). Revenues consist principally of certain lease payments to be made by the City pursuant to the Project Lease (as defined herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008E BONDS."

THE SERIES 2008E BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA, OR ANY OF THEIR POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY AS PROVIDED IN THE INDENTURE), OR ANY OF THEIR OFFICERS, AGENTS OR EMPLOYEES THEREOF, AND NONE OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF THEIR POLITICAL SUBDIVISIONS, OR ANY OF THEIR OFFICERS, AGENTS OR EMPLOYEES THEREOF IS LIABLE THEREON. NEITHER THE SERIES 2008E BONDS NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE PROJECT LEASE (DESCRIBED HEREIN) CONSTITUTES A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION, AND THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Series 2008E Bonds. Investors should review the entire Remarketing Memorandum before making an investment decision. Attention is directed to the section of this Remarketing Memorandum entitled "CERTAIN RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2008E Bonds.

The Series 2008E Bonds are being remarketed subject to the delivery of the Series 2008E-1 Credit Facility and the Series 2008E-2 Credit Facility and the approval of certain matters by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters are being passed upon for the Authority and the City by the City Attorney. Jones Hall, A Professional Law Corporation, is also acting as Disclosure Counsel. Hawkins, Delafield & Wood LLP, San Francisco, California, is acting as counsel to the Remarketing Agent. It is anticipated that the remarketed Series 2008E Bonds will be available for delivery through the facilities of DTC in New York, New York, by Fast Automated Securities Transfer (FAST) on or about October __, 2010.

Citi
Remarketing Agent

Dated: October __, 2010

GENERAL INFORMATION ABOUT THIS REMARKETING MEMORANDUM

No Offering May Be Made Except by this Remarketing Memorandum. No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations other than as contained in this Remarketing Memorandum, and, if given or made, such other information or representation must not be relied upon as having been given or authorized by the Authority or the Remarketing Agent.

Use of this Remarketing Memorandum. This Remarketing Memorandum is submitted in connection with the remarketing of the Series 2008E Bonds described herein and may not be reproduced or used, in whole or in part, for any other purpose. This Remarketing Memorandum does not constitute a contract between any Series 2008E Bond Owner and the Authority or the Remarketing Agent.

Preparation of this Remarketing Memorandum. The information contained in this Remarketing Memorandum has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Remarketing Agent has provided the following sentence for inclusion in this Remarketing Memorandum: The Remarketing Agent has reviewed the information in this Remarketing Memorandum 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 Remarketing Agent does not guarantee the accuracy or completeness of such information.

Copies of Documents. Copies of documents referred to herein and information concerning the Series 2008E Bonds are available from the City of San José – Finance, Debt Management, 200 East Santa Clara Street, San José, California 95113, Phone: (408) 535-7010. The City may impose a charge for copying, mailing and handling.

Estimates and Forecasts. When used in this Remarketing Memorandum and in any continuing disclosure made by the Authority or the City, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements." Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. This Remarketing Memorandum speaks only as of its date, and the information and expressions of opinion contained in this Remarketing Memorandum are subject to change without notice. Neither the delivery of this Remarketing Memorandum nor any sale of the Series 2008E Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City or any other party described in this Remarketing Memorandum, since the date of this Remarketing Memorandum.

Document Summaries. All summaries of documents contained in this Remarketing Memorandum are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. Each reference in this Remarketing Memorandum to a document is qualified in its entirety by reference to such document, which is on file with the Authority.

No Unlawful Offers or Solicitations. This Remarketing Memorandum does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

No Registration with the SEC. The issuance and sale of the Series 2008E Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in both cases in reliance upon exemptions provided thereunder.

Public Offering Prices. The Remarketing Agent may offer and sell the Series 2008E Bonds to certain dealers, institutional investors and others at prices lower than the public offering prices stated on the cover page of this Remarketing Memorandum, and such public offering prices may be changed from time to time.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2008E BONDS, THE REMARKETING AGENT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2008E BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

Page

INTRODUCTION 1
- PURPOSE 2
- REMARKETING OF SERIES 2008E BONDS 2
- THE AUTHORITY 2
- THE CITY 2
- SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008E BONDS 3
- CREDIT FACILITY 4
- NO CONTINUING DISCLOSURE 4
- ADDITIONAL INFORMATION 5
- MISCELLANEOUS 5

THE PROJECT 5
SOURCES AND USES OF FUNDS 8
ESTIMATED DEBT SERVICE SCHEDULE 9
THE SERIES 2008E BONDS 10
- GENERAL PROVISIONS 10
- DETERMINATION OF INTEREST RATES 12
- CONVERSION TO OTHER RATES 13
- REDEMPTION PROVISIONS 14
- TENDER PROVISIONS 19

REMARKETING 22
- REMARKETING AGENT 22
- REMARKETING OF THE SERIES 2008E BONDS 22
- DISCLOSURE CONCERNING SALE OF SERIES 2008E BONDS BY REMARKETING AGENT 22

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008E BONDS 24
- PLEDGE OF REVENUES; REVENUE FUND 24
- ADDITIONAL BONDS AND ADDITIONAL LEASE OBLIGATIONS 25
- LEASE PAYMENTS; ABATEMENT 26
- COVENANT TO BUDGET AND APPROPRIATE 28
- RESERVE FUND 28
- INSURANCE 29
- EMINENT DOMAIN 31
- REMOVAL, MODIFICATION AND SUBSTITUTION OF THE PROJECT 31
- INVESTMENT POLICY 33

THE SERIES 2008E-1 CREDIT FACILITY AND THE SERIES 2008E-1 CREDIT PROVIDER 34
- GENERAL 34
- THE SERIES 2008E-1 CREDIT FACILITY 34
- THE SERIES 2008E-1 CREDIT AGREEMENT 35
- ALTERNATE CREDIT FACILITY 39
- THE SERIES 2008E-1 CREDIT PROVIDER 40

THE SERIES 2008E-2 CREDIT FACILITY AND THE SERIES 2008E-2 CREDIT PROVIDER 42
- GENERAL 42
- THE SERIES 2008E-2 CREDIT FACILITY 42
- THE SERIES 2008E-2 CREDIT AGREEMENT 43
- ALTERNATE CREDIT FACILITY 47
- THE SERIES 2008E-2 CREDIT PROVIDER 48

CERTAIN RISK FACTORS 49
- LIMITED OBLIGATIONS 49
- CITY'S FINANCIAL CONDITION; LIMITATION ON SOURCES OF REVENUES 50
- ABATEMENT 51
- FAILURE OF THE CREDIT PROVIDER 51
- CREDIT PROVIDER'S OBLIGATIONS UNSECURED 52
- GENERAL FACTORS AFFECTING THE CREDIT PROVIDER 53
- LIMITATIONS ON REMEDIES 53
- NO ACCELERATION UPON DEFAULT 54
- SEISMIC AND FLOOD RISKS AND OTHER EVENTS 54
- BANKRUPTCY RISKS 57
- STATE LAW LIMITATIONS ON APPROPRIATIONS 57
- CHANGE IN LAW 57
- FUTURE LITIGATION 58
- IMPACT OF SALES AND USE TAX REDIRECTION 58

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS 58
- ARTICLE XIIIA OF THE STATE CONSTITUTION 58
- ARTICLE XIIIB OF THE STATE CONSTITUTION 59
- ARTICLE XIIIC AND ARTICLE XIIID OF THE STATE CONSTITUTION 60
- PROPOSITION 62 63
- PROPOSITION 1A 64
- FUTURE BALLOT INITIATIVES 65

THE AUTHORITY 66
TAX MATTERS 66
APPROVAL OF LEGAL PROCEEDINGS 67
LITIGATION 67
RATINGS 68
FINANCIAL ADVISOR 68
FINANCIAL STATEMENTS 69
NO CONTINUING DISCLOSURE 69
MISCELLANEOUS 69

APPENDIX A - The City of San José: Demographic, Economic and Financial Information
APPENDIX B - Basic Financial Statements of the City of San José for the Fiscal Year Ended June 30, 2009
APPENDIX C - Summary of Certain Provisions of the Principal Legal Documents
APPENDIX D-1 - Opinion of Bond Counsel
APPENDIX D-2 - Form of Opinion of Bond Counsel Related to the First Supplemental Indenture of Trust, the Series 2008E-1 Credit Facility and the Series 2008E-2 Credit Facility the Alternate Credit Facility

DRAFT – Contact the Office of the City Clerk at (408) 535-1260 or CityClerk@sanjoseca.gov for final document.

APPENDIX E - The Book-Entry System

DRAFT – Contact the Office of the City Clerk at (408) 535-1260 or CityClerk@sanjoseca.gov for final document.

CITY OF SAN JOSE FINANCING AUTHORITY
CITY OF SAN JOSE, CALIFORNIA

Authority Board Members and City Council

Chuck Reed, *Mayor*

District 1: Pete Constant, *Member*
District 2: Ash Kalra, *Member*
District 3: Sam Liccardo, *Member*
District 4: Kansen Chu, *Member*
District 5: Nora Campos, *Member*
District 6: Pierluigi Oliverio, *Member*
District 7: Madison Nguyen, *Member*
District 8: Rose Herrera, *Vice Mayor*
District 9: Judy Chirco, *Member*
District 10: Nancy Pyle, *Member*

Authority and City Officials

Debra Figone, *Executive Director and City Manager*
Richard Doyle, *City Attorney*
Lee Price, MMC, *Secretary and City Clerk*
Scott P. Johnson, *Treasurer and Director of Finance*

City Staff

Julia H. Cooper, *Assistant Director of Finance*
Danielle Kenealey, *Chief Deputy City Attorney*
Karin Murabito, *Senior Deputy City Attorney*
Arn Andrews, *Treasury Division Manager*
Charlene Sun, *Debt Administrator*
Peter Detlefs, *Financial Analyst*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Financial Advisor

Public Resources Advisory Group
Los Angeles, California

Trustee and Tender Agent

Wells Fargo Bank, National Association
Los Angeles, California

DRAFT – Contact the Office of the City Clerk at (408) 535-1260 or CityClerk@sanjoseca.gov for final document.

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

CITY OF SAN JOSE FINANCING AUTHORITY
$13,015,000
TAXABLE LEASE REVENUE BONDS
SERIES 2008E-1
(ICE CENTRE REFUNDING PROJECT)

CITY OF SAN JOSE FINANCING AUTHORITY
$13,010,000
TAXABLE LEASE REVENUE BONDS
SERIES 2008E-2
(ICE CENTRE REFUNDING PROJECT)

INTRODUCTION

This introduction contains only a brief summary of certain terms of the Series 2008E Bonds and a brief description of this Remarketing Memorandum. All statements contained in this introduction are qualified in their entirety by reference to the entire Remarketing Memorandum. Any capitalized term used but not defined herein will have the meaning given to such term in APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–DEFINITIONS."

This Remarketing Memorandum, which includes the cover page and appendices hereto (this "**Remarketing Memorandum**"), provides certain information concerning the sale of the above-captioned bonds (the "**Series 2008E-1 Bonds**" and the "**Series 2008E-2 Bonds**", respectively, and, collectively, "**Series 2008E Bonds**"). See "THE SERIES 2008E BONDS" and has been prepared in connection with the delivery of the Series 2008E-1 Credit Facility and the Series 2008E-2 Credit Facility (as such terms are defined herein), which, on the Remarketing Date, will replace the letter of credit currently securing the Series 2008E Bonds. See "THE SERIES 2008E BONDS"

THIS REMARKETING MEMORANDUM IS INTENDED FOR USE WITH RESPECT TO THE SERIES 2008E BONDS ONLY WHEN THE SERIES 2008E BONDS BEAR INTEREST AT A WEEKLY OR DAILY RATE.

The Series 2008E Bonds were issued on July 3, 2008 pursuant to the following:

(i) the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the California Government Code, as amended (the "**Law**"), and

(ii) an Indenture of Trust, dated as of July 1, 2008 (the "**Original Indenture**"), between the City of San José Financing Authority (the "**Authority**") and Wells Fargo Bank, National Association, as trustee (the "**Trustee**").

On or about October __, 2010 (the "**Remarketing Date**"), the Authority and the Trustee will enter into a First Supplemental Indenture of Trust dated as of October 1, 2010 (the "**First Supplemental Indenture of Trust**" and, together with the Original Indenture, the "**Indenture**"). The First Supplement will re-designate the Series 2008E Bonds into two series to be known as the "Series 2008E-1 Bonds" and the "Series 2008E-2 Bonds." The First Supplemental Indenture also allows for the delivery of an Alternate Credit Facility on any date during a Weekly Rate Period or a Daily Rate Period, and also amends the definition of Interest Payment Date to include, during a Weekly Rate Period and a Daily Rate Period, the date of delivery of such Alternate Credit Facility.

Purpose

The Authority issued the Series 2008E Bonds in order to refund the City of San José Financing Authority Taxable Lease Revenue Bonds, Series 2004A (Ice Centre of San José Expansion Project) (the "**Series 2004A Bonds**") and the City of San José Financing Authority Taxable Lease Revenue Bonds, Series 2000C (Ice Centre of San José Refunding and Improvement Project) (the "**Series 2000C Bonds**" and, together with the Series 2004A Bonds, the "**Prior Bonds**"), both of which were issued to finance (and also refinance in the case of the Series 2000C Bonds) the acquisition and construction by the City of San José (the "City") of the Ice Centre of San José (the "Facilities") located on certain real property (the "Site") located within the City. The Series 2008E Bonds were initially issued pursuant to the Original Indenture as variable rate obligations bearing interest at a Weekly Rate.

Remarketing of Series 2008E Bonds

Citigroup Global Markets Inc. (the "**Remarketing Agent**") has previously been appointed by the Authority to serve as Remarketing Agent for the Series 2008E Bonds under the terms of a Remarketing Agreement, dated as of July 1, 2008, as supplemented and amended by a First Supplement to Remarketing Agreement, dated as of between the Authority and the Remarketing Agent (collectively, the "**Remarketing Agreement**"). Wells Fargo Bank, National Association, as tender agent (the "**Tender Agent**"), will perform certain services in connection with the purchase of tendered Series 2008E Bonds. See "REMARKETING - Disclosure Concerning Sale of Series 2008E Bonds by Remarketing Agent."

The Authority

The Authority was formed pursuant to a Joint Exercise of Powers Agreement dated December 8, 1992, by and between the City and the Redevelopment Agency of the City of San José (the "**Agency**"), and is qualified to issue the Series 2008E Bonds under the Law. The Authority, the Agency and the City are each separate and distinct legal entities, and the debts and obligations of one such entity are not the debts or obligations of the other entities. See "THE AUTHORITY."

The City

The City, with a January 1, 2010 population of approximately 1,023,830 (as reported by the California Department of Finance), is the third largest city in California and the tenth largest city in the United States. The territory of the City encompasses approximately 178 square miles. Located at the southern end of the San Francisco Bay, the City is the county seat of the County of Santa Clara (the "**County**").

The City is governed by the City Council consisting of a Mayor and ten other council members. The Mayor is elected at large for a four-year term. Council members are elected by district for staggered four-year terms. The Mayor and the council members are limited to two consecutive four-year terms. The City Council appoints the City Manager who is responsible for the operation of all municipal functions except the offices of City Attorney, City Clerk, City Auditor and Independent Police Auditor. The officials heading these offices are appointed by the City Council and carry out the policies set forth by the City Council.

DRAFT – Contact the Office of the City Clerk at (408) 535-1260 or CityClerk@sanjoseca.gov for final document.

The City provides a full range of services contemplated by statute or charter including those functions delegated to cities under state law. These services include public safety, sanitation and health, environmental enforcement, recreational and cultural activities, public improvements, planning, zoning and general administrative services.

For financial and economic information relating to the City, see APPENDIX A– "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION."

Security and Sources of Payment for the Series 2008E Bonds

Site and Facility Lease; Project Lease. In connection with the issuance of the Series 2008E Bonds, the Authority and the City (a) entered into a Site and Facility Lease, dated as of July 1, 2008 (the "**Site and Facility Lease**"), pursuant to which the City leases the Project to the Authority, and (b) entered into a Project Lease, dated as of July 1, 2008 (the "**Project Lease**"), pursuant to which the Authority leases the Project back to the City. Under the Project Lease, the City is required, so long as it has the benefit of the use and occupancy of the Project, to pay to the Authority specified lease payments (the "**Lease Payments**") in amounts sufficient to pay, when due, the principal of and interest on the Series 2008E Bonds, and to pay certain "**Additional Payments**" (which are not pledged to the payment of debt service on the Series 2008E Bonds). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008E BONDS–Lease Payments; Abatement" and "–Removal, Modification and Substitution of the Project." See also "CERTAIN RISK FACTORS."

Lease Payments. Pursuant to the Indenture, the Series 2008E Bonds are special obligations of the Authority secured by and payable solely from the Revenues, consisting principally of Lease Payments to be made by the City pursuant to the Project Lease. The Lease Payments are expected to be paid in such amounts and on such dates as will enable the Authority to pay the principal of and interest on the Series 2008E Bonds when due and payable. The City has covenanted under the Project Lease that so long as the Project is available for its use, the City will take such action as may be necessary to include the Lease Payments in its annual budget and to make the necessary annual appropriations therefor. The obligation of the City to make Lease Payments (other than from certain sources specified in the Project Lease) may be abated in whole or in part during any period in which by reason of damage or destruction (other than by eminent domain, which is provided for separately) there is substantial interference with the use and occupancy by the City of the Project or any portion thereof. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. See "CERTAIN RISK FACTORS–Abatement." See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008E BONDS–Lease Payments; Abatement."

The Lease Payments and Additional Payments will be payable from the City's general fund (the "**General Fund**"). For a discussion regarding the General Fund and the City's budget process see APPENDIX A– "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION." The City's basic financial statements for the fiscal year ended June 30, 2009, as audited by Macias, Gini & Connell LLP, are attached hereto as APPENDIX B. See "FINANCIAL STATEMENTS."

Reserve Fund. Under the Indenture, the Reserve Fund is established for the Series 2008E Bonds (the "**Reserve Fund**"). Amounts on deposit in the Reserve Fund are to be used only to make payments with respect to the Series 2008E Bonds. Proceeds of the Series 2008E Bonds, in the amount of $2,807,000, being the initial Reserve Requirement, were deposited into the Reserve Fund on the date of issue of the Series 2008E Bonds. The current balance in the Reserve Fund is $_____. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008E BONDS–Reserve Fund."

Credit Facility

On the Remarketing Date, the Authority will cause to be delivered to the Trustee, in substitution for the letter of credit previously providing credit and liquidity support for the Series 2008E Bonds, the following letters of credit:

Series 2008E-1 Credit Facility: an irrevocable direct-pay letter of credit (the "**Series 2008E-1 Credit Facility**") issued and delivered by Bank of America, N.A. (the "**Series 2008E-1 Credit Provider**" or "**Bank of America**"), to provide credit and liquidity support with respect to the Series 2008E-1 Bonds.

Series 2008E-2 Credit Facility: an irrevocable direct-pay letter of credit (the "**Series 2008E-2 Credit Facility**") issued and delivered by U.S. Bank National Association (the "**Series 2008E-2 Credit Provider**" or "**U.S. Bank**"), to provide credit and liquidity support with respect to the Series 2008E-2 Bonds.

The Series 2008E-1 Credit Facility is only available to provide credit and liquidity support with respect to the Series 2008E-1 Bonds, and is not available to provide credit and liquidity support for the Series 2008E-2 Bonds. The Series 2008E-2 Credit Facility is only available to provide credit and liquidity support with respect to the Series 2008E-2 Bonds, and is not available to provide credit and liquidity support for the Series 2008E-1 Bonds.

References herein to the "**Credit Facility**" are to the Series 2008E-1 Credit Facility or the Series 2008E-2 Credit Facility, as applicable, and references herein to the "**Credit Provider**" are to the Series 2008E-1 Credit Provider or the Series 2008E-2 Credit Provider, as applicable. For purposes of notices and consents under the Indenture or the Project Lease, references herein to the Credit Provider are to both Credit Providers.

See "THE SERIES 2008E-1 CREDIT FACILITY AND THE SERIES 2008E-1 CREDIT PROVIDER" and "THE SERIES 2008E-2 CREDIT FACILITY AND THE SERIES 2008E-2 CREDIT PROVIDER" below.

No Continuing Disclosure

While the Series 2008E Bonds bear interest at a Weekly Rate or a Daily Rate, they are exempt from the continuing disclosure requirements of Securities and Exchange Commission Rule 15c2-12(b)(5). See "NO CONTINUING DISCLOSURE."

Additional Information

This Remarketing Memorandum speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Series 2008E Bonds are available from the City of San José - Finance, Debt Management, 200 East Santa Clara Street, San José, California 95113-1905. A charge will be made to cover the City's reasonable costs of duplication and delivery. In addition, documents are available for inspection during business hours at the address above, or at the principal corporate trust office of the Trustee in Los Angeles, California.

Miscellaneous

This Remarketing Memorandum is not to be construed as a contract with the purchasers of the Series 2008E Bonds. Statements contained in this Remarketing Memorandum that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

THE PROJECT

The Ice Centre of San José (the "**Project**" or the "**Ice Centre**") opened in April 1994 and is located at the corner of South 10th Street and Alma in the City of San José. The facility is open 7 days a week for public ice skating sessions. In addition to general admission figure skating, the facility provides private and group skating lessons and hosts hockey leagues for various age groups, serves as the official training center of the National Hockey League's San Jose Sharks (the "**Sharks**"), and is the home venue for the San José State University hockey team.

The Ice Centre is managed by San Jose Arena Management LLC ("**SJAM**") pursuant to an Amended and Restated Lease and Management Agreement effective May 25, 2004 (the "**Amended and Restated Lease and Management Agreement**").

Existing Facilities

The Ice Centre facilities were built between 1994 and 2005. Each phase was constructed in accordance with applicable codes.

Original Facility. The original facility, including the mezzanine, was approximately 80,000 square feet and was comprised of two NHL-sized ice skating rinks; spectator seating; changing/locker rooms; a pro shop; a snack bar/grill; an arcade area; offices; and a meeting area.

First Expansion. With proceeds of the Series 2000C Bonds, the City undertook the following improvements, which were necessary, among other reasons, for the Ice Centre to become the official training facility for the Sharks:

- Added approximately 58,300 square feet of new improvements including a third rink, associated dressing rooms, the Sharks Training Center, and a new arcade area.
- Remodeled the existing mezzanine area between the two original rinks to provide an enhanced skater exercise and dance area and increased meeting rooms and storage space.
- Added new bathrooms, expanded and improved existing dressing rooms, and upgraded electronics and fire safety systems.
- Remodeled and expanded the current entry area to enhance food and beverage service, enhanced and expanded the pro-shop and created a ceremonial display of awards/honors for community ice users.

Second Expansion. In response to usage of the Ice Centre's three ice rinks, the City and SJAM decided to install an approximately 33,034 square foot addition to the Ice Centre, and to finance it with proceeds of the Series 2004A Bonds. The improvements included the following first-floor "expansion" and second-floor "renovation" elements:

Expansion. The City and SJAM added the following facilities on the first floor:

- Fourth ice rink and bench areas (20,635 square feet).
- Dressing rooms/locker areas (3,700 square feet).
- Zamboni room, bleachers, restrooms, equipment room (2,500 square feet).

Renovation. The City and SJAM made the following renovations on the second floor:

- Addition of 1,100 square feet to the existing mezzanine to include a 5,580-square foot restaurant and a 285-square foot banquet room.
- Addition of mechanical room (770 square feet) and bathrooms (500 square feet).

The Facilities were designed and built to include the following elements:

Sustainable Building. All four phases of the Facilities were constructed to incorporate energy efficiency (cooling, heating and lighting), water conservation and overall environmental quality. These features are not only intended to benefit the environment but also to reduce operating costs.

Seismic Considerations. All phases of the Facilities were designed in accordance with the California Building Code and are made of pre-engineered steel. A site soils report was prepared for each phase of the project by a geotechnical consulting firm. All findings were provided to the Engineer of Record and were used to design building foundations.

Fire Suppression Systems. The Facilities are protected by a fire sprinkler system designed in accordance with the applicable Uniform Fire Code and National Fire Prevention Association section 13 requirements.

Security. The Project security system includes closed circuit televisions with remote monitoring capabilities.

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Management of the Ice Centre

Background. On June 29, 1999, the City and San Jose Arena Management, LLP, the predecessor entity to SJAM, entered into a Lease and Management Agreement for the operation of the Ice Centre, which became effective on December 13, 2000 (the "**Original Lease and Management Agreement**").

Current Agreement. On May 25, 2004, SJAM and the City entered into the Amended and Restated Lease and Management Agreement, which amended and restated the Original Lease and Management Agreement. The initial term of the Amended and Restated Lease and Management Agreement expires on December 13, 2025.

Pursuant to the Amended and Restated Lease and Management Agreement:

1. SJAM will operate the Ice Centre as a community recreation facility.
2. SJAM will make base rental payments to the City. The base rental payments are expected to be sufficient to cover debt service on the Series 2008E Bonds. However, such payments are not pledged to the Series 2008E Bonds, and the City's obligation to make the Series 2008E Lease Payments is not conditioned on the receipt of such payments.
3. SJAM will make additional rental payments to reimburse the City for the cost of insuring the Ice Centre and to pay the City for certain oversight-related expenses.
4. During the initial term of the Amended and Restated Lease and Management Agreement, SJAM is required to maintain an irrevocable letter of credit in an amount sufficient to pay the following two years of base rental payments. However, the letter of credit is not pledged to the Series 2008E Bonds, and the City and SJAM may elect at any time to amend the provisions of the Amended and Restated Lease and Management Agreement to eliminate the requirement for a letter of credit.

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SOURCES AND USES OF FUNDS

The proceeds of the Series 2008E Bonds were applied as follows:

	Total
Sources of Funds:	
Series 2008E Par Amount	$28,070,000.00
Series 2000C Reserve Fund	2,392,538.54
Series 2004A Reserve Account	750,000.00
Total Sources	$31,212,538.54
Uses of Funds:	
Payment of Series 2000C Bonds(1)	$18,900,000.00
Payment of Series 2004A Bonds(1)	9,225,000.00
Deposit to Reserve Fund	2,807,000.00
Deposit to Costs of Issuance Fund(2)	225,403.64
Underwriter's Discount	55,134.90
Total Uses	$31,212,538.54

(1) An amount equal to the interest on the Series 2000C Bonds and the Series 2004A Bonds to the redemption date of July 3, 2008 was be paid by the City to the Trustee prior to the redemption of the Prior Bonds.

(2) The costs of issuance included amounts for legal fees, Trustee's fees, financial advisory fees, fees and expenses of the Credit Provider, rating agency fees, printing costs, and other issuance costs relating to the Series 2008E Bonds.

(FN) [add footnote about current Reserve Fund balance, if different]

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ESTIMATED DEBT SERVICE SCHEDULE

Principal and interest on the Series 2008E Bonds are scheduled to be paid from Lease Payments to be made by the City pursuant to the Project Lease. The Project Lease requires the City to pay Lease Payments on the third Business Day preceding each Interest Payment Date. The City has covenanted in the Project Lease that so long as the City has beneficial use and occupancy of the Project, it will make Lease Payments in amounts calculated to be sufficient to meet debt service on the Series 2008E Bonds due on each Interest Payment Date. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008E BONDS."

Set forth below is an estimated schedule of remaining debt service for each series of the Series 2008E Bonds, assuming an annual interest rate of 3.50% and scheduled sinking fund redemption.

Series 2008E-1
Estimated Debt Service Schedule

Year Ending June 30	Principal	Interest	Total Annual Debt Service
2011	$555,000	$455,525	$1,010,525
2012	590,000	436,100	1,026,100
2013	630,000	415,450	1,045,450
2014	665,000	393,400	1,058,400
2015	715,000	370,125	1,085,125
2016	750,000	345,100	1,095,100
2017	800,000	318,850	1,118,850
2018	850,000	290,850	1,140,850
2019	910,000	261,100	1,171,100
2020	960,000	229,250	1,189,250
2021	1,020,000	195,650	1,215,650
2022	1,020,000	159,950	1,179,950
2023	1,100,000	124,250	1,224,250
2024	1,190,000	85,750	1,275,750
2025*	1,260,000	44,100	1,304,100
Total	$13,015,000	$4,125,450	$17,140,450

*Maturity

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Series 2008E-2
Estimated Debt Service Schedule

Year Ending June 30	Principal	Interest	Total Annual Debt Service
2011	$555,000	$455,350	$1,010,350
2012	595,000	435,925	1,030,925
2013	630,000	415,100	1,045,100
2014	665,000	393,050	1,058,050
2015	715,000	369,775	1,084,775
2016	750,000	344,750	1,094,750
2017	800,000	318,500	1,118,500
2018	850,000	290,500	1,140,500
2019	910,000	260,750	1,170,750
2020	955,000	228,900	1,183,900
2021	1,020,000	195,475	1,215,475
2022	1,015,000	159,775	1,174,775
2023	1,105,000	124,250	1,229,250
2024	1,185,000	85,575	1,270,575
2025*	1,260,000	44,100	1,304,100
Total	$13,010,000	$4,121,775	$17,131,775

*Maturity

THE SERIES 2008E BONDS

General Provisions

The Series 2008E Bonds were issued in fully registered form without coupons in denominations of $100,000 and integral multiples of $5,000 in excess of $100,000 (as further described herein, "**Authorized Denominations**"). The Series 2008E Bonds were originally dated their date of delivery, being July 3, 2008, and mature, subject to prior redemption, as set forth on the cover of this Remarketing Memorandum.

The Series 2008E Bonds were issued as variable rate obligations that bear interest at a Weekly Rate as determined from time to time by the Remarketing Agent as described in this Remarketing Memorandum, and currently bear interest at a Weekly Rate. During the time that the Series 2008E Bonds are in a Weekly Rate Period or Daily Rate Period, the Owners of the Series 2008E Bonds will not be entitled to receive interest thereon at any rate other than the applicable Weekly or Daily Rate. The Series 2008E Bonds are subject to conversions to alternate methods of determining interest rates thereon from time to time and to conversion to an interest rate fixed to maturity upon the terms and conditions described in this Remarketing Memorandum.

The interest rate on the Series 2008E Bonds will not exceed the Maximum Interest Rate as described in the Indenture. All interest rate determinations will be binding upon the Owners of the Series 2008E Bonds. The Authority, the Trustee, the Credit Provider and the Liquidity Provider (if different than the Credit Provider) will not be liable to any Owners for failure to give

any notice required with regards to the interest rates or for failure of any Owners to receive such notice. If the Remarketing Agent fails for any reason to determine or notify the Trustee of an interest rate for any Weekly or Daily Rate Period, or if any interest rate for a Weekly or Daily Rate Period is determined by a court of competent jurisdiction to be invalid or unenforceable, the interest rate for such Weekly or Daily Rate Period with respect to the Series 2008E Bonds will be the lesser of (A) the Maximum Interest Rate or (B) the Reference Rate. The first Interest Payment Date for the Series 2008E Bonds after the Remarketing Date will be November 1, 2010.

Interest on the Series 2008E Bonds is required to be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2008E Bond is authenticated following a Record Date and on or before the next succeeding Interest Payment Date, in which event interest thereon will be payable from such Interest Payment Date, or (ii) a Series 2008E Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the date of delivery, or (iii) interest on any Series 2008E 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. The amount of interest payable on any Interest Payment Date with respect to the Series 2008E Bonds will be computed on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed during a Weekly Rate Period or a Daily Rate Period.

The principal and premium, if any, of the Series 2008E Bonds will be payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee in Los Angeles, California. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to each person in whose name the ownership of a Series 2008E Bond will be registered as of the immediately preceding Record Date, at the respective addresses shown on the registration books as of the immediately preceding Record Date; *provided, however,* that at the written request of any Owner of the Series 2008E Bonds in an aggregate principal amount of at least $1,000,000, which written request is required to be on file with the Trustee as of the Record Date immediately preceding any Interest Payment Date, interest on such Series 2008E Bonds will be payable on such Interest Payment Date by wire transfer to such bank account within the United States as will be specified (to the satisfaction of the Trustee) in such written request.

The Series 2008E Bonds are registered in the name of Cede & Co., as nominee of the Securities Depository, and are evidenced by one Series 2008E Bond for each series and maturity. Registered ownership of the Series 2008E Bonds, or any portion thereof, may not thereafter be transferred except as described in APPENDIX E– "THE BOOK-ENTRY SYSTEM."

THIS REMARKETING MEMORANDUM IS INTENDED FOR USE ONLY WHEN THE SERIES 2008E BONDS BEAR INTEREST AT A WEEKLY OR DAILY RATE.

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RATE AND TENDER SUMMARY TABLE[1]
FOR SERIES 2008E BONDS BEARING INTEREST AT A
DAILY OR WEEKLY RATE

	Daily Rate	Weekly Rate
Interest Payment Date	First Business Day of each month, the maturity date, and certain Mandatory Tender Dates[2]	First Business Day of each month, the maturity date, and certain Mandatory Tender Dates
Record Date	Last Business Day next preceding each Interest Payment Date	Last Business Day next preceding each Interest Payment Date
Date of Interest Rate Determination	Not later than 10:00 a.m. on the commencement date of the Daily Rate Period	Not later than 9:30 a.m. on the commencement date of the Weekly Rate Period, or if such date is not a Business Day, on the preceding Business Day
Commencement of Rate Period	Each Business Day	Wednesday of each week unless converting to a Weekly Rate from a different Variable Rate, then the Weekly Rate Conversion Date
Purchase Date	Any Business Day	Any Business Day at least 7 calendar days following receipt of tender notice
Notice Period for Optional Tender	Telephonic or written notice not later than 11:00 a.m. on the designated purchase date	Written notice not later than 3:00 p.m. on a Business Day not less than 7 calendar days prior to the designated purchase date[3]
Tender Date for Optionally Tendered Bonds	At or before 12 noon on the designated purchase date	At or before 12 noon on the designated purchase date
Payment Date for Optionally Tendered Bonds	At or before 3:00 p.m. on the designated date of purchase	At or before 3:00 p.m. on the designated date of purchase

(1) Information in this Rate and Tender Summary Table is provided for the convenience of the Owners of the Series 2008E Bonds only and is not meant to be comprehensive.
(2) Written notice of optional tender is to be given to the Tender Agent and the Remarketing Agent.
Note: All time references given above refer to New York City time.

Determination of Interest Rates

Weekly Rate. The Series 2008E Bonds will bear interest at the Weekly Rate as determined from time to time by the Remarketing Agent. The Weekly Rate Period will commence on Wednesday of each week and end on the Tuesday of the following week except in the case of a conversion from a Weekly Rate to a different Variable Rate or to a Fixed Rate, whereby the last Weekly Rate Period prior to the conversion will end on the last day immediately preceding the Conversion Date. The interest rate of each Weekly Rate Period will be effective from and including the commencement date and last day of the Weekly Rate Period.

Each Weekly Rate will be determined by the Remarketing Agent no later than 9:30 a.m., New York City time, on the commencement date of the Weekly Rate Period, or if such date is not a Business Day, on the preceding Business Day. The Remarketing Agent will notify the

Trustee, the City, the Credit Provider and the Liquidity Provider of such interest rate not later than 12:00 noon, New York City time, on the Business Day next succeeding the date of determination of such rate and, if a date of determination is the last Business Day of an Interest Payment Period, on such date of determination. The Trustee will inform the Owners of the Series 2008E Bonds of the interest rate determined upon request.

Daily Rate. While the Series 2008E Bond bear interest at a Daily Rate, the Daily Rate Period will commence on each Business Day, the first such Business Day being the Daily Rate Conversion Date, and will extend to, but not include, the next succeeding Business Day. The interest rate for each Daily Rate Period will be effective from and including the commencement date thereof and will remain in effect to, but not including, the next Business Day.

Each Daily Rate will be determined by the Remarketing Agent not later than 10:00 a.m. New York City time, on the Commencement of the Daily Rate Period. The Remarketing Agent will notify the Trustee, the City, the Credit Provider and the Liquidity Provider of such interest rate not later than 12:00 noon, New York City time, on Friday of each week and on the last Business Day of each Interest Payment Period. The Trustee will inform the Owners of the Series 2008E Bonds of the interest rate determined upon request.

Conversion to Other Rates

Conversion to Another Variable Rate. At the option of the Authority, each series of the Series 2008E Bonds may be converted from a Weekly Rate or Daily Rate to another Variable Rate. The Authority will give notice of its intent to convert a series of Series 2008E Bonds to another Variable Rate to the Remarketing Agent, the Tender Agent, the Trustee, the Credit Provider and the Liquidity Provider not fewer than 15 days and not more than 30 days prior to the proposed Conversion Date. Not fewer than 10 days prior to the proposed Conversion Date, the Trustee will mail (by first class mail) a written notice of the conversion to the Owners of the Series 2008E Bonds at their addresses as they appear on the Registration Books on the day on which notice is received by the Trustee from the Authority with regards to the conversion as described above.

Any conversion of a series of Series 2008E Bonds to another Variable Rate will be subject to the conditions that, prior to the date of such conversion, the Authority will have delivered (A) in the case of conversions to a Variable Rate for which the Required Stated Amount is greater than the Required Stated Amount for the Weekly or Daily Rate in effect prior to such conversion, to the Trustee an Alternate Credit Facility (or a substitute Liquidity Facility, as applicable), in the Required Stated Amount as of the Conversion Date or written evidence that the stated amount of the Credit Facility (and the Liquidity Facility, as applicable) has, if necessary, been increased to the Required Stated Amount, and (B) in the case of conversions to a Flexible Rate, a Semiannual Rate or a Long Rate, to the Trustee written evidence from each Rating Agency then rating the Series 2008E Bonds that such ratings will not be lowered or withdrawn due to the conversion (other than the withdrawal of any short-term rating in connection with a conversion to a Long Rate). In addition, in the case of conversions to a Flexible Rate, the Authority will either (1) deliver to the Trustee written evidence from the Depository to the effect that the Depository will hold the Series 2008E Bonds bearing interest at a Flexible Rate or (2) make arrangements to have new Series 2008E Bonds of the applicable series prepared and executed and registered in such names as will be specified by the Depository. If the Authority timely withdraws its notice of conversion or if any of the conditions

precedent to conversion to another Variable Rate are not met, the affected series of Series 2008E Bonds will be payable at a Weekly Rate. Conversions from a Weekly Rate to a Daily Rate require the consent of the applicable Credit Provider.

Conversion to Fixed Rates. At the option of the Authority, provided that the Authority has obtained a firm underwriting commitment, a series of Series 2008E Bonds may be converted to accrue interest at a Fixed Rate until final maturity or earlier redemption. The Authority will give written notice of any such conversion to the Trustee, the Remarketing Agent, the Tender Agent, the Credit Provider and the Liquidity Provider not fewer than 45 days prior to the proposed Fixed Rate Conversion Date. Such notice will specify the proposed Fixed Rate Conversion Date. Notice of conversion will be given no less than 10 days prior to the proposed Fixed Rate Conversion Date (by first class mail) by the Trustee to the Owners of all the affected series of Series 2008E Bonds as their addresses appear on the Registration Books on the date the Trustee received the notice from the Authority with regards to the conversion as provided above.

No more than 35 days nor less than 5 days prior to the Fixed Rate Conversion Date, the Remarketing Agent will determine the Fixed Rate for the affected series of Series 2008E Bonds to be converted to a Fixed Rate and provide the Fixed Rate for the affected series of Series 2008E Bonds to the Trustee as provided in the Indenture. Unless the Authority and the Liquidity Provider will have otherwise agreed in writing, from and after the Fixed Rate Conversion Date, the Liquidity Facility will cease to be available with respect to the affected series of Series 2008E Bonds converted to a Fixed Rate. If the Authority timely withdraws its notice of conversion or if any of the conditions precedent to conversion to Fixed Rate are not met, the affected series of Series 2008E Bonds will be payable at a Weekly Rate.

Notice of Conversion. For the Series 2008E Bonds, any Conversion Date is a Mandatory Tender Date, and the notice that the Owners will receive regarding the Conversion will (i) specify the proposed Mandatory Tender Date; (ii) state that the affected series of Series 2008E Bonds will be subject to mandatory tender for purchase on the Mandatory Tender Date; (iii) state that Owners may not elect to retain their Series 2008E Bonds following the Mandatory Tender Date; (iv) state that all of the affected series of Series 2008E Bonds will be required to be delivered to the Corporate Trust Office of the Tender Agent at or before 12:00 noon, New York City time, on the Mandatory Tender Date; (v) state that if the Owner of any of the affected series of Series 2008E Bond (or portion thereof) fails to deliver such Series 2008E Bond to the Tender Agent for purchase on the Mandatory Tender Date, and if the Tender Agent is in receipt of the Purchase Price therefor, such Series 2008E Bond (or portion thereof) will nevertheless be deemed purchased on the Mandatory Tender Date and ownership of such Series 2008E Bond (or portion thereof) will be transferred to the purchaser thereof; and (vi) state that any Owner who fails to deliver such Series 2008E Bond for purchase will have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Series 2008E Bond to the Tender Agent and that the Trustee will place a stop transfer against the Series 2008E Bonds of the affected series registered in the name of such Owner(s) on the Series 2008E Bond registration books.

Redemption Provisions

Optional Redemption. While any Daily or Weekly Rate is in effect, each series of the Series 2008E Bonds is subject to optional redemption by the Authority from Available Moneys

(but only with the consent of the applicable Credit Provider if the source of Available Moneys is to be a draw on the Credit Facility), as a whole or in part on any Business Day. The redemption will be effected at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium. If the source of moneys to be used for such optional redemption is other than a draw on the applicable Credit Facility, no notice of such optional redemption, other than a rescindable notice, will be given unless the Authority has on hand Available Moneys sufficient for the redemption price. In no event will moneys drawn on the Liquidity Facility that is not also a Credit Facility be used to pay the redemption price of any Series 2008E Bonds.

Extraordinary Mandatory Redemption from Insurance or Condemnation Proceeds. Each series of the Series 2008E Bonds is also subject to redemption as a whole or in part in any Authorized Denomination on any date, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium, to the extent of Net Proceeds received with respect to the Project and transferred from the Insurance and Condemnation Fund to the Revenue Fund (or a draw on the applicable Credit Facility such that the amount of Series 2008E Bonds redeemed corresponds to the amount of Net Proceeds). In the event that the amount of Net Proceeds transferred to the Revenue Fund in connection with the redemption of a series of Series 2008E Bonds is insufficient to redeem or provide for the redemption of all of that series of Series 2008E Bonds in full, the Authority shall, by delivery of a Written Certificate to the Trustee, designate the amount of each maturity of such series of the Series 2008E Bonds to be redeemed; provided that the Authority and the City will also certify in writing that the Lease Payments to be made thereafter will not exceed the fair rental value of the Project for any Rental Period. The Series 2008E Bonds redeemed as described in this paragraph will be redeemed only with Available Moneys.

Sinking Fund Redemption. The term bonds of each series of Series 2008E Bonds are subject to mandatory sinking fund redemption by lot, from Revenues (provided that, if there is a Credit Facility in effect which is a direct-pay letter of credit, such redemption will only occur from a draw on the Credit Facility), on June 1 in each of the years and in the respective amounts as set forth below, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption, as set forth in the following schedule; *provided, however,* that if some but not all of such series of the Series 2008E Bonds have been redeemed pursuant to an optional redemption or an extraordinary mandatory redemption from insurance or condemnation proceeds, the total principal amount of such series of the Series 2008E Bonds to be redeemed subsequent to each redemption will be reduced on a pro rata basis, or as otherwise specified in writing by the Authority, in integral multiples of an Authorized Denomination.

Sinking Fund Redemption Schedule
Series 2008E-1 Bonds Maturing June 1, 2025

Redemption Date (June 1)	Principal Amount
2011	$555,000
2012	590,000
2013	630,000

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2014	665,000
2015	715,000
2016	750,000
2017	800,000
2018	850,000
2019	910,000
2020	960,000
2021	1,020,000
2022	1,020,000
2023	1,100,000
2024	1,190,000
2025*	1,260,000

*Maturity

Sinking Fund Redemption Schedule
Series 2008E-2 Bonds Maturing June 1, 2025

Redemption Date (June 1)	Principal Amount
2011	$555,000
2012	595,000
2013	630,000
2014	665,000
2015	715,000
2016	750,000
2017	800,000
2018	850,000
2019	910,000
2020	955,000
2021	1,020,000
2022	1,015,000
2023	1,105,000
2024	1,185,000
2025*	1,260,000

*Maturity

Notwithstanding the mandatory sinking fund redemptions established above, for so long as a series of Series 2008E Bonds bear interest at a Variable Rate, the Authority may, with the prior written consent of the applicable Credit Provider and the Liquidity Provider but without receiving any consent of the Owners of the Series 2008E Bonds, modify such mandatory sinking fund redemptions in connection with a Substitution pursuant to the Project Lease (see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008E BONDS – Removal, Modification and Substitution of the Project"), such that the combined debt service on such series of the Series 2008E Bonds shall, upon the commencement of amortization on the Series 2008E Bonds, be satisfactory to the Authority and the City delivers a Written Certificate to the

Authority, each Credit Provider and the Liquidity Provider to the effect that the resulting Lease Payments do not exceed fair rental value for any Rental Period.

Redemption at the Direction of the Credit Provider. For so long as a Credit Facility is in effect with respect to a series of Series 2008E Bonds and the applicable Credit Provider is not in default thereunder, such series of the Series 2008E Bonds are subject to redemption in whole, but not in part, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium from a draw on the applicable Credit Facility on the earliest date for which notice of redemption can be timely given, such redemption to occur solely at the written direction of the applicable Credit Provider upon the occurrence of an event of default under the applicable Credit Agreement; provided, however, that notwithstanding any notice provision, such redemption will occur not later than the last Business Day next preceding the expiration or termination of the applicable Credit Facility, and neither the failure to send any notice of redemption, nor the timeliness in sending any redemption notice, will affect the sufficiency of the proceedings for the redemption of the applicable series of the Series 2008E Bonds as described in this paragraph or the cessation or accrual of interest on the applicable series of the Series 2008E Bonds from and after the date fixed for redemption.

Selection of Series 2008E Bonds for Redemption or Purchase. Whenever provision is made in the Indenture for the redemption or purchase of less than all of a series of Series 2008E Bonds, the Authority will select, or in the absence of such selection, the Trustee will select the Series 2008E Bonds of such series to be redeemed or purchased from all of the Series 2008E Bonds of such series or such given portion thereof not previously called for redemption by lot in any manner which the Trustee in its sole discretion will deem appropriate and fair; provided, however, that Variable Rate Bonds will be redeemed in the following order of priority (and by lot within each priority): (i) any Bank Bonds, (ii) any Variable Rate Bonds which have been tendered to the Tender Agent on the date fixed for redemption, the notice of which tender will have been given to the Trustee prior to the selection of Variable Rate Bonds for such redemption; and (iii) any other Variable Rate Bonds.

Notice of Redemption; Rescission of Notice. Notice of redemption will be mailed by first class mail, postage prepaid, not less than 15 calendar days, and not more than 60 calendar days, prior to such redemption date (provided that a redemption described in "Redemption At the Direction of the Credit Provider" will be given 3 days prior to the redemption date, but failure to give such notice on a timely basis will not affect the proceedings for redemption), to (i) each of the Securities Depositories and the Information Services, (ii) the respective Owners of any Series 2008E Bonds designated for redemption at their addresses appearing on the Registration Books and (iii) the applicable Credit Provider, the Liquidity Provider and the Remarketing Agent. Each notice of redemption will state the redemption date, the place or places of redemption, and, if less than all of the Series 2008E Bonds are to be redeemed, the CUSIP numbers and the distinctive numbers of the Series 2008E Bonds to be redeemed, and in the case of Series 2008E Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Series 2008E Bonds the principal amount relating thereto or of said specified portion of the principal thereof in the case of a Series 2008E Bond to be redeemed in part only, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2008E Bonds be then surrendered. ***Neither the failure to receive any such notice so mailed nor any defect in***

any notice so mailed will affect the sufficiency of the proceedings for the redemption of Series 2008E Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Notice of redemption of Series 2008E Bonds will be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

The Authority will have the right to rescind any optional or extraordinary mandatory` redemption, other than a redemption directed by a Credit Provider, by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of redemption (other than a mandatory sinking fund redemption notice or a notice related to a redemption at the direction of a Credit Provider) will be rescinded if for any reason funds are not (or will not be) available on the date fixed for redemption for the payment in full of the Series 2008E Bonds then called for redemption or if the applicable Credit Provider has not consented to such redemption if such consent is required, and such rescission will not constitute an Event of Default under the Indenture. The Trustee will mail notice of any rescission of redemption in the same manner as the notice of redemption was originally given.

Any redemption notice with respect to the redemption a series of Series 2008E Bonds being redeemed with Available Moneys will state that if, on the date set for redemption, there are insufficient Available Moneys to redeem all of such series of Series 2008E Bonds (other than Bank Bonds) called for redemption, or that Available Moneys are for any reason not available to pay the redemption price of such series of Series 2008E Bonds (other than Bank Bonds) called for redemption, such redemption will be cancelled, and such series of Series 2008E Bonds (other than Bank Bonds) will not be redeemed and will remain outstanding under the Indenture.

Partial Redemption of Series 2008E Bonds. Upon surrender of any Series 2008E Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Series 2008E Bond of Authorized Denominations, and of the same maturity and series, equal in aggregate principal amount to the unredeemed portion of the Series 2008E Bond surrendered.

Effect of Redemption. Notice having been given as described above, and moneys for the redemption (including the interest to the applicable date of redemption and including any applicable premium), having been set aside in the Revenue Fund established under the Indenture or any of the accounts therein, the affected Series 2008E Bonds will become due and payable on said date of redemption, and, upon presentation and surrender thereof at the Corporate Trust Office of the Trustee, said Series 2008E Bonds will be paid at the redemption price thereof, together with interest accrued and unpaid to the date of redemption and premium, if any.

If, on the date of redemption, moneys for the redemption of all of a series of Series 2008E Bonds to be redeemed, together with interest to said date of redemption, will be held by the Trustee so as to be available therefor on such date of redemption, and, if notice of redemption thereof will have been given as aforesaid and not rescinded, then, from and after the date of redemption, interest represented by such Series 2008E Bonds will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of

Series 2008E Bonds will be held in trust for the account of the Owners of the Series 2008E Bonds so to be redeemed.

Tender Provisions

Optional Tender. Beneficial Owners of the Series 2008E Bonds may elect to have their Series 2008E Bonds, or portions of their Series 2008E Bonds in amounts equal to Authorized Denominations (so long as any untendered portion is also an Authorized Denomination), purchased at a Purchase Price equal to the principal amount of such Series 2008E Bonds (or portions thereof), plus accrued interest, if any, payable in immediately available funds on the following purchase dates and upon giving notice by mail or telephone meeting the requirements set forth below and in the Indenture.

Series 2008E Bonds with interest payable at a Weekly Rate may be tendered for purchase on any Business Day, upon delivery of an irrevocable written notice of tender to the Tender Agent and the Remarketing Agent not later than 3:00 p.m., New York City time, on a Business Day not less than 7 calendar days prior to the designated purchase date, which date for purchase will be set forth in the tender notice.

Series 2008E Bonds with interest payable at a Daily Rate may be tendered for purchase on any Business Day, upon delivery of an irrevocable telephonic or written notice of tender given to the Tender Agent and the Remarketing Agent not later than 11:00 a.m., New York City time, on the designated purchase date.

In the case of a written notice of tender, it will be delivered to the Tender Agent and the Remarketing Agent at their respective Corporate Trust Offices and be in form satisfactory to the Tender Agent. The notice of tender will state, whether delivered in writing or by telephone, (A) the principal amount of the Series 2008E Bond to which the notice relates and the CUSIP number of such Series 2008E Bond, (B) that the Beneficial Owner irrevocably demands purchase of such Series 2008E Bond or a specified portion thereof in an amount equal to an Authorized Denomination, (C) the date on which such Series 2008E Bond or portion is to be purchased, and (D) payment instructions with respect to the Purchase Price.

The written notice of tender will automatically constitute, whether delivered in writing or by telephone (A) an irrevocable offer to sell the Series 2008E Bond (or portion thereof) to which such notice relates on the purchase date to any purchaser selected by the Remarketing Agent (or to the Liquidity Provider in the case of purchases made with funds drawn under the Liquidity Facility), at a price equal to the Purchase Price thereof (or portion thereof), (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such Series 2008E Bond (or portion thereof) upon payment of such price to the Tender Agent on the purchase date, (C) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the Series 2008E Bond to be purchased in whole or in part for other Series 2008E Bonds of the same series bearing interest at a Daily Rate or a Weekly Rate, as applicable, in an equal aggregate principal amount so as to facilitate the sale of such Series 2008E Bond (or portion thereof to be purchased), and (D) an acknowledgment that such Beneficial Owner will have no further rights with respect to such Series 2008E Bond (or portion thereof) upon deposit of an amount equal to the Purchase Price thereof with the Tender Agent on the purchase date, except for the right of such Beneficial Owner to receive such Purchase Price on the purchase date.

DRAFT – Contact the Office of the City Clerk at (408) 535-1260 or CityClerk@sanjoseca.gov for final document.

The determination of the Tender Agent and the Remarketing Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing will be conclusive and binding upon the Beneficial Owner. The Tender Agent or the Remarketing Agent may waive any irregularity or nonconformity in any tender.

Mandatory Tender. Each series of Series 2008E Bonds is subject to mandatory tender for purchase on the following Mandatory Tender Dates:

(i) on any Conversion Date;

(ii) on any date the Authority delivers an Alternate Credit Facility with respect to the related series of Series 2008E Bonds (including a substitute Liquidity Facility);

(iii) on a Business Day not later than the 4th calendar day (or if such day is not a Business Day, on the immediately preceding Business Day) following receipt by the Trustee of (a) a written notice of termination (as provided in the related Credit Agreement, as defined below) from the related Liquidity Provider, but only if such related Liquidity Facility permits funds to be drawn thereunder to purchase the related series of Series 2008E Bonds prior to such termination; (b) if the related Credit Facility is a direct-pay letter of credit, a written notice from the related Credit Provider stating that the interest component of the related Credit Facility has not been reinstated to the full stated amount thereof following a draw thereon to pay interest on the related series of Series 2008E Bonds (excluding from such interest component Series 2008E Bonds of such series which are Bank Bonds or which have been redeemed); or (c) if the related Credit Facility is a direct-pay letter of credit, a written notice from the related Credit Provider that there has been an event of default under the related Credit Agreement, notifying the Trustee that the related Credit Facility will be terminated as provided in the related Credit Agreement and directing the Trustee to purchase the related series of Series 2008E Bonds pursuant to a mandatory tender;

(iv) on the last Business Day which is not less than 10 days before the Stated Expiration Date of any related Credit Facility or related Liquidity Facility if an irrevocable commitment to provide an Alternate Credit Facility (or substitute Liquidity Facility) in substitution therefor is not delivered to the Trustee at least 25 days before such stated expiration date;

(v) if permitted by the related Liquidity Facility then in effect, on any optional redemption date or any extraordinary mandatory redemption date on which the Authority has elected to purchase the related series of Series 2008E Bonds in lieu of redemption pursuant to the Indenture; and

(vi) if permitted by the related Liquidity Facility then in effect, on any Interest Payment Date in connection with the modification or amendment of the Indenture pursuant therein, as directed in writing by the Authority with the written consent of the related Liquidity Provider.

Notice of Mandatory Tender. The Trustee will send a Mandatory Tender Notice to the Owners of a series of Series 2008E Bonds at their addresses shown on the registration books of the Trustee. A Notice of Mandatory Tender will be given:

(i) in not less than 10 days prior to the Mandatory Tender Date in the case of (i), (ii) (iv), (v) and (vi) above, and

(ii) on the first date on which such notice can be given in the case of (iii) above, after receipt by the Trustee of the written notice referred to therein.

In no event will failure to send, on a timely basis, a Mandatory Tender Notice, or any defect therein, affect the sufficiency of the proceedings for such mandatory tender.

Purchase of Tendered Series 2008E Bonds. At or before 3:00 p.m., New York City time, on the date set for purchase of tendered Series 2008E Bonds and upon receipt by the Tender Agent of 100% of the aggregate Purchase Price of the tendered Series 2008E Bonds, the Tender Agent will pay the Purchase Price of such Series 2008E Bonds to the Owners thereof at its Corporate Trust Office or by bank wire transfer. Such payments will be made in immediately available funds. The Tender Agent will apply in order (i) moneys paid to it by the Remarketing Agent as proceeds of the remarketing of such series of Series 2008E Bonds and (ii) moneys derived from drawings under the related Liquidity Facility. On each date on which a Series 2008E Bond is to be purchased, if the Remarketing Agent will have given notice to the Tender Agent that it has been unable to remarket any of the Series 2008E Bonds or if the Tender Agent has not received from the Remarketing Agent an amount sufficient to pay the Series 2008E Bonds by the time the Tender Agent must draw on the related Liquidity Facility, the Tender Agent will direct the Trustee (if the two are separate entities) to draw on the related Liquidity Facility in an amount equal to the Purchase Price of all such series of Series 2008E Bonds which have not been successfully remarketed. If such moneys available for the purchase of such series of Series 2008E Bonds are inadequate for the purchase of all such series of Series 2008E Bonds tendered on any purchase date, no purchase will be consummated and the Tender Agent is to return all tendered Series 2008E Bonds of such series to the Owners thereof and return all moneys received for the purchase of such Series 2008E Bonds to the persons providing such moneys. Notwithstanding any such inadequacy (whether due to a lack of remarketing proceeds or a failure on the part of the related Liquidity Provider to honor a draw on the related Liquidity Facility), the Remarketing Agent will continue to have the right to remarket the Series 2008E Bonds at rate not in excess of the Maximum Interest Rate described in the Indenture.

Remarketing proceeds relating to a series of Series 2008E Bonds and draws on the Liquidity Facility related to a series of Series 2008E Bonds are to be used only to pay the purchase price of such series of Series 2008E Bonds, or must be returned to the applicable Liquidity Provider. The Tender Agent is to deposit all moneys, including remarketing proceeds and proceeds of drawings upon the applicable Liquidity Facility, delivered to it for the purchase of the related series of Series 2008E Bonds into the Purchase Fund. The Tender Agent will hold all remarketing proceeds in trust for the exclusive benefit of the persons that will have so delivered such moneys until the Series 2008E Bonds purchased with such moneys will have been delivered to it for the account of such persons and, thereafter, for the benefit of the Owners tendering such Series 2008E Bonds, and will hold all draws on the related Liquidity Facility in trust for the exclusive benefit of the Series 2008E Bond Owners who will deliver Series 2008E Bonds to it for purchase until the Series 2008E Bonds purchased with such moneys will have been delivered to it for the account of the Liquidity Provider. Moneys in the Bond Purchase Fund will not be commingled with other funds held by the Tender Agent and will remain uninvested.

The Authority is not obligated to provide any moneys for the purchase of tendered Series 2008E Bonds other than moneys received pursuant to the remarketing of such Series 2008E Bonds or from drawings under the related Liquidity Facility.

See "REMARKETING" and "CERTAIN RISK FACTORS – Failure of the Credit Provider" below.

Limitations on Remarketing of Series 2008E Bonds. If there will have occurred and be continuing an Event of Default under the Indenture related to a series of Series 2008E Bonds, unless the related Liquidity Provider will otherwise consent, purchases of such series of Series 2008E Bonds will only be made with the proceeds from a drawing under the related Liquidity Facility and there will be no sales of such series of Series 2008E Bonds pursuant to the Indenture. The Remarketing Agent is not to sell a series of Series 2008E Bonds if it receives written notice from the Liquidity Provider stating that an event of default under the related Credit Agreement has occurred and is continuing and requesting the Remarketing Agent not to remarket the Series 2008E Bonds of such series. As described above, in the event there is a lack of remarketing proceeds or a failure on the part of the Liquidity Provider to honor a draw on the related Liquidity Facility, the Remarketing Agent will continue to have the right to remarket the related series of Series 2008E Bonds at rate not in excess of the Maximum Interest Rate described in the Indenture.

REMARKETING

Remarketing Agent

Citigroup Global Markets Inc. is the exclusive Remarketing Agent for both the Series 2008E-1 Bonds and the Series 2008E-2 Bonds. The Remarketing Agent has agreed to use its best efforts to remarket the Series 2008E Bonds subject to certain conditions set forth in the Remarketing Agreement. The Remarketing Agent is not obligated to purchase any Series 2008E Bonds at any time.

Remarketing of the Series 2008E Bonds

The Indenture provides that the Remarketing Agent for a series of Series 2008E Bonds will offer for sale and use its best efforts to find purchasers for such series of Series 2008E Bonds tendered for purchase, either as the result of an optional tender or a mandatory tender, and such series of Series 2008E Bonds registered in the name of the Credit Provider or its designee, any such sale to be made at an interest rate not in excess of the Maximum Interest Rate and at a price equal to 100% of the principal amount thereof plus accrued interest (not in excess of the Maximum Interest Rate) to the purchase date, in accordance with the terms of the Indenture.

Disclosure Concerning Sale of Series 2008E Bonds by Remarketing Agent

The Remarketing Agent is Paid by the Authority. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Series 2008E Bonds that are tendered by the owners thereof under optional or mandatory tender provisions, all as further described in this Remarketing Memorandum. The Remarketing Agent

is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Series 2008E Bonds.

The Remarketing Agent Routinely Purchases Series 2008E Bonds for its Own Account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2008E Bonds for its own account. The Remarketing Agent, in its sole discretion, routinely acquires tendered Series 2008E Bonds for its own inventory in order to achieve a successful remarketing of the Series 2008E Bonds (i.e., because there otherwise are not enough buyers to purchase the Series 2008E Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series 2008E Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series 2008E Bonds by routinely purchasing and selling Series 2008E Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2008E Bonds. The Remarketing Agent may also sell any Series 2008E Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2008E Bonds. The purchase of Series 2008E Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Series 2008E Bonds in the market than is actually the case. The practices described above also may reduce the supply of Series 2008E Bonds that may be tendered in a remarketing.

Series 2008E Bonds May be Offered at Different Prices on any Date. The Remarketing Agent is required to determine certain dates the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2008E Bonds at par plus accrued interest, if any, on the date the rate becomes effective. The interest rate will reflect, among other factors, the level of market demand for the Series 2008E Bonds (including whether the Remarketing Agent is willing to purchase Series 2008E Bonds for its own account). There may or may not be Series 2008E Bonds tendered and remarketed on a rate determination date, the Remarketing Agent may or may not be able to remarket any Series 2008E Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series 2008E Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Series 2008E Bonds at the remarketing price. In the event the Remarketing Agent owns any Series 2008E Bonds for its own account, the Remarketing Agent may, in its sole discretion in a secondary market transaction outside the tender process, offer the Series 2008E Bonds on any date, including the date the Remarketing Agent determines the interest rate on the Series 2008E Series 2008E Bonds or the date such interest rate becomes effective, at a discount to par to some investors.

The Ability to Sell the Series 2008E Bonds other than through Tender Process May Be Limited. While the Remarketing Agent may buy and sell Series 2008E Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Series 2008E Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2008E Bonds other than by tendering the Series 2008E Bonds in accordance with the tender process. The Series 2008E-1 Credit Facility and the Series 2008E-2 Credit Facility are not available to purchase Series 2008E-1 Bonds or Series 2008E-2 Bonds other than those tendered in accordance with a sale of Series 2008E Bonds-1 or Series 2008E-

2 Bonds, as applicable, by the Owner of Series 2008E-1 Bonds or Series 2008E-2 Bonds, as applicable, to the Remarketing Agent. The Series 2008E-1 Credit Facility and the Series 2008E-2 Credit Facility will only be drawn when such Series 2008E-1 Bonds or Series 2008E-2 Bonds, as applicable, have been properly tendered in accordance with the terms of the Indenture. See also "CERTAIN RISK FACTORS – FAILURE OF THE CREDIT PROVIDER."

Remarketing Agent May Be Removed, Resign or Cease Remarketing the Series 2008E Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent with respect to a series of the Series 2008E Bonds, the Tender Agent may assume such duties, as described in the Indenture.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008E BONDS

Pledge of Revenues; Revenue Fund

The Indenture provides that the principal of and interest on (but not the purchase price of) the Series 2008E Bonds are payable solely from "**Revenues,**" consisting of

(i) Lease Payments and all amounts derived from or with respect to the Project Lease, including prepayments and Net Proceeds and amounts received pursuant to the Authority's or the Trustee's exercise of remedies under the Project Lease after a default by the City, but excluding Additional Payments, and

(ii) any investment income held or received under the Indenture.

The City will pay the Lease Payments to the Authority to the extent required under the Project Lease, which Lease Payments are designed to be sufficient, in both time and amount, to pay, when due, the principal of and interest on the Series 2008E Bonds. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and any other amounts (including proceeds of the sale of the Series 2008E Bonds but excluding amounts held in the Rebate Fund and the Purchase Fund established pursuant to the Indenture) held in any fund or account established pursuant to the Indenture and all of the right, title and interest of the Authority in the Project Lease is pledged by the Authority to secure the payment of the principal of, premium, if any, and interest on the Series 2008E Bonds in accordance with their terms and the provisions of such Indenture.

Under the Indenture, the Authority is obligated to transfer in trust and assign to the Trustee, for the benefit of the Owners from time to time of the Series 2008E Bonds, and the Credit Provider and the Liquidity Provider, all of the Revenues and all of the right, title and interest of the Authority in the Project Lease, other than the Authority's right to receive indemnification under the Project Lease and its right to receive Additional Payments. The Trustee will be entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority are required to be paid by the Authority to the Trustee. The Trustee also will be entitled to and will, subject to the provisions of the Indenture, take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the

Authority or separately, all of the rights of the Authority and all of the obligations of the City under and with respect to the Project Lease.

Revenue Fund. All Revenues will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "**Revenue Fund**," which the Trustee is required to establish, maintain and hold in trust under the Indenture; except that (i) any moneys received by the Trustee and required under the Indenture or under the Project Lease to be deposited in the Insurance and Condemnation Fund will be promptly deposited in such Fund, and (ii) all interest, profits and other income will be deposited as provided under the Indenture or to make a deposit in the Reserve Fund. All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Allocation of Revenues. On or before each Interest Payment Date or a date set for redemption, the Trustee is required to apply all moneys in the Revenue Fund as set forth below to (i) reimburse the Credit Provider, if any, for drawings under the related Credit Facility used to pay the interest on the related series of Series 2008E Bonds, (ii) pay the interest on the Series 2008E Bonds, (iii) pay the interest on Series 2008E Bonds purchased by the Trustee or the Authority, (iv) reimburse the Credit Provider for drawings under the related Credit Facility used to pay the principal of the Series 2008E Bonds, (v) pay the principal of the Series 2008E Bonds (vi) purchase Series 2008E Bonds subject to mandatory sinking fund redemption pursuant to the Indenture, or (vii) make a deposit to the Reserve Fund in such amount as may be necessary to maintain on deposit therein an amount equal to the Reserve Requirement; provided that following issuance of the Series 2008E Bonds, failure to so maintain such amounts on deposit in the Reserve Fund (because such amounts have been used for the purpose for which the Reserve Fund has been established) shall not constitute an Event of Default under the Indenture, but only if and to the extent Revenues are not available for such purpose. The Revenues must be applied in that order of priority, with the requirement of each priority to be satisfied before any payment subsequent in priority. In the event that Revenues are insufficient to make the required deposits in full, any insufficiency will be allocated among each series of Bonds on a proportionate basis based on debt service due on such series of Bonds. In the event the Credit Facility is a direct-pay letter of credit and the related Credit Provider does not honor a draw on such Credit Facility to pay the principal of and interest on the Series 2008E Bonds, when due, the Trustee will apply the Revenues on deposit in the Revenue Fund to make the payment of principal and interest. In the event that there are insufficient amounts on deposit in the Revenue Fund to make such payments, the Trustee will notify the City and the Authority and request that the City make all Lease Payments currently due under the Project Lease in order to provide sufficient amounts for such payment.

See APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–THE INDENTURE–Pledge and Assignment; Revenue Fund" and "–Allocation of Revenues."

Additional Bonds and Additional Lease Obligations

Additional Bonds. The Indenture does not authorize the issuance of additional bonds payable from Revenues.

Additional Lease Obligations. As of June 30, 2010, the City had obligations to make payments with respect to approximately $844.408 million aggregate principal amount in

outstanding lease obligations payable from the General Fund. See APPENDIX A– "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION–Bonded and Other Indebtedness" for additional information regarding the City's outstanding lease obligations. The Indenture and the Project Lease contain no limitations on the amount of additional lease obligations that the City may incur.

The Authority is considering issuing lease revenue bonds on behalf of the City in early 2011 in order to finance a portion of the City's expansion and rehabilitation of its Convention Center. The Authority and the City have not finalized the amount or the timing of the financing.

Lease Payments; Abatement

Under the Project Lease, Lease Payments are to be made by the City to the Authority with respect to the Project.

Lease Payments. Lease Payments are required to be made by the City on the third Business Day preceding each Interest Payment Date in an amount equal to the debt service on the Series 2008E Bonds on such Interest Payment Date. Lease Payments are an obligation of the City's General Fund and, therefore, are not limited by or to any particular revenue source of the City. The obligation of the City to make Lease Payments is payable from annual appropriations of the City from funds lawfully available therefor. The City has covenanted in the Project Lease to take such action as may be necessary to include all rental payments due under the Project Lease in its annual budgets and to make necessary annual appropriations for all such rental payments. **The obligation of the City to make Lease Payments under the Project Lease does not constitute an obligation of the City for which the City is obligated to pledge any form of taxation or for which the City has pledged any form of taxation. Neither the full faith and credit nor the taxing power of the City or the State or any of its political subdivisions is pledged to make Lease Payments under the Project Lease. See "CERTAIN RISK FACTORS–Limited Obligations."**

In consideration of the lease of the Project from the Authority under the Project Lease and subject to certain provisions of the Project Lease, the City has agreed to pay the Lease Payments to the Authority as rental for the use and occupancy of the Project during each Rental Period, and the Lease Payments will be payable on each Lease Payment Date in an amount equal to the aggregate amount of debt service coming due and payable on the outstanding Series 2008E Bonds on the next succeeding Interest Payment Date. Any amount held in the Revenue Fund on any Lease Payment Date and available for the payment of debt service on the Series 2008E Bonds (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole and other than amounts required for payment of past due principal or interest with respect to any Series 2008E Bonds not presented for payment), including amounts deposited therein from the proceeds of the Series 2008E Bonds and accrued interest on the Series 2008E Bonds, will be credited towards the Lease Payment then due and payable (as further provided in the Indenture); and no Lease Payment need be made on any Lease Payment Date if the amounts then held in the Revenue Fund are at least equal to the Lease Payment then required to be paid. The Lease Payments for the Project payable in any Rental Period will be for the use of the Project for such Rental Period. The obligation of the City to make Lease Payments is subject to the risk of abatement. See "Abatement" below and "CERTAIN RISK FACTORS–Abatement."

In the event the City should fail to make any of the Lease Payments required, the payment in default will continue as an obligation of the City until the amount in default will have been fully paid, and the City has agreed to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate per annum equal to the rate payable by the Authority with respect to the Series 2008E Bonds. Such interest if received, will be deposited in the Revenue Fund.

Fair Rental Value. The Lease Payments for the Project for each Rental Period will constitute the total rental for the Project for each such Rental Period and will be paid by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Project during each such Rental Period. The City and the Authority have agreed and determined that the total Lease Payments for the Project do not exceed the fair rental value of the Project. In making such determination, consideration has been given to the obligations of the parties under the Project Lease, the uses and purposes that may be served by the Project and the benefits therefrom that will accrue to the City and the general public.

Abatement. Under the Project Lease, Lease Payments will be abated during any period in which by reason of damage or destruction (other than by eminent domain as described below) there is substantial interference with the use and occupancy by the City of the Project or any portion thereof. The amount of such abatement will be proportional to such substantial interference such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Project not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. Notwithstanding the foregoing, there will be no abatement of Lease Payments under the Project Lease to the extent that the proceeds of rental interruption insurance or amounts in the Revenue Fund or the Reserve Fund are available to pay Lease Payments that would otherwise be abated. A shortfall in revenue available to the Trustee caused by any abatement of Lease Payments would impact the Series 2008E Bonds on a pro rata basis. See "CERTAIN RISK FACTORS –Abatement." In the event of a partial or complete abatement, the City may elect to make payments in an amount up to the abated Lease Payments to the Trustee for the payment of debt service on the Series 2008E Bonds, but is not obligated to do so.

Additional Payments. Additional Payments due from the City under the Project Lease include, among other things, (a) the amount, if any, required to cause the amount then in the Reserve Fund to equal the Reserve Requirement, provided that the total amount of Lease Payments and Additional Payments for the applicable Rental Period will not exceed, in any event, the fair rental value of the Project for such Rental Period; (b) all fees and expenses incurred by the Authority in connection with or by reason of its leasehold interest of the Project as and when the same become due and payable; (c) all reasonable compensation to the Trustee for all services rendered under the Indenture; (d) the administrative fees and expenses of the Authority relating to the Series 2008E Bonds; (e) fees and other amounts owing from time to time by the Authority or the City with respect to the Credit Facility that are not payable from Lease Payments; (f) fees and other amounts owing from time to time by the Authority or the City with respect to the Liquidity Facility that are not payable from the Lease Payments; and (g) amounts owed to the provider of a Reserve Fund Credit Facility due to a draw thereon that are not payable from Lease Payments. See APPENDIX C– "SUMMARY OF CERTAIN

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PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS –THE PROJECT LEASE–Additional Payments."

Covenant to Budget and Appropriate

Under the Project Lease, the City covenants to take such action as may be necessary to include all Lease Payments due under the Project Lease in each of its budgets during the Term of the Project Lease and to make the necessary annual appropriations for all such Lease Payments, and all such Additional Payments. These covenants on the part of the City contained in the Project Lease will be deemed to be and will be construed to be ministerial duties imposed by law and the Charter of the City, and it will be the duty of each and every public official of the City to take such action and do such things as are required by law and the Charter of the City in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Project Lease agreed to be carried out and performed by the City.

For a discussion of the budget and finances of the City, see APPENDIX A– "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION" and APPENDIX B– "BASIC FINANCIAL STATEMENTS OF THE CITY OF SAN JOSE FOR THE FISCAL YEAR ENDED JUNE 30, 2009."

Reserve Fund

Under the Indenture, the Trustee is required to maintain and hold in trust a separate fund known as the "**Reserve Fund**." Amounts on deposit in the Reserve Fund are to be used only to make payments with respect to the Series 2008E Bonds. The Reserve Fund will be funded in an amount equal to the Reserve Requirement, which is defined in the Indenture to mean, as of any date of calculation, an amount equal to the lesser of (i) Maximum Annual Debt Service with respect to all Outstanding Series 2008E Bonds, (ii) 10% of the original proceeds (within the meaning of Section 148 of the Code) of all Series 2008E Bonds, or (iii) 125% of average Annual Debt Service on the Outstanding Series 2008E Bonds, in each case calculated assuming the Series 2008E Bonds are paid on their stated maturity or sinking account payment dates as provided in the Indenture.

On the date of issuance of the Series 2008E Bonds, $2,807,000 of the proceeds of the Series 2008E Bonds were deposited into the Reserve Fund, constituting the initial Reserve Requirement. Currently, $_____ is on deposit in the Reserve Fund, which is an amount equal to the Reserve Requirement.

While any Series 2008E Bonds are Outstanding, any moneys in excess of the Reserve Requirement will be transferred to the Revenue Fund, and will used to pay debt service on the Series 2008E Bonds unless otherwise directed by an Authorized Representative of the Authority. For purposes of determining the amount or existence of any such excess, the Trustee is required to cause the investments in the Reserve Fund to be valued at their Value as of the 15th day preceding each June 1 and December 1.

In lieu of depositing and maintaining cash in the Reserve Fund, the Authority may deposit with the Trustee a Reserve Fund Credit Facility, pursuant to and under the terms of the Indenture. See APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL

LEGAL DOCUMENTS –THE INDENTURE–Application of Funds Other Than the Revenue Fund–Reserve Fund."

Insurance

During the term of the Project Lease, the City is required to maintain rental income interruption insurance in an amount not less than the aggregate Lease Payments payable by the City pursuant to the Project Lease for a period of 24 months (based on an interest rate on the Series 2008E Bonds of 12% or such lower rate as agreed to in writing by the Credit Provider when the Series 2008E Bonds bear interest at a Weekly Rate or a Daily Rate), to insure against loss of rental income from the Project caused by perils covered by the insurance required by the Project Lease. Notwithstanding the foregoing, the Project Lease provides that the City will be obligated to maintain such insurance only if the insurance is commercially available at a reasonable cost from a reputable insurer. The Project Lease prohibits the rental income interruption insurance from being subject to a separate deductible from the casualty insurance described in the following paragraph.

The City is obligated to maintain or cause to be maintained during the term of the Project Lease fire and lightning insurance (with an extended coverage endorsement and with a vandalism and malicious mischief endorsement) on all structures, facilities and improvements constituting any part of the Project in an amount equal to the lesser of (i) 100% of the replacement cost of such structures, facilities and improvements (less a commercially reasonable deductible amount) or (ii) an amount equal to the then outstanding Series 2008E Bonds. Said extended coverage endorsement will cover loss or damage by explosion, windstorm, hail, riot, civil commotion, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such endorsement, if such coverage is commercially available in reasonable amounts at reasonable cost on the open market from reputable insurance companies. The Project Lease does not require the City to maintain flood insurance for the Project.

The City is not required to maintain earthquake insurance unless, based upon the written recommendation of the City's Risk Manager annually filed by the City with the Trustee, it is obtainable in reasonable amounts at reasonable cost on the open market from reputable insurance companies. The City has determined that such insurance is not available in reasonable amounts and at a reasonable cost at this time.

The City has provided an ALTA title insurance policy in the amount not less than the aggregate principal amount of the Series 2008E Bonds, insuring the City's insurable fee title and the Authority's leasehold estate in the Project, subject only to Permitted Encumbrances. All Net Proceeds received under this title policy will be deposited with the Trustee in the Insurance and Condemnation Fund established under the Indenture and will be applied to the redemption of Series 2008E Bonds pursuant to the relevant redemption provisions of the Indenture.

The City may, subject to the requirements of the Project Lease, self-insure against any of the risks required to be insured against under the Project Lease, except for self-insurance against loss of rental income and title insurance. Any self-insurance program must be approved as reasonable and appropriate by a Risk Management Consultant in the form of a report on the nature of the program and the adequacy of its funding, which will be prepared and filed with the Trustee not less than 60 days prior to the date such program is proposed to take effect, and

annually on each anniversary of such effective date during any period when such program is in effect. If an annual approving report is not timely filed with the Trustee, the Trustee is to promptly notify the City in writing and the City is required to immediately obtain insurance as required under the Project Lease or promptly file the annual approving report.

The City's current insurance coverage and self-insurance program are described in APPENDIX A– "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION–Insurance and Self-Insurance Programs."

Substitution of Project in the Event of an Uninsured Loss. In the event that an uninsured casualty loss occurs with respect to the Project or any portion thereof, or some other event occurs, including, without limitation, condemnation of all or a portion of the Project, resulting in the abatement of Lease Payments under the Project Lease, the City is required under the Project Lease to use its best efforts to provide Substitute Property for the damaged or condemned Project or portion thereof, provided that any such substitution will be subject to the approval of the City Council of the City and the Governing Board of the Authority. To the extent practicable, any such Substitute Property is required to meet the requirements set forth in the Project Lease, provided that no substitution occurring pursuant to the Project Lease will be invalid due to one or more of the requirements set forth in the Project Lease not being met other than the requirement for the delivery of an Opinion of Bond Counsel stating that such substitution or addition is permitted under the Project Lease. See "Removal, Modification to and Substitution of the Project" below.

Application of Net Insurance Proceeds. Under the Indenture, any Net Proceeds of insurance against accident to or destruction of any structure constituting any part of the Project collected by the City in the event of any such accident or destruction will be paid to the Trustee by the City pursuant to the Project Lease and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund, as defined under the Indenture, provided that the City will be entitled to retain any such proceeds if the City has advanced the cost of repairing, restoring, modifying or improving the damaged or destroyed portions of the Project upon delivering a written certificate of the City to the Trustee certifying as to the nature of such advanced costs and that such advanced costs have not been the basis of any previous withdrawal from the Insurance and Condemnation Fund. The City will notify the Trustee within 180 days of the receipt of such Net Proceeds whether the City will apply such amounts to replace, repair, restore, modify or improve the Project or to prepay Lease Payments and redeem Series 2008E Bonds. See "THE SERIES 2008E BONDS–Redemption Provisions." If the City determines to apply such Net Proceeds to prepay Lease Payments and redeem Series 2008E Bonds, or if the City fails to determine and notify the Trustee in writing of its determination, within 180 days following the date of such deposit, to replace, repair, restore, modify or improve the Project, then such proceeds will be promptly transferred by the Trustee to the Insurance and Condemnation Fund and applied to the redemption of Series 2008E Bonds pursuant to the Indenture. However, in the event of damage or destruction in full of any structure constituting any part of the Project, the proceeds of such insurance will be used to rebuild or replace such portion of the Project if such proceeds are not sufficient to redeem a principal amount of the Series 2008E Bonds equal to the aggregate principal amount thereof allocable to such portion of the Project.

All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Revenue Fund for redemption of Series 2008E Bonds will be applied to the prompt

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replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Project by the City. In the event there are Net Proceeds remaining after the replacement, repair, rehabilitation, restoration or improvement, if any, to or of the Project, and the City delivers to the Trustee a Written Certificate of the City to the effect that after such replacement, repair, rehabilitation, restoration or improvement, if any, the fair rental value is at least equal to the Lease Payments in any Rental Period, such remaining Net Proceeds are to first be transferred to the Reserve Fund to the extent necessary to increase the amount on deposit therein to the Reserve Requirement and thereafter paid to the City to be used for any lawful purpose. If the City cannot deliver the Written Certificate of the City described in the preceding sentence, then such amounts will be used to prepay Lease Payments and to redeem Series 2008E Bonds. See APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS –THE INDENTURE–Application of Funds Other Than the Revenue Fund–Insurance and Condemnation Fund."

Eminent Domain

Under the Project Lease, if all of the Project is taken permanently or so much thereof as renders the remainder unusable for the purposes for which the Project was acquired and constructed, under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Project Lease will cease as of the day possession is taken. If less than all of the Project is taken permanently under the power of eminent domain and the remainder is usable for the purposes for which the Project was acquired and constructed or if all of the Project or any part thereof is taken temporarily under the power of eminent domain, (i) the Project Lease will continue in full force and effect and will not be terminated by virtue of such taking and the parties agree to waive the benefit of any law to the contrary, and (ii) after application of amounts on deposit in the Insurance and Condemnation Fund and the Reserve Fund, there will be a partial abatement of Lease Payments in an amount to be agreed upon by the City and the Authority such that the resulting Lease Payments for the Project represent fair consideration for the use and occupancy of the remaining usable portion of the Project (the Project Lease provides that the Credit Provider may obtain an appraisal of the remaining portion of the Project to establish the fair consideration for the use and occupancy of such remaining portion of the Project). See also APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS –THE PROJECT LEASE–Eminent Domain; Use of Proceeds."

Removal, Modification and Substitution of the Project

The Project Lease provides that the City may, subject to certain conditions, substitute or remove portions of the Project. Such substitution or removal may result in a reduction of value or other material changes in the characteristics of the Project.

Substitution of and Additions to the Project. Under the Project Lease and subject to the Indenture, the City has the option at any time and from time to time during the Term of the Project Lease, to substitute other land, facilities, improvements or other property (each a "**Substitute Property**") for or in addition to the Project or any portion thereof (each a "**Former Property**"), provided that the City obtains the prior written consent of the Credit Provider and the Liquidity Provider and satisfies the conditions set forth in the Project Lease.

If the Substitute Property is an existing facility that is not to be rehabilitated or restored, the City will certify in writing to the Authority, the Credit Provider, the Liquidity Provider and the Trustee, such certification to be based on an appraisal prepared by an appraiser (which appraiser, if so requested by the Credit Provider, the Liquidity Provider or any provider of an Alternate Credit Facility, will be independent of the City and the Authority), that the estimated fair market value of such Substitute Property when added to the estimated fair market value of the Former Property to remain subject to the Project Lease, if any, is not less than the fair market value of the Former Property that was previously subject to the Project Lease and is at least equal to the sum of (i) the aggregate principal components of the unpaid Lease Payments and (ii) the aggregate principal components of the unpaid Lease Payments with respect to any other bonds or certificates of participation relating to the Substitute Property and, if applicable, the Former Property to remain subject to the Project Lease, and the estimated annual fair rental value of the Substitute Property, when added to the estimated annual fair rental value of the Former Property, if any, that is to remain subject to the Project Lease, is at least equal to the sum of (i) Maximum Annual Debt Service and the anticipated maximum Additional Payments during any future Rental Period, and (ii) the maximum annual lease payments with respect to any other bonds or certificates of participation relating to the Substitute Property and the Former Property, if applicable.

If the Substitute Property is a to-be-built facility or a facility which is to be rehabilitated or restored, the City will certify in writing to the Authority and the Trustee (i) that the estimated fair market value of the Substitute Property, upon the completion of the facility located thereon, when added to the estimated fair market value of the Former Property, if any, that is to remain subject to the Project Lease, is not less than the fair market value of the Former Property which was previously subject to the Project Lease and is at least equal to the sum of (w) the aggregate principal components of the unpaid Lease Payments and (x) the aggregate principal components of the unpaid lease payments with respect to any other bonds or certificates of participation relating to the Substitute Property and, if applicable, the Former Property to remain subject to the Project Lease, and the estimated annual fair rental value of the Substitute Property, upon the completion of the facility located thereon, when added to the estimated fair rental value of the Former Property, if any, that is to remain subject to the Project Lease, is at least equal to the sum of (y) the Maximum Annual Debt Service and the anticipated maximum Additional Payments during any future Rental Period and (z) the maximum annual lease payments with respect to any other bonds or certificates of participation relating to the Substitute Property and the Former Property, if applicable, and (ii) that there has been deposited in the Revenue Fund held under the Indenture moneys which, when added to the Lease Payments to be made under the Project Lease, will be sufficient to pay debt service on the Series 2008E Bonds when due, and debt service on any other bonds or certificates of participation relating to the Substitute Property and the Former Property to remain subject to the Project Lease, as applicable (assuming timely completion of the Substitute Property and then market interest rates in connection with determining the rate of interest on the Series 2008E Bonds in the case of Variable Rate Bonds and in connection with determining the rate of investment for moneys on deposit in the Revenue Fund).

The City will not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of a substitution of or addition to the Project.

Modification to the Project. The City will, at its own expense, have the right to remodel the Project or to make additions, modifications and improvements to the Project, but

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only if after the remodel, addition, modification or improvement are completed, the fair rental value of the Project in the current and all succeeding Rental Periods will be not less than the Lease Payments due in any such Rental Period. All additions, modifications and improvements to the Project, but not any additional buildings or improvements, will thereafter comprise part of the Project and be subject to the provisions of the Project Lease. Such additions, modifications and improvements will not in any way damage the Project or cause it to be used for purposes in conflict with the provisions of State and federal law; and the Project, upon completion of any additions, modifications and improvements made thereto pursuant to the Project Lease, will be of a value which is not substantially less than the value of the Project immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Project for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City pursuant to the Project Lease; provided that if any such lien is established and the City will first notify or cause to be notified the Authority and the Trustee of the City's intention to do so, the City may in good faith contest any lien filed or established against the Project, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and will provide the Authority and the Trustee with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority and the Trustee. The Authority and the Trustee will cooperate fully in any such contest, upon the request and at the expense of the City.

Removal of Property from the Project. The City has the option under the Project Lease, to remove any property from the description of the Project, provided that the City obtains the prior written consent of the Credit Provider and the Liquidity Provider and satisfies certain conditions precedent to such removal.

In connection with such removal, among other things, the City will obtain a report of an appraiser (which appraiser, if so requested by the Credit Provider, the Liquidity Provider or any provider of an Alternate Liquidity Facility, will be independent of the City and the Authority) certifying that the estimated fair market value of the Project that will remain following such removal is not less than the sum of (i) the aggregate principal components of the unpaid Lease Payments and (ii) the aggregate unpaid principal components of the unpaid Lease Payments with respect to any other bonds or certificates of participation relating to the Project that will remain following such removal, and that the estimated annual fair rental value of the Project which will remain following such removal is at least equal to the sum of (1) maximum Annual Debt Service and the anticipated maximum Additional Payments during any future Rental Period and (2) the maximum annual lease payments with respect to any other bonds or certificates of participation relating to the Project which will remain following such removal.

The City will not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such removal.

Investment Policy

Moneys invested by the City, as well as moneys invested by the Trustee under the Indenture, are subject to State law and the City's Investment Policy. The Investment Policy is reviewed annually. On September 28, 2010, the City Council is scheduled to review and consider approval of a number of revisions to the Investment Policy. The proposed revisions

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are consistent with State law. For a discussion of the City's investment policy regarding pooled cash, see APPENDIX A– "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION—Investment Policy and Practices of the City."

THE SERIES 2008E-1 CREDIT FACILITY AND THE SERIES 2008E-1 CREDIT PROVIDER

General

Beginning on October __, 2010, the payment of the principal of and interest on the Series 2008E-1 Bonds and the purchase price of the Series 2008E-1 Bonds upon the optional or mandatory tender thereof will initially be supported by an irrevocable direct-pay letter of credit (a "**Credit Facility**" and the "**Series 2008E-1 Credit Facility**") to be issued by Bank of America, N.A. ("**Bank of America**") (a "**Credit Provider**" and the "**Series 2008E-1 Credit Provider**"). The Series 2008E-1 Credit Facility has a stated expiration date of October __, 2013.

The Series 2008E-1 Credit Facility

The Series 2008E-1 Credit Facility. Under the Series 2008E-1 Credit Facility, the Series 2008E-1 Credit Provider irrevocably authorizes the Trustee to draw on the Series 2008E-1 Credit Facility in accordance with its terms in an aggregate amount of $13,160,483 (the "**Stated Amount**"), representing $13,015,000 in principal and $145,483 in interest. The Stated Amount will be reduced automatically from time to time following a drawing on the Series 2008E-1 Credit Facility, and reinstated from time to time from reimbursements made by the City to the Series 2008E-1 Credit Provider, as provided in the Series 2008E-1 Credit Facility.

Related Provisions of the Indenture. The Indenture requires the Trustee to draw on the Series 2008E-1 Credit Facility in an amount and at such times (as such times will be set forth in the Series 2008E-1 Credit Facility) as will be required to pay in full the principal of and interest on the Series 2008E-1 Bonds (excluding any Bank Bonds registered in the name of the Series 2008E-1 Credit Provider or its designee or Series 2008E-1 Bonds registered in the name of the Authority or the City).

If the Series 2008E-1 Credit Facility is a direct-pay letter of credit, the Trustee will make such draw at such time as is required to receive amounts needed on each Interest Payment Date, maturity date, mandatory sinking fund redemption date, other redemption date and the date (if any) on which the Series 2008E-1 Bonds are declared due and payable due to the occurrence of an Event of Default under the Indenture. If the Series 2008E-1 Credit Facility is a direct-pay letter of credit, the Trustee will pay the principal of and interest on the Series 2008E-1 Bonds (excluding any Outstanding Bank Bonds registered in the name of the Series 2008E-1 Credit Provider or its designee) when due and payable solely from moneys drawn under the Series 2008E-1 Credit Facility.

The Trustee will also draw moneys under the Liquidity Facility for the Series 2008E-1 Bonds for the purpose of paying the Purchase Price of any Series 2008E-1 Bonds (excluding any Outstanding Bank Bonds registered in the name of the Liquidity Provider for the Series 2008E-1 Bonds or its designee or in the name of the Authority or the City) to the extent required by the Indenture.

Pending application as aforesaid, except as required by the Indenture in connection with paying the Purchase Price of Series 2008E-1 Bonds, all moneys drawn under the Credit Facility will be deposited in a special fund designated the "Credit Facility Bond Payment Fund." The Credit Facility Bond Payment Fund will be established and maintained by the Trustee and held in trust apart from all other moneys and securities held under the Indenture or otherwise, and the Trustee will have the exclusive and sole right of withdrawal from the Credit Facility Bond Payment Fund for the exclusive benefit of the Owners of the Series 2008E-1 Bonds with respect to which such drawing was made. Moneys drawn on the Series 2008E-1 Credit Facility and deposited in the Credit Facility Bond Payment Fund for the payment of debt service will be used only to pay debt service on the Series 2008E-1 Bonds or returned to the Series 2008E-1 Credit Provider if not so needed. Moneys in the Credit Facility Bond Payment Fund will be held in cash and will not be invested.

The Series 2008E-1 Credit Agreement

The City, the Authority and the Series 2008E-1 Credit Provider will execute a Letter of Credit Reimbursement Agreement dated as of October __, 2010 (the "**Series 2008E-1 Credit Agreement**") prior to issuance of the Series 2008E-1 Bonds which, among other things, sets the terms and conditions under which the Authority is required to repay the Series 2008E-1 Credit Provider any amounts drawn by the Trustee under the Series 2008E-1 Credit Facility. Defined terms used under this heading and not defined in this Remarketing Memorandum will have the meanings assigned to them in the Series 2008E-1 Credit Agreement and the Series 2008E-1 Credit Facility.

Reimbursement of Drawings. Except as provided below with respect to Tender Advances, the Series 2008E-1 Credit Agreement provides:

(i) The City is obligated to pay to the Series 2008E-1 Credit Provider in immediately available funds on each date on which the Series 2008E-1 Credit Provider pays any amount under the Series 2008E-1 Credit Facility pursuant to any Payment Drawing (the "**Draw Date**"), a sum equal to the amount paid, plus interest on the unreimbursed amount from the Draw Date until reimbursement is received by the Agent for the account of the Series 2008E-1 Credit Provider in full.

(ii) Interest on the unreimbursed draws will accrue at the Default Rate in effect from time to time. No interest will accrue and be payable if the City reimburses the Series 2008E-1 Credit Provider for a draw by 3:00 p.m., New York City time, on the Draw Date for such draw. No interest will accrue and be payable if the City reimburses the Series 2008E-1 Credit Provider by 3:00 p.m., New York City time, for a Tender Advance on the same day on which such Tender Advance was made.

With respect to Tender Advances, the Series 2008E-1 Credit Agreement provides that if the Series 2008E-1 Credit Provider makes any payment under the Series 2008E-1 Credit Facility pursuant to a Tender Drawing (a drawing under the Series 2008E-1 Credit Facility with respect to the payment, upon a tender, of the unpaid principal amount of, and accrued and unpaid interest on, all or less than all of the Series 2008E-1 Bonds) and no event has occurred that would (or with the giving of notice would) constitute an event of default under the Series 2008E-1 Credit Agreement, such payment will constitute a "**Tender Advance**" (an advance made by the Series 2008E-1 Credit Provider to the City on the date and in the amount of such

payment). The unpaid principal amount of any Tender Advance and all accrued and unpaid interest thereon (based on the Draw Rate) will be repaid in accordance with the Series 2008E-1 Credit Agreement. Upon payment under the Series 2008E-1 Credit Facility pursuant to a Tender Drawing, the Series 2008E-1 Bonds so purchased will be registered in the name of the Series 2008E-1 Credit Provider as Bank Bonds and held by the Tender Agent pursuant to the terms of the Custody Agreement.

Notwithstanding anything in the Series 2008E-1 Credit Agreement or in the Indenture to the contrary, to the extent permitted by law, if at any time any rate of interest payable to the Series 2008E-1 Credit Provider under the Series 2008E-1 Credit Agreement exceeds the Maximum Bank Interest Rate (defined as the maximum lawful rate of interest, if any, for obligations owed to the Series 2008E-1 Credit Provider under the Series 2008E-1 Credit Agreement) and as a result the Series 2008E-1 Credit Provider does not receive payment at the interest rate as calculated under the Series 2008E-1 Credit Agreement without regard to such statutory or constitutional interest rate limitation or restriction, then the interest rate applicable to amounts owed to the Series 2008E-1 Credit Provider will remain at the maximum rate allowable under such statutory or constitutional interest rate limitation, despite any subsequent reduction in the interest rate applicable to amounts payable to the Series 2008E-1 Credit Provider, until the Series 2008E-1 Credit Provider has been paid that amount of interest that it would have been paid had there been no such interest rate limitation (the "**Excess Interest**"). The amount of Excess Interest accrued and unpaid with respect to any Bank Bonds at the time such Bank Bonds are remarketed or cease to be Outstanding will be payable to the Series 2008E-1 Credit Provider as a fee in the same manner as other fees payable to the Series 2008E-1 Credit Provider, provided that the unpaid Excess Interest shall be payable as and to the extent that the then fair rental value with respect to the Project for the term of the Project Lease exceeds the sum of all other reimbursement obligations remaining unpaid hereunder and the amount of interest accruing on the Series 2008E-1 Bonds during such term of the Project Lease.

Events of Default. The occurrence of any of the following events (including the expiration of any specified time) will constitute an "**Event of Default**" under the Series 2008E-1 Credit Agreement, unless waived by the Series 2008E-1 Credit Provider in writing:

(a) default will be made in the payment of any Unreimbursed Amount (the aggregate amount of all drawings on the Series 2008E-1 Credit Facility for which the Series 2008E-1 Credit Provider has not been reimbursed by or on behalf of the City, including, without limitation, Tender Drawings) or any interest accrued thereon when due;

(b) default will be made in the payment of any amount payable under the Fee Letter Agreement between the Series 2008E-1 Credit Provider and the City when due;

(c) default will be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Series 2008E-1 Credit Agreement relating to: the preservation of the pledge of Revenues; maintenance of insurance; optional redemption of Series 2008E-1 Bonds (requiring redemption of Bank Bonds before any other Series 2008E-1 Bonds); entering into certain agreements with other parties relating to the payment of the Series 2008E-1 Bonds without the consent of the Series 2008E-1 Credit Provider; maintenance of the existence of the Authority and the City; the inclusion of Lease Payments and Additional

Payments in the City's annual budget; minimum rating requirements and notification of rating changes; swap agreements; compliance with applicable laws; amendments of the Project Lease, Indenture, or any other Related Document; appointment or removal of the Trustee, the Tender Agent or the Remarketing Agent for the Series 2008E-1 Bonds; the City's incurrence of Debt (as defined in the Series 2008E-1 Credit Agreement) in violation of the conditions specified in the Series 2008E-1 Credit Agreement; the issuance of commercial paper notes by the Authority on behalf of the City following an Event of Default under the Series 2008E-1 Credit Agreement without the consent of the Series 2008E-1 Credit Provider; the creation of liens on the Revenues, Lease Payments or Additional Payments; impairment of rights of the Series 2008E-1 Credit Provider under the Series 2008E-1 Credit Agreement; the issuance of obligations payable from Lease Payments; references to the Series 2008E-1 Credit Provider in offering materials; voluntary rental abatement; and sovereign immunity;

(d) default will be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Series 2008E-1 Credit Agreement which are not specifically provided for by paragraphs (a)-(c) or (e)-(p) within 30 days after written notice by the Series 2008E-1 Credit Provider to the City or the Authority or an Authorized Representative of the City or the Authority (as defined in the Series 2008E-1 Credit Agreement) has actual knowledge thereof;

(e) default will be made by the City in the delivery of an unqualified opinion of an Accountant (as defined in the Series 2008E-1 Credit Agreement) within 90 days after written notice for the Series 2008E-1 Credit Provider;

(f) any Event of Default (as defined in the Indenture) will occur and be continuing under the Indenture, and such default will continue unremedied for any period of grace specified therein;

(g) any Lease Default Event (as defined in the Project Lease) will occur and be continuing under the Project Lease, and such default will continue unremedied for any period of grace specified therein;

(h) there will occur the dissolution or liquidation of the City, or the filing by the City of a voluntary petition in bankruptcy, or the commission by the City of any act of bankruptcy, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of its creditors, or the entry by the City into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceeding for its reorganization instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar act in any jurisdiction which may be now in effect or subsequently be enacted;

(i) an order or decree will be entered, with the consent or acquiescence of the City appointing a receiver or receivers of the City's interest in the Project, or any part thereof, or of the rents, fees, charges or other revenues therefrom, or if such order or decree, having been entered without the consent or acquiescence of the City;

(j) any representation or warranty made by the City or the Authority under or in connection with the Series 2008E-1 Credit Agreement or any Related Document (as

defined in the Series 2008E-1 Credit Agreement) will prove to have been incorrect in any material respect when made;

(k) default will be made in the payment of any amount which may be payable by the City to the Series 2008E-1 Credit Provider within five Business Days after receipt of notice from the Series 2008E-1 Credit Provider (other than the payment obligations referred to in (a) or (b));

(l) the Series 2008E-1 Credit Agreement or any of the Related Documents will cease to be valid and binding on the City or will be declared to be null and void or the validity or enforceability thereof will be contested by the City or a proceeding will be commenced by any governmental agency or authority having jurisdiction over the City seeking to establish the invalidity or unenforceability thereof, or the City will deny that it has any or further liability or obligation under the Series 2008E-1 Credit Agreement or any Related Document to which City is a party;

(m) any pledge or security interest created under the Series 2008E-1 Credit Agreement or the Indenture to secure any amounts due under the Series 2008E-1 Credit Agreement shall fail to be valid or fully enforceable;

(n) the long-term unenhanced rating by Moody's or S&P on any general fund indebtedness of the City shall be withdrawn, suspended or otherwise unavailable for credit related reasons or reduced below "Baa3" (or its equivalent) or "BBB-" (or its equivalent), respectively;

(o) one or more final, nonappealable judgments or orders for the payment of money in the aggregate amount of $10,000,000 or more shall be rendered against the City and such judgment or order shall continue unsatisfied and unstayed for a period of ninety (90) days; or

(p) the City shall (A) fail to make any payment, when due, on any Debt payable from the general fund of the City *pari passu* with the Lease Payments, unreimbursed Drawings, Tender Advances and Term Loans or any interest or premium thereon when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt and such default has not been waived; or (B) fail to perform or observe any material term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any such Debt when required to be performed or observed, and such failure has not been waived and shall continue after the later of (1) five Business Days after notice of such failure or (2) the applicable grace period, if any, specified in such agreement or instrument, and the effect of such failure to perform or observe is to accelerate the maturity of such Debt; or (C) be required to prepay any Debt (or such Debt shall be declared to be due and payable) other than by a regularly scheduled required prepayment or an optional prepayment, prior to the stated maturity thereof; provided, however, that in the case of clause (A), (B) or (C) any such failure shall not be considered an Event of Default if the same is being contested in good faith and by appropriate proceedings and such contest shall operate to stay the acceleration of the maturity of such Debt.

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Rights and Remedies. Upon the occurrence and continuation of an Event of Default, the Series 2008E-1 Credit Provider, in its sole discretion, may (but is not obligated to):

(i) declare that all Unreimbursed Amounts, whether or not accelerated, will thereafter bear interest at the Default Rate until paid in full;

(ii) direct the Trustee to cause a mandatory redemption in whole of the Series 2008E-1 Bonds as a result of an Event of Default under the Series 2008E-1 Credit Agreement (See "THE SERIES 2008E-1 BONDS – Redemption Provisions – Redemption at the Direction of the Credit Provider");

(iii) direct the Trustee to cause a mandatory tender of the Series 2008E-1 Bonds as a result of an Event of Default under the Credit Agreement (see "THE SERIES 2008E BONDS – Tender Provisions – Mandatory Tender"); and/or

(iv) exercise any other remedies available to the Series 2008E-1 Credit Provider at law or in equity.

Termination. The Series 2008E-1 Credit Facility provides that the Series 2008E-1 Credit Facility will terminate upon the earliest of (i) the date on which the Series 2008E-1 Credit Provider receives written notice from the Trustee that either (a) no Series 2008E-1 Bonds remain outstanding, (b) all drawings have been made under the Series 2008E-1 Credit Facility and honored by the Series 2008E-1 Credit Provider and the Stated Amount of the Series 2008E-1 Credit Facility has been reduced to zero and may not be reinstated, (c) an Alternate Credit Facility has been issued to replace the Series 2008E-1 Credit Facility, or (d) one Business Day has elapsed after the date on which the interest rate on all of Series 2008E-1 Bonds has been converted to bear interest at a rate other than a Weekly Rate; (ii) the date on which the Series 2008E-1 Credit Provider honors a Final Drawing (as defined in the Series 2008E-1 Credit Facility); (iii) the date which is the next succeeding Business Day after the redemption of all of the Series 2008E-1 Bonds following receipt by the Trustee of a written notice from the Series 2008E-1 Credit Provider specifying the occurrence of an Event of Default under the Series 2008E-1 Credit Agreement and directing the Trustee to cause a mandatory redemption of the Series 2008E-1 Bonds; (iv) the date which is the third calendar day following receipt by the Trustee of a written notice from the Series 2008E-1 Credit Provider specifying the occurrence of an Event of Default under the Reimbursement Agreement, and directing the Trustee to cause a mandatory tender of the Bonds; and (v) the Stated Expiration Date, being October __, 2013.

Alternate Credit Facility

The Indenture authorizes the Authority, at its option, to provide for the delivery to the Trustee of an Alternate Credit Facility for the Series 2008E-1 Bonds in substitution for the Series 2008E-1 Credit Facility or Liquidity Facility relating to the Series 2008E-1 Bonds then in effect for the Series 2008E-1 Bonds at any time with respect to any Series 2008E-1 Bonds bearing interest at a Weekly Rate or a Daily Rate or any Conversion Date relating to the Series 2008E-1 Bonds.

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The Authority will give written notice of its intention to exercise such option to the Trustee, the Remarketing Agent, the Liquidity Provider relating to the Series 2008E-1 Bonds and the Series 2008E-1 Credit Provider at least 45 days before the proposed effective date of such Alternate Credit Facility. The Series 2008E-1 Bonds will be subject to mandatory tender upon delivery of an Alternate Credit Facility. A substitution may be made only if the existing Liquidity Facility relating to the Series 2008E-1 Bonds may be drawn upon to pay the Purchase Price of the Series 2008E-1 Bonds that will be tendered, and the draw to pay the Purchase Price of the Series 2008E-1 Bonds, if any, being tendered will be made on such existing Liquidity Facility. Not fewer than 10 days prior to the proposed mandatory tender date, the Trustee will mail (by first class mail) a written notice thereof to the Owners of such Series 2008E Bonds at their addresses as they appear on the registration books of the Trustee on the day on which notice is received by the Trustee from the Authority as provided above. Such notice will set forth the information required by the Indenture for mandatory tender notices.

The Series 2008E-1 Credit Provider

The following information has been obtained from Bank of America, and is not to be construed as a representation by the Authority, the City or the Remarketing Agent. The delivery of the Remarketing Memorandum will not create any implication that there has been no change in the affairs of Bank of America since the date of this Remarketing Memorandum, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

Bank of America, N.A. is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. Bank of America, N.A. is a wholly-owned indirect subsidiary of Bank of America Corporation (the "**Corporation**") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of March 31, 2010, Bank of America, N.A. had consolidated assets of $1.496 trillion, consolidated deposits of $1.001 trillion and stockholder's equity of $168 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2009, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the "**SEC**").

Filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at http://www.sec.gov, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Corporation and Bank of America, N.A. contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Series 2008E-1 Credit Facility has been issued by Bank of America, N.A. Moody's Investors Service, Inc. ("**Moody's**") currently rates the long-term debt of Bank of America, N.A. as "Aa3" and short-term debt as "P-1." The outlook is stable. Standard & Poor's currently rates the long-term debt of Bank of America, N.A. as "A+" and its short-term debt as "A-1." The outlook is negative. Fitch Ratings, Inc. ("**Fitch**") currently rates long-term debt Bank of America, N.A. as "A+" and short-term debt as "F1+." The outlook is stable. Further information with respect to such ratings may be obtained from Moody's, Standard & Poor's and Fitch, respectively. No assurances can be given that the current ratings of the instruments of Bank of America, N.A. will be maintained.

Bank of America, N.A. will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the Bank of America, N.A. delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communications

PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE SERIES 2008E-1 BONDS WILL BE MADE FROM DRAWINGS UNDER THE SERIES 2008E-1 CREDIT FACILITY. PAYMENTS OF THE PURCHASE PRICE OF THE SERIES 2008E-1 BONDS WILL BE MADE FROM DRAWINGS UNDER THE SERIES 2008E-1 CREDIT FACILITY IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE OBLIGATIONS OF BANK OF AMERICA, N.A. UNDER THE SERIES 2008E-1 CREDIT FACILITY ARE BINDING, THE SERIES 2008E-1 BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE SERIES 2008E-1 BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery hereof will not create any implication that there has been no change in the affairs of the Corporation or Bank of America, N.A. since the date of this Remarketing Memorandum, or that the information contained or referred to in this section of the Remarketing Memorandum entitled "THE SERIES 2008E-1 CREDIT FACILITY AND THE SERIES 2008E-1 CREDIT PROVIDER - The Series 2008E-1 Credit Provider" is correct as of any time subsequent to its date.

THE SERIES 2008E-2 CREDIT FACILITY AND THE SERIES 2008E-2 CREDIT PROVIDER

General

Beginning on October __, 2010, the payment of the principal of and interest on the Series 2008E-2 Bonds and the purchase price of the Series 2008E-2 Bonds upon the optional or mandatory tender thereof will initially be supported by an irrevocable direct-pay letter of credit (a "**Credit Facility**" and the "**Series 2008E-2 Credit Facility**") to be issued by U.S. Bank National Association ("**U.S. Bank**") (a "**Credit Provider**" and the "**Series 2008E-2 Credit Provider**"). The Series 2008E-2 Credit Facility has a stated expiration date of October __, 2013.

The Series 2008E-2 Credit Facility

The Series 2008E-2 Credit Facility. Under the Series 2008E-2 Credit Facility, the Series 2008E-2 Credit Provider irrevocably authorizes the Trustee to draw on the Series 2008E-2 Credit Facility in accordance with its terms in an aggregate amount of $13,155,427 (the "**Stated Amount**"), representing $13,010,000 in principal and $145,427 in interest. The Stated Amount will be reduced automatically from time to time following a drawing on the Series 2008E-2 Credit Facility, and reinstated from time to time from reimbursements made by the City to the Series 2008E-2 Credit Provider as provided in the Series 2008E-2 Credit Facility.

Related Provisions of the Indenture. The Indenture requires the Trustee to draw on the Series 2008E-2 Credit Facility in an amount and at such times (as such times will be set forth in the Series 2008E-2 Credit Facility) as will be required to pay in full the principal of and interest on the Series 2008E-2 Bonds (excluding any Bank Bonds registered in the name of the Series 2008E-2 Credit Provider or its designee or Series 2008E-2 Bonds registered in the name of the Authority or the City).

If the Series 2008E-2 Credit Facility is a direct-pay letter of credit, the Trustee will make such draw at such time as is required to receive amounts needed on each Interest Payment Date, maturity date, mandatory sinking fund redemption date, other redemption date and the date (if any) on which the Series 2008E-2 Bonds are declared due and payable due to the occurrence of an Event of Default under the Indenture. If the Series 2008E-2 Credit Facility is a direct pay letter of credit, the Trustee will pay the principal of and interest on the Series 2008E-2 Bonds (excluding any Outstanding Bank Bonds registered in the name of the Series 2008E-2 Credit Provider or its designee) when due and payable solely from moneys drawn under the Series 2008E-2 Credit Facility.

The Trustee will also draw moneys under the Liquidity Facility for the Series 2008E-2 Bonds for the purpose of paying the Purchase Price of any Series 2008E-2 Bonds (excluding any Outstanding Bank Bonds registered in the name of the Liquidity Provider for the Series 2008E-2 Bonds or its designee or in the name of the Authority or the City) to the extent required by the Indenture.

Pending application as aforesaid, except as required by the Indenture in connection with paying the Purchase Price of Series 2008E-2 Bonds, all moneys drawn under the Credit Facility will be deposited in a special fund designated the "Credit Facility Bond Payment Fund." The Credit Facility Bond Payment Fund will be established and maintained by the Trustee and held in trust apart from all other moneys and securities held under the Indenture or otherwise, and

the Trustee will have the exclusive and sole right of withdrawal from the Credit Facility Bond Payment Fund for the exclusive benefit of the Owners of the Series 2008E-2 Bonds with respect to which such drawing was made. Moneys drawn on the Series 2008E-2 Credit Facility and deposited in the Credit Facility Bond Payment Fund for the payment of debt service will be used only to pay debt service on the Series 2008E-2 Bonds or returned to the Series 2008E-2 Credit Provider if not so needed. Moneys in the Credit Facility Bond Payment Fund will be held in cash and will not be invested.

The Series 2008E-2 Credit Agreement

The City, the Authority and the Series 2008E-2 Credit Provider will execute a Letter of Credit Reimbursement Agreement dated as of October __, 2010 (the "**Series 2008E-2 Credit Agreement**") prior to issuance of the Series 2008E-2 Bonds which, among other things, sets the terms and conditions under which the Authority is required to repay the Series 2008E-2 Credit Provider any amounts drawn by the Trustee under the Credit Facility. Defined terms used under this heading and not defined in this Remarketing Memorandum will have the meanings assigned to them in the Series 2008E-2 Credit Agreement and the Series 2008E-2 Credit Facility.

Reimbursement of Drawings. Except as provided below with respect to Tender Advances, the Series 2008E-2 Credit Agreement provides:

(i) The City is obligated to pay to the Series 2008E-2 Credit Provider in immediately available funds on each date on which the Series 2008E-2 Credit Provider pays any amount under the Series 2008E-2 Credit Facility pursuant to any Payment Drawing (the "**Draw Date**"), a sum equal to the amount paid, plus interest on the unreimbursed amount from the Draw Date until reimbursement is received by the Agent for the account of the Series 2008E-2 Credit Provider in full.

(ii) Interest will accrue at the Default Rate in effect from time to time. No interest will accrue and be payable if the City reimburses the Series 2008E-2 Credit Provider for a draw by 3:00 p.m., New York City time, on the Draw Date for such draw. No interest will accrue and be payable if the City reimburses the Series 2008E-2 Credit Provider by 3:00 p.m., New York City time, for a Tender Advance on the same day on which such Tender Advance was made.

With respect to Tender Advances, the Series 2008E-2 Credit Agreement provides that if the Series 2008E-2 Credit Provider makes any payment under the Series 2008E-2 Credit Facility pursuant to a Tender Drawing (a drawing under the Series 2008E-2 Credit Facility with respect to the payment, upon a tender, of the unpaid principal amount of, and accrued and unpaid interest on, all or less than all of the Series 2008E-2 Bonds) and no event has occurred that would (or with the giving of notice would) constitute an event of default under the Series 2008E-2 Credit Agreement, such payment will constitute a "**Tender Advance**" (an advance made by the Series 2008E-2 Credit Provider to the City on the date and in the amount of such payment). The unpaid principal amount of any Tender Advance and all accrued and unpaid interest thereon (based on the Draw Rate) will be repaid in accordance with the Series 2008E-2 Credit Agreement. Upon payment under the Series 2008E-2 Credit Facility pursuant to a Tender Drawing, the Series 2008E-2 Bonds so purchased will be registered in the name of the Series

2008E-2 Credit Provider as Bank Bonds and held by the Tender Agent pursuant to the terms of the Custody Agreement.

Notwithstanding anything in the Series 2008E-2 Credit Agreement or in the Indenture to the contrary, to the extent permitted by law, if at any time any rate of interest payable to the Series 2008E-2 Credit Provider under the Series 2008E-2 Credit Agreement exceeds the Maximum Bank Interest Rate (defined as the maximum lawful rate of interest, if any, for obligations owed to the Series 2008E-2 Credit Provider under the Series 2008E-2 Credit Agreement) and as a result the Series 2008E-2 Credit Provider does not receive payment at the interest rate as calculated under the Series 2008E-2 Credit Agreement without regard to such statutory or constitutional interest rate limitation or restriction, then the interest rate applicable to amounts owed to the Series 2008E-2 Credit Provider will remain at the maximum rate allowable under such statutory or constitutional interest rate limitation, despite any subsequent reduction in the interest rate applicable to amounts payable to the Series 2008E-2 Credit Provider, until the Series 2008E-2 Credit Provider has been paid that amount of interest that it would have been paid had there been no such interest rate limitation (the "**Excess Interest**"). The amount of Excess Interest accrued and unpaid with respect to any Bank Bonds at the time such Bank Bonds are remarketed or cease to be Outstanding will be payable to the Series 2008E-2 Credit Provider as a fee in the same manner as other fees payable to the Series 2008E-2 Credit Provider, provided that the unpaid Excess Interest shall be payable as and to the extent that the then fair rental value with respect to the Project for the term of the Project Lease exceeds the sum of all other reimbursement obligations remaining unpaid hereunder and the amount of interest accruing on the Series 2008E-2 Bonds during such term of the Project Lease.

Events of Default. The occurrence of any of the following events (including the expiration of any specified time) will constitute an "**Event of Default**" under the Series 2008E-2 Credit Agreement, unless waived by the Series 2008E-2 Credit Provider in writing:

(a) default will be made in the payment of any Unreimbursed Amount (the aggregate amount of all drawings on the Series 2008E-2 Credit Facility for which the Series 2008E-2 Credit Provider has not been reimbursed by or on behalf of the City, including, without limitation, Tender Drawings) or any interest accrued thereon when due;

(b) default will be made in the payment of any amount payable under the Fee Letter Agreement between the Series 2008E-2 Credit Provider and the City when due;

(c) default will be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Series 2008E-2 Credit Agreement relating: the preservation of the pledge of Revenues; to maintenance of insurance; optional redemption of Series 2008E-2 Bonds (requiring redemption of Bank Bonds before any other Series 2008E-2 Bonds); entering into certain agreements with other parties relating to the payment of the Series 2008E-2 Bonds without the consent of the Series 2008E-2 Credit Provider; maintenance of the existence of the Authority and the City; the inclusion of Lease Payments and Additional Payments in the City's annual budget; minimum rating requirements and notification of rating changes; swap agreements; compliance with applicable laws; amendments of the Project Lease, Indenture, or any other Related Document; appointment or removal of the Trustee, the Tender Agent or the Remarketing Agent for the Series 2008E-2 Bonds; the

City's incurrence of Debt (as defined in the Series 2008E-2 Credit Agreement) in violation of the conditions specified in the Series 2008E-2 Credit Agreement; the issuance of commercial paper by the Authority on behalf of the City following an Event of Default under the Series 2008E-2 Credit Agreement without the consent of the Series 2008E-2 Credit Provider; the creation of liens on the Revenues, Lease Payments or Additional Payments; impairment of rights of the Series 2008E-2 Credit Provider under the Series 2008E-2 Credit Agreement; the issuance of obligations payable from Lease Payments; references to the Series 2008E-2 Credit Provider in offering materials; voluntary rental abatement; and sovereign immunity;

(d) default will be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Series 2008E-2 Credit Agreement which are not specifically provided for by paragraphs (a)-(c) or (e)-(p) within 30 days after written notice by the Series 2008E-2 Credit Provider to the City or the Authority or an Authorized Representative of the City or the Authority (as defined in the Series 2008E-2 Credit Agreement) has actual knowledge thereof;

(e) default will be made by the City in the delivery of an unqualified opinion of an Accountant (as defined in the Series 2008E-2 Credit Agreement) within 90 days after written notice for the Series 2008E-2 Credit Provider;

(f) any Event of Default (as defined in the Indenture) will occur and be continuing under the Indenture, and such default will continue unremedied for any period of grace specified therein;

(g) any Lease Default Event (as defined in the Project Lease) will occur and be continuing under the Project Lease, and such default will continue unremedied for any period of grace specified therein;

(h) there will occur the dissolution or liquidation of the City, or the filing by the City of a voluntary petition in bankruptcy, or the commission by the City of any act of bankruptcy, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of its creditors, or the entry by the City into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceeding for its reorganization instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar act in any jurisdiction which may be now in effect or subsequently be enacted;

(i) an order or decree will be entered, with the consent or acquiescence of the City appointing a receiver or receivers of the City's interest in the Project, or any part thereof, or of the rents, fees, charges or other revenues therefrom, or if such order or decree, having been entered without the consent or acquiescence of the City;

(j) any representation or warranty made by the City or the Authority under or in connection with the Series 2008E-2 Credit Agreement or any Related Document (as defined in the Series 2008E-2 Credit Agreement) will prove to have been incorrect in any material respect when made;

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(k) default will be made in the payment of any amount which may be payable by the City to the Series 2008E-2 Credit Provider within five Business Days after receipt of notice from the Series 2008E-2 Credit Provider (other than the payment obligations referred to in (a) or (b);

(l) the Series 2008E-2 Credit Agreement or any of the Related Documents will cease to be valid and binding on the City or will be declared to be null and void or the validity or enforceability thereof will be contested by the City or a proceeding will be commenced by any governmental agency or authority having jurisdiction over the City seeking to establish the invalidity or unenforceability thereof, or the City will deny that it has any or further liability or obligation under the Series 2008E-2 Credit Agreement or any Related Document to which City is a party;

(m) any pledge or security interest created hereunder or under the Series 2008E-2 Credit Agreement or the Indenture to secure any amounts due under the Series 2008E-2 Credit Agreement shall fail to be valid or fully enforceable.

(n) the long-term unenhanced rating by Moody's or S&P on any general fund indebtedness of the City shall be withdrawn, suspended or otherwise unavailable for credit related reasons or reduced below "Baa3" (or its equivalent) or "BBB-" (or its equivalent), respectively;

(o) one or more final, nonappealable judgments or orders for the payment of money in the aggregate amount of $10,000,000 or more shall be rendered against the City and such judgment or order shall continue unsatisfied and unstayed for a period of ninety (90) days; or

(p) the City shall (A) fail to make any payment, when due, on any Debt payable from the general fund of the City *pari passu* with the Lease Payments, unreimbursed Drawings, Tender Advances and Term Loans or any interest or premium thereon when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt and such default has not been waived; or (B) fail to perform or observe any material term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any such Debt when required to be performed or observed, and such failure has not been waived and shall continue after the later of (1) five Business Days after notice of such failure or (2) the applicable grace period, if any, specified in such agreement or instrument, and the effect of such failure to perform or observe is to accelerate the maturity of such Debt; or (C) be required to prepay any Debt (or such Debt shall be declared to be due and payable) other than by a regularly scheduled required prepayment or an optional prepayment, prior to the stated maturity thereof; provided, however, that in the case of clause (A), (B) or (C) any such failure shall not be considered an Event of Default if the same is being contested in good faith and by appropriate proceedings and such contest shall operate to stay the acceleration of the maturity of such Debt.

Rights and Remedies. Upon the occurrence and continuation of an Event of Default, the Series 2008E-2 Credit Provider, in its sole discretion, may (but is not obligated to):

(i) declare that all Unreimbursed Amounts, whether or not accelerated, will thereafter bear interest at the Default Rate until paid in full;

(ii) direct the Trustee to cause a mandatory redemption in whole of the Series 2008E-2 Bonds as a result of an Event of Default under the Series 2008E-2 Credit Agreement (See "THE SERIES 2008E-2 BONDS – Redemption Provisions – Redemption at the Direction of the Credit Provider");

(iii) direct the Trustee to cause a mandatory tender of the Series 2008E-2 Bonds as a result of an Event of Default under the Credit Agreement (see "THE SERIES 2008E BONDS – Tender Provisions – Mandatory Tender"); and/or

(iv) exercise any other remedies available to the Series 2008E-2 Credit Provider at law or in equity.

Termination. The Series 2008E-2 Credit Facility provides that the Series 2008E-2 Credit Facility will terminate upon the earliest of (i) the date on which the Series 2008E-2 Credit Provider receives written notice from the Trustee that either (a) no Series 2008E-2 Bonds remain outstanding, (b) all drawings have been made under the Series 2008E-2 Credit Facility and honored by the Series 2008E-2 Credit Provider and the Stated Amount of the Series 2008E-2 Credit Facility has been reduced to zero and may not be reinstated, (c) an Alternate Credit Facility has been issued to replace the Series 2008E-2 Credit Facility, or (d) one Business Day has elapsed after the date on which the interest rate on all of Series 2008E-2 Bonds has been converted to bear interest at a rate other than a Weekly Rate; (ii) the date on which the Series 2008E-2 Credit Provider honors a Final Drawing (as defined in the Series 2008E-2 Credit Facility); (iii) the date which is the next succeeding Business Day after the redemption of all of the Series 2008E-2 Bonds following receipt by the Trustee of a written notice from the Series 2008E-2 Credit Provider specifying the occurrence of an Event of Default under the Series 2008E-2 Credit Agreement and directing the Trustee to cause a mandatory redemption of the Series 2008E-2 Bonds; (iv) the date which is the third calendar day following receipt by the Trustee of a written notice from the Series 2008E-2 Credit Provider specifying the occurrence of an Event of Default under the Reimbursement Agreement, and directing the Trustee to cause a mandatory tender of the Bonds; and (v) the Stated Expiration Date, being October __, 2013.

Alternate Credit Facility

The Indenture authorizes the Authority, at its option, to provide for the delivery to the Trustee of an Alternate Credit Facility for the Series 2008E-2 Bonds in substitution for the Series 2008E-2 Credit Facility or Liquidity Facility relating to the Series 2008E-2 Bonds then in effect for the Series 2008E-2 Bonds at any time with respect to any Series 2008E-2 Bonds bearing interest at a Weekly Rate or a Daily Rate or on any Conversion Date relating to the Series 2008E-2 Bonds.

The Authority will give written notice of its intention to exercise such option to the Trustee, the Remarketing Agent, the Liquidity Provider relating to the Series 2008E-2 Bonds and the Series 2008E-2 Credit Provider at least 45 days before the proposed effective date of such Alternate Credit Facility. The Series 2008E-2 Bonds will be subject to mandatory tender

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upon delivery of an Alternate Credit Facility. A substitution may be made only if the existing Liquidity Facility relating to the Series 2008E-2 Bonds may be drawn upon to pay the Purchase Price of the Series 2008E-2 Bonds that will be tendered, and the draw to pay the Purchase Price of the Series 2008E-2 Bonds, if any, being tendered will be made on such existing Liquidity Facility. Not fewer than 10 days prior to the proposed mandatory tender date, the Trustee will mail (by first class mail) a written notice thereof to the Owners of such Series 2008E Bonds at their addresses as they appear on the registration books of the Trustee on the day on which notice is received by the Trustee from the Authority as provided above. Such notice will set forth the information required by the Indenture for mandatory tender notices.

The Series 2008E-2 Credit Provider

The following information has been obtained from U.S. Bank, and is not to be construed as a representation by the Authority, the City or the Remarketing Agent. The delivery of the Remarketing Memorandum will not create any implication that there has been no change in the affairs of U.S. Bank since the date of this Remarketing Memorandum, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

The following information has been obtained from U.S. Bank National Association and is not to be construed as a representation by the Authority, the City or the Remarketing Agents. The delivery of the Remarketing Memorandum will not create any implication that there has been no change in the affairs of U.S. Bank National Association since the date of this Remarketing Memorandum, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

U.S. Bank National Association ("**USBNA**") is a national banking association organized under the laws of the United States and is the largest subsidiary of U.S. Bancorp. At June 30, 2010, USBNA reported total assets of $278 billion, total deposits of $191 billion and total shareholders' equity of $28 billion. The foregoing financial information regarding USBNA has been derived from and is qualified in its entirety by the unaudited financial information contained in the Federal Financial Institutions Examination Council report Form 031, Consolidated Report of Condition and Income for a Bank with Domestic and Foreign Offices ("**Call Report**"), for the quarter ended June 30, 2010. The publicly available portions of the quarterly Call Reports with respect to USBNA are on file with, and available upon request from, the FDIC, 550 17th Street, NW, Washington, D.C. 20429 or by calling the FDIC at (877) 275-3342. The FDIC also maintains an Internet website at www.fdic.gov that contains reports and certain other information regarding depository institutions such as USBNA. Reports and other information about USBNA are available to the public at the offices of the Comptroller of the Currency at One Financial Place, Suite 2700, 440 South LaSalle Street, Chicago, IL 60605.

U.S. Bancorp is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "**SEC**"). U.S. Bancorp is not guaranteeing the obligations of USBNA and is not otherwise liable for the obligations of USBNA.

Except for the contents of this section, USBNA and U.S. Bancorp assume no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Remarketing Memorandum.

PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE SERIES 2008E-2 BONDS WILL BE MADE FROM DRAWINGS UNDER THE SERIES 2008E-2 CREDIT FACILITY. PAYMENTS OF THE PURCHASE PRICE OF THE SERIES 2008E-2 BONDS WILL BE MADE FROM DRAWINGS UNDER THE SERIES 2008E-2 CREDIT FACILITY IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE OBLIGATIONS OF U.S. UNDER THE SERIES 2008E-2 CREDIT FACILITY ARE BINDING, THE SERIES 2008E-2 BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE SERIES 2008E-2 BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery hereof will not create any implication that there has been no change in the affairs of the Corporation or U.S. Bank since the date of this Remarketing Memorandum, or that the information contained or referred to in this section of the Remarketing Memorandum entitled "THE SERIES 2008E-2 CREDIT FACILITY AND THE SERIES 2008E-2 CREDIT PROVIDER - The Series 2008E-2 Credit Provider" is correct as of any time subsequent to its date.

CERTAIN RISK FACTORS

The following risk factors along with all other information in this Remarketing Memorandum should be considered by potential investors in evaluating the risks inherent in the purchase of the Series 2008E Bonds. The following discussion of risks is not meant to be a complete list of the risks associated with the purchase of the Series 2008E Bonds and does not necessarily reflect the relative importance of the various risks. Potential purchasers of the Series 2008E Bonds are advised to consider the following factors, among others, and to review the other information in this Remarketing Memorandum in evaluating the Series 2008E Bonds. Any one or more of the risks discussed and others could lead to a decrease in the market value and/or the liquidity of the Series 2008E Bonds, notwithstanding the Credit Provider's obligations to pay scheduled principal of and interest on the Series 2008E Bonds when due. No assurances can be given that other risk factors will not become evident at any future time.

Limited Obligations

The Series 2008E Bonds are limited obligations of the Authority payable solely from and secured solely by the Revenues pledged therefor under the Indenture, together with amounts on deposit from time to time in the funds and accounts held by the Trustee (excluding the Rebate Fund and the Purchase Fund). Revenues consist primarily of Lease Payments. If for any of the reasons described below, or for any other reason, the Authority does not receive sufficient Lease Payments to pay debt service on the Series 2008E Bonds, the Authority will not be obligated to utilize any other of its funds, other than amounts on deposit in the Reserve Fund and certain other amounts on deposit in the funds and accounts established under the Indenture, to pay debt service on the Series 2008E Bonds.

The Lease Payments are not secured by any pledge of or lien on taxes or other revenue of the City, but are payable from all funds lawfully available to the City. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other

obligations before making Lease Payments. The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. The City must adopt a balanced Budget each year, and has covenanted in the Project Lease to budget for, appropriate and make the Lease Payments in each year that it has possession and use of the Project. For a general understanding of the City's budget process and budget forecasts, see APPENDIX A– "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION."

Additional Obligations of the City

The Lease Payments and other payments due under the Project Lease (including payment of costs of repair and maintenance of the Project, taxes and other governmental charges levied against the Project) are payable from funds lawfully available to the City. The City may enter into other obligations constituting additional charges payable from such funds without the consent of Owners of the Series 2008E Bonds. If the amounts which the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Lease Payments, based on the perceived needs of the City.

City's Financial Condition; Limitation on Sources of Revenues

Since 2000, the City has experienced significant declines in economic activity tied to the national economic slowdown and an acute slowdown in the Silicon Valley. Partially as a result of economic conditions, fiscal year 2010-11 is expected to be the ninth successive year of General Fund shortfalls as the growth in revenues has not kept pace with the growth in expenditures. Between fiscal years 2000-01 and 2009-10, the average total cost of compensation per employee (including salary and benefits) has increased approximately 64%. As a result of these General Fund shortfalls, the City has used one-time revenues, including its cash reserves, to balance its General Fund operating budget in each of the last four fiscal years. However, in its recent budgets, the City is making an effort to solve the budget deficit with ongoing solutions and to align one-time revenues with one-time expenditures. See APPENDIX A– "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION—Budget" and "—Labor Relations" in this Remarketing Memorandum. Nevertheless, the City expects to continue to use such one-time revenues, including its cash reserves, to balance its General Fund operating budget in the near future. If these conditions continue and the City's reserves are exhausted, the City will need to dramatically reduce expenses or increase revenues to balance its General Fund operating budgets in future years.

There are limitations on the ability of the City to increase revenues payable to the General Fund. Legal limitations generally restrict the ability of cities to raise taxes without voter approval and to increase fees in excess of the amount needed to provide the service or facilities with respect to which such fees are charged and increases to property-related fees may be subject to majority protest pursuant to Proposition 218. Additional limitations may also be imposed through legislation or initiatives. Furthermore, existing revenues may be subject to certain risk factors. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS" and APPENDIX A - "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION - Major General Fund Revenue Sources" in this Remarketing Memorandum.

Further, there are limitations on the City's ability to reduce certain costs, including the costs of providing pension benefits to its current employees and retirees. The City's pension costs are projected to increase to approximately 25% of its General Fund in fiscal year 2014-15. See APPENDIX A– "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION—Budget and—Pension Plans" in this Remarketing Memorandum.

Although the City currently expects to be able to meet its obligations in connection with the Series 2008E Bonds and although the obligation of the City to make Lease Payments is legally binding so long as the City has beneficial use and occupancy of the Project, if the City's revenue sources are less than its total obligations and reserves are not available to cover the shortfall, the City could choose to fund other municipal services before making Lease Payments. If the City fails to make Lease Payments, the remedies of the Trustee and the Owners of the Series 2008E Bonds may be limited. See "—Limited Obligations" above.

Abatement

Under California law, the obligation of the City to make Lease Payments is contingent upon the availability of the Project for use and occupancy by the City. The Lease Payments will be abated proportionately during any period in which by reason of material damage or destruction, there is substantial interference with the use and occupancy of any portion of the Project by the City, and such abatement will continue until substantial completion of the work of repair or replacement of the portion of the Project damaged or destroyed; provided that, in determining the amount of abatement, the City will consider the then-current value of the Project, but only to reduce or eliminate the amount of the abatement. Any abatement of Lease Payments could affect the Authority's ability to pay debt service on the Series 2008E Bonds. Generally, a shortfall in revenue available to the Trustee caused by any abatement of Lease Payments would impact the Series 2008E Bonds on a pro rata basis.

In the event Lease Payments are abated, no assurances can be given that moneys on deposit in the Revenue Fund and the Reserve Fund, or the proceeds of rental interruption insurance (which is not expected to be available to cover earthquake damage) will be sufficient to pay the debt service on the Series 2008E Bonds. In addition, even if such amounts are sufficient to make such payments, moneys remaining in the Reserve Fund after such payments may be less than the Reserve Fund Requirement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008E BONDS–Lease Payments; Abatement" and "–Insurance."

Notwithstanding the provisions of the Project Lease and the Indenture specifying the extent of abatement in the event of the City's failure to have full use and occupancy of the Project, such provisions may be superseded by operation of law, and, in such event, the resulting Lease Payments of the City may not be sufficient to pay all of the remaining principal and interest with respect to the Series 2008E Bonds.

Failure of the Credit Provider

The payment of the principal of and interest on the Series 2008E Bonds and the purchase price of the Series 2008E Bonds upon the optional or mandatory tender thereof will initially be supported by the applicable Credit Facility. The Series 2008E-1 Credit Facility and the Series 2008E-2 Credit Facility each serve as both a Credit Facility and a Liquidity Facility, as those terms are defined in the Indenture.

The obligations of each Credit Provider are only with respect to its respective Credit Facility. This means that Bank of America is not obligated to satisfy U.S. Bank's obligations under its Credit Facility, and vice versa.

In the event a Credit Provider fails to honor a draw on its Credit Facility to pay principal of and interest on the related series of Series 2008E Bonds, the Trustee will pay principal of and interest on such series of Series 2008E Bonds with amounts available for that purpose under the Indenture, consisting primarily of (i) amounts on deposit in the Revenue Fund (generally consisting of Lease Payments made by the City under the Project Lease) and (ii) if amounts on deposit in the Revenue Fund are insufficient for that purpose, amounts on deposit in the Reserve Fund. In the event amounts available under the Indenture are insufficient to pay principal of and interest on the applicable series of Series 2008E Bonds, the Authority's failure to pay debt service on such series of Series 2008E Bonds will constitute an Event of Default under the Indenture. However, the Authority's obligation to pay debt service on the Series 2008E Bonds is a limited obligation of the Authority and the Lease Payments are a limited obligation of the City. See "Limited Obligations" above.

The Indenture provides that the Tender Agent will purchase tendered Series 2008E Bonds with moneys in the Bond Purchase Fund established under the Indenture in the following order: (i) first, moneys paid to it by the Remarketing Agent as proceeds of the remarketing of tendered Series 2008E Bonds and (ii) second, moneys furnished to the Tender Agent by the Trustee and derived from drawings under the applicable Credit Facility. In the event amounts in the Bond Purchase Fund are insufficient for the purchase of all Series 2008E Bonds of a series tendered for purchase, whether as a result of a failure by the applicable Credit Provider to honor a draw or otherwise, no purchase of Series 2008E Bonds of such series will be consummated and the Tender Agent will return all tendered Series 2008E Bonds of such series to the owners. In that case, the Indenture authorizes the Remarketing Agent to continue remarketing the Series 2008E Bonds of such series at a rate not in excess of the Maximum Interest Rate. However, there is no assurance that the Remarketing Agent will be able to remarket the tendered Series 2008E Bonds of such series in this circumstance, and the Authority is not obligated to provide any moneys for the purchase of tendered Series 2008E Bonds of such series other than those received pursuant to the remarketing of the Series 2008E Bonds of such series or from drawings under the Credit Facility.

The Indenture provides that neither the failure of a Credit Provider to honor a properly presented draw on its Credit Facility nor the bankruptcy, insolvency, receivership or dissolution of a Credit Provider will constitute an Event of Default under the Indenture or, in and of itself, create any right of redemption or tender hereunder with respect to the Series 2008E Bonds.

Credit Provider's Obligations Unsecured

The ability of the each Credit Provider to honor draws upon the its Credit Facility is based solely upon such Credit Provider's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. There is no requirement in the Indenture requiring, nor has any provisions been made for, the replacement of or substitution for the Credit Facility in the event of any deterioration in the financial condition of the applicable Credit Provider. Neither the Authority, the City nor the Credit Provider assumes any liability to any purchaser of the Series 2008B Bonds as a result of

any deterioration of the financial condition of a Credit Provider. Upon any insolvency of the a Credit Provider, any claim by the Trustee against such Credit Provider would be subject to bank receivership proceedings.

General Factors Affecting the Credit Provider

The banking industry has recently been subject to difficult economic and market conditions in the United States and internationally. Each Credit Provider is subject to regulation and supervision by various regulatory bodies. New regulations could impose restrictions upon a Credit Provider which would restrict its ability to respond to competitive pressures. Various legislative or regulatory changes could dramatically impact the banking industry as a whole and each Credit Provider specifically. The banking industry is highly competitive in many of the markets in which each Credit Provider operates. Such competition directly impacts the financial performance of each Credit Provider. Such economic and market conditions, regulations, competition or other events could adversely impact a Credit Provider and could lead to a downgrade of a Credit Provider's ratings. Prospective purchasers of the Series 2008E-1 Bonds and the Series 2008E-2 Bonds should evaluate the financial strength of the Series 2008E-1 Credit provider and the Series 2008E-2 Credit Provider based upon the information contained and referred to herein under the captions "THE SERIES 2008E-1 CREDIT FACILITY AND THE SERIES 2008E-1 CREDIT PROVIDER" and "THE SERIES 2008E-2 CREDIT FACILITY AND THE SERIES 2008E-2 CREDIT PROVIDER" and other information available upon request from the Series 2008E-1 Credit Provider and the Series 2008E-2 Credit Provider, and should not rely upon any governmental supervision by any regulatory entity or any rating by any rating agency.

Limitations on Remedies

The enforcement of any remedies provided for in the Project Lease and in the Indenture could prove to be both expensive and time-consuming. Although the Project Lease provides that if there is a default by the City, the Trustee may take possession of and relet the Project, no assurance can be given that the amounts received from such reletting would be sufficient to pay the principal of and interest with respect to the Series 2008E Bonds when due.

Upon the occurrence and during the continuance of the City's failure to deposit with the Trustee any Lease Payments and/or Additional Payments when due, the bankruptcy of the City, or if the City breaches any other terms, covenants, conditions or agreements contained in the Project Lease (subject to a cure period as described in the Project Lease), the Trustee as assignee of the Authority has the following general remedies: (i) to reenter the Project and relet the Project; or (ii) to enforce its rights to recover Lease Payments as they become due. See APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS –THE PROJECT LEASE–Events of Default."

In addition to the limitations on remedies contained in the Project Lease and the Indenture, the rights and remedies provided in those documents may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights generally. The various legal opinions to be delivered concurrently with the remarketing of the Series 2008E Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws

of general application affecting the enforcement of creditors' rights, including equitable principles.

No Acceleration Upon Default

In the event of a default, there is no remedy of acceleration of the total Lease Payments for the term of the Project Lease. Any suit for money damages would be subject to the legal limitations on remedies against cities and counties in the State of California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS –THE PROJECT LEASE–Events of Default."

Seismic and Flood Risks and Other Events

General. From time to time, the City is subject to natural calamities that may adversely affect economic activity in the City, which could have a negative impact on City finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial interference to the Project, or that the City would have insurance or other resources available to make repairs to the Project in order to make Lease Payments under the Project Lease. See "–Abatement" above.

Seismic. There are several geological faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes which could result in damage to buildings, roads, bridges, and property within the City. According to the safety element of the City's "2020 General Plan" (the "General Plan"), the City is located in a region of very high seismic activity. As described in the General Plan, the major earthquake faults in the region are the San Andreas Fault, located near the crest of the Santa Cruz Mountains, and the Hayward and Calaveras fault systems located in the Diablo Range. Numerous other active and potentially active faults are located in the hills throughout the Santa Clara Valley, including among others, the Silver Creek Fault. A U.S. Geological Survey study, which was released in April 2009, provides additional information regarding the Silver Creek Fault and charts its course throughout downtown San José and other parts of the City. The most recent significant earthquake in the San José area, which had a magnitude of 7.1, occurred on October 17, 1989. The extent of damage and the long term effects from an earthquake, particularly ongoing earthquake activity, may be difficult to determine immediately. Additionally, an earthquake resulting from movement at the Silver Creek Fault could cause substantial damage given its proximity to downtown San José and other parts of the City. Earthquakes can result in the hazards of surface rupture, landslides, ground shaking, liquefaction and seismically induced inundation.

Pursuant to applicable state law, the California Geological Survey has prepared maps to identify certain areas as liquefaction hazard zones. "Liquefaction" is the transformation of soil from a solid state to a liquid state during a major earthquake, and liquefaction hazard zones are areas where historic occurrence of liquefaction or local geological, geotechnical and ground water conditions indicate a potential for permanent ground displacements during a major earthquake. According to the most recent published maps prepared by the California Geological Survey, the Project is located within the State of California Seismic Hazard Zone of Required Investigation for Liquefaction (CGS, 2001), an area that has potential for liquefaction during a major earthquake. See "THE PROJECT" for a discussion of the design and construction of the Facilities as it relates to seismic considerations.

Flooding. The City and the Santa Clara Valley have a history of flooding which has resulted in property damage. The Federal Emergency Management Agency ("**FEMA**") has prepared a flood map for territory within the City and established designations to identify the risk of flooding in particular areas. The Project is located in an area designated by FEMA as Zone D. According to FEMA, the Zone D designation is used for areas where there are possible but undetermined flood hazards. In areas designated as Zone D, no analysis of flood hazards has been conducted. Mandatory flood insurance purchase requirements do not apply, but coverage is available. The flood insurance rates for properties in Zone D are commensurate with the uncertainty of the flood risk.

The City participates in the National Flood Insurance Program ("NFIP") administered by FEMA. Approximately 20,000 parcels within the 100-year flood hazard area (area subject to a flood that has a one percent chance of being equaled or exceeded in any given year) established by FEMA are located in the City. This represents approximately 10 percent of the total number of properties within the City. This can be extrapolated to estimate that roughly 10 percent of the area of the City may be inundated by flood waters of at least one foot in depth.

The City, per NFIP requirements, regulates new construction and substantial improvements to existing structures to protect new and redeveloped properties from the 100-year flood event. In addition, the Santa Clara Valley Water District (the "District") is in the process of improving the Upper Guadalupe River. Upon estimated completion in 2016 it is estimated that approximately 7,500 parcels will be removed from the 100-year flood boundary.

In the event of a catastrophic event, damage to one or more dams could result in flooding within the City of San José. On January 6, 2009, the District issued a press release and notified City officials regarding the results of a preliminary evaluation report showing how Anderson Dam could be affected if a major earthquake were to occur on the Calaveras or Coyote Creek faults. Anderson Dam, located east of Morgan Hill, is an earth and rock fill structure constructed in 1950 which creates the Anderson Reservoir, the largest reservoir in Santa Clara County. The press release stated that: "The report indicates that a major earthquake could seriously damage the foundation of the dam. If the foundation were damaged, the top of the dam could theoretically slump down. If the reservoir were full at the time, there could be an uncontrolled release of water. However, since the staff is keeping the water level in the reservoir at less than 87% of its capacity, that type of event is highly unlikely."

Information posted on the District's website states that if the maximum amount of water were released from failure of the Anderson Dam, flooding would occur in the City and in areas to the north and south of the City. The press release also advised that the District will conduct a comprehensive study of Anderson Dam to determine its safety and that the Anderson Dam reservoir level will be kept lower than normal until "future engineering studies deem such a restriction is no longer warranted." The District has since embarked upon an in-depth study to determine the seismic stability of the dam. Field and laboratory investigations for this study have been completed. The Anderson Dam is regulated by the State of California Division of Safety of Dams, which performs yearly reviews and requires maintenance and safety standards to be enforced by the dam owners and operators. Additionally, the Federal Energy Regulatory Commission also has dam safety jurisdiction at Anderson Dam.

Like Anderson Dam, there are four other dams (Almaden, Calero, and Guadalupe, and Lenihan) that are being evaluated to determine the impact of a major earthquake. Each of these dams is located upstream from the City and could impact the City as a result of an earthquake. For Almaden, Calero and Guadalupe Dams, the reservoir levels will be kept lower than normal to ensure public safety while these questions are being answered. District staff is working the State of California Division of Safety of Dams and expects to have the results of the field and laboratory investigations available in December 2010, the preliminary seismic stability results in September 2011, and a final report in 2012. Additionally, a study has begun on the impact of an earthquake on Lenihan Dam, which creates Lexington Reservoir. A final report on seismic stability of Lenihan Dam is expected to be available in January 2012.

Insurance. The Project Lease obligates the City to maintain and keep in force various forms of insurance on the Project for repair or replacement in the event of damage to or destruction of the Project unless the City elects to self-insure for such risks. Such required policies or self-insurance retention may not be maintained in amounts that would be sufficient or be paid in sufficient time in all events to pay debt service on the Series 2008E Bonds. In addition, the availability of insurance coverage could vary from time to time, and there can be no assurance that the City will be able to obtain or to renew the required insurance policies in a timely manner. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008E BONDS–Insurance."

Under the Project Lease, unless property (including earthquake) insurance is commercially available in reasonable amounts on the open market from reputable companies at a reasonable cost, the City is not required to maintain such insurance with respect to the Project. The City has determined that earthquake insurance is not available in reasonable amounts and at a reasonable cost at this time. Additionally, under the Project Lease, the City is not required to maintain flood insurance with respect to the Project.

No assurances can be given that the Authority will be able to repair any damage following any event described above.

The City is also required to maintain rental interruption insurance in an amount not less than the aggregate Lease Payments payable by the City pursuant to the Project Lease for a period of 24 months (based on an assumed interest rate while the Series 2008E Bonds bear interest at a Daily Rate or a Weekly Rate) to insure against loss of rental income from the Project caused by perils covered by the insurance required by the Project Lease; provided, however, the City is obligated to maintain such insurance only if the insurance is commercially available at a reasonable cost from a reputable insurer. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008E BONDS–Insurance."

The City makes no representation as to its ability to procure the insurance specified in the Project Lease or the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Project Lease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Series 2008E Bonds when due.

See APPENDIX A– "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION–Insurance and Self-Insurance Programs" for more information concerning the City's insurance practices.

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Bankruptcy Risks

The rights of the owners of the Series 2008E Bonds and the enforceability of the Authority's obligation to make payments on the Series 2008E 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.

Under existing law, the City is eligible to file for bankruptcy. Should the City file for bankruptcy, there could be adverse effects on the holders of the Series 2008E Bonds. In a bankruptcy of the City, the Authority or its assignee and the Owners may be prohibited from taking any action against the City, any official of the City, or any property of the City (including the Project) to enforce the terms of the Project Lease, unless the consent of the bankruptcy court is first obtained. The bankruptcy court is not required to give its consent. This prohibition on action may even prohibit the Trustee from using funds in its possession to make payments on the Series 2008E Bonds. As a result, Owners may experience delays in the payment of the Series 2008E Bonds.

In a bankruptcy case, a plan of adjustment for the City could be confirmed that would allow for enforcement of the Project Lease, but the priority, interest rate, payment terms, collateral, maturity dates, payment sources, covenants and other terms or provisions of the Project Lease and the Series 2008E Bonds may be altered by the bankruptcy court. Such a plan could be confirmed even over the objections of the Authority or its assignee and the Owners, and without their consent.

In addition, if the Project Lease is determined to constitute a "true lease" by the bankruptcy court (rather than a financing lease providing for the extension of credit), the City could choose not to perform under the Project Lease and the claim of the Owners could be substantially limited. An allowable claim could be substantially less than the amount of the Series 2008E Bonds outstanding, resulting in the Owners suffering a substantial loss.

State Law Limitations on Appropriations

Article XIIIB of the California Constitution limits the amount that local governments can appropriate annually. The ability of the City to make Lease Payments may be affected if the City should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit in the foreseeable future. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS–Article XIIIB of the State Constitution."

Change in Law

No assurance can be given that the State, the County or the City electorate will not at some future time adopt initiatives or that the State Legislature or the City Council will not enact legislation that will amend the laws of the State or the City's Municipal Code, respectively, in a manner that could result in a reduction of the City's General Fund revenues and therefore a reduction of the funds legally available to the City to make Lease Payments. See, for example,

"CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS –Article XIIIC and Article XIIID of the State Constitution."

Future Litigation

There can be no assurance that future lawsuits or governmental actions will not affect repayment of the Series 2008E Bonds. See the section entitled "Litigation and Significant Claims" in APPENDIX A – "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION."

Impact of Sales and Use Tax Redirection

As described in APPENDIX A– "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION," the State has temporarily redirected local sales and use taxes to the State, including 0.25% that would otherwise be available to the City, to pay debt service on its "economic recovery" bonds; the State has increased local governments' share of local property tax by a like amount.

However, it should be noted that certain features and consequences of this redirection could impact the availability of revenues to pay Lease Payments. First, there is a timing issue associated with the "backfill" of redirected sales and use taxes with property tax revenue: while sales and uses taxes are distributed by the State Board of Equalization on a monthly basis, the County makes the backfill payments with property taxes on a semi-annual basis. This timing issue impacts the City's cash flow, and impacts the amount of investment earnings on the sales and uses taxes it otherwise would have received on a monthly basis.

Second, the County's fees for property tax administration, which are subtracted from property tax revenue collected by the County before it is allocated to the City, have increased as a result of the redirection. In addition, the State Board of Equalization administration fees as a percentage of local sales and use tax received by the City have increased.

Third, the redirection of sale and use taxes by the State reflects the vulnerability of local government to the State budget process even following the passage of Proposition 1A, described below. See APPENDIX A - "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION – Budget." If, in the future, the State elects to further reallocate sales and use taxes or property tax revenue, or any other source of revenue used by the City to make Lease Payments, the City's ability to make Lease Payments could be adversely affected.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Article XIIIA of the State Constitution

Article XIIIA of the State Constitution, known as Proposition 13, was approved by the voters in June 1978 and has been amended on occasions, including most recently on November 7, 2000 to reduce the voting percentage required for the passage of school bonds. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full

cash value," and provides that such tax will be collected by the counties and apportioned according to State statutes. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on any (1) indebtedness approved by the voters prior to July 1, 1978, (2) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition and (3) bonded indebtedness incurred by a school district, community college or county office of education district for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters voting on the proposition.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Section 51 of the Revenue and Taxation Code permits County assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than two percent, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the one percent base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Article XIIIB of the State Constitution

In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIIIB which effectively limits the amount of such revenues those entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges

or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds that are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years. The City has never exceeded its appropriations limit.

Article XIIIC and Article XIIID of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in

Article XIIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. If the City is unable to continue to collect the property-related fees or assessments currently collected by the City, the services and programs funded with these revenues would have to be curtailed and/or the City General Fund might have to be used to support them. The City is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by the fees, charges and assessments in light of Proposition 218 or, if these services and programs are continued, which amounts (if any) would be used from the City's General Fund to continue to support these activities.

Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. If such repeal or reduction occurs, the City's ability to pay Lease Payments under the Project Lease could be adversely affected.

Judicial Interpretation of Proposition 218. On April 12, 2002, the California Court of Appeal in *Howard Jarvis Taxpayers Association v. City of Roseville* (97 Cal. App. 4th 637; 98 Cal. App. 4th 476D (as modified on denial of rehearing on May 13, 2002; California Supreme Court review denied on July 10, 2002) *("**Roseville**")* held that the City of Roseville's practice of charging "in-lieu franchise fees" against the budgets of the City-operated municipal utilities violated Proposition 218 (Article XIIID of the California Constitution). Annually, the City of Roseville transferred from the enterprise accounts for each of its water, refuse collection and sewer service utilities to its general fund an amount equivalent to 4% of each utility's annual budget. The basis for these budgetary transfers was that if these utilities were privately operated, the city would receive a franchise fee to compensate it for the use of city streets and rights-of-way.

The *Roseville* court ruled that the "in-lieu franchise fees" were subject to Proposition 218's restrictions on "property-related" fees because the City of Roseville charged for water, refuse collection and sewer service regardless of whether the property owner used the particular service. Because the transfer from each utility's enterprise account was a flat rate of 4% of the utility's annual budget, the *Roseville* court also ruled that these budgetary transfers violated Proposition 218's requirements that a property-related fee cannot exceed the amount necessary to provide the particular service and cannot be imposed to fund general governmental services, such as police, fire and the like. In rendering its decision, the *Roseville* court distinguished an earlier California appellate decision, *Howard Jarvis Taxpayers Assn. v. City of Los Angeles* (2000) 85 Cal.App. 4th 79 ("***Jarvis-L.A.***"). In *Jarvis-L.A.*, the court determined that the charges imposed by the Los Angeles Department of Water and Power were based on water consumption and as such were "commodity charges which do not fall within the scope of Proposition 218."

On June 3, 2002, the California Court of Appeal in *Howard Jarvis Taxpayers Association v. City of Salinas,* 98 Cal. App. 4th 1351 (rehearing denied on July 2, 2002;

California Supreme Court review denied on August 28, 2002) ("***Salinas***") held that the City of Salinas's imposition of storm drain fees without voter approval violated section 6(c) of Article XIIID, which was added by Proposition 218. In rendering its decision the *Salinas* Court held that (i) the Salinas storm drain fees were property-related fees subject to Proposition 218's requirements and (ii) these fees were not exempt from voter approval as "sewer fees." The *Salinas* court, in holding that the imposition of storm drain fees required voter approval, determined that the voters in approving Proposition 218 intended that the Proposition's exemption of sewer fees from voter approval applied only to the imposition of, or increases to, sanitary sewer fees.

Unlike the City of Salinas, the City imposed a storm sewer fee prior to the passage of Proposition 218. In 1999, the City's storm sewer fees were restructured, without voter approval, in order to meet Proposition 218's sewer fee requirements. Subsequent storm sewer fee increases have been adopted in accordance with Proposition 218's requirements for sewer fee increases.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal. 4th 205 ("***Bighorn***"), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The *Bighorn* court held that the water agency's charges for ongoing water delivery were "fees and charges" within the meaning of Article XIIID, and went on to hold that charges for ongoing water delivery which are fees and charges within the meaning of Article XIIID are also "fees" within the meaning of Article XIIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held that Article XIIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. In reaching its decision, the *Bighorn* court expressly disapproved the *Jarvis-L.A.* decision discussed above, "to the extent that it was inconsistent" with its conclusion that charges for water delivery service are charges for a property-related service "whether the charge is calculated on the basis of consumption or is imposed as a fixed monthly fee."

However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIIC and was therefore invalid.

City's Current Practices. The City has complied with Proposition 218's noticing and protest procedure requirements for all sanitary and storm sewer rate increases that have been implemented since passage of the Proposition. With respect to the City's municipal water utility, these noticing and protest procedures are also being followed for rate increases implemented after the *Bighorn* decision, even though the City, unlike the agency involved in *Bighorn*, does not collect delinquent charges through a property lien process.

In the past, the City has made budgetary transfers from its municipal utilities to the City's General Fund similar to those described in the *Roseville* decision. For fiscal year 2007-08 the amount transferred was approximately $4.6 million. For fiscal year 2008-09 the amount

transferred was reduced to approximately $2.8 million. For fiscal years 2009-10 and 2010-11 the City has not made and does not plan to make any such transfers.

Additionally, in the event a court were to determine that despite the City's restructuring of its storm sewer fees to meet Proposition 218's sewer fee requirements, the City's storm sewer fee increases require voter approval under Proposition 218, the fees imposed after the passage of Proposition 218 could be at risk.

Finally, set forth in Appendix A is information about the following General Fund revenue sources that could be at risk of successful challenge under Proposition 218: (i) "Major General Fund Revenue Sources – *Interfund Transfers and Reimbursements*," related to the transfers to the General Fund from the Emergency Communications System Support (ECSS) Fee Fund (the ECSS Fee was in effect until March 31, 2009), (ii) "Major General Fund Revenue Sources – *Utility Taxes*," related to the telephone utility user's tax that was in effect until March 31, 2009, and (iii) "Litigation and Significant Claims – *Significant Tax Refund Claims*," related to claims filed for the refund of payments of the former telephone utility user's tax.

Proposition 62

On November 4, 1986, California voters adopted Proposition 62, a statutory initiative which, among other matters, requires: (a) that any tax for general governmental purposes imposed by local government entities be approved by a majority vote of the voters voting in an election on the issue, (b) that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local government entity be approved by a two-thirds of the voters voting in an election on the issue and (c) the revenues from a special tax be used for the purposes or for the services for which the special tax was imposed. Proposition 62 also provided that any tax imposed by any local government after August 1, 1985 and prior to November 5, 1986 (the effective date of Proposition 62) can continue to be imposed only if approved by a majority vote of the voters voting in an election on the issue, and that any local government which fails to seek or obtain such approval will cease to impose such tax on and after November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional by the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) ("***Guardino***"), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax, and by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address the question of whether or not Proposition 62 should be applied retroactively to taxes imposed during the period that certain of its provisions were held to be unconstitutional.

Following the *Guardino* decision several actions were filed challenging taxes imposed by public agencies after the adoption of Proposition 62. On June 4, 2001, the California Supreme Court rendered its opinion in *Howard Jarvis Taxpayers Association v. City of La Habra, et al.,* 25 Cal. 4th 809 ("***La Habra***") holding that an action brought in 1996 challenging the imposition of a 1992 utility users tax imposed for general purposes, without voter approval, was not barred by a three-year statute of limitations period because the continued imposition

and collection of the tax was an ongoing violation upon which the statute of limitations period began anew with each collection.

The *Guardino* and *La Habra* decisions did not decide the question of the applicability of Proposition 62 to charter cities such as the City. Two cases decided by the California Courts of Appeals in 1993, *Fielder v. City of Los Angeles* (1993) 14 Cal. App. 4th 137 (rev. den. May 27, 1993), and *Fisher v. County of Alameda* (1993) 20 Cal. App. 4th 120 (rev. den. Feb. 24, 1994) hold that Proposition 62's restrictions on property transfer taxes do not apply to charter cities because charter cities derive their power to enact taxes under Article XI, Section 5 of the California Constitution relating to municipal affairs.

The City estimates that approximately $100.9 million has been collected from fiscal year 2007-08 through fiscal year 2009-10 as a result of new or increased taxes imposed without voter approval between August 1, 1985 and January 1, 1995, the date on which the provisions of Proposition 218 applicable to voter approval of taxes were effective. Such increased or new taxes include hotel and various business taxes ("**Post Proposition 62 Taxes**").

If a court were to determine that a jurisdiction imposed a new or increased tax in violation of Proposition 62, Proposition 62 specifies that the portion of the one-percent ad valorem property tax levy allocated to that jurisdiction be reduced by $1 for every $1 in revenue attributable to the tax for each year that the tax is collected. This provision of Proposition 62 has not been interpreted by the California courts.

Proposition 62, is an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature (except that it may be amended only by a vote of the State's electorate). However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62 with respect to taxes imposed after January 1, 1995.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the State's fiscal year 2004-05 Budget, approved by the voters in November 2004 and generally effective in fiscal year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature.

Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in more stable City revenues, although the actual impact of Proposition 1A will depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

See the section entitled APPENDIX A - "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION – Budget" for information about the State's fiscal year 2008-09 budget and a shift of local property revenues under Proposition 1A. The City participated in the Proposition 1A securitization program, and received 100% of the amount of the property tax reduction in two payments: it received 50% on January 15, 2010 and it received 50% on May 3, 2010.

Future Ballot Initiatives

In recent years several initiative measures have been adopted which affect property and other local taxes. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could adversely affect the ability of the City to pay Lease Payments. For example, one of the initiatives that qualified for the November 2010 ballot seeks voter approval of a constitutional amendment relating to State and local finances.

If passed, Proposition 26, or the "Supermajority Vote to Pass New Taxes and Fees Act," would require a two-thirds vote to approve State laws that increase taxes, even if the law does not increase State revenues, and would repeal recent State laws that conflict with the measure, unless subsequently approved by two-thirds of each house of the Legislature. In addition, Proposition 26 would categorize certain fees and charges imposed by government as taxes requiring two-thirds approval at the State level or two-thirds voter approval at the local level. For example, regulatory fees and certain business assessments that are now approved with a majority vote of the local governing body would be considered taxes requiring two-thirds voter approval. The Legislative Analyst's Office ("LAO") states in its analysis of Proposition 26 that, if passed, Proposition 26 would make it more difficult for the State and local governments to pass new laws to raise revenues and could result in a major decrease in State and local revenues and spending, depending upon future actions of the Legislature, local governing bodies, and local voters. Additionally, in its analysis of Proposition 26, the LAO states that Proposition 26 will not apply to fees imposed by local governments that are in effect as of November 2, 2010, but will apply to future increase or extensions of those fees.

The City is reviewing Proposition 26 to determine the potential impact on the City if it were to be approved by the voters. The interpretation and application of Proposition 26 will ultimately

be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

THE AUTHORITY

The Authority was created by a Joint Exercise of Powers Agreement, dated as of December 8, 1992 (the "**Agreement**"), between the City and the Redevelopment Agency of the City of San José (the "**Agency**"). The Agreement was entered into pursuant to the Joint Exercise of Powers Act, Chapter 5 of Division 7 of Title 1 of the State Government Code. The Authority was created for the purpose of facilitating the financing of public improvements and facilities within the City.

The Authority is governed by an eleven-member Governing Board that consists of the members of the City Council of the City.

Pursuant to the Law, the Authority is authorized to issue bonds for the purpose of financing, refinancing or providing reimbursement for costs incurred in connection with the construction, expansion, remodeling, renovation, furnishing, equipping or acquisition of public capital improvements of public entities such as the City and the Agency. The Law provides for the issuance of revenue bonds by joint exercise of powers authorities, such as the Authority, to be repaid from the proceeds of certain public obligations, such as the Project Lease. The intent of the California Legislature, as stated in the Law, is to assist in the reduction of local borrowing costs, help accelerate the construction, repair and maintenance of public capital improvements, and promote greater use of existing and new financial instruments and mechanisms such as bond pooling by local agencies.

THE SERIES 2008E BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES PLEDGED UNDER THE INDENTURE.

TAX MATTERS

Original Issuance. The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel ("Bond Counsel"), which approved the validity of the Series 2008E Bonds on their issuance date, is attached hereto as APPENDIX D-1.

Opinion Delivered in Connection with the Remarketing. The legal opinion of Bond Counsel that will be delivered on the date delivery of the Series 2008E-1 Credit Facility and the Series 2008E-2 Credit Facility is attached as APPENDIX D-2 – "FORM OF OPINION OF BOND COUNSEL RELATED TO THE FIRST SUPPLEMENTAL INDENTURE OF TRUST, THE SERIES 2008E-1 CREDIT FACILITY AND THE SERIES 2008E-2 CREDIT FACILITY."

To ensure compliance with requirements imposed by the IRS, Bond Counsel informs owners of the Series 2008E Bonds that any U.S. federal tax advice contained in this Remarketing Memorandum (including any attachments) (a) was not intended or written to be used and cannot be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer and (b) was written to support the promotion or marketing of the Series

2008E Bonds. Each taxpayer should seek advice based on that taxpayer's particular circumstances from an independent tax advisor.

APPROVAL OF LEGAL PROCEEDINGS

Jones Hall, A Professional Law Corporation, San Francisco, California, acted as Bond counsel in connection with the issuance of the Series 2008E Bonds. Certain legal matters were also passed upon for the Authority and for the City by the City Attorney. The legal opinions rendered by Bond Counsel and by the City Attorney on the date of issuance of the Series 2008E Bonds speak only as of such date and have not been updated in connection with the preparation of this Remarketing Memorandum.

In connection with the execution and delivery of the First Supplemental Indenture of Trust and the delivery of the Series 2008E-1 Credit Facility and the Series 2008E-2 Credit Facility, Bond Counsel is rendering its opinion in substantially the form attached hereto as APPENDIX D-2. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel to the Authority in connection with the preparation of this Remarketing Memorandum. [Payment of the fees and expenses of Bond Counsel and Disclosure Counsel is contingent upon remarketing of the Series 2008E Bonds].

Except as expressly described in certain opinions delivered to the Authority, the City and the Remarketing Agent, Bond Counsel is not passing upon and undertakes no responsibility for the accuracy, completeness or fairness of the information contained in the Remarketing Memorandum.

LITIGATION

There is no litigation pending with service of process accomplished or, to the knowledge of the City Attorney, as counsel to the Authority, threatened in writing, in any court affecting the existence of the Authority, or challenging the respective powers of the several offices of the officials of the Authority, or the titles of the officials holding those respective offices, or seeking to restrain or to enjoin the remarketing, sale or delivery of the Series 2008E Bonds, or the collection of revenues and assets of the Authority, pledged under the Indenture, or the pledge thereof, or contesting the completeness or accuracy of the Remarketing Memorandum, or contesting the powers of the Authority or the respective authority of the Authority and its officials with respect to the Series 2008E Bonds, the Indenture or the Project Lease.

There is no litigation pending with service of process accomplished or, to the knowledge of the City Attorney, threatened in writing, in any court affecting the existence of the City, or challenging the respective powers of the several offices of the officials of the City, or the titles of the officials holding those respective offices, or seeking to restrain or to enjoin the execution and delivery of the Project Lease or the performance by the City of its obligations under the Project Lease or contesting or affecting the validity or enforceability of the Series 2008E Bonds, the Indenture or the Project Lease. The City Attorney, as counsel to the City and to the Authority, will issue opinions to that effect, which opinions will be furnished to the Underwriter at the time of the delivery of the Series 2008E Bonds.

There are a variety of civil cases in which the City is a named defendant pending at any given time, including without limitation, the litigation described in Appendix A. See APPENDIX A— "THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION–Litigation and Significant Claims." Additionally, there are numerous claims filed with the City or with other agencies in which the claimants allege that they have been damaged by the City. If these actions or the claims which develop into civil actions were determined adversely to the City, it is possible there could be an adverse effect on the City's revenues and cash flow.

RATINGS

[confirm]

[Series 2008E-1 Bonds. With the understanding that the Series 2008E-1 Credit Facility will be delivered concurrently with remarketing of the Series 2008E-1 Bonds, Moody's Investors Service, Inc. ("**Moody's**"), Standard & Poor's Rating Services, a division of The McGraw–Hill Companies, Inc. ("**S&P**") and Fitch Ratings ("**Fitch**") have assigned long-term ratings on the Series 2008E-1 Bonds of "Aaa", "AAA" and "AAA", respectively, and short-term ratings of "VMIG1," "A-1+," and "F1+". ***Series 2008E-1 Bonds.*** The Series 2008E-1 Bonds have received underlying ratings of "Aa3" from Moody's, "AA+" from S&P and "AA" from Fitch.

Series 2008E-2 Bonds. With the understanding that the Series 2008E-2 Credit Facility will be delivered concurrently with remarketing of the Series 2008E-2 Bonds, Moody's, S&P and Fitch have assigned long-term ratings on the Series 2008E-2 Bonds of Aaa", "AAA" and "AAA", respectively, and short-term ratings of "VMIG1," "A-1+," and "F1+". The Series 2008E Bonds have received underlying ratings of "Aa3" from Moody's, "AA+" from S&P and "AA" from Fitch.]

General. The long-term ratings on the Series 2008E Bonds are based on the rating agencies' analyses of the credit strength of both the applicable Credit Provider and the City. The short-term ratings on each series of Series 2008E Bonds are based on the rating agencies' analyses of the credit strength of only the applicable Credit Provider.

Certain information was supplied by the City to the rating agencies to be considered in evaluating the Series 2008E Bonds. The ratings issued reflect only the views of such rating agencies, and any explanation of the significance of such ratings should be obtained from Moody's, S&P and Fitch, respectively. No assurance can be given that any rating issued by the rating agencies will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agencies, if in their judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Series 2008E Bonds.

FINANCIAL ADVISOR

Public Resources Advisory Group, Los Angeles, California (the "**Financial Advisor**"), has served as Financial Advisor in connection with the remarketing of the Series 2008E Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an

independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Remarketing Memorandum.

FINANCIAL STATEMENTS

The City's Basic Financial Statements for fiscal year 2008-09 included in this Remarketing Memorandum have been audited by Macias, Gini & Connell LLP, independent auditors, as stated in their report included in the Financial Statements. See APPENDIX B– "BASIC FINANCIAL STATEMENTS OF THE CITY OF SAN JOSE FOR THE FISCAL YEAR ENDED JUNE 30, 2009."

Macias, Gini & Connell LLP has not been requested to consent to the use or to the inclusion of its report in this Remarketing Memorandum and has not reviewed this Remarketing Memorandum.

NO CONTINUING DISCLOSURE

While the Series 2008E Bonds bear interest at a Weekly Rate or a Daily Rate, they are exempt from continuing disclosure under Securities and Exchange Commission Rule 15c2-12(b)(5).

MISCELLANEOUS

References made in this Remarketing Memorandum to certain documents and reports are brief summaries thereof that do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Remarketing Memorandum involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Remarketing Memorandum is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series 2008E Bonds. The preparation and distribution of this Remarketing Memorandum has been authorized by the Authority and the City.

The execution and delivery of this Remarketing Memorandum has been authorized by the Authority and by the City.

CITY OF SAN JOSE FINANCING AUTHORITY

By: /s/ Debra Figone
Executive Director

CITY OF SAN JOSE, CALIFORNIA

By: /s/ Debra Figone
City Manager

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APPENDIX A

THE CITY OF SAN JOSE: DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION

Council/SJFA Agenda 10-5-10
Item Number: 2(a)(b)
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APPENDIX B

BASIC FINANCIAL STATEMENTS OF THE CITY OF SAN JOSE FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

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APPENDIX D-1

OPINION OF BOND COUNSEL

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APPENDIX D-2

FORM OF OPINION OF BOND COUNSEL RELATED TO THE FIRST SUPPLEMENTAL INDENTURE OF TRUST, THE SERIES 2008E-1 CREDIT FACILITY AND THE SERIES 2008E-2 CREDIT FACILITY

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APPENDIX E

THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company ("**DTC**"), the procedures and record keeping with respect to beneficial ownership interests in the securities described in this Remarketing Memorandum (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 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, 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 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, corporate and municipal debt issues, and money market instrument 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 and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from 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 nor its nominee, 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. A Beneficial Owner will give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent or Remarketing Agent, as applicable, and will effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent or Remarketing Agent, as applicable. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the DTC account of the Tender Agent or Remarketing Agent, as applicable.

10. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

12. 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.

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