

SUPPLEMENT DATED JUNE 7, 2005 TO OFFICIAL STATEMENT DATED MAY 10, 2005

CITY OF SAN ANTONIO, TEXAS CONVENTION CENTER HOTEL FINANCE CORPORATION  
(a Texas nonprofit local government corporation acting on behalf of the City of San Antonio, Texas)

\$129,930,000  
CONTRACT REVENUE EMPOWERMENT ZONE  
BONDS,  
SERIES 2005A (AMT BONDS)

\$78,215,000  
CONTRACT REVENUE BONDS,  
TAXABLE SERIES 2005B

This Supplement to Official Statement (this "**Supplement**") is being delivered for the purpose of notifying interested parties of a material change in transaction terms occurring since the date of publication of that certain "Official Statement" dated May 10, 2005 relating to the captioned Bonds (the "**Official Statement**"). In addition to new descriptions of transaction provisions contained herein applicable to the Bonds, identified sections of the Official Statement are amended in accordance with the provisions of this Supplement. Capitalized terms not defined herein have the meanings ascribed thereto in the Official Statement.

The necessity of this Supplement derives from the fact that in order to acquire a Payment Bond and a Performance Bond, each in a penal sum equal to the Guaranteed Fixed Price, the amount payable to the Design/Builder under the Design Build Agreement was reduced from \$227,500,000 to \$216,928,721. This reduced amount reflects removal of the Design/Builder's \$10,571,279 fee (the "**Design/Build Fee**") projected to be earned under the Design/Build Agreement as a component of the Guaranteed Fixed Price. The Design/Build Fee, which the Design/Builder agreed under the Design/Build Agreement to forego, represents the remainder of the Design/Builder's required equity contribution to the Hotel Project after its delivery of approximately \$428,721 in cash to the Trustee on the Closing Date. As consideration for its receiving no fee under the Design/Build Agreement, the Design/Builder will, upon its delivery of the completed Hotel Project in accordance with the terms of the Design/Build Agreement and the Project Agreement, receive a total equity interest of 17.37% in the Owner pursuant to the terms of the Developer Partnership Agreement.

This change in the terms of the transaction will not affect the Bond Insurer's delivery of its Financial Guaranty Insurance Policy relating to the Bonds or the Reserve Fund Credit Facility.

**Citigroup**

Piper Jaffray & Co.

**UBS Financial Services Inc.**

SAMCO Capital Markets  
A Division of Penson Financial Services

Southwestern Capital Markets, Inc.

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INTRODUCTION

Based upon the description of changed circumstances included on the Cover Page of this Supplement, the following sections of the Official Statement, included below in order of appearance in the Official Statement, are amended and restated in the manner indicated.

Sources and Uses of Funds

Reduction in the amount of the Design/Builder's equity contribution represents an in-kind reduction in the sources of funds available to the Hotel Project. Accordingly, Table 3 appearing on page 14 of the Official Statement under "PLAN OF FINANCE – Sources and Uses of Funds" is amended by adjusting amounts in the columns to reflect the amended amount of Design/Builder's equity available as a source of Hotel Project funds and editing Footnote 1 to reflect the same. The revised Table 3 below reflects these revisions and replaces Table 3 appearing in the Official Statement.

Sources and Uses of Funds

TABLE 3

	Series 2005A Bonds	Taxable Series 2005B Bonds	Design/Builder Equity Contribution <sup>(1)</sup>	Marathon Equity Contribution <sup>(2)</sup>	Operator Equity Contribution <sup>(3)</sup>	Total
<u>Sources of Funds</u>						
Bond Proceeds	\$129,930,000.00	\$78,215,000.00	\$ 0.00	\$ 0.00	\$ 0.00	\$208,145,000.00
Equity Contributions	0.00	0.00	428,721.00	52,331,200.00	14,000,000.00	66,759,921.00
Plus:						
Original Issue Premium	65,736.60	0.00	0.00	0.00	0.00	65,736.60
Less:						
Original Issue Discount	0.00	0.00	0.00	0.00	0.00	0.00
Underwriter's Discount	(1,948,950.00)	(1,173,225.00)	0.00	0.00	0.00	(3,122,175.00)
Total Sources of Funds	<u>\$128,046,786.60</u>	<u>\$77,041,775.00</u>	<u>\$428,721.00</u>	<u>\$52,331,200.00</u>	<u>\$14,000,000.00</u>	<u>\$271,848,482.60</u>
<u>Uses of Funds</u>						
Construction Fund						
Project Account	\$99,579,796.54	\$56,530,144.24	\$ 0.00	\$ 0.00	\$ 0.00	\$156,109,940.78
Investor Equity Account	0.00	0.00	428,721.00	52,331,200.00	500,000.00	53,259,921.00
Marathon Preferred Return at Delivery	0.00	0.00	0.00	0.00	12,000,000.00	12,000,000.00
Operating Expense Reserve Fund	0.00	0.00	0.00	0.00	1,500,000.00	1,500,000.00
Debt Service Fund						
Capitalized Interest Account	18,678,949.84	11,723,177.37	0.00	0.00	0.00	30,402,127.21
Debt Service Reserve Fund	2,756,894.32	940,605.68	0.00	0.00	0.00	3,697,500.00
Costs of Issuance <sup>(4)</sup>	7,031,145.90	7,847,847.71	0.00	0.00	0.00	14,878,993.61
Total Uses of Funds	<u>\$128,046,786.60</u>	<u>\$77,041,775.00</u>	<u>\$428,721.00</u>	<u>\$52,331,200.00</u>	<u>\$14,000,000.00</u>	<u>\$271,848,482.60</u>

<sup>(1)</sup> The Design/Builder's \$428,721 equity contribution will be deposited with the Trustee on the Closing Date.

<sup>(2)</sup> The Marathon equity contribution in the amount of \$52,331,200 will be distributed to the Trustee pursuant to the terms of the Marathon Letter of Credit (herein described) which distribution dates will coincide with certain of the Design/Builder's draw requests pursuant to the Design/Build Agreement.

<sup>(3)</sup> The Operator equity contribution in the amount of \$14,000,000 will be deposited with the Trustee on the Closing Date.

<sup>(4)</sup> Cost of Issuance includes premiums for Financial Guaranty Insurance Policy and for the Reserve Fund Credit Facility.

## **Initial Preferred Equity**

The first paragraph of the sub-subsection "PLAN OF FINANCING – Initial Preferred Equity – Subsequent Deposit of Initial Equity During Construction" appearing on page 16 of the Official Statement describes the Design/Builder's earning of an equity interest in the Owner during the construction process. Because this is no longer true, this paragraph has been deleted in its entirety. The revised sub-subsection "PLAN OF FINANCING – Initial Preferred Equity – Subsequent Deposit of Initial Equity during Construction" now reads, in its entirety, as follows:

### **Subsequent Deposit of Initial Preferred Equity during Construction**

Marathon's portion of the required Initial Preferred Equity of \$52,331,200 will be derived from drawings to be made by the Trustee on the dates, but not earlier than such dates, and in the respective amounts as set forth in the Marathon Letter of Credit being delivered by the Developer to the Trustee on the Closing Date.

The Letter of Credit Bank selected to provide the Marathon Letter of Credit will be required to be rated "AA" or higher by Standard & Poor's. In the event of a ratings downgrade of the Letter of Credit Bank to "A" or lower and if Marathon does not replace the existing Letter of Credit Bank within thirty days, then the schedule for payment of Marathon's portion of the Initial Preferred Equity would be accelerated. The Marathon Letter of Credit would include as a condition to payment only the submission to the Letter of Credit Bank of a valid draw request from the Trustee.

## **Construction Contract**

The first paragraph of the sub-subsection "CONSTRUCTION OF THE HOTEL PROJECT – Project Agreement – Construction Contract" appearing on page 93 of the Official Statement states a maximum fixed price for the construction work necessary to complete the Hotel Project that is no longer accurate. The revised first paragraph of the sub-subsection "CONSTRUCTION OF THE HOTEL PROJECT – Project Agreement – Construction Contract" now reads, in its entirety, as follows:

### **Construction Contract**

In the Project Agreement, the Developer has agreed to cause the Hotel Project Improvements Construction Contract to (i) cover all of the Hotel Project Improvements Work through Final Completion (other than the services provided by the Operator pursuant to the Design Assistance and Pre-Opening Services Agreement), (ii) provide for a fixed price for all such work in an amount no greater than \$216,928,721, (iii) require Substantial Completion to be achieved on or before the Expected Completion Date, without extension or delay for force majeure (except as otherwise provided in the Hotel Project Improvements Construction Contract which has been Approved by the City Representative pursuant to the Project Agreement), (iv) require the Hotel Project Improvements Construction Contractor to pay the contractor daily delay damages required pursuant to the terms of the Project Agreement to the Trustee for each day during any period of delay after the Expected Completion Date (except as otherwise provided in the Hotel Project Improvements Construction Contract which has been Approved by the City Representative pursuant to the Project Agreement), (v) be bonded by a Qualified Surety pursuant to statutory payment and performance bonds which have been Approved by the City Representative, such Approval not to be unreasonably withheld naming the City as co-obligee (collectively, the "Hotel Project Improvements Construction Contract Bond"), and (vi) require that upon Substantial Completion, the Hotel Project Improvements Contractor will pay to the Trustee an amount at least equal to 2½ times the cost to complete the Hotel Project Improvements Work in order to achieve Final Completion, plus \$150,000. To accomplish this, the Developer has entered into the Design/Build Agreement with the Design/Builder (See "CONSTRUCTION OF THE HOTEL PROJECT—Design/Build Agreement").

**Design/Build Agreement**

The second paragraph of the subsection "CONSTRUCTION OF THE HOTEL PROJECT – Design/Build Agreement" appearing on page 100 of the Official Statement states a guaranteed fixed price due and owing to the Design/Builder thereunder that is no longer accurate. The revised second paragraph of the subsection "CONSTRUCTION OF THE HOTEL PROJECT – Design/Build Agreement" now reads, in its entirety, as follows:

In consideration of the sum of \$216,928,721 (the "Guaranteed Fixed Price"), the Design/Builder has agreed to design and construct the Project on the Premises, all pursuant to the Design/Build Agreement. All design, architectural and construction functions are combined in the Design/Build Agreement, including work to be performed under the Pre-Opening Services Agreement. In accordance with the Design/Build Agreement, the Design/Builder has entered into an Agreement for Architectural Services with Gensler which has prepared detailed plans and specifications that have been delivered to the City and the Developer as Owner for review. Design/Builder's obligations include providing all FF&E and providing the Project with initial supplies and inventory. Design/Builder is obligated to cause the Project to be Substantially Complete on or before 973 days following the Closing Date, and the Date of Final Completion to occur within one hundred eighty (180) days of the Date of Substantial Completion, subject to Permitted Delay or Permitted Extension. The Design/Builder must also achieve other Construction Benchmarks. The Design/Build Agreement contains liquidated damages provisions if the Substantial Completion deadline is not met, with certain limited exceptions. In consideration of the Guaranteed Fixed Price, the Design/Builder has assumed certain risks including, without limitation, cost overruns, strikes, shortages of labor or materials, known and unknown soil conditions, force majeure, and casualties.

**Definitions**

The following definitions appearing in the Official Statement's "APPENDIX B – Master Glossary of Terms" are amended to reflect the changed conditions described in this Supplement and are to be read as follows.

**"Guaranteed Fixed Price"** means the Owner's payment to the Design/Builder of the sum of \$216,928,721.00.

**"Initial Preferred Equity"** means the cash or other assets, aggregating \$66,759,921, required to be contributed by the Preferred Equity Investors and used to develop, construct, equip, furnish, and open the Hotel Project, of which (i) \$428,721 in cash will be contributed in cash by the Design/Builder on the Closing Date, (ii) \$14,000,000 in cash will be contributed in cash by the Operator on the Closing Date, and (iii) an aggregate of \$52,331,200 in cash will be contributed in cash by Marathon pursuant to draws made by the Trustee on the Marathon Letter of Credit on the dates and in the respective amounts set forth in the Marathon Letter of Credit.

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