

Agenda Item 4B-G
1:30 PM

**CITY OF SAN ANTONIO
INTERDEPARTMENTAL MEMORANDUM
City Manager's Office**

TO: Mayor and City Council
FROM: Christopher J. Brady, Assistant City Manager
SUBJECT: Convention Center Hotel Project
DATE: April 14, 2005

SUMMARY AND RECOMMENDATIONS

This agenda item includes a public hearing and several ordinances in connection with the Convention Center Hotel Project.

The public hearing (Agenda Item 4A) concerns the proposed issuance by the City of *San Antonio, Texas Convention Center Hotel Finance Corporation of its Contract Revenue Empowerment Zone Bonds, Series 2005A, and Contract Revenue Bonds, Taxable and potential tax-exempt bonds* to provide a portion of the funds required to develop, construct, equip and open a full-service hotel which initially will be owned by Hotel Investments, L.P., a Texas limited partnership, and located adjacent to the City's convention center complex..

The following ordinances are also requested:

- B. An Ordinance designating and reserving up to \$130,000,000 of the City's \$230,000,000 capacity to issue empowerment zone bonds for the Convention Center Hotel Project.
- C. An Ordinance modifying the City of San Antonio's Economic Development Program, as revised by Ordinance 99308 on June 3, 2004, to permit grants and/or loans for economic development purposes or projects pursuant to Chapter 380 of the Texas Local Government Code, with the authorization of City Council.
- D. An Ordinance requesting and authorizing the *City of San Antonio, Texas Convention Center Hotel Finance Corporation* (the "Issuer") to issue up to \$130,000,000 of its *Contract Revenue Empowerment Zone Bonds, Series 2005A*, and up to \$100,000,000 of its *Contract Revenue Bonds, Taxable and potential Tax-Exempt bonds* (collectively, the "Bonds"), the proceeds of which will be loaned to Hotel Investments, L.P., a Delaware limited partnership (the "Developer"), and used to provide a portion of the funds required to develop,

construct, equip, furnish and open a full-service hotel and related parking to be initially owned by the Developer and located adjacent to the City's convention center on land owned by the City and initially leased or licensed from the City to the Developer.

- E. An Ordinance approving and authorizing the execution of all agreements and instruments to which the City is a party related to leasing or licensing real property to Hotel Investments, L.P., a Delaware limited partnership (the "Developer") and developing, constructing, equipping, furnishing, operating and financing a Convention Center Hotel Project, including but not limited to a ground lease and license agreement, project agreement, site access agreement, room blocking agreement, economic development agreement, equity funding agreement, and continuing disclosure agreement, approving the form and distribution of a preliminary official statement related to the issuance of Contract Revenue Bonds being issued by the *City of San Antonio, Texas Convention Center Hotel Finance Corporation* to finance a portion of the costs of the Convention Center Hotel Project, authorizing the closure, vacation and abandonment of a portion of Bowie Street Public Right of Way adjacent to the Project subject to the dedication by plat and construction of an approved realignment of Bowie Street; and authorizing City officials, City staff, co-financial advisors and co-bond counsel to take all other actions deemed necessary in connection with developing, constructing, operating and financing the Convention Center Hotel Project.
- F. An Ordinance approving the form of, and consenting to the *City of San Antonio, Texas Convention Center Hotel Finance Corporation* (the "Issuer") entering into, all agreements and instruments to which the Issuer is a party in connection with the issuance of up to \$130,000,000 of its *Contract Revenue Empowerment Zone Bonds, Series 2005A*, and up to \$100,000,000 of its *Contract Revenue Bonds, Taxable and potential Tax-Exempt bonds* (collectively, the "Bonds"), including but not limited to an indenture of trust, loan agreement, economic development agreement, lock box and cash management agreement, equity funding agreement, and continuing disclosure agreement, and authorizing the Issuer and its professional advisors to take all other actions deemed necessary in connection with the issuance of the Bonds.
- G. An Ordinance approving the selection of additional underwriters to the Financial Underwriting Syndicate for the proposed issuance by the *City of San Antonio, Texas Convention Center Hotel Finance Corporation* of up to \$130,000,000 of its *Contract Revenue Empowerment Zone Bonds, Series 2005A*, and up to \$100,000,000 of its *Contract Revenue Bonds, Taxable and potential Tax-Exempt bonds*, for the Convention Center Hotel Project.

Staff recommends approval.

BACKGROUND

On December 21, 2004, the City Council selected FaulknerUSA as the preferred developer of a convention center hotel on City-owned land adjacent to the Henry B. Gonzalez Convention Center.

Since that time, an investment group involving FaulknerUSA has formed *Hotel Investments, L.P.* as the legal entity, which will own and develop the hotel. Over the past four months, staff and outside counsel have been negotiating a variety of legal agreements necessary to permit financing and construction of the project.

The City of San Antonio has reviewed, evaluated and completed feasibility studies for the construction of a Convention Center Headquarters Hotel. The City will provide a portion of the financing required for the construction to the Headquarters Hotel to include City of San Antonio, Texas Convention Center Hotel Finance Corporation Contract Revenue Empowerment Zone Bonds, Series 2005A, to be issued in the aggregate principal amount of \$130,000,000 (the "Tax-Exempt Bonds") and the estimated City of San Antonio, Texas Convention Center Hotel Finance Corporation Contract Revenue Bonds, Taxable and potential Tax-Exempt Bonds, to be issued in the aggregate principal amount up to \$100,000,000 (collectively referred to as "2005 Bonds") to be issued, together with the equity contribution provided by the Developer and investors, to pay cost related to: (i) design, develop, construct, furnish and open the Hotel Project, (ii) fund approximately 38 months of capitalized interest, (iii) fully fund debt service reserve fund requirements on the 2005 Bonds or a surety bond to cover same, (iv) purchase municipal bond insurance, and (v) pay all other transaction costs. In connection with the issuance and sale of the 2005 Bonds, documents have been mailed to Moody's Investors Service, Inc. and Standard & Poor's, a division of the McGraw-Hill Corporation and AMBAC Assurance Corporation. Oral presentations were made to these firms on April 4-5, 2005.

It is anticipated that the 2005 Bonds will be sold on or about the week of April 25, 2005 by an underwriting syndicate lead by Citigroup Global Markets, Inc. and UBS Financial Services, Inc as Co-Senior Financial Underwriters and SAMCO, Piper, Jaffray & Co. and Southwestern Capital Markets, Inc. as Co-Managing Underwriters.

In connection with the City's incentives for the Toyota assembly facility, the City Council (pursuant to Ordinance No. 97248) adopted an *Economic Development Program* on February 27, 2003. In accordance with the Program, the City Council authorized grants and loans for projects achieving the economic development benefits of projects like Toyota. The Program was subsequently amended on June 3, 2004 (by Ordinance No. 99308) to permit grants and loans in accordance with the Economic Development Incentive Fund (EDIF) guidelines.

The proposed financing for the Convention Center Hotel Project involves contract pledges of certain revenues, as documented in a separate *Economic Development Agreement*. To fully provide for such contract revenue pledges, the previously adopted

Economic Development Program must be amended to clearly provide for grants, without limitation, upon authorization of City Council.

POLICY ANALYSIS

The sale of 2005 Bonds will provide a portion of the funding required for the construction of the Convention Center Headquarters Hotel. The proposed issuance of the 2005 Bonds is consistent with City Council direction and the Convention Center Expansion Plan.

The debt service on the 2005 Bonds will be paid from revenues in priority of payment derived from Revenues of the Convention Center Headquarters Hotel, 6.25% Convention Center Headquarters Hotel State Sales Tax, 6% Convention Center Headquarters Hotel State Hotel Occupancy Tax Revenues, 7.00% site specific Convention Center Headquarters Hotel City Hotel Occupancy Tax Revenues, and 2.00% Citywide Hotel Occupancy Tax Revenues. The legal and financial documents are in substantially final form; however, certain changes may be made and all documents will be completed prior to the bond closing and delivery.

The proposed ordinance would approve and authorize the following legal agreements:

Ground Lease (Attached hereto as Exhibit A): This 75-year ground lease will commence at closing. The lessee, Hotel Investments L.P., will have an option to extend the ground lease for an additional 15 years. The area to be leased includes the site outlined in the developer solicitation, in addition to sections of Bowie Street and areas immediately to the east of Bowie Street. The City will receive \$350,000 annually as "base rent," which will increase with CPI. Additionally, the City will receive 10 percent "participation rent," which is equal to 10 percent of residual revenues that would otherwise flow to investors/owners. If pledged revenues are utilized, they will be recouped as "additional rentals" under the ground lease. Certain areas of the leased premises will be reserved for public access points, including those for ADA purposes. The permitted use of the site is a convention-oriented, full-service hotel. The developer must provide for the operation of the hotel to achieve a 4-Diamond rating, and will operate the hotel continuously, with limited exception. All taxes will be due under the grounds lease.

Project Agreement (Attached hereto as Exhibit B): The ownership group, Hotel Investments L.P., will be responsible for developing the project within 32 months following closing. FaulknerUSA will oversee construction, which includes demolition and preparation of site for construction, the required hotel program, certain river walk improvements, public right-of-way improvements, and certain temporary facilities. The developer will be responsible for all environmental, utility, VIA bus stop, and historic issues. The owner will provide for 250 parking spaces in the

underground garage of the hotel, and pay the City \$2.5 million at closing to relieve Faulkner of additional parking at the hotel. Access will be required for loading docks of the Convention Center and Lila Cockrell Theater during construction. The developer agrees to comply with the SBEDA Policy of the City for project design, construction, and operations. Faulkner will, under the agreement, be required to pay all customary building permit review and inspection fees, right-of-way closure fees, and rental of parking meters to accommodate certain traffic lane closures. Additionally, the City has the right to stop work as a "quiet day" for 120 such days. Bowie Street will be permanently realigned to accommodate the hotel project, and will be opened before the existing right-of-way is closed.

Site Access Agreement: This agreement would provide for City access to certain spaces in the leased premises or hotel improvements that may be utilized by the City to access utility vaults or provide for service areas in the future to accommodate an expansion of the convention center.

Room Blocking Agreement (Attached hereto as Exhibit C): This agreement permits the San Antonio Convention and Visitors Bureau (SACVB) to request hotel assistance in issuing room block commitments, which are often required as part of proposals to attract medium to large conventions, needing multiple lodging locations for its delegates. The commitments can be requested for events occurring more than two years in the future. Up to 80 percent of the rooms can be requested for these purposes. Once a year, the City can request a room block commitment of all hotel rooms at the property for a major event (e.g. Final Four). The hotel operator may also, in the normal course of business, market rooms. If any event more than two years out requires 60 percent of the rooms, then SACVB must be notified for any potential conflict. Good faith efforts must be made by operator to reach agreement and offer reasonable hotel rates. City remedies include liquidated damages by Developer for default.

Economic Development Agreement: This agreement between the City and the City of San Antonio, Texas Convention Center Hotel Financing Corporation specifies actions that the City must take to fund and disburse certain revenue pledges in the event that net operating income is insufficient to cover debt service payments.

Additionally, this ordinance would authorize the closing, vacating and abandoning of portions of Bowie Street, following permanent realignment to the east of the hotel site, as evidenced by future plat approval.

FISCAL IMPACT

The project evidenced by these agreements has direct and potential fiscal impacts. Collectively, this action would result in various construction-related fees and rentals. The City will receive \$350,000 in base ground lease rentals after hotel opening, which will increase annually by CPI. Additionally, the City will receive "participation rentals," which will equal 10 percent of net revenues that would otherwise flow to the hotel owner as investment return. All ad valorem property taxes of the project shall be due in full to the City.

In the event that hotel operating revenues are insufficient to pay debt service in any one year, the City is pledging State hotel occupancy taxes (H.O.T.) and State sales taxes generated at the project, in addition to subordinate pledges of City H.O.T. (7%) generated at the hotel and City convention facility H.O.T. (2%) generated in the previous 12 months in an appropriate amount to cover any shortfall. Otherwise those tax revenues would accrue to the benefit of the City.

Costs pertaining to the proposed bond transaction will be paid from the proceeds derived from the issuance and sale of the 2005 Bonds. Therefore, there is no impact on the City's Operating Budget. Detail on the costs of issuance will be provided in the bond disclosure report that will be prepared and distributed to the Mayor and City Council subsequent to the sale and delivery of the 2005 Bonds.

COORDINATION

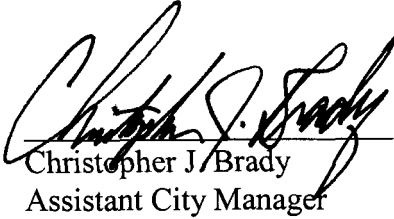
This action was coordinated with the City Manager's Office, City Attorney's Office, Department of Economic Development, the Department of Finance, the Office of Management and Budget, the City's Underwriting Syndicate, Co-Financial Advisors, Co-Bond Counsel, and General Legal Council.

SUPPLEMENTAL COMMENTS

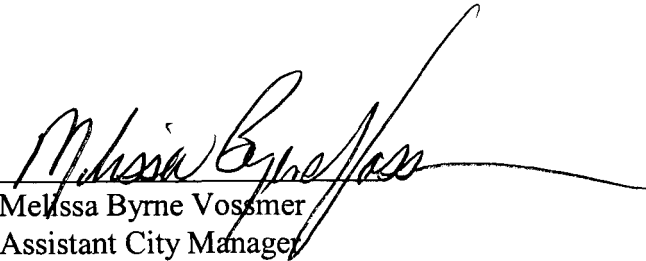
The disclosures required by the City's Ethics Ordinance for each of the firms are attached.



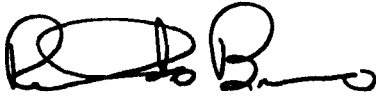
Milo Nitschke
Director of Finance



Christopher J. Brady
Assistant City Manager



Melissa Byrne Vossmer
Assistant City Manager



J. Rolando Bono
Interim City Manager

ATTACHMENT B

City of San Antonio Discretionary Contracts Disclosure*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2

Attach additional sheets if space provided is not sufficient.

State "Not Applicable" for questions that do not apply.

This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below for the discretionary contract is the subject of council action, and no later than five (5) business days after any change out which information is required to be filed.

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract:

None.

(2) the identity of any business entity¹ that would be a party to the discretionary contract:

FaulknerUSA, Inc. or an affiliated company

and the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract;

RTKL, Arquitectonica, Kell Munoz and possibly affiliates of FaulknerUSA have been identified as subcontractors. FaulknerUSA will subcontract with a significant number of local trades, which have yet to be finalized.

and the name of:

(B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract;

FaulknerUSA, Inc or an affiliate of FaulknerUSA to be determined.

¹ A business entity means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

- (3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

Guerra DeBerry Coody, Public Relations
Baltazar R. Serna, Jr., Lobbyist

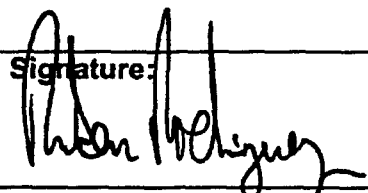
Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any current or former member of City Council, any candidate for City Council, or to any political action committee that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
FaulknerUSA, Inc. nor any of its affiliates have made contributions totaling One Hundred Dollars (\$100) or more within the past twenty-four (24) months.	N/A	N/A

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

N/A		
Signature: 	Title: Vice President Company: FaulknerUSA, Inc.	Date: August 24, 2004

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

City of San Antonio
Discretionary Contracts Disclosure*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2

Attach additional sheets if space provided is not sufficient.

State "Not Applicable" for questions that do not apply.

** This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.*

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any **individual** who would be a party to the discretionary contract:

William Corrado for Citigroup Global Markets Inc.

(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:

Citigroup Global Markets Inc.

and the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract;

N/A

and the name of:

(B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract;

N/A

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

- (3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None

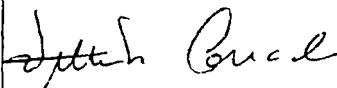
Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current or former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
None		

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic-Benefit, by participating in official action relating to the discretionary contract.

None		
Signature: William Corrado 	Title: Director Company: Citigroup Global Markets Inc.	Date: March 10, 2005

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm or Team to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

NO

2. Have you or any member of your Firm or Team been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

NO

3. Have you or any member of your Firm or Team been involved in any claim or litigation with the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES

NO

If you have answered "Yes" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the information, indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

TO THE BEST OF MY KNOWLEDGE, THE ABOVE INFORMATION IS TRUE AND CORRECT.

Company Name: Citigroup Global Markets Inc.



Signature of Principal:

William Corrado

Printed Name of Principal:

Director

Title of Principal

City of San Antonio
Discretionary Contracts Disclosure*

*For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2
Attach additional sheets if space provided is not sufficient.
State "Not Applicable" for questions that do not apply.*

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Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any **individual** who would be a party to the discretionary contract:

None

(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:

UBS Financial Services Inc.

and the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract;

None

and the name of:

(B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract;

None

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

(3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None


Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current* or *former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
None		

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Signature: 	Title: Vice President Company: UBS Financial Services Inc.	Date: 3/14/05

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

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Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm or Team to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

NO

2. Have you or any member of your Firm or Team been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

NO

3. Have you or any member of your Firm or Team been involved in any claim or litigation with the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES

NO

If you have answered "Yes" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the information, indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

TO THE BEST OF MY KNOWLEDGE, THE ABOVE INFORMATION IS TRUE AND CORRECT.

Company Name: UBS Financial Services Inc.

Laura Powell
Signature of Principal:

Laura Powell

Printed Name of Principal:

Vice President

Title of Principal

Litigation Disclosure

1. Have you or any member of your Firm or Team to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

No.

2. Have you or any member of your Firm or Team been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

No.

3. Have you or any member of your Firm or Team been involved in any claim or litigation with the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last (10) years?

Like most securities firms, UBS Financial Services Inc. (formerly UBS PaineWebber Inc., hereafter "UBS") is and has been a defendant in numerous legal actions relating to its securities and commodities business that allege various violations of federal and state securities laws. Prior to November 2000, UBS Financial Services Inc. was a wholly owned subsidiary of PaineWebber Group Inc., a public company listed on the NYSE which regularly reported on Forms 10K and 10Q to the Securities and Exchange Commission ("SEC") and the NYSE regarding pending material litigation, including administrative proceedings. These reports are publicly available and include information about UBS Financial Services matters. In November 2000, UBS Financial Services Inc. became a wholly owned subsidiary of UBS Americas Inc. and an indirect subsidiary of UBS AG. UBS AG, a Swiss banking corporation, is publicly owned, and its shares are listed on the Zurich, New York and Tokyo stock exchanges. UBS AG files annual reports on Form 20-F with the SEC, and also files quarterly reports and certain other material information with the SEC under cover of Form 6-K. These reports are publicly available. Starting with the Form 20-F for the year ended December 31, 2000, these reports include material information about UBS Financial Services' matters, including information about any material litigation or administrative proceedings. To the best of our knowledge, there are not any matters pending that are likely to adversely affect UBS Financial Services' ability to provide the services that are contemplated by the Request for [Proposal] [Qualification].

The following legal proceedings relating to the investment banking activities of UBS's Municipal Securities Group are pending or were closed within the past ten years:

A *qui tam* claim against UBS Financial Services and others was filed under Illinois's Whistleblower statute in 1999 under seal. That action was unsealed by the court after the State declined to participate in the action. A complaint alleging that our firm engaged in yield-burning in a 1992 refunding transaction with Illinois was served on us in April 2002. In June 2002, a U.S. District Court (N.D. Ill.) issued an Order dismissing plaintiffs' claims. The case was refiled in November 2002 in the Cook County Circuit Court, bringing whistleblower claims and common law claims for fraud, breach of contract, and breach of fiduciary duty. All claims were dismissed against UBS in August 2003. A Notice of Appeal to the Illinois Supreme Court was filed in September 2003 and oral argument took place on November 16, 2004.

On June 6, 2000, UBS Financial Services Inc. acquired JC Bradford & Co. In February 2004, a case was filed in a New York state court related to certain 1992 bond transactions in which Bradford underwrote tax exempt bonds issued by Lucas Plaza Housing Development Corporation, an Ohio public housing entity. Lucas Plaza and its sponsoring authority alleged that, despite the fact that they received all the proceeds they were entitled to in the transaction, Bradford's involvement in the subsequent defeasance and sale of credit-enhanced bonds was fraudulent and breached the bond purchase agreement. In March 2004, UBS moved to dismiss the Amended Complaint in its entirety. On November 9, 2004, the Court granted UBS's and its co-defendants' motion to dismiss. The plaintiffs have appealed this decision. *This matter does not involve the current Municipal Securities Group.*

UBS underwrote bonds issued by Tehachapi, California, whose purpose was to finance certain improvements to undeveloped property. Tehachapi brought a foreclosure action against the developer, Tiote Construction Development Company ("Tiote"), when it failed to pay its taxes on certain property covered by the bond issue. Tiote asserted cross-claims against our firm for negligent misrepresentation and fraud. In September 1995, the Court granted UBS's motion to dismiss the cross-claims of Tiote without leave to amend. Tiote appealed; there were several additional filings. In August 2003, the appellate court upheld the dismissal with prejudice of all claims against UBS Financial Services Inc.

In September 2002, Kevin Olson ("Olson"), a California resident, filed a suit in California State Court against numerous broker-dealer defendants under California's unfair competition statute. The suit challenges fees (defined to include commissions, markups, markdowns, and a bid/ask spread) charged by numerous institutional defendants, including our firm, in connection with secondary market trades of municipal securities rated double A or higher. Olson sought a declaration that defendants had engaged in an unlawful and deceptive practice by charging fees that are excessive under MSRB Rule G-30, and by failing to disclose such excessive fees. The suit also sought an injunction prohibiting defendants from charging excessive fees on such trades, defined as fees exceeding a threshold "substantially less than 1%." The defendant firms jointly removed the action to federal court and simultaneously moved to dismiss. Olson then dismissed his case voluntarily, rather than respond to the motion, but stated an intention to refile in state court. No such filing has occurred to date. In addition, a "copy cat" complaint by another plaintiff (Herman) was filed in December 2002. That case was removed to federal court and motion to dismiss filed. On February 27, 2003, that complaint was dismissed with prejudice.

As noted previously, in June 2000, UBS Financial Services Inc. acquired JC Bradford & Co. On November 19, 1996, a case was filed in Los Angeles Superior Court by the Indenture Trustee (purporting to act on behalf of the bondholders) against Bradford and a host of others involved in a December 1992 offering of \$14 million for a project to acquire and renovate a downtown Los Angeles hotel. Bradford served as underwriter in the offering and sold \$10 million of the bonds to three Farmers Insurance entities. The project encountered problems and the last interest payments were made in July 1995. The case brought by the Indenture Trustee was dismissed. The three Farmers Insurance entities and a Committee of Bondholders as plaintiffs then filed an action against Bradford and others based primarily on four alleged misrepresentations in the Official Statement. Without admitting liability, Bradford settled this case in December 2001. *This matter does not involve the present Municipal Securities Group.*

The Clerk of Collier County (FL), purportedly acting on behalf of thousands of municipal issuers, filed a class action suit in 1998 against a number of firms who sold government securities at allegedly inflated prices in connection with advance refunding transactions. Without admitting any liability, the defendant firms, including UBS, settled this matter in May 2001 by agreeing to pay, as a group, a

total of approximately \$4.5 million. A Final Judgment Order and Final Judgment dated September 26, 2001, was approved by a Florida Court, which found the settlement "fair, just and reasonable as to the Settling Class."

In December 1996, Orange County, California filed an adversary proceeding against a number of Wall Street firms, including UBS and PaineWebber Real Estate Securities Inc. in the United States Bankruptcy Court in California, asserting claims relating to the sale of certain securities to the County. The matter was settled as to our firm in August 2000. The firm contributed \$2.6 million to the total settlement.

In a related matter, UBS, along with other firms, had been a defendant in a putative class action filed on behalf of purchasers of bonds issued by Orange County and municipal authorities that invested moneys in the Orange County Investment Pool. In May 1996, UBS and certain other defendants entered into a Stipulation of Partial Settlement dismissing all claims as to the settling defendants, subject to approval by the California State court. In December 1996, the California State Court entered a final judgment dismissing the Orange County bondholder securities litigation against certain defendants, including UBS Financial Services, having found the settlement reached by those parties to be fair.

City of San Antonio

Discretionary Contracts Disclosure*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2

Attach additional sheets if space provided is not sufficient.

State "Not Applicable" for questions that do not apply.

* This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any **individual** who would be a party to the discretionary contract:

The members of our project team would include: Robert Swerdling, Peter Phillippi, Lisa Jacob, Monika Suarez, Darci Doneff, Brad Wingses, James Towne and Doug Campbell.

(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:

U.S. Bancorp Piper Jaffray

and the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract;

None

and the name of:

(B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract;

None

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

- (3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

Aventa Group, LLC
Eduardo A. Martinez, Principal


Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current* or *former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
None		

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

None		
Signature: 	Title: Managing Director Company: U.S. Bancorp Piper Jaffray	Date: October 31, 2003

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

City of San Antonio

Discretionary Contracts Disclosure*

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Attach additional sheets if space provided is not sufficient.

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(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:

U.S. Bancorp Piper Jaffray

and the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract;

None

and the name of:

(B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract;

None

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

City of San Antonio Discretionary Contracts Disclosure*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2

Attach additional sheets if space provided is not sufficient.

State "Not Applicable" for questions that do not apply.

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Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any **individual** who would be a party to the discretionary contract:

Robert G. Rodriguez, President & CEO

(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:

Southwestern Capital Markets, Inc.

and the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract;

None.

and the name of:

(B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract;

None.

(3) the identity of any **lobbyist** or **public relations firm** employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

None.

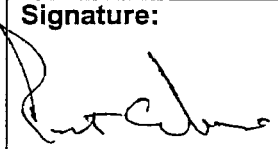
Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current or former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
MSRB Rule G-37 prohibits any dealer from engaging in municipal securities business with an issuer within 2 years of any contribution to an official of such issuer except a maximum of \$250 is allowed for someone you may vote for. A contribution was made to Art A. Hall	\$250.00	Sometime before the May 2003 elections.

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Signature: 	Title: President & CEO Company: Southwestern Capital Markets, Inc.	Date: February 28, 2005

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm or Team to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

NO

2. Have you or any member of your Firm or Team been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

NO

3. Have you or any member of your Firm or Team been involved in any claim or litigation with the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

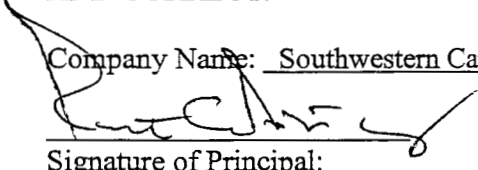
YES

NO

If you have answered "Yes" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the information, indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

TO THE BEST OF MY KNOWLEDGE, THE ABOVE INFORMATION IS TRUE AND CORRECT.

Company Name: Southwestern Capital Markets, Inc.


Signature of Principal:

Robert G. Rodriguez
Printed Name of Principal:

President & CEO
Title of Principal

City of San Antonio Discretionary Contracts Disclosure*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2
Attach additional sheets if space provided is not sufficient.
State "Not Applicable" for questions that do not apply.

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Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any **individual** who would be a party to the discretionary contract:

Stephen J. Young
Duane L. Westerman
Mike Villarreal

(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:

SAMCO Capital Markets

and the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract;

Not applicable

and the name of:

(B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract;

Not Applicable

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

- (3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

none


Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current* or *former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
Julian Castro	\$250.00	2005

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Signature: 	Title: Managing Director Company: SAMCO Capital Markets	Date: April 5, 2005

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm or Team to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

☒ NO

2. Have you or any member of your Firm or Team been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

☒ NO

3. Have you or any member of your Firm or Team been involved in any claim or litigation with the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES

☒ NO

If you have answered "Yes" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the information, indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

TO THE BEST OF MY KNOWLEDGE, THE ABOVE INFORMATION IS TRUE AND CORRECT.

Company Name: SAMCL Capital Markets

Duane L Westerman
Signature of Principal:

Duane L Westerman
Printed Name of Principal:

Managing Director
Title of Principal