

RESOLUTION NO. 2013-11-21-_____R

**A RESOLUTION OF THE
CITY OF SAN ANTONIO, TEXAS
EMPOWERMENT ZONE DEVELOPMENT CORPORATION**

AUTHORIZING THE ISSUANCE OF \$39,900,000 IN AGGREGATE IN PRINCIPAL AMOUNT OF *CITY OF SAN ANTONIO, TEXAS EMPOWERMENT ZONE DEVELOPMENT CORPORATION CONTRACT REVENUE EMPOWERMENT ZONE REFUNDING BONDS (DRURY SOUTHWEST HOTEL PROJECT), SERIES 2013A AND SERIES 2013B*; AUTHORIZING THE EXECUTION OF A LOAN AGREEMENT, AN INDENTURE OF TRUST, A TAX AGREEMENT, AND A PURCHASE CONTRACT; CALLING CERTAIN OUTSTANDING EMPOWERMENT ZONE BONDS FOR REDEMPTION; AND APPROVING OTHER MATTERS IN CONNECTION THEREWITH

* * * * *

WHEREAS, the CITY OF SAN ANTONIO, TEXAS EMPOWERMENT ZONE DEVELOPMENT CORPORATION (the "**Issuer**") is a nonprofit local government corporation created and existing under the laws of the State of Texas, including particularly Subchapter D of Chapter 431, Texas Transportation Code (the "**Act**"), to act on behalf of the CITY OF SAN ANTONIO, TEXAS (the "**City**") for the purpose of "*aiding and acting on behalf of the City to accomplish certain governmental purposes of the City, to wit: the administration of various federal tax incentives relating to the Empowerment Zone designated within the City, including but not limited to the issuance of empowerment zone facility bonds on behalf of qualified businesses within the Empowerment Zone, at the request of the City Council of the City*"; and

WHEREAS, pursuant to Section 431.101(b) of the Act, the Issuer has the powers of a corporation authorized for creation by the Texas Transportation Commission (the "**Commission**") under Chapter 431, Texas Transportation Code ("**Chapter 431**"), and pursuant to Section 431.062(a) of Chapter 431, a corporation created by the Commission under Chapter 431 "*has the powers and privileges of a nonprofit corporation incorporated under the Texas Non-Profit Corporation Act*"; accordingly, the Issuer, in addition to the powers expressed in the Act, has all powers and privileges of a nonprofit corporation granted under the Texas Non-Profit Corporation Act (which is now codified under various provisions of the Texas Business Organizations Code); and

WHEREAS, pursuant to law, particularly Section 99 of the Charter of the City, the City is authorized to issue revenue bonds for certain specific purposes enumerated therein and for "*any other lawful public purpose, provided such bonds shall never be a debt of the City and shall be a*

charge upon and payable solely from the designated sources, properties or interest acquired and the income therefrom"; and

WHEREAS, state law recognizes that economic development by municipalities is a "public purpose" as evidenced by, among other laws, the provisions of (i) Article III, Section 52-a of the Texas Constitution which provides that the "*development and diversification of the economy of the state, [and] the elimination of unemployment or underemployment in the state*" is a "public purpose", and (ii) Chapter 380, Texas Local Government Code, which was enacted by the Texas Legislature in 1987 to implement the authority granted in Article III, Section 52-a of the Texas Constitution by authorizing municipalities to "*establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality.*"

WHEREAS, a portion of the City was designated pursuant to Section 1391(h) of the Internal Revenue Code of 1986, as amended (the "**Code**") by the U.S. Department of Housing and Urban Development as a *Round III Urban Empowerment Zone* (the "**Empowerment Zone**"), which, among other areas, included the downtown area of the City; and

WHEREAS, among other federal tax incentives available to provide a catalyst for private investment and promote economic development within the Empowerment Zone, the City was authorized to issue up to \$230,000,000 in principal amount of bonds (the "**City's Empowerment Zone Bond Capacity**") and loan the proceeds thereof to a private entity to provide an "enterprise zone facility" which consists of "qualified zone property" the principal user of which is an "enterprise zone business" (as such terms are defined in Sections 1394, 1397D and 1397C, respectively, of the Code) in the Empowerment Zone, the interest on which is excludable from federal income taxation ("**Empowerment Zone Bonds**"); and

WHEREAS, the Issuer, acting on behalf of the City, issued and has outstanding the following series of Empowerment Zone Bonds:

CITY OF SAN ANTONIO, TEXAS EMPOWERMENT ZONE DEVELOPMENT CORPORATION CONTRACT REVENUE EMPOWERMENT ZONE BONDS (DRURY SOUTHWEST HOTEL PROJECT), SERIES 2005, dated as of October 1, 2005, and currently outstanding in the aggregate principal amount of \$21,900,000 (the "**Series 2005 Bonds**"); and

CITY OF SAN ANTONIO, TEXAS EMPOWERMENT ZONE DEVELOPMENT CORPORATION CONTRACT REVENUE EMPOWERMENT ZONE BONDS (DRURY SOUTHWEST HOTEL PROJECT), SERIES 2007, dated as of November 1, 2007, and currently outstanding in the aggregate principal amount of \$18,000,000 (the "**Series 2007 Bonds**"); and

WHEREAS, the Series 2005 Bonds were issued pursuant to the provisions of an Indenture of Trust, dated as of October 1, 2005, between the Issuer and *U.S. Bank National Association*, as

Trustee (the "**2005 Indenture**"), and the Series 2007 Bonds were issued pursuant to the provisions of an Indenture of Trust, dated as of November 1, 2007, between the Issuer and *U.S. Bank National Association*, as Trustee (the "**2007 Indenture**"); and

WHEREAS, **ALAMO NATIONAL BUILDING DEVELOPMENT PARTNERSHIP, L.P.** (the "**Ground Lessor**"), a Texas limited partnership composed of **ALAMO NATIONAL MANAGEMENT, LLC**, a Texas limited liability company, as the general partner, and **DRURY SOUTHWEST ALAMO DEVELOPMENT**, a Delaware limited partnership, as limited partner, acquired the former Alamo National Bank Building and related parking facilities (located on the west side of St. Mary's Street between Commerce Street and Market Street in the City's downtown area), for the purpose of renovating and redeveloping such property into a new hotel as described in the following recital; and

WHEREAS, all proceeds of the Series 2005 Bonds and the Series 2007 Bonds were loaned to **ALAMO NATIONAL BUILDING DEVELOPMENT, LP**, a Missouri limited partnership (the "**Borrower**") pursuant to two separate loan agreements between the Issuer and the Borrower for the purpose of providing funds to pay a portion of the costs to acquire, renovate and redevelop the former Alamo National Bank Building and related parking facilities into an approximately 367-room hotel and to construct related amenities, parking facilities and improvements along the Riverwalk (collectively, the "**Project**"); however, for purposes of clarification the term "Project" does not include any costs or work related to the construction or renovation, furnishing and equipping of meeting rooms, restaurants, and the parking facilities associated with such hotel as such facilities were funded with funds other than proceeds of the Series 2005 Bonds and Series 2007 Bonds; and

WHEREAS, the Ground Lessor has leased the site on which the Project is located to the Borrower for an initial term of 50 years pursuant to a "Ground Lease" between the Ground Lessor and the Borrower, and the Borrower has completed the renovation and redevelopment the Project; and

WHEREAS, the Project is located within the Empowerment Zone, and the Borrower has represented to the City and the Issuer that the Borrower and the Project satisfies the requirements of an "enterprise zone facility" as set forth in Section 1394(b) of the Code, which include the requirements of an "enterprise zone business" as set forth in Section 1397B of the Code, as modified by Section 1394 of the Code (including but not limited to the requirement that during each year of the term that the Series 2005 Bonds and the Series 2007 Bonds are outstanding and the Series 2013A Bonds and the Series 2013B Bonds authorized by this Resolution are outstanding, at least 35% of the employees of the enterprise zone business, including the Project, will be residents of the Empowerment Zone) and "qualified zone property" as set forth in Section 1397D of the Code, as modified by Section 1394 of the Code; and

WHEREAS, the Project is operated on behalf of the Borrower by **DRURY HOTELS COMPANY, LLC** (the "**Operator**"), a Nevada limited liability company, pursuant to a "Hotel Management Agreement" between the Borrower and the Operator; and

WHEREAS, the Ground Lessor, the Borrower and the Operator are each related to or affiliated with Drury Southwest, Inc., a Missouri corporation; and

WHEREAS, pursuant to Section 10.02 of the 2005 Indenture and the Series 2007 Indenture, all liability of the Issuer in respect of the Series 2005 Bonds and the Series 2007 Bonds shall cease, terminate and be completely discharged when there has been deposited with the Trustee, in trust, at or before maturity or redemption, as the case may be, of money or securities in the necessary amount (as provided in Section 10.03 thereof) to pay or redeem all outstanding Series 2005 Bonds and Series 2007 Bonds (whether upon or prior to its maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption must have been given as provided in Article IV of the 2005 Indenture and the 2007 Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

WHEREAS, pursuant to Section 4.01(3) of the 2005 Indenture and the 2007 Indenture, the Series 2005 Bonds and the Series 2007 Bonds, while bearing interest at a "Weekly Interest Rate" (as defined therein), are subject to redemption on any "Interest Payment Date" (i.e., the first business day of each month) at the option of the Issuer upon direction of the Borrower as provided in Section 8.5 of the Loan Agreement, in whole or in part, at a redemption price of 100% of the principal amount thereof, without premium, plus accrued interest, if any, to the date of redemption; and

WHEREAS, the Series 2005 Bonds and the Series 2007 Bonds currently are bearing interest at a Weekly Interest Rate, and the Borrower has requested the Issuer to redeem all outstanding Series 2005 Bonds and Series 2007 Bonds on the first business day of December 2013 (i.e., Monday, December 2, 2013), or the next earliest day permitted under the applicable Indenture and for which notice can be provided if for any reason the Series 2005 Bonds and/or the Series 2007 Bonds cannot be redeemed on such date; and

WHEREAS, the Borrower also has requested the Issuer to issue two new series of revenue bonds for the purpose of providing funds sufficient, together with a contribution from the Borrower, to refund, redeem and defease all outstanding Series 2005 Bonds and Series 2007 Bonds; and

WHEREAS, the City has determined that the construction and operation of the Project promotes economic development and stimulates business and commercial activity in the City and within the Empowerment Zone; and

WHEREAS, in lieu of the City issuing revenue bonds to refinance the Project as permitted by Chapter 99 of the City Charter, the City has requested the Issuer to issue the revenue bonds on behalf of the City, and in so doing the Issuer will aid and act on behalf of the City, as permitted by Section 431.101(a), Texas Transportation Code, to accomplish the public purpose of enhancing economic development in the City and the governmental purpose of issuing revenue bonds, at the request of the Borrower, to provide funds to refinance a portion of the Project by refunding the outstanding Series 2005 Bonds and Series 2007 Bonds; and

WHEREAS, the Board of Directors of the Issuer hereby determines that it is necessary and desirable to issue (i) \$21,900,000 in principal amount of **CITY OF SAN ANTONIO, TEXAS EMPOWERMENT ZONE DEVELOPMENT CORPORATION CONTRACT REVENUE EMPOWERMENT ZONE REFUNDING BONDS (DRURY SOUTHWEST HOTEL PROJECT), SERIES 2013A** (hereinafter called the "**Series 2013A Bonds**") for the purpose of making a loan to the Borrower to refund the

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outstanding Series 2005 Bonds, and (ii) \$18,000,000 in principal amount of **CITY OF SAN ANTONIO, TEXAS EMPOWERMENT ZONE DEVELOPMENT CORPORATION CONTRACT REVENUE EMPOWERMENT ZONE REFUNDING BONDS (DRURY SOUTHWEST HOTEL PROJECT), SERIES 2013B** (hereinafter called the "**Series 2013B Bonds**") for the purpose of making a loan to the Borrower to refund the outstanding Series 2007 Bonds; and

WHEREAS, the Series 2013A Bonds and the Series 2013B Bonds are referred to collectively herein as the "**Bonds**"; and

WHEREAS, the Borrower has, pursuant to the Loan Agreement, agreed to make payments to the Issuer or its designee in amounts sufficient to pay debt service on the Bonds and to pay certain costs of administration and indemnification, if required, to hold the Issuer and the City harmless with respect to the issuance of the Bonds and the Project refinanced thereby; and

WHEREAS, the issuance of the Bonds will enable the Borrower to borrow funds at lower interest costs than would otherwise be available to the Borrower for the purpose of refinancing the Project; and

WHEREAS, there have been presented to the Issuer proposed forms of each of the following:

1. The *Loan Agreement*, dated as of November 1, 2013 (the "**Loan Agreement**"), by and between the Issuer and the Borrower;
2. The *Indenture of Trust*, dated as of November 1, 2013 (the "**Indenture**"), between the Issuer and U.S. Bank, N.A. National Association, as Trustee ("**Trustee**");
3. The *Purchase Contract and Investment Letter* by and between the Issuer and U.S. Bank; National Association, as the initial purchaser of the Bonds (the "**Purchase Contract**"); and
4. The *Tax Agreement*, dated as of November 1, 2013 (the "**Tax Agreement**"), by and among the Issuer, the Trustee, the "Owner" (i.e., the Ground Lessor), the Borrower and the Operator; and

WHEREAS, this Resolution, the Bonds, the Loan Agreement, the Indenture, the Purchase Contract, and the Tax Agreement are collectively referred to herein as the "Issuer Documents"; and

WHEREAS, prior to the adoption of this Resolution a representative of the Issuer held a public hearing in connection with the issuance of the Bonds, and the Project to be refinanced with proceeds thereof, in order to comply with the provisions of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "**Code**"), the compliance with which is required to permit the interest on the Bonds to be excludable from federal income taxation; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Resolution was adopted was open to the public and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code; and

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF SAN ANTONIO, TEXAS EMPOWERMENT ZONE DEVELOPMENT CORPORATION THAT:

SECTION 1. APPROVAL OF ISSUER DOCUMENTS. The Board hereby approves the Issuer Documents in substantially the forms and substance presented to the Board, and the President, Vice President and Executive Director of the Issuer are each hereby authorized and directed, for and on behalf of the Issuer, to date, sign, and otherwise execute the Issuer Documents, and the Secretary or any Assistant Secretary is authorized and directed, for and on behalf of the Issuer, to attest the Issuer Documents, and such officers are hereby authorized to deliver the Issuer Documents to the respective parties named therein. Upon execution by the parties thereto and delivery thereof, the Issuer Documents shall be binding upon the Issuer in accordance with the terms and provisions thereof.

SECTION 2. AUTHORIZATION TO ISSUE THE BONDS. The Series 2013A Bonds are authorized to be issued in an aggregate principal amount of \$21,900,000, maturing on October 1, 2035, and bearing interest at the per annum rates, and being subject to redemption and tender, as determined and set forth in the Indenture. Similarly, the Series 2013B Bonds are authorized to be issued in an aggregate principal amount of \$18,000,000, maturing on October 1, 2037, and bearing interest at the per annum rates, and being subject to redemption and tender, as determined and set forth in the Indenture. The Bonds are issued for the purpose of loaning the proceeds thereof to the Borrower for the purposes as described in the recitals of this Resolution. The Board hereby approves the Bonds in substantially the form and substance set forth in the Indenture. The President or Vice President and the Secretary or any Assistant Secretary are hereby authorized and directed, for and on behalf of the Issuer, to execute the Bonds or have their facsimile signatures placed upon the Bonds, and such officers are hereby authorized and directed to deliver the Bonds, and the seal of the Issuer is hereby authorized and directed to be affixed or placed in facsimile on the Bonds. The Bonds shall be issued, executed, authenticated and delivered in the form and manner, and shall be dated, shall and may be redeemed prior to maturity, and shall have all of the characteristics, as provided in the Indenture. The Bonds shall be issued, authenticated and delivered as provided in the Indenture, and the Bonds shall be issued initially as one fully registered bond, without coupons, numbered as set forth in the Indenture.

SECTION 3. SALE OF BONDS. The Bonds are hereby authorized to be sold and delivered in accordance with the provisions of the Purchase Contract at the purchase price set forth therein.

SECTION 4. AUTHORIZATION TO APPROVE CHANGES. The President, Vice President, Executive Director and Secretary of the Issuer, and Bond Counsel for the Issuer, are each hereby authorized to approve any changes made to the Issuer Documents and the Official Statement as it

relates to the Issuer from the forms presented to and approved by the Board, such approval to be evidenced by the execution of the Issuer Documents, provided that such changes are not materially inconsistent with this Resolution.

SECTION 5. AUTHORIZATION TO AUTHENTICATE BONDS AND DELIVER TRANSCRIPT TO THE ATTORNEY GENERAL. The President, Vice President, Executive Director, Secretary and any Assistant Secretary each are individually hereby authorized to execute and deliver to the Trustee a written order of the Issuer for the authentication and delivery of the Bonds by the Trustee in accordance with the Indenture, and to deliver a transcript of proceedings to the Attorney General of the State of Texas, along with the initial Series 2013A Bond and the initial Series 2013B Bond, which shall be delivered to the Comptroller of Public Accounts of the State of Texas for registration upon approval by the Attorney General.

SECTION 6. AUTHORIZATION TO REDEEM SERIES 2005 BONDS AND SERIES 2007 BONDS. As requested by the Borrower, the Board of Directors hereby authorizes the redemption of all outstanding Series 2005 Bonds and Series 2007 Bonds on Monday, December 2, 2013, or any such other date permitted under the 2005 Indenture and the 2007 Indenture and requested by the Borrower in the event circumstances occur which make it impossible to redeem such Bonds on December 2, 2013 as originally requested. The President, Vice President, Secretary, any Assistant Secretary and the Executive Director of the Issuer are hereby authorized to take all actions required to be taken by the Issuer, and execute all documents deemed reasonably necessary, to cause the Series 2005 Bonds and the Series 2007 Bonds to be redeemed on such date, including but not limited to providing for a *Conditional Notice of Redemption*, in substantially the forms attached hereto as Exhibit A, to be mailed, published or otherwise given as required by the 2005 Indenture and 2007 Indenture, and causing sufficient proceeds of the Series 2013A Bonds and the Series 2013B Bonds, together with funds provided by the Borrower, to be deposited into the appropriate funds or accounts maintained in the 2005 Indenture and the 2007 Indenture in order to defease, refund and redeem all outstanding Series 2005 Bonds and Series 2007 Bonds on or after the date of issuance of the Bonds.

SECTION 7. AUTHORIZATION TO APPROVE ADDITIONAL ACTIONS AND DOCUMENTS. All officers, employees, agents and representatives of the Issuer and its Board shall be and are hereby expressly authorized, empowered and directed from time to time, and at any time, to do and perform all such acts and things, and to execute and deliver in the name and under the official seal and on behalf of the Issuer all such instruments, whether or not herein mentioned (including any documents and agreements relating to an interest rate swap on the Bonds, if any), as may be necessary or desirable in order to carry out the terms and provisions of this Resolution and of the Bonds, as well as the terms and provisions of the Issuer Documents. In addition, the Board of Directors hereby ratifies and consents to all actions taken by officers, employees, agents and representatives of the Issuer prior to the adoption of this Resolution in connection with the issuance of the Bonds, including but not limited to authorizing the *Conditional Notice of Redemption* described in Section 6 hereof to be given with respect to the redemption of the Series 2005 Bonds and the Series 2007 Bonds, in substantially the forms attached hereto as Exhibit A, and in accordance with the procedures required under the 2005 Indenture and the 2007 Indenture in order to permit the redemption of the

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outstanding Series 2005 Bonds and the Series 2007 Bonds on December 2, 2013 or the earliest possible date thereafter for which notice can be given.

SECTION 8. APPROVAL OF CLOSING FEE. The Board hereby approves a closing fee to be charged to and paid by the Borrower in connection with the issuance of the Bonds in the amount of \$20,000, which fee is identical to the closing fee charged in connection with the bonds issued by the Corporation for the Borrower in 2005 and 2007 and is consistent with the closing fee charged by other conduit issuer's of the City.

SECTION 9. APPROVAL AND RATIFICATION OF PUBLIC HEARINGS. The Board of Directors has been advised that a public hearing relating to the issuance of the Bonds was conducted on behalf of the Issuer on November 7, 2013, at the offices of McCall, Parkhurst & Horton L.L.P., 700 N. St. Mary's, Suite 1525, San Antonio, Texas, in order to comply with the provisions of Section 147(f) of the Code. McCall, Parkhurst & Horton L.L.P. serves as Bond Counsel in connection with the issuance of the Bonds, and Thomas K. Spurgeon, an attorney with McCall, Parkhurst & Horton L.L.P., served as the hearing officer for such public hearing. The Board of Directors hereby approves and ratifies the holding of such public hearing and Thomas K. Spurgeon serving as the hearing officer of such public hearings.

SECTION 10. RESOLUTION IRREPEALABLE. After any of the Bonds are issued, this Resolution shall be and remain irrevocable until the Bonds or the interest thereon shall have been fully paid or provision for payment shall have been made pursuant to the Indenture.

SECTION 11. ENFORCEABILITY OF RESOLUTION. If any section, paragraph, clause, or provision of this Resolution shall be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution. In case any obligation of the Issuer authorized or established by this Resolution or the Bonds is held to be in violation of law as applied to any person or any circumstance, such obligation shall be deemed to be the obligation of the Issuer to the fullest extent permitted by law.

SECTION 12. INCORPORATION OF RECITALS. The Board of Directors hereby finds that the statements set forth in the recitals of this Resolution are true and correct, and the Board of Directors hereby incorporates such recitals as a part of this Resolution.

SECTION 13. EFFECTIVE DATE. This Resolution shall become effective immediately upon its adoption.

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PASSED AND ADOPTED BY THE BOARD OF DIRECTORS OF THE CITY OF SAN ANTONIO, TEXAS EMPOWERMENT ZONE DEVELOPMENT CORPORATION THIS 21ST DAY OF NOVEMBER, 2013.

President, Board of Directors

Attest:

Secretary, Board of Directors

(Seal)

Execution Page to Bond Resolution Relating to the Issuance of
City of San Antonio, Texas Empowerment Zone Development Corporation
Contract Revenue Empowerment Zone Refunding Bonds
(Drury Southwest Hotel Project), Series 2013A and Series 2013B

EXHIBIT A

CONDITIONAL NOTICE OF REDEMPTION

To the Holders of the

**CITY OF SAN ANTONIO, TEXAS EMPOWERMENT ZONE DEVELOPMENT CORPORATION
CONTRACT REVENUE EMPOWERMENT ZONE BONDS
(DRURY SOUTHWEST HOTEL PROJECT), SERIES 2005
(CUSIP No. 79625Q AA9)**

NOTICE IS HEREBY GIVEN that the **CITY OF SAN ANTONIO, TEXAS EMPOWERMENT ZONE DEVELOPMENT CORPORATION** (the "**Issuer**") has called for optional redemption on **Monday, December 2, 2013** (the "**Redemption Date**") all of its outstanding **CONTRACT REVENUE EMPOWERMENT ZONE BONDS (DRURY SOUTHWEST HOTEL PROJECT), SERIES 2005**, dated as of October 1, 2005 (the "**Refunded Bonds**") at the redemption price equal to par plus accrued interest to the Redemption Date, all in accordance with the provisions of the Indenture of Trust authorizing the issuance of the Refunded Bonds (the "**2005 Indenture**"). The Refunded Bonds are scheduled to mature on October 1, 2035, have been assigned CUSIP No. 79625Q AA9, and are held in the book-entry-only system of the Depository Trust Company ("**DTC**"). Subject to the provisions of the following paragraph, the Refunded Bonds shall become due and payable on the Redemption Date, and the interest thereon shall cease to accrue from and after such date.

As permitted by Section 4.03(A) of the 2005 Indenture, the redemption of the Refunded Bonds is conditioned on the issuance and delivery by the Issuer of \$21,900,000 in aggregate principal amount of its Contract Revenue Empowerment Zone Refunding Bonds (Drury Southwest Hotel Project), Series 2013A (the "Series 2013A Bonds"), the proceeds of which will be used to provide a portion of the funds required to redeem the Refunded Bonds on the Redemption Date. In the event the Series 2013A Bonds are not delivered on or before the redemption date for any reason, this notice shall be of no further force and effect and the Refunded Bonds will not be redeemed on the Redemption Date.

NOTICE IS FURTHER GIVEN THAT the Refunded Bonds will be payable at and should be submitted either in person or by certified or registered mail to the following address:

Overnight Courier or Hand Delivery

U.S. Bank Corporate Trust Services
Attn: Original Issuances, 2nd floor
60 Livingston Ave.
St. Paul, MN 55107

First Class/Registered/Certified Mail

U.S. Bank Corporate Trust Services
Attn: Original Issuances
P.O. Box 64111
St. Paul, MN 55164-0111

To avoid a backup withholding tax required by Section 3406 of the Internal Revenue Code of 1986, holders must submit a properly completed IRS Form W-9.

*The above referenced CUSIP number is provided for the convenience of the Bondholders. Neither the Issuer nor the Trustee and Paying Agent for the Refunded Bonds is responsible for any error of any nature relating to the CUSIP number.

CONDITIONAL NOTICE OF REDEMPTION

To the Holders of the

**CITY OF SAN ANTONIO, TEXAS EMPOWERMENT ZONE DEVELOPMENT CORPORATION
CONTRACT REVENUE EMPOWERMENT ZONE BONDS
(DRURY SOUTHWEST HOTEL PROJECT), SERIES 2007
(CUSIP No. 79625Q AB7)**

NOTICE IS HEREBY GIVEN that the **CITY OF SAN ANTONIO, TEXAS EMPOWERMENT ZONE DEVELOPMENT CORPORATION** (the "*Issuer*") has called for optional redemption on **Monday, December 2, 2013** (the "*Redemption Date*") all of its outstanding **CONTRACT REVENUE EMPOWERMENT ZONE BONDS (DRURY SOUTHWEST HOTEL PROJECT), SERIES 2007**, dated as of November 1, 2007 (the "*Refunded Bonds*") at the redemption price equal to par plus accrued interest to the Redemption Date, all in accordance with the provisions of the Indenture of Trust authorizing the issuance of the Refunded Bonds (the "*2007 Indenture*"). The Refunded Bonds are scheduled to mature on October 1, 2037, have been assigned CUSIP No. 79625Q AB7, and are held in the book-entry-only system of the Depository Trust Company ("*DTC*"). Subject to the provisions of the following paragraph, the Refunded Bonds shall become due and payable on the Redemption Date, and the interest thereon shall cease to accrue from and after such date.

As permitted by Section 4.03(A) of the 2007 Indenture, the redemption of the Refunded Bonds is conditioned on the issuance and delivery by the Issuer of \$18,000,000 in aggregate principal amount of its Contract Revenue Empowerment Zone Refunding Bonds (Drury Southwest Hotel Project), Series 2013B (the "Series 2013B Bonds"), the proceeds of which will be used to provide a portion of the funds required to redeem the Refunded Bonds on the Redemption Date. In the event the Series 2013B Bonds are not delivered on or before the redemption date for any reason, this notice shall be of no further force and effect and the Refunded Bonds will not be redeemed on the Redemption Date.

NOTICE IS FURTHER GIVEN THAT the Refunded Bonds will be payable at and should be submitted either in person or by certified or registered mail to the following address:

Overnight Courier or Hand Delivery

U.S. Bank Corporate Trust Services
Attn: Original Issuances, 2nd floor
60 Livingston Ave.
St. Paul, MN 55107

First Class/Registered/Certified Mail

U.S. Bank Corporate Trust Services
Attn: Original Issuances
P.O. Box 64111
St. Paul, MN 55164-0111

To avoid a backup withholding tax required by Section 3406 of the Internal Revenue Code of 1986, holders must submit a properly completed IRS Form W-9.

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