50

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

October 29, 1985

APPROVED
OCT 29 1985
SACRAMENTO HOUSING AUTHORITY
CITY OF SACRAMENTO

RECEIVED
CITY CLERK'S OFFICE
CITY OF SACRAMENTO
OCT 29 4 45 PM '85

Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Adoption of Tax Allocation Bond Issuance Resolution (revised) and Formal Acceptance of Bids Received on the Bond Issue

SUMMARY

The Redevelopment Agency of the City of Sacramento (RACS) and the City Council are requested to approve final actions on the sale of approximately $21 million in tax allocation bonds to finance eleven (11) starter projects in the downtown redevelopment areas.

BACKGROUND

State law authorizes local governments to establish redevelopment agencies for the purposes of promoting economic development in blighted neighborhoods and other community areas. These areas are designated as redevelopment project areas and are thus made eligible for economic revitalization through the use of tax increment revenues collected out of property taxes paid annually by property owners in the project area. Currently, there are four project areas in downtown Sacramento (Project Areas 2A, 3, 4 and 8).

According to the most recent estimates prepared by Katz, Hollis, Coren and Associates (Financial Consultants retained by the Agency), the four downtown project areas are generating approximately $6.8 million in annual tax allocation revenues. This level of tax allocation revenues is expected to increase in future years due to increased development activity and inflationary adjustment.

MAILING ADDRESS: P.O. BOX 1834, Sacramento, CA 95809
OFFICE LOCATION: 630 I Street, Sacramento, CA 95814 (916) 444-9210

Since April 1985, the RACS has taken several actions to expedite the issuance of tax allocation bonds to finance the downtown redevelopment activities. These actions include:

April 2, 1985	RACS approves list of proposed projects in the downtown redevelopment areas
September 17, 1985	RACS adopts initial bond-issuance resolution authorizing staff to proceed with sale of up to $25 million tax allocation bonds
October 1, 1985	RACS approves form and release of Official Statements to be distributed in conjunction with the pending tax allocation bond sale
October 8, 1985	RACS authorizes the publication of a Notice of Sale and appoints a Pricing Committee to review the bids received on the bonds issued
October 29, 1985	(Tax allocation bonds issued and bids received and accepted)

The Pricing Committee (consisting of one representative each from the Sacramento Housing and Redevelopment Agency, City Treasurer's Office and County Treasurer's Office) will review the bids received on October 29, 1985 and issue its recommendations for action by RACS. This information will be presented to RACS by Agency staff at the October 29, 1985 City Council meeting.

In addition, the Agency must approve an Agreement with First Interstate Bank, San Francisco to provide various financial services in connection with the tax allocation bond sale. (A copy of this contract will be available on file with the City Clerk's Office).

FINANCIAL IMPLICATIONS

The net downtown tax-increment revenues available for debt service is estimated at $2.36 million. Based on an analysis prepared by PaineWebber (which includes assumptions on applicable interest rates, interest earnings and reserves), this amount will yield

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

approximately $21 million in bond proceeds to fund the Phase I Starter Projects approved by the Redevelopment Agency on April 2, 1985.

POLICY IMPLICATIONS

Adoption of this staff recommendation to authorize acceptance of the bids on the tax-allocation bonds issued on October 29, 1985 by RACS, is consistent with previous action taken by the RACS and the City Council (Resolution Nos. CC85-739, CC85-740, RA 85-078 and RA 85-079).

ENVIRONMENTAL IMPLICATIONS

An environmental determination was issued by the County of Sacramento, Environmental Impact Unit, on June 28, 1985 and filed with the County Clerk of the County of Sacramento, finding that the sale of a tax allocation bond issue for financing projects/activities associated with Redevelopment Projects 2A, 3, 4, and 8 is exempt from the California Environmental Quality Act under General Rule, Section 15061(b)(3). Further environmental analysis may be conducted, as necessary, on a project-by-project basis as the bond financed projects move into the construction/implementation state.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

RECOMMENDATION

The staff recommends adoption of: (1) the attached revised bond-issuance resolution (to make a clarification relating to the Special Fund to be used to manage the bond proceeds); (2) the Pricing Committee recommendations regarding the acceptance of bids on the tax allocation bonds issued; and (3) approval of Agreement with First Interstate Bank, San Francisco to provide financial services in conjunction with the bond sale.

Respectfully submitted,

by Jerry Sobowski

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL

Walter J. Slipe

WALTER J. SLIPE
City Manager

Contact Person: Andrew J. Plescia
440-1333

HS:j
10/18/85
Tax Allo Rev.

50

APPROVED
BY THE CITY COUNCIL

OCT 29 1985

OFFICE OF THE
CITY CLERK

D

RESOLUTION NO. [redacted]93

RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO SUPPLEMENTING RESOLUTION NO. 85-080 AND AUTHORIZING THE ISSUANCE OF TAX ALLOCATION BONDS OF SAID AGENCY IN A PRINCIPAL AMOUNT NOT TO EXCEED SIX MILLION DOLLARS ($6,500,000) TO FINANCE A PORTION OF THE COST OF A REDEVELOPMENT PROJECT KNOWN AS THE CAPITOL MALL RIVERFRONT PROJECT, PROJECT NO. 4

50

RESOLUTION NO. _____

TABLE OF CONTENTS

50

50

C

RESOLUTION NO. [redacted]

RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO SUPPLEMENTING RESOLUTION NO. 85-079 AND AUTHORIZING THE ISSUANCE OF TAX ALLOCATION BONDS OF SAID AGENCY IN A PRINCIPAL AMOUNT NOT TO EXCEED FOURTEEN MILLION FOUR HUNDRED FIFTY THOUSAND DOLLARS ($14,450,000) TO FINANCE A PORTION OF THE COST OF A REDEVELOPMENT PROJECT KNOWN AS THE UPTOWN DEVELOPMENT PROJECT, PROJECT NO. 8

APPROVED
BY THE CITY COUNCIL

OCT 29 1985

OFFICE OF THE
CITY CLERK

50

RESOLUTION NO. _____

TABLE OF CONTENTS

50

CITY OF SACRAMENTO

OFFICE OF THE TREASURER
800 - 10TH STREET SACRAMENTO, CA 95814
SUITE 1 TELEPHONE (916) 449-5318

THOMAS P. FRIERY
TREASURER

DONALD E. SPERLING
ASST. TREASURER

October 29, 1985

Sacramento City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Award of Project Areas 4 and 8 Tax Allocation Bonds (TAB) to an Underwriting Syndication led by Merrill Lynch

SUMMARY

On October 29, 1985, three (3) competitive bids were received on the Project Area 4 and 8 TAB issues. The lowest net interest cost bid of 9.1243% for both Project Area 4 and Project Area 8 was submitted by the underwriting group of Merrill Lynch.

The Pricing Committee has preliminarily accepted the lowest net interest cost bids and recommends City Council final acceptance of the bids and award of the Project Area 4 and 8 TABs to the underwriting group of Merrill Lynch.

It is brought to City Council's attention that the TAB issues qualified for Municipal Bond Insurance and thus were qualified for a rating of AAA in the market place as opposed to the BAA-1 and BBB+ assigned by the rating agencies. The insurance premiums were $120 thousand for Project Area 4 and $267 thousand for Project Area 8 to receive this higher rating. We have determined that the interest savings over the life of the TAB issues with the insurance are $583 thousand for Project Area 4 and $1.297 million for Project Area 8, which far exceeds the cost of the premiums.

However, in the initial planning for the TAB issues, only approximately $72 thousand in Project Area 4 and $26 thousand in Project Area 8 was earmarked for insurance. Therefore, since the cost of the premiums are greater than the amount set aside, it will be necessary to spend additional monies from bond proceeds to acquire the insurance which initially reduces the monies available from bond proceeds for projects. In spite of the initial reduction in proceeds available for projects, over the life of the TAB issues more monies will be available to the Project areas than would have been had the insurance not been acquired. The Pricing Committee has determined that the initial reduction in monies available for projects can be made up over the next 3 years by additional Tax Increment revenues and interest income earned by the Agency as well as debt service savings of approximately $175 thousand per year as a result of earlier estimates of 9.75% and the actual debt service cost of 9.1243%.

BACKGROUND

On October 8, 1985 the City Council approved proceeding with the TAB sales and designated a pricing committee to preliminarily accept or reject the bids of underwriting groups on October 29, 1985, subject to City Council approval that evening.

On October 24, 1985, Standard and Poor's rated the TABs BBB+ and on October 25, 1985, Moody's rated the TABs BAA-1. Further, on October 25, 1985, Municipal Bond Insurance Association (MBIA) qualified the TABs for their insurance which increased the rating to AAA if acquired.

The Pricing Committee met on October 29, 1985 and received the following competitive bids:

Project Area 4 Competitive Bids

Underwriting Group	Insurance	Bid	Net Interest Cost
Merrill Lynch	Yes 120,000	$98.00	9.1243%
Smith Barney	Yes 120,000	$98.00	9.135165%
Paine Webber	Yes 120,000	$98.002	9.2179%

Project Area 8 Competitive Bids

Underwriting Group	Insurance	Bid	Net Interest Cost
Merrill Lynch	Yes 267,000	$98.00	9.1243%
Smith Barney	Yes 267,000	$98.00	9.135165%
Paine Webber	Yes 267,000	$98.00	9.2179%

The Pricing Committee determined the bid of Merrill Lynch for both Project Area 4 Project Area 8 at a net interest cost of 9.1243% to be the lowest bids submitted. The Committee recommends City Council final acceptance of these bids and award of the TABs as stated herein.

FINANCIAL

The following set forth the lowest bids received and the financing costs and expenses associated with the TAB issues:

	Proj. Area 4	Proj. Area 8	Total
Par Value	$ 6,500,000	$ 14,450,000	$ 20,950,000
Bid of Merrill Lynch	$ 98.00	$ 98.00	$ 20,531,000
Net Interest Cost 1/	9.1243%	9.1243%	9.1243%
Financing Costs & Expenses			
Underwriter's Discount	$ 130,000	$ 289,000	$ 419,000
Insurance Premium	120,000	267,000	387,000
Financial Advisor's Fee	41,250	61,125	102,375
Financial Advisor's Expense	3,600	8,400	12,000
Rating Agency's Fee	16,000	16,000	32,000
Printing of OS	30,000	30,000	60,000
Bond Printing	3,500	3,500	7,000
Trustee Fee (Setup)	5,000	5,000	10,000
Bond Counsel Fee	19,500	27,450	46,950
Fiscal Consultant Fee	9,600	22,400	32,000
Totals	$ 378,450	$ 729,875	$ 1,108,325
% of Issue Size	5.82%	5.05%	5.41%

1/See Attachment 1 for calculation.

All Financing Costs and Expense are reasonable when compared to other issues of TABs. Further, the fees and expenses where contracted are within the contract terms.

RECOMMENDATION

It is recommended that the Sacramento City Council accept the bid and award:

-- Project Area 4 Tax Allocation Bonds to the Underwriting Group of Merrill Lynch at a net interest cost of 9.1243%, and

-- Project Area 8 Tax Allocation Bonds to the Underwriting Group of Merrill Lynch at a net interest cost of 9.1243%

Respectfully submitted,

TAB Pricing Committee

THOMAS P. FRIERY
City Treasurer

RAY DAY
County Investment Officer

TERRY WOLFORD
SHRA Finance Director

RECOMMENDATION APPROVED:

for: WALTER J. SLIPE, City Manager

October 29, 1985
All Districts

Attachment (1)

ATTACHMENT 1 - PAGE 1 OF 2
BIDS ON PROJECT AREA 4
OCTOBER 29, 1985

Maturity Date	Par Value Maturity	BIDS* Group 1	Group 2	Group 3
1986	--			
7	$ 70,000	10.00	10.00	7.20
8	75,000	10.00	10.00	7.20
9	85,000	10.00	10.00	7.20
90	90,000	10.00	10.00	7.20
1	100,000	10.00	10.00	7.40
2	110,000	10.00	8.00	7.60
3	120,000	10.00	8.00	7.80
4	130,000	10.00	8.20	8.00
5	145,000	8.20	8.40	8.20
6	160,000	8.40	8.40	8.40
7	175,000	8.60	8.60	8.60
8	190,000	8.70	8.70	8.75
9	210,000	8.80	8.80	8.90
2000	230,000	8.90	8.90	9.00
1	250,000	9.00	9.00	9.00
2	275,000	9.00	9.00	9.00
3	305,000	9.00	9.00	9.10
4	335,000	9.00	9.00	9.10
5	365,000	9.10	9.00	9.10
6	400,000	9.10	9.10	9.20
7	440,000	9.10	9.10	9.20
8	485,000	9.10	9.25	9.20
9	530,000	9.20	9.25	9.20
10	585,000	9.00	9.25	9.00
11	640,000	8.00	8.30	9.00
Total	$6,500,000			
Avg.Coupon		8.91%	8.921%	9.004%
Bid		$ 98.00	$ 98.00	98.002
Net Interest Cost		9.1243%	9.135165%	9.2179%
Total Debt Service		$16,884,518.78	$16,897,597.00	$16,994,080.89
Average Life		17.942 yrs.	17.942 yrs.	17.942 yrs.
Cost of Issuance		$ 378,450.00	N/A	N/A

*Group 1 - Underwriting Group of Merrill Lynch
*Group 2 - Underwriting Group of Smith Barney
*Group 3 - Underwriting Group of Paine Webber, Inc.

ATTACHMENT 1 - PAGE 2 OF 2
BIDS ON PROJECT AREA 8
OCTOBER 29, 1985

Maturity Date	Par Value Maturity	BIDS* Group 1	Group 2	Group 3
1986	--			
7	$ 155,000	10.00	10.00	7.20
8	170,000	10.00	10.00	7.20
9	185,000	10.00	10.00	7.20
90	200,000	10.00	10.00	7.20
1	220,000	10.00	10.00	7.40
2	245,000	10.00	10.00	7.60
3	265,000	10.00	8.00	7.80
4	295,000	10.00	8.20	8.00
5	320,000	8.20	8.40	8.20
6	355,000	8.40	8.40	8.40
7	385,000	8.60	8.60	8.60
8	425,000	8.70	8.70	8.75
9	465,000	8.80	8.80	8.90
2000	510,000	8.90	8.90	9.00
1	560,000	9.00	9.00	9.00
2	615,000	9.00	9.00	9.00
3	675,000	9.00	9.00	9.10
4	740,000	9.00	9.00	9.10
5	815,000	9.10	9.00	9.10
6	895,000	9.10	9.10	9.20
7	980,000	9.10	9.10	9.20
8	1,075,000	9.10	9.25	9.20
9	1,180,000	9.20	9.25	9.20
10	1,295,000	9.00	9.25	9.00
11	1,425,000	8.00	8.30	9.00
Total	$14,450,000			
Avg.Coupon		8.91%	8.921%	9.004%
Bid		$ 98.00	$ 98.00	$ 98.00
Net Interest Cost		9.1243 %	9.135165%	9.2179%
Total Debt Service		$37,539,321.89	$37,567,525.50	$37,783,098.22
Average Life		17.945 yrs.	17.945 yrs.	17.945 yrs.
Cost of Issuance		$ 729,875.00	N/A	N/A

*Group 1 - Underwriting Group of Merrill Lynch
*Group 2 - Underwriting Group of Smith Barney
*Group 3 - Underwriting Group of Paine Webber, Inc.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

October 25, 1985

M E M O R A N D U M

TO: Lorraine Magana, City Clerk

FROM: Andrew J. Plescia, Deputy Executive Director

SUBJECT: Agreement with First Interstate Bank of California to Provide Fiscal Agent Services for Tax Allocation Bond Sale (Council Meeting Agenda for October 29, 1985)

Enclosed are two (2) copies of the Agreement between the Redevelopment Agency and First Interstate Bank of California for Fiscal Agent services in conjunction with the October 29 issue of $21 million in tax allocation bonds.

The Council's October 29 agenda includes adoption of this bond sale as well as approval of this contract with First Interstate Bank. The staff report to the Council indicates that a copy of this Agreement will be available, on file, with the City Clerk.

Thank you.

Andy

ANDREW J. PLESCIA
Deputy Executive Director

AJP:HS:j

Enclosures - 2

MAILING ADDRESS: P.O. BOX 1834, Sacramento, CA 95809
OFFICE LOCATION: 630 I Street, Sacramento, CA 95814 (916) 444-9210

50

A

RESOLUTION NO. 85-090

APPROVED
BY THE CITY COUNCIL
OCT 29 1985
OFFICE OF THE
CITY CLERK

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO AWARDING THE $14,450,000 UPTOWN DEVELOPMENT PROJECT, PROJECT NO. 8, TAX ALLOCATION BONDS, SERIES 1985, TO THE BEST BIDDER, REJECTING ALL OTHER BIDS AND APPROVING CERTAIN OTHER DOCUMENTS IN CONNECTION WITH THE BONDS

WHEREAS, at the time and place fixed for the opening of bids for the tax allocation bonds of the Redevelopment Agency of the City of Sacramento in a principal amount of $14,450,000, designated the "REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO UPTOWN DEVELOPMENT PROJECT, PROJECT NO. 8 TAX ALLOCATION BONDS, SERIES 1985" (the "Bonds"), all bids were publicly opened, examined and read, and a tabulation thereof has been entered in the minutes; and

WHEREAS, the bid of the bidder hereinafter named is the best bid made by a responsible bidder for the Bonds;

NOW, THEREFORE, the Redevelopment Agency of the City of Sacramento DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. That the bid of _____ offering $_____ for said Bonds, bearing interest from November 1, 1985 through the date of maturity at the rate or rates per annum set forth in the bid attached hereto, and as provided in the Resolution authorizing the issuance of the Bonds, is the best bid for the Bonds yielding the lowest net interest cost to the Agency. Said bid is hereby accepted and the Bonds awarded to said best bidder in accordance with the terms of the proposal and any irregularities with respect to said bid are hereby waived.

Section 2. That all bids other than the one accepted in Section 1 hereof are rejected, and the Executive Director is directed to return the checks accompanying said rejected bids to the respective bidders which have not been previously returned.

Section 3. That the principal amount and interest rate on the Bonds is hereby fixed at the amount and rate stated in Section 1 hereof.

Section 4. That the Executive Director of the Agency is hereby directed to deliver the Bonds to the successful bidder upon payment of the purchase price set forth in the bid therefor.

Section 5. First Interstate Bank of California is hereby appointed Fiscal Agent for the Agency in connection with the issuance of the Bonds. The Fiscal Agent Agreement between First Interstate Bank of California and the Agency, substantially in the form this night presented to the Agency, is hereby approved.

Section 7. The Chairman, the Executive Director and the Secretary of the Agency are hereby authorized and directed to execute and deliver any and all certificates or other documents in connection with the issuance, sale and delivery of the Bonds, with such changes, additions, modifications or deletions as requested by Bond Counsel.

ADOPTED, SIGNED AND APPROVED this ____ day of _____, 1985 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

_____
Chairman, Redevelopment Agency of the City of Sacramento

ATTEST:

_____
Secretary, Redevelopment Agency of the City of Sacramento

Approved as to Form

_____
Agency Attorney

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

AGREEMENT TO PROVIDE
FISCAL AGENT, REGISTRAR AND/OR PAYING AGENT SERVICES FOR
TAX ALLOCATION BONDS, SERIES 1985

This Agreement, dated for convenience as of the _____ day of _____, 1985, has been made and entered into between the Redevelopment Agency of the City of Sacramento ("Issuer") and First Interstate Bank of California ("Bank").

Issuer has authorized and provided for the issuance of Six million five hundred thousand ($6,500,000) principal amount of Tax Allocation Bonds (Project Area 4) and Twenty million four hundred fifty thousand ($20,450,000) principal amount of Tax Allocation Bonds (Project Area 8), hereinafter called "Bonds".

Issuer and Bank agree as follows:

I. Bank has reviewed and is familiar with the Resolution authorizing the issuance of Issuer's 1985 Tax Allocation Bonds adopted by the issuer on September 17, 1985. The Bank agrees to perform the duties of Fiscal Agent, Registrar and/or Paying Agent, as provided for in the Resolution adopted October 29, 1985.

A. <u>As Fiscal Agent</u>

1. Investment of funds shall be made in accordance with the provisions of the Resolution adopted on October 29, 1985. The Bank shall not be liable for any losses resulting from the investments consistant with such provisions.

B. <u>As Paying Agent</u>

1. Funds shall be used for the payment of principal and interest on the Bonds. Any moneys remaining after the bonds and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the Issuer as provided for in the Resolution and all liabilities of the Bank shall cease thereafter.

2. Bank shall furnish the Issuer statements of Bonds paid, together with the dollar amounts of such paid Bonds.

C. <u>As Registrar</u>

1. Bank will issue and deliver Bonds on original issue at the written direction of the Issuer.

2. Bank will manually countersign all Bonds issued.

3. Bank will maintain records as to the identity of the registered holders of the Bonds.

4. Bank will effect transfers of registered ownership of Bonds upon surrender of validly issued Bonds to it, accompanied by such instruments of transfer and other documents as the Bank may require.

5. Bank will maintain in safekeeping an inventory of unissued Bonds, it being recognized that it is the responsibility of Issuer to ensure that the Bank is provided with an adequate supply of unissued Bonds to accommodate normal transfer activity. The Bank will notify the Issuer within a reasonable period of time as to when this supply needs to be increased.

6. Bank will cancel all Bonds surrendered to it for transfer of payment and will dispose of those cancelled Bonds at the written direction of the Issuer.

II. General Provisions

1. If Bank is notified of the loss, destruction or theft of any Bond, Bank will place a stop transfer order against those Bonds and shall consult with, and be directed by, the Issuer with respect to the payment on any of those Bonds.

2. This Agreement shall remain in effect until the Bonds mature and all funds are disbursed or until this Agreement is amended or terminated. This Agreement may be terminated by written notice of either party to the other. However, if Bank intends to terminate this Agreement, will provide at least 30-days' advance written notice to the Issuer.

3. Bank's fee for its services as Fiscal Agent, Registrar and Paying Agent pursuant to this Agreement are outlined on Schedule A, attached hereto.

4. Issuer shall furnish the Bank with the following documents to support this appointment:

   a. Certified copy of Resolution authorizing issuance of Bonds and appointment of Bank as Fiscal Agent, Registrar and/or Paying Agent;

   b. Specimen of Bond;

   c. Signed copy of Bond Counsel's Legal Opinion;

d. Official Statement; and

e. Other documents relating to the subject issue of tax allocation bonds as Bank may reasonably request.

5. All notices, documents and other correspodence will be mailed or delivered to First Interstate Bank of California, Corporate Trust Department, 405 Montgomery Street (M13-3), San Francisco, CA 94104, or 707 Wilshire Blvd., (W10-2), Los Angeles, CA 90017 and to Sacramento Housing and Redevelopment Agency, P.O. Box 1834, Sacramento, CA 95809, ATTN: Terry Wolford or to such other address as either party shall from time to time indicate.

6. The Issuer agrees to indemnify the Bank for, and to hold it harmless against any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with acceptance of the appointment as Fiscal Agent and/or Paying Agency hereunder, including the costs and expenses of defending itself against any claims or liability in connection with the exercise or performance of any of its duties as Fiscal Agent and/or Paying Agent. The Issuer's obligation under this Agreement shall remain valid and binding notwithstanding maturity and payment of the Bonds.

7. The Bank shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affadavit, voucher, bond requisition or other paper or document which it shall reasonably believe, based upon the face of the information contained on that document, to be genuine and to have been prepared and furnished pursuant to any of the provisions of the Resolution or Ordinance, and may, in the absence of bad faith on its part, accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Bank may consult with legal counsel, who may be counsel to the Issuer, with regard to legal questions and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it as Fiscal Agent and/or Paying Agent in good faith in accordance therewith.

8. This Agreement shall be construed and governed in accordance with the laws of the State of California.

9. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

10. In the event there is any conflict between the provisions of this Agreement and the Resolution, the Resolution shall supercede this Agreement.

IN WITNESS WHEREOF, the parties have caused these presents to be duly executed.

ATTEST:

REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO

BY_____
ANNE RUDIN

TITLE: Chairperson

DATE:_____

BY_____
WILLIAM H. EDGAR

TITLE: Secretary

DATE:_____

FIRST INTERSTATE BANK OF CALIFORNIA

BY_____

TITLE:_____

DATE:_____

APPROVED
BY THE CITY COUNCIL

OCT 2 4 1985

OFFICE OF THE
CITY CLERK

B

50

RESOLUTION NO. 85-091

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO AWARDING THE $6,500,000 CAPITAL MALL RIVERFRONT PROJECT, PROJECT NO. 4, TAX ALLOCATION BONDS, SERIES 1985 TO THE BEST BIDDER, REJECTING ALL OTHER BIDS AND APPROVING CERTAIN OTHER DOCUMENTS IN CONNECTION WITH THE BONDS

WHEREAS, at the time and place fixed for the opening of bids for the tax allocation bonds of the Redevelopment Agency of the City of Sacramento in a principal amount of $6,500,000, designated the "REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO CAPITAL MALL RIVERFRONT PROJECT, PROJECT NO. 4 TAX ALLOCATION BONDS, SERIES 1985" (the "Bonds"), all bids were publicly opened, examined and read, and a tabulation thereof has been entered in the minutes; and

WHEREAS, the bid of the bidder hereinafter named is the best bid made by a responsible bidder for the Bonds;

NOW, THEREFORE, the Redevelopment Agency of the City of Sacramento DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. That the bid of _____ offering $_____ for said Bonds, bearing interest from November 1, 1985 through the date of maturity at the rate or rates per annum set forth in the bid attached hereto, and as provided in the Resolution authorizing the issuance of the Bonds, is the best bid for the Bonds yielding the lowest net interest cost to the Agency. Said bid is hereby accepted and the Bonds awarded to said best bidder in accordance with the terms of the proposal and any irregularities with respect to said bid are hereby waived.

Section 2. That all bids other than the one accepted in Section 1 hereof are rejected, and the Executive Director is directed to return the checks accompanying said rejected bids to the respective bidders which have not been previously returned.

Section 3. That the principal amount and interest rate on the Bonds is hereby fixed at the amount and rate stated in Section 1 hereof.

Section 4. That the Executive Director of the Agency is hereby directed to deliver the Bonds to the successful bidder upon payment of the purchase price set forth in the bid therefor.

Section 5. First Interstate Bank of California is hereby appointed Fiscal Agent for the Agency in connection with the issuance of the Bonds. The Fiscal Agent Agreement between First Interstate Bank of California and the Agency, substantially in the form this night presented to the Agency, is hereby approved.

Section 7. The Chairman, the Executive Director and the Secretary of the Agency are hereby authorized and directed to execute and deliver any and all certificates or other documents in connection with the issuance, sale and delivery of the Bonds, with such changes, additions, modifications or deletions as requested by Bond Counsel.

ADOPTED, SIGNED AND APPROVED this ____ day of _____, 1985 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

_____
Chairman, Redevelopment Agency of the City of Sacramento

ATTEST:

_____
Secretary, Redevelopment Agency of the City of Sacramento

Approved as to Form

_____
Agency Attorney

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

AGREEMENT TO PROVIDE
FISCAL AGENT, REGISTRAR AND/OR PAYING AGENT SERVICES FOR
TAX ALLOCATION BONDS, SERIES 1985

This Agreement, dated for convenience as of the _____ day of _____, 1985, has been made and entered into between the Redevelopment Agency of the City of Sacramento ("Issuer") and First Interstate Bank of California ("Bank").

Issuer has authorized and provided for the issuance of Six million five hundred thousand ($6,500,000) principal amount of Tax Allocation Bonds (Project Area 4) and Twenty million four hundred fifty thousand ($20,450,000) principal amount of Tax Allocation Bonds (Project Area 8), hereinafter called "Bonds".

Issuer and Bank agree as follows:

I. Bank has reviewed and is familiar with the Resolution authorizing the issuance of Issuer's 1985 Tax Allocation Bonds adopted by the issuer on September 17, 1985. The Bank agrees to perform the duties of Fiscal Agent, Registrar and/or Paying Agent, as provided for in the Resolution adopted October 29, 1985.

A. <u>As Fiscal Agent</u>

1. Investment of funds shall be made in accordance with the provisions of the Resolution adopted on October 29, 1985. The Bank shall not be liable for any losses resulting from the investments consistant with such provisions.

B. <u>As Paying Agent</u>

1. Funds shall be used for the payment of principal and interest on the Bonds. Any moneys remaining after the bonds and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the Issuer as provided for in the Resolution and all liabilities of the Bank shall cease thereafter.

2. Bank shall furnish the Issuer statements of Bonds paid, together with the dollar amounts of such paid Bonds.

C. <u>As Registrar</u>

1. Bank will issue and deliver Bonds on original issue at the written direction of the Issuer.

2. Bank will manually countersign all Bonds issued.

3. Bank will maintain records as to the identity of the registered holders of the Bonds.

4. Bank will effect transfers of registered ownership of Bonds upon surrender of validly issued Bonds to it, accompanied by such instruments of transfer and other documents as the Bank may require.

5. Bank will maintain in safekeeping an inventory of unissued Bonds, it being recognized that it is the responsibility of Issuer to ensure that the Bank is provided with an adequate supply of unissued Bonds to accommodate normal transfer activity. The Bank will notify the Issuer within a reasonable period of time as to when this supply needs to be increased.

6. Bank will cancel all Bonds surrendered to it for transfer of payment and will dispose of those cancelled Bonds at the written direction of the Issuer.

II. General Provisions

1. If Bank is notified of the loss, destruction or theft of any Bond, Bank will place a stop transfer order against those Bonds and shall consult with, and be directed by, the Issuer with respect to the payment on any of those Bonds.

2. This Agreement shall remain in effect until the Bonds mature and all funds are disbursed or until this Agreement is amended or terminated. This Agreement may be terminated by written notice of either party to the other. However, if Bank intends to terminate this Agreement, will provide at least 30-days' advance written notice to the Issuer.

3. Bank's fee for its services as Fiscal Agent, Registrar and Paying Agent pursuant to this Agreement are outlined on Schedule A, attached hereto.

4. Issuer shall furnish the Bank with the following documents to support this appointment:

   a. Certified copy of Resolution authorizing issuance of Bonds and appointment of Bank as Fiscal Agent, Registrar and/or Paying Agent;

   b. Specimen of Bond;

   c. Signed copy of Bond Counsel's Legal Opinion;

d. Official Statement; and

e. Other documents relating to the subject issue of tax allocation bonds as Bank may reasonably request.

5. All notices, documents and other correspodence will be mailed or delivered to First Interstate Bank of California, Corporate Trust Department, 405 Montgomery Street (M13-3), San Francisco, CA 94104, or 707 Wilshire Blvd., (W10-2), Los Angeles, CA 90017 and to Sacramento Housing and Redevelopment Agency, P.O. Box 1834, Sacramento, CA 95809, ATTN: Terry Wolford or to such other address as either party shall from time to time indicate.

6. The Issuer agrees to indemnify the Bank for, and to hold it harmless against any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with acceptance of the appointment as Fiscal Agent and/or Paying Agency hereunder, including the costs and expenses of defending itself against any claims or liability in connection with the exercise or performance of any of its duties as Fiscal Agent and/or Paying Agent. The Issuer's obligation under this Agreement shall remain valid and binding notwithstanding maturity and payment of the Bonds.

7. The Bank shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affadavit, voucher, bond requisition or other paper or document which it shall reasonably believe, based upon the face of the information contained on that document, to be genuine and to have been prepared and furnished pursuant to any of the provisions of the Resolution or Ordinance, and may, in the absence of bad faith on its part, accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Bank may consult with legal counsel, who may be counsel to the Issuer, with regard to legal questions and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it as Fiscal Agent and/or Paying Agent in good faith in accordance therewith.

8. This Agreement shall be construed and governed in accordance with the laws of the State of California.

9. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

10. In the event there is any conflict between the provisions of this Agreement and the Resolution, the Resolution shall supercede this Agreement.

IN WITNESS WHEREOF, the parties have caused these presents to be duly executed.

ATTEST:

REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO

BY _____
ANNE RUDIN

TITLE: Chairperson

DATE: _____

BY _____
WILLIAM H. EDGAR

TITLE: Secretary

DATE: _____

FIRST INTERSTATE BANK OF CALIFORNIA

BY _____

TITLE: _____

DATE: _____

50

RESOLUTION NO. 85-092

RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO SUPPLEMENTING RESOLUTION NO. 85-079 AND AUTHORIZING THE ISSUANCE OF TAX ALLOCATION BONDS OF SAID AGENCY IN A PRINCIPAL AMOUNT NOT TO EXCEED FOURTEEN MILLION FOUR HUNDRED FIFTY THOUSAND DOLLARS ($14,450,000) TO FINANCE A PORTION OF THE COST OF A REDEVELOPMENT PROJECT KNOWN AS THE UPTOWN DEVELOPMENT PROJECT, PROJECT NO. 8

WHEREAS, the Redevelopment Agency of the City of Sacramento (the "Agency"), is a redevelopment agency (a public body, corporate and politic) duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health & Safety Code of the State of California) and the powers of the Agency include the power to issue bonds for any of its corporate purposes; and

WHEREAS, the Redevelopment Plan for a redevelopment project known and designated as "Uptown Development Project, Project No. 8" for that certain project area described in the plan (the "Project Area") has been adopted and approved by Ordinance No. 3146, Fourth Series of the City of Sacramento, which became effective on August 19, 1972, and amended by Ordinance No. 4122, Fourth Series of the City of Sacramento, which became effective on September 21, 1978, and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan have been duly complied with; and

WHEREAS, the Amendment to the Redevelopment Plan which added certain territory to the Project Area (the "Amended Area") has been adopted and approved by Ordinance No. 4400, Fourth Series of the City of Sacramento which became effective on September 4, 1980; and

WHEREAS, in order to raise funds for the implementation of the Redevelopment Plan, the Agency deems it necessary at this time to authorize the issuance of tax allocation bonds in a principal amount not to exceed Fourteen Million Four Hundred Fifty Thousand Dollars ($14,450,000) pursuant to this Resolution providing for the issuance of "Redevelopment Agency of the City of Sacramento, Uptown Development Project, Project No. 8 Tax Allocation Bonds, Series 1985", the proceeds of which will be used to finance a portion of the costs of implementing the Redevelopment Plan;

NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Definitions. As used in this Resolution, the following terms shall have the following meanings, unless the context otherwise requires:

(a) "Annual Debt Service" means the sums obtained for any Bond Year after the computation is made, by totaling the following for each such Bond Year:

(1) The principal amount of all serial Bonds and serial Parity Bonds, if any, payable in such Bond Year; and

(2) The amount of Minimum Sinking Fund Payments, if any, for any term Bonds or term Parity Bonds to be made in such Bond Year in accordance with the applicable schedule or schedules of Minimum Sinking Fund Payments; and/or

(3) The interest which would be due during such Bond Year on the aggregate principal amount of Bonds and Parity Bonds which would be outstanding in such Bond Year if the Bonds and Parity Bonds outstanding on the date of such computation were to mature or be redeemed in accordance with the maturity schedule or schedules for the serial Bonds and serial Parity Bonds and the schedule or schedules of Minimum Sinking Fund Payments for any term Bonds or term Parity Bonds. At the time and for the purpose of making such computation, the amount of term Parity Bonds already retired in advance of the above mentioned schedule or schedules shall be deducted pro rata from the remaining amounts thereon.

(b) "Bond" or "Bonds" means the "Redevelopment Agency of the City of Sacramento, Uptown Development Project, Project No. 8 Tax Allocation Bonds, Series 1985", authorized by this Resolution in a principal amount not to exceed Fourteen Million Four Hundred Fifty Thousand Dollars ($14,450,000).

(c) "Bond Year" means the year beginning November 2nd and ending on the next following November 1st during the time any Bonds are outstanding.

(d) "Bondholder" or "Holder of Bonds," or any similar term, means any person who shall be the registered owner or his duly authorized attorney, trustee or representative. For the purpose of Bondholders' voting rights or consents, Bonds owned by or held for the account of the Agency, or the City, directly or indirectly, shall not be counted.

(e) "City" means the City of Sacramento, California.

(f) "Federal Securities" means direct obligations of the United States of America or bonds or other obligations for which the full faith and credit of the United States is pledged for the payment of principal and interest.

(g) "Fiscal Agent" means the fiscal agent appointed by the Agency pursuant to Section 20 hereof, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in this Resolution.

(h) "Fiscal Year" means the year beginning July 1st and ending on the next following June 30th.

(i) "Independent Financial Consultant", "Independent Engineer", "Independent Certified Public Accountant" or "Independent Redevelopment Consultant" means any individual or firm engaged in the profession involved, appointed by the Agency, and who, or each of whom, has a favorable reputation in the field in which his opinion or certificate will be given, and:

(1) is in fact independent and not under domination of the Agency; and

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

(j) "Law" means the Community Redevelopment Law of the State of California as cited in the recitals hereof.

(k) "Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond year.

(l) "Minimum Sinking Fund Payments" means the amount of money to be deposited into the Term Bond Sinking Fund to be used to redeem term Parity Bonds, at the principal amounts thereof, in the amounts and at the times set forth in the schedule or schedules of Minimum Sinking Fund Payments contained in a supplemental resolution adopted for the purposes of establishing said schedule or in any resolution providing for the issuance of Parity Bonds.

(m) "Opinion of Counsel" means a written opinion of an attorney or firm of attorneys of favorable reputation in the field of municipal bond law. Any opinion of such counsel may be based upon, insofar as it is related to factual matters, information which is in the possession of the Agency as shown by a certificate or opinion of, or representation by, an officer or officers of the Agency, unless such counsel knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous.

(n) "Parity Bonds" means any additional tax allocation bonds (including, without limitation, bonds, notes, interim certificates, debentures or other obligations) issued by the Agency as permitted by Section 17 of this Resolution.

(o) "Redevelopment Agency" or "Agency" means the Redevelopment Agency of the City of Sacramento.

(p) "Redevelopment Plan" means the "Redevelopment Plan for Uptown Development Project, Project No. 8", approved and adopted by the City by Ordinance No. 3146, Fourth Series, and amended by the City by Ordinance No. 4122, Fourth Series and by Ordinance No. 4400, Fourth Series, and includes any other amendment thereof heretofore or hereafter made pursuant to the Law.

(q) "Redevelopment Project" means the Uptown Development Project, Project No. 8.

(r) "Redevelopment Project Area" means the project area described and defined in the Redevelopment Plan.

(s) "Regular Record Date" means the fifteenth day preceding any interest payment date.

(t) "Reserve Requirement" means an amount equal to Maximum Annual Debt Service.

(u) "Tax Revenues" means that portion of taxes levied upon taxable property in the Redevelopment Project Area and received by the Agency on or after the date of the adoption of the ordinance approving the redevelopment plan of the Agency pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California plus State reimbursed amounts, to the extent actually received, all as more particularly set forth hereafter in this Resolution.

(v) "Treasurer" or "Treasurer of the Agency" means the officer who is then performing functions of Treasurer of the Agency.

Section 2. Amount, Issuance and Purpose of Bonds. Under and pursuant to the Law and under and pursuant to this Resolution, Bonds of the Agency in a principal amount not to exceed Fourteen Million Four Hundred Fifty Thousand Dollars ($14,450,000) shall be issued by the Agency for the corporate purposes of financing of a portion of the cost of implementing the Redevelopment Plan which constitutes a "redevelopment activity" as such term is defined in Section 33678 of the Law; and such issue of Bonds is hereby created.

Section 3. Nature of Bonds. The Bonds shall be and are special obligations of the Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest thereon and premium, if any, from, Tax Revenues and other funds as hereinafter provided. The Bonds, interest thereon and premium, if any, are not a debt of the City, the State of California or any of its political subdivisions, and neither said City, said State nor any of its political subdivisions is liable on them. In no event shall the Bonds, interest thereon and premium, if any, be payable out of any funds or properties other than those of the Agency as set forth in this Resolution. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

The Bonds shall be and are equally secured by an irrevocable pledge of the Tax Revenues and other funds as hereinafter provided, without priority for number, date of sale, date of execution or date of delivery, except as expressly provided herein.

The validity of the Bonds is not and shall not be dependent upon: (a) the completion of the Redevelopment Project or any part thereof, or (b) the performance of any person's

obligations relative to the Redevelopment Project, or (c) the proper expenditures of the proceeds of the Bonds.

Nothing in this Resolution shall preclude: (a) the payment of the Bonds from the proceeds of refunding bonds issued pursuant to the Law, or (b) the payment of the Bonds from any legally available funds. Nothing in this Resolution shall prevent the Agency from making advances of its own funds, howsoever derived, to any of the uses and purposes mentioned in this Resolution.

If the Agency shall pay or cause to be paid, or shall have made provision to pay upon maturity or upon redemption prior to maturity, to the Holders of the Bonds, the principal of, premium, if any, and interest to become due thereon, through setting aside trust funds or setting apart in a reserve fund or special trust account created pursuant to this Resolution or otherwise, or through the irrevocable segregation for that purpose in some sinking fund or other fund or trust account with a fiscal agent or otherwise, moneys sufficient therefore, including, but not limited to, interest earned or to be earned on Federal Securities, then the lien of this Resolution, including, without limitation, the pledge of the Tax Revenues, and all other rights granted hereby, shall thereupon cease, terminate and become void and be discharged and satisfied, and the principal of, premium, if any, and interest on the Bonds shall no longer be deemed to be outstanding and unpaid; provided, however, that nothing in this Resolution shall require the deposit of more than such Federal Securities as may be sufficient, taking into account both the principal amount of such Federal Securities and the interest to become due thereon, to implement any refunding of the Bonds.

In the event of such a defeasance of the Bonds, the Fiscal Agent shall cause an accounting for such period or periods as shall be requested by the Agency to be prepared and filed with the Agency, and the Fiscal Agent, upon the request of the Agency, shall release the rights of the Bondholders under this Resolution and execute and deliver to the Agency all such instruments as may be desirable to evidence such release, discharge and satisfaction, and the Fiscal Agent shall pay over or deliver to the Agency all moneys or securities held by it pursuant to this Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Provision shall be made by the Agency, satisfactory to the Fiscal Agent, for the mailing of a notice to the Holders of such Bonds that such moneys are so available for such payment.

Section 4. Description of Bonds. The Bonds shall be in a principal amount not to exceed Fourteen Million Four Hundred Fifty Thousand Dollars ($14,450,000) and shall be designated "REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, UPTOWN DEVELOPMENT PROJECT, PROJECT NO. 8 TAX ALLOCATION BONDS, SERIES 1985". The Bonds may be initially issued in the form of fully registered Bonds in the denomination of $5,000 each,or any whole multiple thereof. The Bonds shall mature on May 1, of the years and in the amounts as hereafter set forth.

Date	Amount	Date	Amount
1987	$ 155,000	2000	$ 510,000
1988	170,000	2001	560,000
1989	185,000	2002	615,000
1990	200,000	2003	675,000
1991	220,000	2004	740,000
1992	245,000	2005	815,000
1993	265,000	2006	895,000
1994	295,000	2007	980,000
1995	320,000	2008	1,075,000
1996	355,000	2009	1,180,000
1997	385,000	2010	1,295,000
1998	425,000	2011	1,425,000
1999	465,000		

Section 5. Interest. The Bonds shall bear interest at a rate or rates to be hereafter fixed by resolution, but not to exceed twelve percent (12%) per annum payable semiannually on May 1 and November 1 of each year, commencing November 1, 1986, or such other dates as are established by supplemental resolution of the Agency. Each Bond shall bear interest until the principal sum thereof has been paid; provided, however, that if funds are available for the payment thereof in full accordance with the terms of this Resolution, said Bond shall then cease to bear interest.

The Bonds shall be numbered by the Fiscal Agent as the Fiscal Agent shall determine and shall be dated as of the date of authentication thereof, except that Bonds issued upon exchanges and transfers of other Bonds shall be dated so that no gain or loss of interest shall result from such exchange or transfer and Bonds issued before the first Regular Record Date shall be dated as of November 1, 1985, or such other date as may be fixed by subsequent resolution of the Agency. Each fully registered Bond shall bear interest from the interest payment date next preceding the date thereof unless (i) it is dated prior to the first regular record date, in which event from the date of issuance of the Bonds, (ii) it is dated as of

an interest payment date, in which event it shall bear interest from that interest payment date, or (iii) it is dated after a Regular Record Date and before the following interest payment date, and the Agency does not default in the payment of interest due on such interest payment date, in which event it shall bear interest from such interest payment date. Interest on Bonds shall be paid by the Fiscal Agent (out of the appropriate funds) by check or draft mailed to the registered owner as his name and address appear on the register kept by the Fiscal Agent at the close of business on the Regular Record Date preceding the interest payment date.

Section 6. Place of Payment. The Bonds and any premiums upon the redemption thereof prior to maturity shall be payable in lawful money of the United States of America and shall be payable at the corporate trust office of the Fiscal Agent in Los Angeles, California.

Section 7. Forms of Bonds. The Bonds shall be substantially in the form attached hereto and by this reference incorporated herein as Exhibit "A". Such form is hereby approved and adopted as the form of such Bonds, and of the redemption, exchange, registration and assignment provisions pertaining thereto, with necessary or appropriate variations, omissions and insertions as permitted or required by this Resolution and by any subsequent supplemental resolution of the Agency.

Any Bonds issued pursuant to this Resolution may be initially issued in temporary form exchangeable for definitive Bonds when the same are ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Agency, shall be without coupons and may contain such reference to any of the provisions of this or any supplemental resolution as may be appropriate. Every temporary Bond shall be executed by the Agency and be issued by the Fiscal Agent upon the same conditions and in substantially the same form and manner as the definitive Bonds. If the Agency issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and, thereupon, the temporary Bonds shall be surrendered for cancellation at the principal office of the Fiscal Agent in Los Angeles, California, or at such other place in California as the Agency may approve, and the Fiscal Agent shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of this same issue. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Resolution as definitive Bonds of this same issue delivered hereunder, except that any interest which has accrued thereon shall not be paid until the exchange has been accomplished.

Section 8. Execution of Bonds. The Bonds shall be signed on behalf of the Agency by its Chairman by his facsimile signature and by its Secretary by his manual or facsimile signature, and the seal of the Agency shall be impressed, imprinted or reproduced thereon. The foregoing officers are hereby authorized and directed to sign the Bonds in accordance with this Section. If any Agency member or officer whose manual or facsimile signature appears on the Bonds ceases to be such member or officer before delivery of Bonds, his or her signature is as effective as if he or she had remained in office.

The Fiscal Agent shall date and authenticate on registration and/or exchange to effectuate the registration and exchange provisions set forth in Sections 5 and 9, and only such of the Bonds as shall have endorsed thereon a certificate of authentication, substantially in the form set forth in Exhibit A, duly executed by the Fiscal Agent, shall be entitled to any rights, benefits or security under this Resolution. No Bonds shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Fiscal Agent, and such certificate of the Fiscal Agent, upon any such Bond, shall be conclusive and the only evidence that such Bond has been duly authenticated and delivered under this Resolution. The Fiscal Agent's certificate of authentication on any Fully Registered Bond shall be deemed to have been duly executed if signed by an authorized officer of the Fiscal Agent, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds that may be issued hereunder at any one time.

Section 9. Registration and Exchange of Bonds. The Bonds shall be issued only in fully registered form. Bonds may be exchanged for other Bonds of equal aggregate denominations of the same maturity. Transfer of ownership of a Bond shall be made by exchanging the same for a new Bond. All of such exchanges shall be made in such manner and upon such reasonable terms and conditions as may from time to time be determined and prescribed by the Agency. The person, firm or corporation requesting such exchange, shall pay any costs or charges in connection therewith which shall be established by the Fiscal Agent, in addition to paying any tax or governmental charge that may be imposed in connection with such exchange. Each Bond issued pursuant to this Resolution shall be of a denomination which is $5,000 or a whole multiple thereof and shall be of the same issue.

Section 10. Bond Register. The Fiscal Agent will keep or cause to be kept at its principal office in the City of San Francisco, California, or at such other place in California as the Agency may approve, sufficient books for the registration

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

Section 11. Call and Redemption of Bonds Prior to Maturity.

A. Terms of Redemption. The Bonds maturing on or before May 1, 1995 are not subject to call and redemption prior to maturity. The Bonds due on or after May 1, 1996 are subject to redemption, at the option of the agency, from any source of funds, as a whole at any time or in part in inverse order of maturity, and by lot within a maturity, on any interest payment date on and after May 1, 1995 at the following redemption prices, together with accrued interest to the date of redemption:

Redemption Date	Redemption Price
May 1 and November 1, 1995.....	102 %
May 1 and November 1, 1996.....	101 1/2%
May 1 and November 1, 1997.....	101 %
May 1 and November 1, 1998.....	100 1/2%
May 1, 1999 and thereafter.....	100 %

B. Call and Redemption. The Agency may (and, if required by Section 15 hereof, shall) by resolution direct the call and redemption prior to maturity of Bonds by the Fiscal Agent in such amounts as funds are available therefor and shall give notice to the Fiscal Agent of such redemption not less than sixty (60) days prior to the redemption date.

C. Notice of Redemption. Notice of redemption prior to maturity (except as provided below) shall be given by first class mail, postage prepaid to the registered owner of each Bond at the address shown on the registration books of the Fiscal Agent, and to the original purchaser(s) of the Bonds (in the case of a syndicate, to the manager thereof) not less than thirty (30) nor more than sixty (60) days prior to such redemption date. In the case of refunding, notice shall also be given as provided in Section 3 hereof. Neither failure to mail such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any Bonds. The notice of redemption shall (a) state the redemption date; (b) state the redemption price; (c) state the numbers of the Bonds to be redeemed; provided, however, that whenever any call for redemption includes all of the

outstanding Bonds, the numbers of the Bonds need not be stated; (d) state, as to any Bonds redeemed in part only, the registered Bond numbers and the principal portion thereof to be redeemed; and (e) state that interest on the principal portion of the Bonds so designated for redemption shall cease to accrue from and after such redemption date and that on said date there shall become due and payable on each of such Bonds the redemption price thereof.

The actual receipt by the Holder of any Bond or notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the redemption date. Notice of redemption of Bonds shall be given by the Fiscal Agent and on behalf of the Agency at the expense of the Agency.

A certificate by the Fiscal Agent that notice of redemption has been given as herein provided shall be conclusive as against all parties, and no Bondholder whose Bond is called for redemption may object thereto or object to the cessation of interest on the redemption date fixed by any claim or showing that he failed actually to receive such notice of call and redemption.

D. Redemption Fund. There is hereby created with the Fiscal Agent a special trust fund called the "Redevelopment Agency of the City of Sacramento, Uptown Development Project, Project No. 8 Tax Allocation Bonds, Series 1985, Redemption Fund" (hereinafter referred to as the "Redemption Fund"). There shall be set aside in the Redemption Fund, prior to mailing as above required, moneys for the purpose and sufficient to redeem, at the premiums, if any, payable as provided in this Resolution, the Bonds designated in such notice of redemption. Said moneys must be set aside in the Redemption Fund solely for that purpose and shall be applied on or after the redemption date to the payment (principal and premium, if any) of the Bonds to be redeemed upon presentation and surrender of such Bonds. Any interest due on or prior to the redemption date shall be paid from the Special Fund created by this Resolution upon presentation and surrender thereof.

E. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Agency shall execute and the Fiscal Agent shall authenticate and deliver to the registered owner thereof, at the expense of the Agency, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and same maturity. The owner of any Bond may, in lieu of surrendering such Bond

for a new Bond, endorse on the reverse of such Bond a notation of such partial redemption, in such form as may be satisfactory to the Agency and the Fiscal Agent and under such conditions as the Fiscal Agent may approve. Such partial redemption shall be valid upon payment of the amount thereby required to be paid to such registered owner, and the Agency and the Fiscal Agent shall be released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of such Bond by such registered owner and irrespective of any error or omission in such endorsement.

F. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the principal of, premium, if any, and interest payable upon redemption of the Bonds being set aside as aforesaid, the Bonds, or parts thereof, as the case may be, so called for redemption shall, on the redemption date, become due and payable at the redemption price specified in such notice, interest on the Bonds, or parts thereof, as the case may be, so called for redemption shall cease to accrue, shall cease to be entitled to any lien, benefit or security under this Resolution, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof, and, in the case of partial redemption of Bonds, also to receive a new Bond or Bonds for the unredeemed balance as aforesaid.

All Bonds, or parts thereof, as the case may be, redeemed pursuant to the provisions of this Section shall be cancelled upon surrender thereof and delivered to, or upon the order of, the Agency.

G. Purchase of Bonds. The Fiscal Agent, on behalf of the Agency, is hereby authorized to purchase Bonds on the open market at any time at a price not to exceed 102% of the principal amount thereof or the redemption price of the allocable Bonds on the next interest payment date plus accrued interest, if any, to the date of purchase plus brokerage fees, if any.

Section 12. Funds. There is hereby created with the Treasurer a special trust fund called the "Uptown Development Project, Project No. 8 Fund" (hereinafter sometimes called the "Redevelopment Fund"). There is hereby created with the Fiscal Agent a special trust fund called the Uptown Development Project, Project No. 8, Special Fund with special trust funds contained therein and known as the Bond Interest Fund, Bond Payment Fund and the Debt Service Reserve Fund.

So long as any of the Bonds herein authorized, or any interest thereon, remain unpaid, the moneys in the foregoing Funds shall be used for no purposes other than those required or permitted by this Resolution and the Law.

Section 13. Sale of Bonds; Disposition of Bond Proceeds; Redevelopment Fund. The Agency may provide by resolution for the sale of the Bonds in the manner provided by the Law.

A. The Fiscal Agent, on behalf of the Agency, shall receive the proceeds from the sale of the Bonds, upon the delivery of the Bonds to the purchasers thereof, and shall dispose of such proceeds and moneys as follows:

(1) Deposit in the Bond Interest Fund accrued interest and premium, if any, paid by the purchasers of the Bonds;

(2) Deposit in the Debt Service Reserve Fund a sum equal to the Reserve Requirement;

(3) Pay the necessary expenses in connection with the issuance and sale of the Bonds and fees of the Fiscal Agent and Paying Agents;

(4) After making the above deposits, the balance of the proceeds from the sale of the Bonds , if any, shall be transferred to the Treasurer who shall place the same in the Redevelopment Fund.

B. The moneys set aside in the Redevelopment Fund shall remain therein until from time to time expended solely for the purpose of financing a portion of the costs of the Redevelopment Project and other costs related thereto, and also including in such costs:

(1) The payment, in any year during which the Agency owns the property in the Redevelopment Project Area, to any city, county, city and county, district or other public corporation which would have levied a tax upon such property had it not been exempt, an amount of money in lieu of taxes as authorized by Section 33401 of the Law; and

(2) The cost of any lawful purposes in connection with implementation of the Redevelopment Project, including, without limitation, those purposes authorized by Section 33445 of the Law; and

So long as any of the Bonds herein authorized, or any interest thereon, remain unpaid, the moneys in the foregoing Funds shall be used for no purposes other than those required or permitted by this Resolution and the Law.

Section 13. Sale of Bonds; Disposition of Bond Proceeds; Redevelopment Fund. The Agency may provide by resolution for the sale of the Bonds in the manner provided by the Law.

A. The Fiscal Agent, on behalf of the Agency, shall receive the proceeds from the sale of the Bonds, upon the delivery of the Bonds to the purchasers thereof, and shall dispose of such proceeds and moneys as follows:

(1) Deposit in the Bond Interest Fund accrued interest and premium, if any, paid by the purchasers of the Bonds plus an amount when added to such interest and premium will be sufficient to pay interest due on the Bonds to and including November 1, 1986;

(2) Deposit in the Debt Service Reserve Fund a sum equal to the Reserve Requirement;

(3) Pay the necessary expenses in connection with the issuance and sale of the Bonds and fees of the Fiscal Agent and Paying Agents;

(4) After making the above deposits, the balance of the proceeds from the sale of the Bonds , if any, shall be transferred to the Treasurer who shall place the same in the Redevelopment Fund.

B. The moneys set aside in the Redevelopment Fund shall remain therein until from time to time expended solely for the purpose of financing a portion of the costs of the Redevelopment Project and other costs related thereto, and also including in such costs:

(1) The payment, in any year during which the Agency owns the property in the Redevelopment Project Area, to any city, county, city and county, district or other public corporation which would have levied a tax upon such property had it not been exempt, an amount of money in lieu of taxes as authorized by Section 33401 of the Law; and

(2) The cost of any lawful purposes in connection with implementation of the Redevelopment Project, including, without limitation, those purposes authorized by Section 33445 of the Law; and

So long as any of the Bonds herein authorized, or any interest thereon, remain unpaid, the moneys in the foregoing Funds shall be used for no purposes other than those required or permitted by this Resolution and the Law.

Section 13. Sale of Bonds; Disposition of Bond Proceeds; Redevelopment Fund. The Agency may provide by resolution for the sale of the Bonds in the manner provided by the Law.

A. The Fiscal Agent, on behalf of the Agency, shall receive the proceeds from the sale of the Bonds, upon the delivery of the Bonds to the purchasers thereof, and shall dispose of such proceeds and moneys as follows:

(1) Deposit in the Bond Interest Fund accrued interest and premium, if any, paid by the purchasers of the Bonds plus an amount when added to such interest and premium will be sufficient to pay interest due on the Bonds to and including November 1, 1986;

(2) Deposit in the Debt Service Reserve Fund a sum equal to the Reserve Requirement;

(3) Pay the necessary expenses in connection with the issuance and sale of the Bonds and fees of the Fiscal Agent and Paying Agents;

(4) After making the above deposits, the balance of the proceeds from the sale of the Bonds , if any, shall be transferred to the Treasurer who shall place the same in the Redevelopment Fund.

B. The moneys set aside in the Redevelopment Fund shall remain therein until from time to time expended solely for the purpose of financing a portion of the costs of the Redevelopment Project and other costs related thereto, and also including in such costs:

(1) The payment, in any year during which the Agency owns the property in the Redevelopment Project Area, to any city, county, city and county, district or other public corporation which would have levied a tax upon such property had it not been exempt, an amount of money in lieu of taxes as authorized by Section 33401 of the Law; and

(2) The cost of any lawful purposes in connection with implementation of the Redevelopment Project, including, without limitation, those purposes authorized by Section 33445 of the Law; and

(3) The necessary expenses in connection with the issuance and sale of the Bonds and fees of the Fiscal Agent and Paying Agents not otherwise paid under paragraph A above.

If any sum remains in the Redevelopment Fund after the full accomplishment of the objects and purposes for which said Bonds were issued, said sum shall be transferred to the Special Fund. Disposition of Redevelopment Fund moneys may be further specified by supplemental resolution of the Agency.

All of the above uses constitute a "redevelopment activity" as such term is defined in Section 33678 of the Law.

Section 14. Tax Revenues. As provided in the Redevelopment Plan, pursuant to Article 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the Redevelopment Project Area each year by or for the benefit of the State of California, any city, county, city and county, district, or other public corporation (herein sometimes collectively called "taxing agencies") after the effective date of the Ordinance approving the Redevelopment Plan (being Ordinance No. 3146, Fourth Series of the City of Sacramento, which became effective on August 19, 1972) and, for the Amended Area only, after the effective date of the Ordinance approving the amendment to the Redevelopment Plan which added the Amended Area to the Project Area (being Ordinance No. 4400, Fourth Series of the City of Sacramento, which became effective on September 4, 1980) shall be divided as follows:

(a) That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Redevelopment Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to August 19, 1972 and September 4, 1980, as the case may be ("base assessment roll"), shall be allocated to and when collected shall be paid into the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) That portion of said levied taxes each year in excess of such amount shall be allocated to and when collected shall be paid into the Special Fund of the Agency. Such portion (plus State reimbursed amounts for certain property tax exemptions, including those related to business inventory, to the extent received), subject to

such exclusions and deductions as are set forth in proceedings for the adoption of the Redevelopment Plan, is herein referred to as "Tax Revenues."

The foregoing provisions of this Section are a portion of the provisions of said Article 6 of the Law as applied to the Bonds and shall be interpreted in accordance with said Article 6 of the Law, and the further provisions and definitions contained in said Article 6 of the Law are hereby incorporated herein by reference and shall apply.

The Tax Revenues allocated to the Agency on or after the date of issue of the Bonds are hereby irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds as in this Resolution provided, and until all of the Bonds and all interest thereon, have been paid (or until moneys for that purpose have been irrevocably set aside), the Tax Revenues (subject to the exception set forth in Section 15(d)) shall be applied solely to the payment of the Bonds and the interest thereon as in this Resolution provided. Such allocation and pledge is for the exclusive benefit of the Holders of the Bonds and shall be irrevocable.

Section 33645 of the Health and Safety Code provides, in applicable part as follows: "The resolution, trust indenture, or mortgage shall provide that tax increment funds allocated to an agency pursuant to Section 33670 shall not be payable to a trustee on account of any issued bonds when sufficient funds have been placed with the trustee to redeem all outstanding bonds of the issue." This Resolution is presently in compliance with the above quoted provision and shall be so construed.

Section III(J)(3) of the Amendment to the Redevelopment Plan which added the Amended Area to the Project Area provides for a Fifty Million Dollar ($50,000,000) limitation on the number of dollars of taxes which may be divided and allocated to the Agency. This limitation is required pursuant to Section 33333.2 of the Health & Safety Code of the State of California, which by its terms is only applicable to redevelopment plans adopted after October 1, 1976. It was the intent of the Agency at the time of the adoption of the Amendment to the Redevelpment Plan that such limitation is only applicable to the amount of tax dollars generated within the Amended Area which the Agency may receive and does not apply to the amount of tax dollars generated within the balance of the Project Area which the Agency may receive. After reviewing the language of Section III(J)(3) of the Amendment to the Redevelopment Plan, the Agency hereby determines that such Section is only applicable to the amount

of tax dollars generated within the Amended Area which the Agency may receive and does not apply to the amount of tax dollars generated within the balance of the Project Area which the Agency may receive.

Section 15. Special Fund. All Tax Revenues, and other moneys identified herein, shall be deposited in the Special Fund in accordance with this Section. The interest on the Bonds until maturity shall be paid by the Fiscal Agent from the Special Fund. At the maturity of the Bonds, and, after all interest then due on the Bonds then outstanding has been paid or provided for, moneys in the Special Fund shall be applied to the payment of the principal of any of such Bonds.

Without limiting the generality of the foregoing and for the purpose of assuring that the payments referred to above will be made as scheduled, the Tax Revenues accumulated in the Special Fund shall be used in the following priority; provided, however, that to the extent that deposits have been made in any of the Funds referred to below from the proceeds of the sale of the Bonds or otherwise, the deposits below need not be made:

(a) Bond Interest Fund. Deposits shall be made into the Bond Interest Fund on April 30 and October 31 so that the amount in said Fund on said date shall be equal to the aggregate amount of interest becoming due and payable on the then outstanding Bonds on the next succeeding interest payment date. Moneys in the Bond Interest Fund shall be used for the payment of interest on the Bonds as the same becomes due.

(b) Bond Payment Fund. After the deposits have been made pursuant to subparagraph (a) above, deposits shall next be made into the Bond Payment Fund so that the balance in said Fund on April 30 of each year is equal to the principal coming due in the then outstanding Bonds on the next succeeding May 1.

(c) Debt Service Reserve Fund. After deposits have been made pursuant to subparagraphs (a) and (b) above, deposits shall be made to the Debt Service Reserve Fund from available Tax Revenues, if necessary, in order to cause the amount on deposit therein to equal the Reserve Requirement. Money in the Debt Service Reserve Fund shall be transferred to the Bond Interest Fund and Bond Payment Fund to pay interest on and principal of the Bonds as it becomes due to the extent Tax Revenues are insufficient therefor. Any portion of the Debt Service Reserve Fund which is in excess of the Reserve Requirement shall be transferred to the Agency to be used for any lawful purpose.

(d) Holding Fund. On May 25 of each year, beginning May 25, 1986, the Fiscal Agent shall set aside from the Special Fund and deposit in the Holding Fund all moneys then remaining in the Special Fund after the above mentioned transfers have taken place; provided, however, that if 125% of Annual Debt Service was placed in the Special Fund on such year, the Agency is not in default under the Resolution and the Debt Service Reserve Fund is equal to Maximum Annual Debt Service, all money then remaining in the Holding Fund, may be set aside and returned to the Agency for any lawful purpose. Except as set forth in the preceding sentence, all money in the Holding Fund shall be used and withdrawn by the Fiscal Agent for the purpose of replenishing the Bond Interest Fund, the Bond Payment Fund, and the Debt Service Reserve Fund, in such order, in the event of any deficiency at any time in such Funds, or for the purpose of paying the interest on or redemption premiums, if any, on the Bonds, in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all the Bond then outstanding, or, so long as the Agency is not in default hereunder, and, at the request of the Agency for the purchase or redemption of Bonds.

Any remaining Tax Revenues after providing for (a), (b) and (c) above, and after the coverage test provided in (d) above has been satisfied, may be used in a manner provided by law for the purpose of aiding in financing the Project, including early redemption or purchase of the Bonds, as provided in the Resolution.

Section 16. Deposit and Investment of Moneys in Funds. Subject to the provisions of Covenant 9 of Section 18 hereof, all moneys held by the Agency in the Redevelopment Fund and by the Fiscal Agent in the Special Fund, except such moneys which are at the time invested in obligations in which the Agency is authorized to make investments, shall be held in time or demand deposits in any bank or trust company authorized to accept deposits of public funds (including the banking department of the Fiscal Agent) and all of such deposits shall be secured at all times by bonds or other obligations which are authorized by law as security for public deposits, of a market value at least equal to the amount required by law.

Moneys in the Redevelopment Fund may from time to time be invested by the Agency, and moneys in the Special Fund may, and, upon written request of the Agency, shall, be invested by the Fiscal Agent, with prior approval of the Agency Finance Officer, as provided by law, subject to the following restrictions:

(a) Moneys in the Redevelopment Fund shall be invested only in obligations which will by their terms mature not later than the date the Agency estimates the moneys represented by the particular investment will be needed for withdrawal from such Fund.

(b) Moneys in the Bond Interest Fund of the Special Fund shall be invested only in obligations which will by their terms mature on such dates as to ensure that before each interest payment date there will be in such Fund, from matured obligations and other moneys already in such Fund, cash equal to the interest payable on such date.

(c) Moneys in the Debt Service Reserve Fund shall be invested in obligations which will by their terms mature prior to the date which is the final maturity date of the Bonds.

Except as otherwise provided in Section 13 hereof, obligations purchased as an investment of moneys in any of said Funds shall be deemed at all times to be a part of such Fund and the interest accruing thereon and any gain realized from such investment shall be credited to such Fund and any loss resulting from any such authorized investment shall be charged to such Fund without liability to the Agency or the members and officers thereof or to the Fiscal Agent. The Agency or the Fiscal Agent, as the case may be, shall sell at the best price obtainable or present for redemption any obligation so purchased whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such Fund as required by this Resolution. The investment constituting a part of such Fund shall be valued at the then estimated or appraised market value of such investment or face amount thereof, which ever is lower; provided, however, that investments in the Bond Interest Fund and the Bond Payment Fund shall be valued at the face amount thereof.

Section 17. Issuance of Parity Bonds. The Agency may provide for the issuance of, and sell, Parity Bonds in such principal amounts as it estimates will be needed for the Redevelopment Project purposes. The issuance and sale of any Parity Bonds shall be subject to the following conditions precedent:

(a) The Agency shall be in compliance with all covenants in this Resolution;

(b) The Parity Bonds shall be on such terms and conditions as may be set forth in a supplemental resolution, which shall provide for (i) bonds substantially

in accordance with the Resolution and, (ii) the deposit of a portion of the Parity Bond proceeds into the Debt Service Reserve Fund in an amount sufficient, together with the balance of the Debt Service Reserve Fund, to equal the Maximum Annual Debt Service on all Bonds expected to be outstanding including the outstanding Bonds and Parity Bonds;

(c) Receipt of a certificate of the Executive Director of the Agency showing:

(i) For the current and each future Bond Year the debt service for each such Bond Year with respect to all Bonds and Parity Bonds reasonably expected to be outstanding following the issuance of such Parity Bonds;

(ii) For the then current Bond Year, (A) the Tax Revenues to be received by the Agency based upon the most recent assessed valuation of taxable property in the Redevelopment Project Area certified by the appropriate officer of the County of Sacramento plus (B) additional Tax Revenues to be received by the Agency due to expected increases in assessed valuation of taxable property in the Redevelopment Project Area resulting from construction for which a building permit has been issued and for which there is evidence of construction activity on the site, or construction for which a binding contract therefor has been executed by and between the Agency and a developer deemed to be financially responsible by the Agency; and

(iii) That for the then current Bond Year, (A) the Tax Revenues referred to in item (ii)(A) are at least equal to 1.10 times the maximum annual debt service referred to in item (i) above, and (B) the Tax Revenues referred to in item (ii)(A) and (ii)(B) above plus other revenues, investment income and funds reasonably expected by the Agency to be available for debt service, exclusive of any non-recurring revenues, are at least equal to 1.25 times the maximum annual debt service referred to in item (i) above.

(d) The issuance of such Parity Bonds shall have been recommended by an opinion of an Independent Financial Consultant.

(e) Such Parity Bonds shall mature on November 1 and interest thereon shall be payable on May 1 and November 1, subject to such dates being changed by a supplemental resolution of the Agency.

Section 18. Covenants of the Agency. As long as the Bonds are outstanding and unpaid, the Agency shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in this Resolution or in any Bond issued hereunder, including the following covenants and agreements for the benefit of the Bondholders which are necessary, convenient and desirable to secure the Bonds and will tend to make them more marketable; provided, however, that said Covenants do not require the Agency to expend any funds other than the Tax Revenues:

Covenant 1. Complete Redevelopment Project; Amendment to Redevelopment Plan. The Agency covenants and agrees that it will diligently carry out and continue to completion, with all practicable dispatch, the Redevelopment Project in accordance with its duty to do so under and in accordance with the Law and the Redevelopment Plan and in a sound and economical manner. The Redevelopment Plan may be amended as provided in the Law but no amendment shall be made unless it will not substantially impair the security of the Bonds or the rights of the Bondholders, as shown by an Opinion of Counsel, based upon a certificate or opinion of an Independent Financial Consultant appointed by the Agency.

Covenant 2. Use of Proceeds, Management and Operation of Properties. The Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in this Resolution and any supplemental resolution and that it will manage and operate all properties owned by it comprising any part of the Redevelopment Project in a sound and businesslike manner.

Covenant 3. No Priority. The Agency covenants and agrees that it will not issue any obligations payable, either as to principal or interest, from the Tax Revenues which have, or purport to have, any lien upon the Tax Revenues prior or superior to the lien of the Bonds herein authorized. Except as permitted by Section 17 hereof, it will not issue any obligations, payable as to principal or interest, from the Tax Revenues, which have, or purport to have, any lien upon the Tax Revenues on a parity with the Bonds herein authorized. Notwithstanding the foregoing, nothing in this Resolution shall prevent the Agency (i) from issuing and selling pursuant to law, refunding obligations payable from and having any lawful lien upon the Tax Revenues, if such refunding obligations are issued for the purpose of, and are sufficient for the purpose of, refunding all of the outstanding Bonds or Parity Bonds, or (ii) from issuing and selling obligations which have, or purport to have, any lien upon the Tax Revenues which is junior

to the Bonds or (iii) from issuing and selling bonds or other obligations which are payable in whole or in part from sources other than the Tax Revenues. As used herein "obligations" shall include, without limitation, bonds, notes, interim certificates, debentures or other obligations.

Covenant 4. Punctual Payment. The Agency covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds issued hereunder on the date, at the place and in the manner provided in the Bonds.

Covenant 5. Payment of Taxes and Other Charges. The Agency covenants and agrees that it will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments or other governmental charges which may lawfully be imposed upon the Agency or any of the properties then owned by it in the Redevelopment Project Area, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials and supplies which if unpaid might become a lien or charge upon any of said properties, revenues or income or which might impair the security of the Bonds or the use of Tax Revenues or other legally available funds to pay the principal of and interest thereon; all to the end that the priority and security of the Bonds shall be preserved; provided, however, that nothing in this Covenant shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity thereof.

Covenant 6. Books and Accounts; Financial Statements. The Agency covenants and agrees that it will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Redevelopment Project and the Tax Revenues and other funds relating to said Project, and will prepare within one hundred and eighty (180) days after the close of each of its Fiscal Years a complete financial statement or statements for such year in reasonable detail covering such Redevelopment Project and the Tax Revenues and other funds, accompanied by an opinion of an Independent Certified Public Accountant appointed by the Agency, and will furnish a copy of such statement or statements to the Fiscal Agent, the original purchaser(s) of the Bonds (in the case of a syndicate, the manager thereof), and any rating agency which maintains a rating on the Bonds, and, upon written request, to any Bondholder.

Covenant 7. Eminent Domain. The Agency covenants and agrees that if all or any part of the Redevelopment Project

Area should be taken from it without its consent, by eminent domain proceedings or other proceedings authorized by law, for any public or other use under which the property will be tax exempt, the Agency will use its best efforts to have the base assessment roll reduced by the amount of the assessment of said property as shown on said base assessment roll.

Covenant 8. Disposition of Property. The Agency covenants and agrees that it will not dispose of more than ten percent (10%) of the land area in the Redevelopment Project Area (except property shown in the Redevelopment Plan in effect on the date this Resolution is adopted as planned for public use, or property to be used for public streets, public offstreet parking, sewage facilities, parks, easements or right-of-way for public utilities, or other similar uses) to public bodies or other persons or entities whose property is tax exempt, unless such disposition will not result in the security of the Bonds or the rights of Bondholders being substantially impaired, as shown by an Opinion of Counsel, based upon the certificate or opinion of an Independent Financial Consultant appointed by the Agency.

Covenant 9. Statement of Indebtedness. The Agency covenants and agrees to file annually with the county Auditor a statement of indebtedness as provided in Section 33675 of the Law.

Covenant 10. Protection of Security and Rights of Bondholders; No Arbitrage. The Agency covenants and agrees to preserve and protect the security of the Bonds and the rights of the Bondholders and to defend their rights under all claims and demands of all persons. Without limiting the generality of the foregoing, the Agency covenants and agrees to contest by court action or otherwise (a) the assertion by any officer of any government unit or any other person whatsoever against the Agency that (i) the Law is unconstitutional or (ii) that the Tax Revenues pledged hereunder cannot be paid to the Agency for the debt service on the Bonds, or (b) any other action affecting the validity of the Bonds or diluting the security therefor, or (c) any assertion by the United States of America or any department or agency thereof or any other person that the interest received by the Bondholders is taxable under federal income tax laws by reason of any action of the Agency. The Agency covenants and agrees to take no action which, in the Opinion of Counsel would result in (a) the Tax Revenues being withheld unless the withholding thereof is being contested in good faith, and (b) the interest received by the Bondholders becoming taxable under federal income tax laws. The Agency covenants and agrees that it will make no use of the proceeds of the Bonds at any time during the term thereof which will

cause such Bonds to be "arbitrage bonds" within the meaning of Section 103(c) of the United States Internal Revenue Code of 1954, as amended, and applicable regulations adopted thereunder by the Internal Revenue Service, and the Agency hereby assumes the obligation to comply with such Section 103(c) and such regulations throughout the term of the Bonds.

Section 19. Taxation of Leased Property. Whenever any property in the Redevelopment Project Area has been redeveloped and thereafter is leased by the Agency to any person or persons (other than a public agency) or whenever the Agency leases real property in the Redevelopment Project Area to any person or persons (other than a public agency) for redevelopment, the property shall be assessed and taxed in the same manner as privately owned property, as required by Section 33673 of the Law, and the lease or contract shall provide (a) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of his or its leasehold interest, and (b) that if for any reason the taxes levied on such property in any year during the term of the lease or contract are less than the taxes which would have been levied if the entire property had been assessed and taxed in the same manner as privately owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for such year become payable to the taxing agencies and in no event later than the delinquency date of such taxes established by law. All such payments shall be treated as Tax Revenues, and when received by the Agency shall be deposited in the Special Fund.

Section 20. Fiscal Agent. The Agency appoints First Interstate Bank of California to act as the agent, trustee and depositary of the Agency (the "Fiscal Agent") for the purpose of receiving Tax Revenues and other funds in trust as provided in this Resolution, to hold, allocate, use and apply such Tax Revenues and other funds in trust as provided in this Resolution, and to perform such other duties and powers of the Fiscal Agent as are prescribed in this Resolution and any supplemental resolution of the Agency.

The Agency may remove the Fiscal Agent initially appointed or any successor thereto and in such case shall forthwith appoint a successor thereto, but any successor shall be a bank or trust company doing business and having an office in the City of San Francisco, having a combined capital and surplus of at least $100,000,000. The Fiscal Agent herein appointed or any substituted Fiscal Agent may at any time resign as such by filing a written notice with the Agency in which event the Agency shall forthwith appoint a substitute Fiscal Agent and the resignation shall become effective upon appointment. In

the event that the Fiscal Agent or any successor becomes incapable of acting as such, the Agency shall forthwith appoint a substitute Fiscal Agent. Any bank or trust company into which the Fiscal Agent may be merged or with which it may be consolidated shall become the Fiscal Agent without action of the Agency. The Fiscal Agent may become the owner of any of the Bonds authorized by this Resolution with the same rights it would have had if it were not the Fiscal Agent.

The Fiscal Agent shall have no duty or obligation whatsoever to enforce the collection of or to exercise diligence in the enforcement of the collection of funds assigned to it hereunder, or as to the correctness of any amounts received, but its liability shall be limited to the proper accounting for such funds as it shall actually receive.

The recitals of fact and all promises, covenants and agreements herein and in the Bonds shall be taken as statements, promises, covenants and agreements of the Agency, and the Fiscal Agent assumes no responsibility for the correctness of same, and makes no representations as to the validity or sufficiency of this Resolution or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon the Fiscal Agent. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or default.

Section 21. Lost, Stolen, Destroyed or Mutilated Bonds. In the event that any Bond is lost, stolen, destroyed or mutilated, the Agency will cause to be issued a new Bond(s) on reasonable terms and conditions, including the payment of costs and the posting of a surety bond if the Agency deems such surety bond necessary, as may from time to time be determined and prescribed by resolution. The Agency may authorize such new Bond to be signed and authenticated in such manner as it determines in said resolution.

Section 22. Cancellation of Bonds. All Bonds surrendered to the Fiscal Agent for payment at the maturity thereof or, in the case of call and redemption prior to maturity, at the redemption date, shall upon payment therefor be cancelled immediately and forthwith transmitted to the Treasurer or destroyed by the Fiscal Agent at the direction of the Agency, in which latter event a certificate of destruction shall forthwith be transmitted to the Treasurer. Any Bonds purchased by the Fiscal Agent as aforesaid shall be cancelled immediately and forthwith transmitted to the Treasurer or destroyed as aforesaid. All of the cancelled Bonds not destroyed shall remain in the custody of the Treasurer until destroyed pursuant to authorization.

Section 23. Amendments. This Resolution, and the rights and obligations of the Agency and of the Holders of the Bonds issued hereunder, may be modified or amended at any time by supplemental resolution adopted by the Agency: (a) for any purpose at any time prior to the sale of the Bonds; (b) without the consent of Bondholders, if such modification or amendment is for the purpose of adding covenants and agreements to further secure Bond payment, to prescribe further limitations and restrictions on Bond issuance, to surrender rights or privileges of the Agency, to make notifications not affecting any outstanding series of Bonds only with the consent of the Fiscal Agent, for the purpose of curing any ambiguities, defects or inconsistent provisions in this Resolution or to insert such provisions clarifying matters or questions arising under this Resolution as are necessary and desirable to accomplish the same, provided that such modifications or amendments do not adversely affect the rights of the Owners of any outstanding Bonds; (c) for any purpose with the consent of the Bondholders holding sixty percent (60%) in aggregate principal amount of the outstanding Bonds, exclusive of Bonds, if any, owned by the Agency or the City, and obtained as hereinafter set forth; provided, however, that no such modification or amendment shall, without the express consent of the registered owner of the Bond affected, reduce the principal amount of any Bond, reduce the interest rate payable thereon, extend its maturity or the times for paying interest thereon, change the monetary medium in which principal and interest is payable, or create a mortgage, pledge or lien upon the revenues superior to or on a parity with the pledge and lien created for the Bonds and any Parity Bonds or reduce the percentage of consent required for amendment or modification.

Any act done pursuant to a modification or amendment so consented to shall be binding upon the Holders of all of the Bonds and shall not be deemed an infringement of any of the provisions of this Resolution or of the Law, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of this Resolution, and after such consent relating to such specified matters has been given, no Bondholder or Holder shall have any right or interest to object to such action or in any manner to question the propriety thereof or to enjoin or restrain the Agency or any officer thereof from taking any action pursuant thereto.

A. Calling Bondholders' Meeting. If the Agency shall desire to obtain any such consent it shall duly adopt a resolution calling a meeting of the Bondholders for the purpose of considering the action the consent to which is desired.

B. Notice of Meeting. Notice specifying the purpose, place, date and hour of such meeting shall be mailed, postage prepaid, to the respective registered owners of the Bonds as their addresses appear on the registration books of the Fiscal Agent. The place, date and hour of holding such meeting and the date or dates of mailing such notice shall be determined by the Agency in its discretion. Such notice shall set forth the nature of the proposed action to which consent is desired. The place, date and hour of holding such meeting and the date or dates of mailing such notice shall be determined by the Agency in its discretion.

The actual receipt by any Bondholder of notice of any such meeting shall not be a condition precedent to the holding of such meeting, and failure to receive such notice shall not affect the validity of any proceedings at such meeting. A certificate by the Secretary of the Agency approved by resolution of the Agency, that the meeting has been called and that notice thereof has been given as herein provided, shall be conclusive as against all parties and it shall not be open to any Bondholder to show that he failed to receive actual notice of such meeting.

C. Voting Qualifications. The Fiscal Agent shall prepare and deliver to the chairman of the meeting a statement of the names and addresses of the registered owners of Bonds, such statement to show maturities, serial numbers and the principal amounts so that voting qualifications can be determined. No Bondholders shall be entitled to vote at such meeting unless their names appear upon such statement. No Bondholders shall be permitted to vote with respect to a larger aggregate principal amount of Bonds than is set against their names on such statement.

D. Issuer-Owned Bonds. The Agency covenants that it will present at the meeting a certificate, signed and verified by one member thereof and by the Treasurer, stating the serial numbers, maturities and principal amounts of all Bonds owned by, or held for account of, the Agency or the City, directly or indirectly. No person shall be permitted at the meeting to vote or consent with respect to any Bond appearing upon such certificate, or any Bond which it shall be established at or prior to the meeting is owned by the Agency or the City, directly or indirectly, and no such Bond (in this Resolution referred to as "issuer-owned Bonds") shall be counted in determining whether a quorum is present at the meeting.

E. Quorum and Procedure. A representation of at least sixty percent (60%) in aggregate principal amount of the Bonds then outstanding (exclusive of issuer-owned Bonds, if

any) shall be necessary to constitute a quorum at any meeting of Bondholders, but less than a quorum may adjourn the meeting from time to time, and the meeting may be held as so adjourned without further notice, whether such adjournment shall have been held by a quorum or by less than a quorum. The Agency shall, by an instrument in writing, appoint a temporary chairman of the meeting, and the meeting shall be organized by the election of a permanent chairman and secretary. At any meeting each Bondholder shall be entitled to one vote for every $5,000 principal amount of Bonds with respect to which he shall be qualified to vote as aforesaid, and such vote may be given in person or by proxy duly appointed by an instrument in writing presented at the meeting. The Agency and/or the Fiscal Agent by their duly authorized representatives and counsel, may attend any meeting of the Bondholders, but shall not be required to do so.

F. Vote Required: At any such meeting held as aforesaid there shall be submitted for the consideration and action of the Bondholders a statement of the proposed action consent to which is desired, and if such action shall be consented to and approved by Bondholders holding at least sixty percent (60%) in aggregate principal amount of the Bonds then outstanding (exclusive of issuer-owned Bonds) the chairman and secretary of the meeting shall so certify in writing to the Agency, and such certificate shall constitute complete evidence of consent of the Bondholders under the provision of this Resolution. A certificate signed and verified by the chairman and the secretary of any such meeting shall be conclusive evidence and the only competent evidence of matters stated in such certificate relating to proceedings taken at such meeting.

Section 24. Proceedings Constitute Contract; Events of Default and Remedies of Bondholders. The provisions of this Resolution, of the resolutions providing for the sale of the Bonds and awarding the Bonds and fixing the interest rate or rates thereon, and of any other resolution supplementing or amending this Resolution, shall constitute a contract between the Agency and the Bondholders, and the provisions thereof shall be enforceable by any Bondholder for the equal benefit and protection of all Bondholders similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may hereafter be authorized under the laws of the State of California in any court of competent jurisdiction. Said contract is made under and is to be construed in accordance with the laws of the State of California. The following provisions shall not limit the generality of the foregoing.

A. Events of Default. Each of the following shall constitute an event of default.

(1) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable:

(2) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(3) Default made by the Agency in the observance of any of the covenants, agreements or conditions contained in this Resolution or in the Bonds, and such default shall have continued for a period of thirty (30) days following written notice to the Agency; or

(4) The Agency shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property;

In each and every event of default described in (1) or (2) above the Fiscal Agent shall, and in each and every case of default described in (3) or (4) above, the Fiscal Agent may, and shall if so requested by the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding (such request to be in writing to the Fiscal Agent and the Agency), declare the principal of all of the Bonds then outstanding and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Resolution or in the Bonds to the contrary notwithstanding.

Such declaration may be rescinded by the holders of not less than a majority of the Bonds then outstanding provided the Agency cures such default or defaults including the deposit with the Fiscal Agent of a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured

installments of interest (if any) upon all the Bonds, with interest at the rate of twelve percent (12%) per annum on such overdue installments of principal and, to the extent such payment of interest on interest is lawful at that time, on such overdue installments of interest, so that the Agency is currently in compliance with all payment, deposit and transfer provisions of this Resolution, and an amount sufficient to pay any expenses incurred by the Fiscal Agent in connection with such default.

B. Certain Remedies of Bondholders. Any Bondholder shall have the right, for the equal benefit and protection of all Bondholders similarly situated --

(1) by mandamus, suit, action or proceeding, to compel the Agency and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Resolution and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Agency and the fulfillment of all duties imposed upon it by the Law;

(2) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bondholders' rights; or

(3) upon the happening of any event of default (as defined in this Section), by suit, action or proceeding in any court of competent jurisdiction, to require the Agency and its members and employees to account as if it and they were the trustees of an express trust.

C. Non-Waiver. Nothing in this Section or in any other provisions of this Resolution, or in the Bonds, shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Holders of the Bonds at the respective dates of maturity, as herein provided, or affect or impair the right, which is also absolute and unconditional, of such Holders to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

No remedy conferred hereby upon any Bondholder is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law of the State of California. No waiver of any default or breach of any duty or contract by any Bondholder shall affect any subsequent default

or breach of any duty or contract or shall impair any rights or remedies on said subsequent default or breach. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Bondholders may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and should said suit, action or proceeding be abandoned, or be determined adversely to the Bondholders, then, and in every such case, the Agency and the Bondholders shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

D. Actions by Fiscal Agent as Attorney-in-Fact. Any suit, action or proceeding which any Holder of Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Fiscal Agent for the equal benefit and protection of all Holders of Bonds similarly situated and the Fiscal Agent is hereby appointed (and the successive respective registered owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective registered owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective registered owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Fiscal Agent as such attorney-in-fact.

E. General. After the issuance and delivery of the Bonds, this Resolution, and any supplemental resolutions hereto, shall be irrepealable, but shall be subject to modification or amendment to the extent and in the manner provided in this Resolution, but to no greater extent and in no other manner.

Section 25. CUSIP Numbers. CUSIP identification numbers will be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and no liability shall hereafter attach to the Agency or any of the officers or agents thereof because of or on account of said numbers. Any error or omission with respect to said numbers shall not constitute cause for refusal by the successful bidder to accept delivery of and pay for the Bonds.

Section 26. Severability. If any covenant, agreement or provision, or any portion thereof, contained in this Resolution, or the application thereof to any person or

circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Resolution and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected, and this Resolution and the Bonds issued pursuant hereto shall remain valid and the Bondholders shall retain all valid rights and benefits accorded to them under this Resolution and the Constitution and the laws of the State of California. If the provisions relating to the appointment and duties of a Fiscal Agent are held to be unconstitutional, invalid or unenforceable, said duties shall be performed by the Treasurer.

Section 27. Effective Date. This Resolution shall take effect upon adoption.

ADOPTED AND APPROVED the _____ day of October, 1985.

_____
Chairman of the Redevelopment
Agency of the City of Sacramento

(SEAL)

ATTEST:

_____
Secretary of the Redevelopment Agency
of the City of Sacramento

50

STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO)ss.
CITY OF SACRAMENTO)

SECRETARY'S CERTIFICATE
RE ADOPTION OF RESOLUTION

I, _____, Secretary of the Redevelopment Agency of the City of Sacramento, DO HEREBY CERTIFY that the foregoing Resolution was duly adopted by said Agency at an adjourned regular meeting of said Agency held on the _____ day of September, 1985, and that the same was passed and adopted by the following vote to wit:

AYES: Members _____

_____

NOES: Members _____

ABSENT: Members _____

ABSTAIN: Members _____

_____
Secretary of the Redevelopment
Agency of the City of Sacramento

(SEAL)

STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO)ss.
CITY OF SACRAMENTO)

SECRETARY'S CERTIFICATE
OF AUTHENTICATION

I, _____, Secretary of the Redevelopment Agency of the City of Sacramento, DO HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of Resolution No. _____ of said Agency and that said Resolution was adopted at the time and by the vote stated on the above certificate, and has not been amended or repealed.

_____
Secretary of the Redevelopment
Agency of the City of Sacramento

(SEAL)

EXHIBIT A

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SACRAMENTO
CITY OF SACRAMENTO
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
UPTOWN DEVELOPMENT PROJECT, PROJECT NO. 8
TAX ALLOCATION BONDS, SERIES 1985

The REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO (hereinafter sometimes call the "Agency"), a public body, corporate and politic, duly organized and existing under the laws of the State of California, for value received, hereby promises to pay (but solely out of the funds hereinafter mentioned) to _____ or registered assigns (herein sometimes referred to as "registered owner"), subject to the right of prior redemption hereinafter mentioned, the principal sum of _____ Dollars ($_____), on May 1, ____, and to pay such registered owner on each interest payment date by check or draft mailed to him as his name and address appear on the register kept by the Fiscal Agent at the close of business on the fifteenth (15th) day preceding each interest payment date (the "regular record date"), interest on such principal sum from the interest payment date next preceding the date hereof (unless (i) it is dated prior to the first regular payment date in which event from November 1, 1985, or (ii) the date hereof is on an interest payment date, in which event from that interest payment date, or (iii) it is dated after a regular record date but before the following interest payment date and if the Agency shall not default in the payment of interest due on such interest payment date, in which event it shall bear interest from such interest payment date) until the principal hereof shall have been paid or provided for in accordance with the Resolution hereinafter referred to, at the rate of _____ percent (___%) per annum payable semiannually on May 1 and November 1 in each year commencing on November 1, 1986. Both principal and interest and any premium upon the redemption prior to maturity of all or part hereof are payable in lawful money of the United States of America, and (except for interest which is payable by check or draft as stated above) are payable at the corporate trust office of First Interstate Bank of California, Fiscal Agent for the Agency, in San Fracisco, California.

This Bond, the interest hereon and any premium due upon the redemption of this Bond prior to maturity are not a debt of the City of Sacramento, the County of Sacramento, the State of California or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable hereon, nor in any event shall this Bond, said interest or said premium be payable out of any funds or properties other than the funds of the Agency as set forth in the Resolution hereinafter mentioned. This Bond does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing this Bond are liable personally on this Bond by reason of its issuance.

This Bond is one of a duly authorized issue of Bonds of the Agency designated "Redevelopment Agency of the City of Sacramento, Uptown Development Project, Project No. 8 Tax Allocation Bonds, Series 1985" (herein called the "Bonds"), in an aggregate principal amount of $14,450,000 all of like tenor (except for bond numbers, interest rates, amounts and maturity) and all of which have been issued pursuant to and in full conformity with the Constitution and laws of the State of California and particularly the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California) for the purpose of aiding in the financing of the Redevelopment Project referred to above. The Bonds are authorized by and issued pursuant to Resolution No. ___, adopted by the Agency on _____, 1985, which supplemented Resolution No. 85-079 adopted by the Agency on September 7, 1985, copies of which are on file with the Secretary of the Agency and the Fiscal Agent (said Resolution No. ___ being herein referred to as the "Resolution").

All of the Bonds are equally secured in accordance with the terms of the Resolution, reference to which is hereby made for a specific description of the security therein provided for said Bonds, for the nature, extent and manner of enforcement of such security, for the covenants and agreements made for the benefit of the Bondholders, and for a statement of the rights of the Bondholders. By the acceptance of this Bond the registered owner hereof consents to all of the terms, conditions and provisions of said Resolution. In the manner provided in the Resolution, said Resolution and the rights and obligations of the Agency and of the Bondholders may (with certain exceptions as stated in said Resolution) be modified or amended with the consent of the Holders of sixty percent (60%) in aggregate principal amount of outstanding Bonds, exclusive of issuer-owned Bonds, unless the modification or amendment is for the purpose of curing ambiguities, defects or inconsistent provisions, in which case no Bondholders' consent is required.

The principal of this Bond and the interest hereon are secured by an irrevocable pledge of, and are payable solely out of, the Tax Revenues (as such term is defined in said Resolution) and certain other funds, all as more particularly set forth in the Resolution. Said Resolution is adopted under and this Bond is issued under and is to be construed in accordance with the laws of the State of California.

The outstanding Bonds, or any of them, maturing on or after May 1, 1996 may be called before maturity and redeemed at the option of the Agency, in whole from the proceeds of refunding bonds and other available funds, or in whole or in part from any other source of funds on May 1, 1995 or on any interest payment date thereafter prior to maturity in reverse order of maturity and by lot within any one maturity. Bonds so called for redemption shall be redeemed at a redemption price for each redeemed Bond equal to the principal amount thereof, plus accrued interest to the redemption date plus a premium of two percent (2%) for Bonds redeemed on the first available redemption date decreasing by one-half percent (1/2%) for each year or fraction thereof between the first available redemption date as set forth above and the actual date of the call and redemption for all or a portion of the Bonds so redeemed. The interest payment date on which Bonds are to be presented for redemption is herein sometimes called the "redemption date." Notice of call and redemption prior to maturity shall be given as provided in the Resolution.

This Bond is issued in fully registered form and is negotiable upon proper transfer of registration. This Bond is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the corporate trust office of the Fiscal Agent in the City of San Francisco, California, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, upon surrender and cancellation of this Bond. Upon such transfer a new Bond of any authorized denomination or denominations for the same aggregate principal amount and maturity of the same issue will be issued to the transferee in exchange therefor.

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

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

It is hereby recited, certified and declared that any and all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State of California.

IN WITNESS WHEREOF, the Redevelopment Agency of the City of Sacramento has caused this Bond to be signed on its behalf by the facsimile signature of its Chairman and by the manual or facsimile signature of its Secretary, and the seal of said Agency to be reproduced hereon, all as of the first day of November.

_____
Chairman of the Redevelopment
Agency of the City of Sacramento

(SEAL)

_____
Secretary of the Redevelopment
Agency of the City of Sacramento

(FORM OF CERTIFICATE OF AUTHENTICATION OF BONDS)

This is one of the Bonds described in the within mentioned Resolution.

_____
Fiscal Agent

By_____
Authorized Officer

(FORM OF ASSIGNMENT OF BONDS)

For value received _____ hereby sells, assigns and transfers unto _____ _____ the within-mentioned Bonds and hereby irrevocably constitutes and appoints _____, attorney, to transfer the same on the books of the Fiscal Agent with full power of substitution in the premises.

_____

Dated: _____

NOTE:

The signature to this assignment must correspond with the name as written on the face of the within Bond in every particular, without alterations or enlargement or any change whatsoever.

(FORM OF CERTIFICATE OF AUTHENTICATION OF BONDS)

This is one of the Bonds described in the within mentioned Resolution.

_____
Fiscal Agent

50

RESOLUTION NO. 85-093

RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO SUPPLEMENTING RESOLUTION NO. 85-080 AND AUTHORIZING THE ISSUANCE OF TAX ALLOCATION BONDS OF SAID AGENCY IN A PRINCIPAL AMOUNT NOT TO EXCEED SIX MILLION DOLLARS ($6,500,000) TO FINANCE A PORTION OF THE COST OF A REDEVELOPMENT PROJECT KNOWN AS THE CAPITOL MALL RIVERFRONT PROJECT, PROJECT NO. 4

WHEREAS, the Redevelopment Agency of the City of Sacramento (the "Agency"), is a redevelopment agency (a public body, corporate and politic) duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) and the powers of the Agency include the power to issue bonds for any of its corporate purposes; and

WHEREAS, the Redevelopment Plan for a redevelopment project known and designated as "Capitol Mall Riverfront Project, Project No. 4" has been adopted and approved by Ordinance No. 2681, Fourth Series of the City of Sacramento, which became effective on September 24, 1966, and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan have been duly complied with; and

WHEREAS, in order to raise funds for the implementation of the Redevelopment Plan, the Agency deems it necessary at this time to authorize the issuance of tax allocation bonds in a principal amount not to exceed Six Million Five Hundred Thousand Dollars ($6,500,000) pursuant to this Resolution providing for the issuance of "Redevelopment Agency of the City of Sacramento, Capitol Mall Riverfront Project, Project No. 4 Tax Allocation Bonds, Series 1985", the proceeds of which will be used to finance a portion of the costs of implementing the Redevelopment Plan;

NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Definitions. As used in this Resolution, the following terms shall have the following meanings, unless the context otherwise requires:

50

(a) "Annual Debt Service" means the sums obtained for any Bond Year after the computation is made, by totaling the following for each such Bond Year:

(1) The principal amount of all serial Bonds and serial Parity Bonds, if any, payable in such Bond Year; and

(2) The amount of Minimum Sinking Fund Payments, if any, for any term Bonds or term Parity Bonds to be made in such Bond Year in accordance with the applicable schedule or schedules of Minimum Sinking Fund Payments; and/or

(3) The interest which would be due during such Bond Year on the aggregate principal amount of Bonds and Parity Bonds which would be outstanding in such Bond Year if the Bonds and Parity Bonds outstanding on the date of such computation were to mature or be redeemed in accordance with the maturity schedule or schedules for the serial Bonds and serial Parity Bonds and the schedule or schedules of Minimum Sinking Fund Payments for any term Bonds or term Parity Bonds. At the time and for the purpose of making such computation, the amount of term Parity Bonds already retired in advance of the above mentioned schedule or schedules shall be deducted pro rata from the remaining amounts thereon.

(b) "Bond" or "Bonds" means the "Redevelopment Agency of the City of Sacramento, Capitol Mall Riverfront Project, Project No. 4 Tax Allocation Bonds, Series 1985", authorized by this Resolution in a principal amount not to exceed Six Million Five Hundred Thousand Dollars ($6,500,000).

(c) "Bond Year" means the year beginning November 2nd and ending on the next following November 1st during the time any Bonds are outstanding.

(d) "Bondholder" or "Holder of Bonds," or any similar term, means any person who shall be the registered owner or his duly authorized attorney, trustee or representative. For the purpose of Bondholders' voting rights or consents, Bonds owned by or held for the account of the Agency, or the City, directly or indirectly, shall not be counted.

(e) "City" means the City of Sacramento, California.

(f) "Federal Securities" means direct obligations of the United States of America or bonds or other obligations

for which the full faith and credit of the United States is pledged for the payment of principal and interest.

(g) "Fiscal Agent" means the fiscal agent appointed by the Agency pursuant to Section 20 hereof, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in this Resolution.

(h) "Fiscal Year" means the year beginning July 1st and ending on the next following June 30th.

(i) "Independent Financial Consultant," "Independent Engineer," "Independent Certified Public Accountant" or "Independent Redevelopment Consultant" means any individual or firm engaged in the profession involved, appointed by the Agency, and who, or each of whom, has a favorable reputation in the field in which his opinion or certificate will be given, and:

(1) is in fact independent and not under domination of the Agency; and

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

(j) "Law" means the Community Redevelopment Law of the State of California as cited in the recitals hereof.

(k) "Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond year.

(l) "Minimum Sinking Fund Payments" means the amount of money to be deposited into the Term Bond Sinking Fund to be used to redeem term Parity Bonds, at the principal amounts thereof, in the amounts and at the times set forth in the schedule or schedules of Minimum Sinking Fund Payments contained in a supplemental resolution adopted for the purposes of establishing said schedule or in any resolution providing for the issuance of Parity Bonds.

(m) "Opinion of Counsel" means a written opinion of an attorney or firm of attorneys of favorable reputation in the field of municipal bond law. Any opinion of such counsel may be based upon, insofar as it is related to factual matters, information which is in the possession of the Agency as shown by a certificate or opinion of, or

representation by, an officer or officers of the Agency, unless such counsel knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous.

(n) "Parity Bonds" means any additional tax allocation bonds (including, without limitation, bonds, notes, interim certificates, debentures or other obligations) issued by the Agency as permitted by Section 17 of this Resolution.

(o) "Redevelopment Agency" or "Agency" means the Redevelopment Agency of the City of Sacramento.

(p) "Redevelopment Plan" means the "Redevelopment Plan for Capitol Mall Riverfront Project, Project No. 4", approved and adopted by the City by Ordinance No. 2681, Fourth Series, and includes any amendment thereof heretofore or hereafter made pursuant to the Law.

(q) "Redevelopment Project" means the Capitol Mall Riverfront Project, Project No. 4.

(r) "Redevelopment Project Area" means the project area described and defined in the Redevelopment Plan.

(s) "Regular Record Date" means the fifteenth day preceding any interest payment date.

(t) "Reserve Requirement" means an amount equal to Maximum Annual Debt Service.

(u) "Tax Revenues" means that portion of taxes levied upon taxable property in the Redevelopment Project Area and received by the Agency on or after the date of the adoption of the ordinance approving the redevelopment plan of the Agency pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California plus State reimbursed amounts, to the extent actually received, all as more particularly set forth hereafter in this Resolution.

(v) "Treasurer" or "Treasurer of the Agency" means the officer who is then performing functions of Treasurer of the Agency.

Section 2. Amount, Issuance and Purpose of Bonds. Under and pursuant to the Law and under and pursuant to this Resolution, Bonds of the Agency in a principal amount not to exceed Six Million Five Hundred Thousand Dollars ($6,500,000)

shall be issued by the Agency for the corporate purposes of financing of a portion of the cost of implementing the Redevelopment Plan which constitutes a "redevelopment activity" as such term is defined in Section 33678 of the Law; and such issue of Bonds is hereby created.

Section 3. Nature of Bonds. The Bonds shall be and are special obligations of the Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest thereon and premium, if any, from, Tax Revenues and other funds as hereinafter provided. The Bonds, interest thereon and premium, if any, are not a debt of the City, the State of California or any of its political subdivisions, and neither said City, said State nor any of its political subdivisions is liable on them. In no event shall the Bonds, interest thereon and premium, if any, be payable out of any funds or properties other than those of the Agency as set forth in this Resolution. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

The Bonds shall be and are equally secured by an irrevocable pledge of the Tax Revenues and other funds as hereinafter provided, without priority for number, date of sale, date of execution or date of delivery, except as expressly provided herein.

The validity of the Bonds is not and shall not be dependent upon: (a) the completion of the Redevelopment Project or any part thereof, or (b) the performance of any person's obligations relative to the Redevelopment Project, or (c) the proper expenditures of the proceeds of the Bonds.

Nothing in this Resolution shall preclude: (a) the payment of the Bonds from the proceeds of refunding bonds issued pursuant to the Law, or (b) the payment of the Bonds from any legally available funds. Nothing in this Resolution shall prevent the Agency from making advances of its own funds, howsoever derived, to any of the uses and purposes mentioned in this Resolution.

If the Agency shall pay or cause to be paid, or shall have made provision to pay upon maturity or upon redemption prior to maturity, to the Holders of the Bonds, the principal of, premium, if any, and interest to become due thereon, through setting aside trust funds or setting apart in a reserve fund or special trust account created pursuant to this Resolution or otherwise, or through the irrevocable segregation for that

50

purpose in some sinking fund or other fund or trust account with a fiscal agent or otherwise, moneys sufficient therefore, including, but not limited to, interest earned or to be earned on Federal Securities, then the lien of this Resolution, including, without limitation, the pledge of the Tax Revenues, and all other rights granted hereby, shall thereupon cease, terminate and become void and be discharged and satisfied, and the principal of, premium, if any, and interest on the Bonds shall no longer be deemed to be outstanding and unpaid; provided, however, that nothing in this Resolution shall require the deposit of more than such Federal Securities as may be sufficient, taking into account both the principal amount of such Federal Securities and the interest to become due thereon, to implement any refunding of the Bonds.

In the event of such a defeasance of the Bonds, the Fiscal Agent shall cause an accounting for such period or periods as shall be requested by the Agency to be prepared and filed with the Agency, and the Fiscal Agent, upon the request of the Agency, shall release the rights of the Bondholders under this Resolution and execute and deliver to the Agency all such instruments as may be desirable to evidence such release, discharge and satisfaction, and the Fiscal Agent shall pay over or deliver to the Agency all moneys or securities held by it pursuant to this Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Provision shall be made by the Agency, satisfactory to the Fiscal Agent, for the mailing of a notice to the Holders of such Bonds that such moneys are so available for such payment.

Section 4. Description of Bonds. The Bonds shall be in a principal amount not to exceed Six Million Five Hundred Thousand Dollars ($6,500,000) and shall be designated "REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, CAPITOL MALL RIVERFRONT REDEVELOPMENT PROJECT, PROJECT NO. 4 TAX ALLOCATION BONDS, SERIES 1985". The Bonds may be initially issued in the form of fully registered Bonds in the denomination of $5,000 each,or any whole multiple thereof. The Bonds shall mature on May 1, of the years and in the amounts as hereafter set forth.

Date	Amount	Date	Amount
1987	70,000	1999	210,000
1988	75,000	2000	230,000
1989	85,000	2001	250,000
1990	90,000	2002	275,000
1991	100,000	2003	305,000
1992	110,000	2004	335,000
1993	120,000	2005	365,000
1994	130,000	2006	400,000
1995	145,000	2007	440,000
1996	160,000	2008	485,000
1997	175,000	2009	530,000
1998	190,000	2010	585,000
		2011	640,000

Section 5. Interest. The Bonds shall bear interest at a rate or rates to be hereafter fixed by resolution, but not to exceed twelve percent (12%) per annum payable semiannually on May 1 and November 1 of each year, commencing November 1, 1986, or such other dates as are established by supplemental resolution of the Agency. Each Bond shall bear interest until the principal sum thereof has been paid; provided, however, that if funds are available for the payment thereof in full accordance with the terms of this Resolution, said Bond shall then cease to bear interest.

The Bonds shall be numbered by the Fiscal Agent as the Fiscal Agent shall determine and shall be dated as of the date of authentication thereof, except that Bonds issued upon exchanges and transfers of other Bonds shall be dated so that no gain or loss of interest shall result from such exchange or transfer and Bonds issued before the first Regular Record Date shall be dated as of November 1, 1985, or such other date as may be fixed by subsequent resolution of the Agency. Each fully registered Bond shall bear interest from the interest payment date next preceding the date thereof unless (i) it is dated prior to the first regular record date, in which event from the date of issuance of the Bonds, (ii) it is dated as of an interest payment date, in which event it shall bear interest from that interest payment date, or (iii) it is dated after a Regular Record Date and before the following interest payment date, and the Agency does not default in the payment of interest due on such interest payment date, in which event it shall bear interest from such interest payment date. Interest on Bonds shall be paid by the Fiscal Agent (out of the appropriate funds) by check or draft mailed to the registered owner as his name and address appear on the register kept by the Fiscal Agent at the close of business on the Regular Record Date preceding the interest payment date.

Section 6. Place of Payment. The Bonds and any premiums upon the redemption thereof prior to maturity shall be payable in lawful money of the United States of America and shall be payable at the corporate trust office of the Fiscal Agent in Los Angeles, California.

Section 7. Forms of Bonds. The Bonds shall be substantially in the form attached hereto and by this reference incorporated herein as Exhibit "A". Such form is hereby approved and adopted as the form of such Bonds, and of the redemption, exchange, registration and assignment provisions pertaining thereto, with necessary or appropriate variations, omissions and insertions as permitted or required by this Resolution and by any subsequent supplemental resolution of the Agency.

Any Bonds issued pursuant to this Resolution may be initially issued in temporary form exchangeable for definitive Bonds when the same are ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Agency, shall be without coupons and may contain such reference to any of the provisions of this or any supplemental resolution as may be appropriate. Every temporary Bond shall be executed by the Agency and be issued by the Fiscal Agent upon the same conditions and in substantially the same form and manner as the definitive Bonds. If the Agency issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and, thereupon, the temporary Bonds shall be surrendered for cancellation at the principal office of the Fiscal Agent in Los Angeles, California, or at such other place in California as the Agency may approve, and the Fiscal Agent shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of this same issue. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Resolution as definitive Bonds of this same issue delivered hereunder, except that any interest which has accrued thereon shall not be paid until the exchange has been accomplished.

Section 8. Execution of Bonds. The Bonds shall be signed on behalf of the Agency by its Chairman by his facsimile signature and by its Secretary by his manual or facsimile signature, and the seal of the Agency shall be impressed, imprinted or reproduced thereon. The foregoing officers are hereby authorized and directed to sign the Bonds in accordance with this Section. If any Agency member or officer whose manual or facsimile signature appears on the Bonds ceases to be such member or officer before delivery of Bonds, his or her signature is as effective as if he or she had remained in office.

The Fiscal Agent shall date and authenticate on registration and/or exchange to effectuate the registration and exchange provisions set forth in Sections 5 and 9, and only such of the Bonds as shall have endorsed thereon a certificate of authentication, substantially in the form set forth in Exhibit A, duly executed by the Fiscal Agent, shall be entitled to any rights, benefits or security under this Resolution. No Bonds shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Fiscal Agent, and such certificate of the Fiscal Agent, upon any such Bond, shall be conclusive and the only evidence that such Bond has been duly authenticated and delivered under this Resolution. The Fiscal Agent's certificate of authentication on any Fully Registered Bond shall be deemed to have been duly executed if signed by an authorized officer of the Fiscal Agent, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds that may be issued hereunder at any one time.

Section 9. Registration and Exchange of Bonds. The Bonds shall be issued only in fully registered form. Bonds may be exchanged for other Bonds of equal aggregate denominations of the same maturity. Transfer of ownership of a Bond shall be made by exchanging the same for a new Bond. All of such exchanges shall be made in such manner and upon such reasonable terms and conditions as may from time to time be determined and prescribed by the Agency. The person, firm or corporation requesting such exchange, shall pay any costs or charges in connection therewith which shall be established by the Fiscal Agent, in addition to paying any tax or governmental charge that may be imposed in connection with such exchange. Each Bond issued pursuant to this Resolution shall be of a denomination which is $5,000 or a whole multiple thereof and shall be of the same issue.

Section 10. Bond Register. The Fiscal Agent will keep or cause to be kept at its principal office in the City of San Francisco, California, or at such other place in California as the Agency may approve, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Agency; and, upon presentation for such purpose, the Fiscal Agent shall under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on said register, the Bonds as hereinbefore provided.

Section 11. Call and Redemption of Bonds Prior to Maturity.

A. Terms of Redemption. The Bonds maturing on or before May 1, 1995 are not subject to call and redemption prior to maturity. The Bonds due on or after May 1, 1996 are subject

to redemption, at the option of the agency, from any source of funds, as a whole at any time or in part in inverse order of maturity, and by lot within a maturity, on any interest payment date on and after May 1, 1995 at the following redemption prices, together with accrued interest to the date of redemption:

Redemption Date	Redemption Price
May 1 and November 1, 1995.....	102 %
May 1 and November 1, 1996.....	101 1/2%
May 1 and November 1, 1997.....	101 %
May 1 and November 1, 1998.....	100 1/2%
May 1, 1999 and thereafter.....	100 %

B. Call and Redemption. The Agency may (and, if required by Section 15 hereof, shall) by resolution direct the call and redemption prior to maturity of Bonds by the Fiscal Agent in such amounts as funds are available therefor and shall give notice to the Fiscal Agent of such redemption not less than sixty (60) days prior to the redemption date.

C. Notice of Redemption. Notice of redemption prior to maturity (except as provided below) shall be given by first class mail, postage prepaid to the registered owner of each Bond at the address shown on the registration books of the Fiscal Agent, and to the original purchaser(s) of the Bonds (in the case of a syndicate, to the manager thereof) not less than thirty (30) nor more than sixty (60) days prior to such redemption date. In the case of refunding, notice shall also be given as provided in Section 3 hereof. Neither failure to mail such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any Bonds. The notice of redemption shall (a) state the redemption date; (b) state the redemption price; (c) state the numbers of the Bonds to be redeemed; provided, however, that whenever any call for redemption includes all of the outstanding Bonds, the numbers of the Bonds need not be stated; (d) state, as to any Bonds redeemed in part only, the registered Bond numbers and the principal portion thereof to be redeemed; and (e) state that interest on the principal portion of the Bonds so designated for redemption shall cease to accrue from and after such redemption date and that on said date there shall become due and payable on each of such Bonds the redemption price thereof.

The actual receipt by the Holder of any Bond or notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for the redemption of such

Bonds or the cessation of interest on the redemption date. Notice of redemption of Bonds shall be given by the Fiscal Agent and on behalf of the Agency at the expense of the Agency.

A certificate by the Fiscal Agent that notice of redemption has been given as herein provided shall be conclusive as against all parties, and no Bondholder whose Bond is called for redemption may object thereto or object to the cessation of interest on the redemption date fixed by any claim or showing that he failed actually to receive such notice of call and redemption.

D. Redemption Fund. There is hereby created with the Fiscal Agent a special trust fund called the "Redevelopment Agency of the City of Sacramento, Capitol Mall Riverfront Project, Project No. 4 Tax Allocation Bonds, Series 1985, Redemption Fund" (hereinafter referred to as the "Redemption Fund"). There shall be set aside in the Redemption Fund, prior to mailing as above required, moneys for the purpose and sufficient to redeem, at the premiums, if any, payable as provided in this Resolution, the Bonds designated in such notice of redemption. Said moneys must be set aside in the Redemption Fund solely for that purpose and shall be applied on or after the redemption date to the payment (principal and premium, if any) of the Bonds to be redeemed upon presentation and surrender of such Bonds. Any interest due on or prior to the redemption date shall be paid from the Special Fund created by this Resolution upon presentation and surrender thereof.

E. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Agency shall execute and the Fiscal Agent shall authenticate and deliver to the registered owner thereof, at the expense of the Agency, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and same maturity. The owner of any Bond may, in lieu of surrendering such Bond for a new Bond, endorse on the reverse of such Bond a notation of such partial redemption, in such form as may be satisfactory to the Agency and the Fiscal Agent and under such conditions as the Fiscal Agent may approve. Such partial redemption shall be valid upon payment of the amount thereby required to be paid to such registered owner, and the Agency and the Fiscal Agent shall be released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of such Bond by such registered owner and irrespective of any error or omission in such endorsement.

F. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the

principal of, premium, if any, and interest payable upon redemption of the Bonds being set aside as aforesaid, the Bonds, or parts thereof, as the case may be, so called for redemption shall, on the redemption date, become due and payable at the redemption price specified in such notice, interest on the Bonds, or parts thereof, as the case may be, so called for redemption shall cease to accrue, shall cease to be entitled to any lien, benefit or security under this Resolution, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof, and, in the case of partial redemption of Bonds, also to receive a new Bond or Bonds for the unredeemed balance as aforesaid.

All Bonds, or parts thereof, as the case may be, redeemed pursuant to the provisions of this Section shall be cancelled upon surrender thereof and delivered to, or upon the order of, the Agency.

G. Purchase of Bonds. The Fiscal Agent, on behalf of the Agency, is hereby authorized to purchase Bonds on the open market at any time at a price not to exceed 102% of the principal amount thereof or the redemption price of the allocable Bonds on the next interest payment date plus accrued interest, if any, to the date of purchase plus brokerage fees, if any.

Section 12. Funds. There is hereby created with the Treasurer a special trust fund called the "Capitol Mall Riverfront Project, Project No. 4 Fund" (hereinafter sometimes called the "Redevelopment Fund"). There is hereby created with the Fiscal Agent a special trust fund called the Capitol Mall Riverfront Project, Project No. 4, Special Fund with special trust funds contained therein and known as the Bond Interest Fund, Bond Payment Fund and the Debt Service Reserve Fund.

So long as any of the Bonds herein authorized, or any interest thereon, remain unpaid, the moneys in the foregoing Funds shall be used for no purposes other than those required or permitted by this Resolution and the Law.

Section 13. Sale of Bonds; Dispostion of Bond Proceeds; Redevelopment Fund. The Agency may provide by resolution for the sale of the Bonds in the manner provided by the Law.

A. The Fiscal Agent, on behalf of the Agency, shall receive the proceeds from the sale of the Bonds, upon the delivery of the Bonds to the purchasers thereof, and shall dispose of such proceeds and moneys as follows:

(1) Deposit in the Bond Interest Fund accrued interest and premium, if any, paid by the purchasers of the Bonds;

(2) Deposit in the Debt Service Reserve Fund a sum equal to the Reserve Requirement;

(3) Pay the necessary expenses in connection with the issuance and sale of the Bonds and fees of the Fiscal Agent and Paying Agents;

(4) After making the above deposits, the balance of the proceeds from the sale of the Bonds , if any, shall be transferred to the Treasurer who shall place the same in the Redevelopment Fund.

B. The moneys set aside in the Redevelopment Fund shall remain therein until from time to time expended solely for the purpose of financing a portion of the costs of the Redevelopment Project and other costs related thereto, and also including in such costs:

(1) The payment, in any year during which the Agency owns the property in the Redevelopment Project Area, to any city, county, city and county, district or other public corporation which would have levied a tax upon such property had it not been exempt, an amount of money in lieu of taxes as authorized by Section 33401 of the Law; and

(2) The cost of any lawful purposes in connection with implementation of the Redevelopment Project, including, without limitation, those purposes authorized by Section 33445 of the Law; and

(3) The necessary expenses in connection with the issuance and sale of the Bonds and fees of the Fiscal Agent and Paying Agents not otherwise paid under paragraph A above.

If any sum remains in the Redevelopment Fund after the full accomplishment of the objects and purposes for which said Bonds were issued, said sum shall be transferred to the Special Fund. Disposition of Redevelopment Fund moneys may be further specified by supplemental resolution of the Agency.

All of the above uses constitute a "redevelopment activity" as such term is defined in Section 33678 of the Law.

(1) Deposit in the Bond Interest Fund accrued interest and premium, if any, paid by the purchasers of the Bonds plus an amount when added to such interest and premium will be sufficient to pay interest due on the Bonds to and including November 1, 1986;

(2) Deposit in the Debt Service Reserve Fund a sum equal to the Reserve Requirement;

(3) Pay the necessary expenses in connection with the issuance and sale of the Bonds and fees of the Fiscal Agent and Paying Agents;

(4) After making the above deposits, the balance of the proceeds from the sale of the Bonds , if any, shall be transferred to the Treasurer who shall place the same in the Redevelopment Fund.

B. The moneys set aside in the Redevelopment Fund shall remain therein until from time to time expended solely for the purpose of financing a portion of the costs of the Redevelopment Project and other costs related thereto, and also including in such costs:

(1) The payment, in any year during which the Agency owns the property in the Redevelopment Project Area, to any city, county, city and county, district or other public corporation which would have levied a tax upon such property had it not been exempt, an amount of money in lieu of taxes as authorized by Section 33401 of the Law; and

(2) The cost of any lawful purposes in connection with implementation of the Redevelopment Project, including, without limitation, those purposes authorized by Section 33445 of the Law; and

(3) The necessary expenses in connection with the issuance and sale of the Bonds and fees of the Fiscal Agent and Paying Agents not otherwise paid under paragraph A above.

If any sum remains in the Redevelopment Fund after the full accomplishment of the objects and purposes for which said Bonds were issued, said sum shall be transferred to the Special Fund. Disposition of Redevelopment Fund moneys may be further specified by supplemental resolution of the Agency.

All of the above uses constitute a "redevelopment activity" as such term is defined in Section 33678 of the Law.

50

(1) Deposit in the Bond Interest Fund accrued interest and premium, if any, paid by the purchasers of the Bonds plus an amount when added to such interest and premium will be sufficient to pay interest due on the Bonds to and including November 1, 1986;

(2) Deposit in the Debt Service Reserve Fund a sum equal to the Reserve Requirement;

(3) Pay the necessary expenses in connection with the issuance and sale of the Bonds and fees of the Fiscal Agent and Paying Agents;

(4) After making the above deposits, the balance of the proceeds from the sale of the Bonds , if any, shall be transferred to the Treasurer who shall place the same in the Redevelopment Fund.

B. The moneys set aside in the Redevelopment Fund shall remain therein until from time to time expended solely for the purpose of financing a portion of the costs of the Redevelopment Project and other costs related thereto, and also including in such costs:

(1) The payment, in any year during which the Agency owns the property in the Redevelopment Project Area, to any city, county, city and county, district or other public corporation which would have levied a tax upon such property had it not been exempt, an amount of money in lieu of taxes as authorized by Section 33401 of the Law; and

(2) The cost of any lawful purposes in connection with implementation of the Redevelopment Project, including, without limitation, those purposes authorized by Section 33445 of the Law; and

(3) The necessary expenses in connection with the issuance and sale of the Bonds and fees of the Fiscal Agent and Paying Agents not otherwise paid under paragraph A above.

If any sum remains in the Redevelopment Fund after the full accomplishment of the objects and purposes for which said Bonds were issued, said sum shall be transferred to the Special Fund. Disposition of Redevelopment Fund moneys may be further specified by supplemental resolution of the Agency.

All of the above uses constitute a "redevelopment activity" as such term is defined in Section 33678 of the Law.

Section 14. Tax Revenues. As provided in the Redevelopment Plan, pursuant to Article 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the Redevelopment Project Area each year by or for the benefit of the State of California, any city, county, city and county, district, or other public corporation (herein sometimes collectively called "taxing agencies") after the effective date of the Ordinance approving the Redevelopment Plan (being Ordinance No. 2681, Fourth Series, of the City of Sacramento, which became effective on September 24, 1966) shall be divided as follows:

(a) That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Redevelopment Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to September 24, 1966 ("base assessment roll"), shall be allocated to and when collected shall be paid into the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) That portion of said levied taxes each year in excess of such amount shall be allocated to and when collected shall be paid into the Special Fund of the Agency. Such portion (plus State reimbursed amounts for certain property tax exemptions, including those related to business inventory, to the extent received), subject to such exclusions and deductions as are set forth in proceedings for the adoption of the Redevelopment Plan, is herein referred to as "Tax Revenues."

The foregoing provisions of this Section are a portion of the provisions of said Article 6 of the Law as applied to the Bonds and shall be interpreted in accordance with said Article 6 of the Law, and the further provisions and definitions contained in said Article 6 of the Law are hereby incorporated herein by reference and shall apply.

The Tax Revenues allocated to the Agency on or after the date of issue of the Bonds are hereby irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds as in this Resolution provided, and until all of the Bonds and all interest thereon, have been paid (or until moneys for that purpose have been irrevocably set aside), the Tax Revenues (subject to the exception set forth in Section 15(d)) shall be applied solely to the payment of the Bonds and the interest thereon as in this Resolution provided. Such allocation and pledge is for the exclusive benefit of the Holders of the Bonds and shall be irrevocable.

Section 33645 of the Health and Safety Code provides, in applicable part as follows: "The resolution, trust indenture, or mortgage shall provide that tax increment funds allocated to an agency pursuant to Section 33670 shall not be payable to a trustee on account of any issued bonds when sufficient funds have been placed with the trustee to redeem all outstanding bonds of the issue." This Resolution is presently in compliance with the above quoted provision and shall be so construed.

Section 15. Special Fund. All Tax Revenues, and other moneys identified herein, shall be deposited in the Special Fund in accordance with this Section. The interest on the Bonds until maturity shall be paid by the Fiscal Agent from the Special Fund. At the maturity of the Bonds, and, after all interest then due on the Bonds then outstanding has been paid or provided for, moneys in the Special Fund shall be applied to the payment of the principal of any of such Bonds.

Without limiting the generality of the foregoing and for the purpose of assuring that the payments referred to above will be made as scheduled, the Tax Revenues accumulated in the Special Fund shall be used in the following priority; provided, however, that to the extent that deposits have been made in any of the Funds referred to below from the proceeds of the sale of the Bonds or otherwise, the deposits below need not be made:

(a) Bond Interest Fund. Deposits shall be made into the Bond Interest Fund on April 30 and October 31 so that the amount in said Fund on said date shall be equal to the aggregate amount of interest becoming due and payable on the then outstanding Bonds on the next succeeding interest payment date. Moneys in the Bond Interest Fund shall be used for the payment of interest on the Bonds as the same becomes due.

(b) Bond Payment Fund. After the deposits have been made pursuant to subparagraph (a) above, deposits shall next be made into the Bond Payment Fund so that the balance in said Fund on April 30 of each year is equal to the principal coming due in the then outstanding Bonds on the next succeeding May 1.

(c) Debt Service Reserve Fund. After deposits have been made pursuant to subparagraphs (a) and (b) above, deposits shall be made to the Debt Service Reserve Fund from available Tax Revenues, if necessary, in order to cause the amount on deposit therein to equal the Reserve Requirement. Money in the Debt Service Reserve Fund shall be transferred to the Bond Interest Fund and Bond Payment Fund to pay interest on and principal of the Bonds as it becomes due to the extent Tax Revenues are insufficient

therefor. Any portion of the Debt Service Reserve Fund which is in excess of the Reserve Requirement shall be transferred to the Agency to be used for any lawful purpose.

(d) Holding Fund. On May 25 of each year, beginning May 25, 1986, the Fiscal Agent shall set aside from the Special Fund and deposit in the Holding Fund all moneys then remaining in the Special fund after the above mentioned transfers have taken place; provided, however, that if 125% of Annual Debt Service was placed in the Special Fund on such year, the Agency is not in default under the Resolution and the Debt Service Reserve Fund is equal to Maximum Annual Debt Service, all money then remaining in the Holding Fund, may be set aside and returned to the Agency for any lawful purpose. Except as set forth in the preceding sentence, all money in the Holding Fund shall be used and withdrawn by the Fiscal Agent for the purpose of replenishing the Bond Interest Fund, the Bond Payment Fund, and the Debt Service Reserve Fund, in such order, in the event of any deficiency at any time in such Funds, or for the purpose of paying the interest on or redemption premiums, if any, on the Bonds, in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all the Bond then outstanding, or, so long as the Agency is not in default hereunder, and, at the request of the Agency for the purchase or redemption of Bonds.

Any remaining Tax Revenues after providing for (a), (b) and (c) above, and after the coverage test provided in (d) above has been satisfied, may be used in a manner provided by law for the purpose of aiding in financing the Project, including early redemption or purchase of the Bonds, as provided in the Resolution.

Section 16. Deposit and Investment of Moneys in Funds. Subject to the provisions of Covenant 9 of Section 18 hereof, all moneys held by the Agency in the Redevelopment Fund and by the Fiscal Agent in the Special Fund, except such moneys which are at the time invested in obligations in which the Agency is authorized to make investments, shall be held in time or demand deposits in any bank or trust company authorized to accept deposits of public funds (including the banking department of the Fiscal Agent) and all of such deposits shall be secured at all times by bonds or other obligations which are authorized by law as security for public deposits, of a market value at least equal to the amount required by law.

Moneys in the Redevelopment Fund may from time to time be invested by the Agency, and moneys in the Special Fund may, and, upon written request of the Agency, shall, be invested by the Fiscal Agent, with prior approval of the Agency Finance

Officer, as provided by law, subject to the following restrictions:

(a) Moneys in the Redevelopment Fund shall be invested only in obligations which will by their terms mature not later than the date the Agency estimates the moneys represented by the particular investment will be needed for withdrawal from such Fund.

(b) Moneys in the Bond Interest Fund of the Special Fund shall be invested only in obligations which will by their terms mature on such dates as to ensure that before each interest payment date there will be in such Fund, from matured obligations and other moneys already in such Fund, cash equal to the interest payable on such date.

(c) Moneys in the Debt Service Reserve Fund shall be invested in obligations which will by their terms mature prior to the date which is the final maturity date of the Bonds.

Except as otherwise provided in Section 13 hereof, obligations purchased as an investment of moneys in any of said Funds shall be deemed at all times to be a part of such Fund and the interest accruing thereon and any gain realized from such investment shall be credited to such Fund and any loss resulting from any such authorized investment shall be charged to such Fund without liability to the Agency or the members and officers thereof or to the Fiscal Agent. The Agency or the Fiscal Agent, as the case may be, shall sell at the best price obtainable or present for redemption any obligation so purchased whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such Fund as required by this Resolution. The investment constituting a part of such Fund shall be valued at the then estimated or appraised market value of such investment or face amount thereof, which ever is lower; provided, however, that investments in the Bond Interest Fund and the Bond Payment Fund shall be valued at the face amount thereof.

Section 17. Issuance of Parity Bonds. The Agency may provide for the issuance of, and sell, Parity Bonds in such principal amounts as it estimates will be needed for the Redevelopment Project purposes. The issuance and sale of any Parity Bonds shall be subject to the following conditions precedent:

(a) The Agency shall be in compliance with all covenants in this Resolution;

50

(b) The Parity Bonds shall be on such terms and conditions as may be set forth in a supplemental resolution, which shall provide for (i) bonds substantially in accordance with the Resolution, and (ii) the deposit of a portion of the Parity Bond proceeds into the Debt Service Reserve Fund in an amount sufficient, together with the balance of the Debt Service Reserve Fund, to equal the Maximum Annual Debt Service on all Bonds expected to be outstanding including the outstanding Bonds and Parity Bonds;

(c) Receipt of a certificate of the Executive Director of the Agency showing:

(i) For the current and each future Bond Year the debt service for each such Bond Year with respect to all Bonds and Parity Bonds reasonably expected to be outstanding following the issuance of such Parity Bonds;

(ii) For the then current Bond Year, (A) the Tax Revenues to be received by the Agency based upon the most recent assessed valuation of taxable property in the Redevelopment Project Area certified by the appropriate officer of the County of Sacramento (B) additional Tax Revenues to be received by the Agency due to expected increases in assessed valuation of taxable property in the Redevelopment Project Area resulting from construction for which a building permit has been issued and for which there is evidence of construction activity on the site, or construction for which a binding contract therefor has been executed by and between the Agency and a developer deemed to be financially responsible by the Agency; and

(iii) That for the then current Bond Year, (A) the Tax Revenues referred to in item (ii)(A) are at least equal to 1.10 times the maximum annual debt service referred to in item (i) above, and (B) the Tax Revenues referred to in item (ii)(A) and (ii)(B) above plus other revenues, investment income and funds reasonably expected by the Agency to be available for debt service, exclusive of any non-recurring revenues, are at least equal to 1.25 times the maximum annual debt service referred to in item (i) above.

(d) The issuance of such Parity Bonds shall have been recommended by an opinion of an Independent Financial Consultant.

(e) Such Parity Bonds shall mature on November 1 and interest thereon shall be payable on May 1 and November 1, subject to such dates being changed by a supplemental resolution of the Agency.

Section 18. Covenants of the Agency. As long as the Bonds are outstanding and unpaid, the Agency shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in this Resolution or in any Bond issued hereunder, including the following covenants and agreements for the benefit of the Bondholders which are necessary, convenient and desirable to secure the Bonds and will tend to make them more marketable; provided, however, that said Covenants do not require the Agency to expend any funds other than the Tax Revenues:

Covenant 1. Complete Redevelopment Project; Amendment to Redevelopment Plan. The Agency covenants and agrees that it will diligently carry out and continue to completion, with all practicable dispatch, the Redevelopment Project in accordance with its duty to do so under and in accordance with the Law and the Redevelopment Plan and in a sound and economical manner. The Redevelopment Plan may be amended as provided in the Law but no amendment shall be made unless it will not substantially impair the security of the Bonds or the rights of the Bondholders, as shown by an Opinion of Counsel, based upon a certificate or opinion of an Independent Financial Consultant appointed by the Agency.

Covenant 2. Use of Proceeds, Management and Operation of Properties. The Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in this Resolution and any supplemental resolution and that it will manage and operate all properties owned by it comprising any part of the Redevelopment Project in a sound and businesslike manner.

Covenant 3. No Priority. The Agency covenants and agrees that it will not issue any obligations payable, either as to principal or interest, from the Tax Revenues which have, or purport to have, any lien upon the Tax Revenues prior or superior to the lien of the Bonds herein authorized. Except as permitted by Section 17 hereof, it will not issue any obligations, payable as to principal or interest, from the Tax Revenues, which have, or purport to have, any lien upon the Tax Revenues on a parity with the Bonds herein authorized. Notwithstanding the foregoing, nothing in this Resolution shall prevent the Agency (i) from issuing and selling pursuant to law, refunding obligations payable from and having any lawful lien upon the Tax Revenues, if such refunding obligations are

issued for the purpose of, and are sufficient for the purpose of, refunding all of the outstanding Bonds or Parity Bonds, or (ii) from issuing and selling obligations which have, or purport to have, any lien upon the Tax Revenues which is junior to the Bonds or (iii) from issuing and selling bonds or other obligations which are payable in whole or in part from sources other than the Tax Revenues. As used herein "obligations" shall include, without limitation, bonds, notes, interim certificates, debentures or other obligations.

Covenant 4. Punctual Payment. The Agency covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds issued hereunder on the date, at the place and in the manner provided in the Bonds.

Covenant 5. Payment of Taxes and Other Charges. The Agency covenants and agrees that it will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments or other governmental charges which may lawfully be imposed upon the Agency or any of the properties then owned by it in the Redevelopment Project Area, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials and supplies which if unpaid might become a lien or charge upon any of said properties, revenues or income or which might impair the security of the Bonds or the use of Tax Revenues or other legally available funds to pay the principal of and interest thereon, all to the end that the priority and security of the Bonds shall be preserved; provided, however, that nothing in this Covenant shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity thereof.

Covenant 6. Books and Accounts; Financial Statements. The Agency covenants and agrees that it will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Redevelopment Project and the Tax Revenues and other funds relating to said Project, and will prepare within one hundred and eighty (180) days after the close of each of its Fiscal Years a complete financial statement or statements for such year in reasonable detail covering such Redevelopment Project and the Tax Revenues and other funds, accompanied by an opinion of an Independent Certified Public Accountant appointed by the Agency, and will furnish a copy of such statement or statements to the Fiscal Agent, the original purchaser(s) of the Bonds (in the case of a syndicate, the manager thereof), and any rating agency which maintains a rating on the Bonds, and, upon written request, to any Bondholder.

Covenant 7. Eminent Domain. The Agency covenants and agrees that if all or any part of the Redevelopment Project Area should be taken from it without its consent, by eminent domain proceedings or other proceedings authorized by law, for any public or other use under which the property will be tax exempt, the Agency will use its best efforts to have the base assessment roll reduced by the amount of the assessment of said property as shown on said base assessment roll.

Covenant 8. Disposition of Property. The Agency covenants and agrees that it will not dispose of more than ten percent (10%) of the land area in the Redevelopment Project Area (except property shown in the Redevelopment Plan in effect on the date this Resolution is adopted as planned for public use, or property to be used for public streets, public offstreet parking, sewage facilities, parks, easements or right-of-way for public utilities, or other similar uses) to public bodies or other persons or entities whose property is tax exempt, unless such disposition will not result in the security of the Bonds or the rights of Bondholders being substantially impaired, as shown by an Opinion of Counsel, based upon the certificate or opinion of an Independent Financial Consultant appointed by the Agency.

Covenant 9. Statement of Indebtedness. The Agency covenants and agrees to file annually with the county Auditor a statement of indebtedness as provided in Section 33675 of the Law.

Covenant 10. Protection of Security and Rights of Bondholders; No Arbitrage. The Agency covenants and agrees to preserve and protect the security of the Bonds and the rights of the Bondholders and to defend their rights under all claims and demands of all persons. Without limiting the generality of the foregoing, the Agency covenants and agrees to contest by court action or otherwise (a) the assertion by any officer of any government unit or any other person whatsoever against the Agency that (i) the Law is unconstitutional or (ii) that the Tax Revenues pledged hereunder cannot be paid to the Agency for the debt service on the Bonds, or (b) any other action affecting the validity of the Bonds or diluting the security therefor, or (c) any assertion by the United States of America or any department or agency thereof or any other person that the interest received by the Bondholders is taxable under federal income tax laws by reason of any action of the Agency. The Agency covenants and agrees to take no action which, in the Opinion of Counsel would result in (a) the Tax Revenues being withheld unless the withholding thereof is being contested in good faith, and (b) the interest received by the Bondholders becoming taxable under federal income tax laws. The Agency covenants and agrees that it will make no use of the proceeds

of the Bonds at any time during the term thereof which will cause such Bonds to be "arbitrage bonds" within the meaning of Section 103(c) of the United States Internal Revenue Code of 1954, as amended, and applicable regulations adopted thereunder by the Internal Revenue Service, and the Agency hereby assumes the obligation to comply with such Section 103(c) and such regulations throughout the term of the Bonds.

Section 19. Taxation of Leased Property. Whenever any property in the Redevelopment Project Area has been redeveloped and thereafter is leased by the Agency to any person or persons (other than a public agency) or whenever the Agency leases real property in the Redevelopment Project Area to any person or persons (other than a public agency) for redevelopment, the property shall be assessed and taxed in the same manner as privately owned property, as required by Section 33673 of the Law, and the lease or contract shall provide (a) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of his or its leasehold interest, and (b) that if for any reason the taxes levied on such property in any year during the term of the lease or contract are less than the taxes which would have been levied if the entire property had been assessed and taxed in the same manner as privately owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for such year become payable to the taxing agencies and in no event later than the delinquency date of such taxes established by law. All such payments shall be treated as Tax Revenues, and when received by the Agency shall be deposited in the Special Fund.

Section 20. Fiscal Agent. The Agency appoints First Interstate Bank of California to act as the agent, trustee and depositary of the Agency (the "Fiscal Agent") for the purpose of receiving Tax Revenues and other funds in trust as provided in this Resolution, to hold, allocate, use and apply such Tax Revenues and other funds in trust as provided in this Resolution, and to perform such other duties and powers of the Fiscal Agent as are prescribed in this Resolution and any supplemental resolution of the Agency.

The Agency may remove the Fiscal Agent initially appointed or any successor thereto and in such case shall forthwith appoint a successor thereto, but any successor shall be a bank or trust company doing business and having an office in the City of San Francisco, having a combined capital and surplus of at least $100,000,000. The Fiscal Agent herein appointed or any substituted Fiscal Agent may at any time resign as such by filing a written notice with the Agency in which event the Agency shall forthwith appoint a substitute Fiscal Agent and the resignation shall become effective upon appointment. In

the event that the Fiscal Agent or any successor becomes incapable of acting as such, the Agency shall forthwith appoint a substitute Fiscal Agent. Any bank or trust company into which the Fiscal Agent may be merged or with which it may be consolidated shall become the Fiscal Agent without action of the Agency. The Fiscal Agent may become the owner of any of the Bonds authorized by this Resolution with the same rights it would have had if it were not the Fiscal Agent.

The Fiscal Agent shall have no duty or obligation whatsoever to enforce the collection of or to exercise diligence in the enforcement of the collection of funds assigned to it hereunder, or as to the correctness of any amounts received, but its liability shall be limited to the proper accounting for such funds as it shall actually receive.

The recitals of fact and all promises, covenants and agreements herein and in the Bonds shall be taken as statements, promises, covenants and agreements of the Agency, and the Fiscal Agent assumes no responsibility for the correctness of same, and makes no representations as to the validity or sufficiency of this Resolution or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon the Fiscal Agent. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or default.

Section 21. Lost, Stolen, Destroyed or Mutilated Bonds. In the event that any Bond is lost, stolen, destroyed or mutilated, the Agency will cause to be issued a new Bond(s) on reasonable terms and conditions, including the payment of costs and the posting of a surety bond if the Agency deems such surety bond necessary, as may from time to time be determined and prescribed by resolution. The Agency may authorize such new Bond to be signed and authenticated in such manner as it determines in said resolution.

Section 22. Cancellation of Bonds. All Bonds surrendered to the Fiscal Agent for payment at the maturity thereof or, in the case of call and redemption prior to maturity, at the redemption date, shall upon payment therefor be cancelled immediately and forthwith transmitted to the Treasurer or destroyed by the Fiscal Agent at the direction of the Agency, in which latter event a certificate of destruction shall forthwith be transmitted to the Treasurer. Any Bonds purchased by the Fiscal Agent as aforesaid shall be cancelled immediately and forthwith transmitted to the Treasurer or destroyed as aforesaid. All of the cancelled Bonds not destroyed shall remain in the custody of the Treasurer until destroyed pursuant to authorization.

50

Section 23. Amendments. This Resolution, and the rights and obligations of the Agency and of the Holders of the Bonds issued hereunder, may be modified or amended at any time by supplemental resolution adopted by the Agency: (a) for any purpose at any time prior to the sale of the Bonds; (b) without the consent of Bondholders, if such modification or amendment is for the purpose of adding covenants and agreements to further secure Bond payment, to prescribe further limitations and restrictions on Bond issuance, to surrender rights or privileges of the Agency, to make notifications not affecting any outstanding series of Bonds only with the consent of the Fiscal Agent, for the purpose of curing any ambiguities, defects or inconsistent provisions in this Resolution or to insert such provisions clarifying matters or questions arising under this Resolution as are necessary and desirable to accomplish the same, provided that such modifications or amendments do not adversely affect the rights of the Owners of any outstanding Bonds; (c) for any purpose with the consent of the Bondholders holding sixty percent (60%) in aggregate principal amount of the outstanding Bonds, exclusive of Bonds, if any, owned by the Agency or the City, and obtained as hereinafter set forth; provided, however, that no such modification or amendment shall, without the express consent of the registered owner of the Bond affected, reduce the principal amount of any Bond, reduce the interest rate payable thereon, extend its maturity or the times for paying interest thereon, change the monetary medium in which principal and interest is payable, or create a mortgage, pledge or lien upon the revenues superior to or on a parity with the pledge and lien created for the Bonds and any Parity Bonds or reduce the percentage of consent required for amendment or modification.

Any act done pursuant to a modification or amendment so consented to shall be binding upon the Holders of all of the Bonds and shall not be deemed an infringement of any of the provisions of this Resolution or of the Law, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of this Resolution, and after such consent relating to such specified matters has been given, no Bondholder or Holder shall have any right or interest to object to such action or in any manner to question the propriety thereof or to enjoin or restrain the Agency or any officer thereof from taking any action pursuant thereto.

A. Calling Bondholders' Meeting. If the Agency shall desire to obtain any such consent it shall duly adopt a resolution calling a meeting of the Bondholders for the purpose of considering the action the consent to which is desired.

B. Notice of Meeting. Notice specifying the purpose, place, date and hour of such meeting shall be mailed, postage prepaid, to the respective registered owners of the Bonds as their addresses appear on the registration books of the Fiscal Agent. The place, date and hour of holding such meeting and the date or dates of mailing such notice shall be determined by the Agency in its discretion. Such notice shall set forth the nature of the proposed action to which consent is desired. The place, date and hour of holding such meeting and the date or dates of mailing such notice shall be determined by the Agency in its discretion.

The actual receipt by any Bondholder of notice of any such meeting shall not be a condition precedent to the holding of such meeting, and failure to receive such notice shall not affect the validity of any proceedings at such meeting. A certificate by the Secretary of the Agency approved by resolution of the Agency, that the meeting has been called and that notice thereof has been given as herein provided, shall be conclusive as against all parties and it shall not be open to any Bondholder to show that he failed to receive actual notice of such meeting.

C. Voting Qualifications. The Fiscal Agent shall prepare and deliver to the chairman of the meeting a statement of the names and addresses of the registered owners of Bonds, such statement to show maturities, serial numbers and the principal amounts so that voting qualifications can be determined. No Bondholders shall be entitled to vote at such meeting unless their names appear upon such statement. No Bondholders shall be permitted to vote with respect to a larger aggregate principal amount of Bonds than is set against their names on such statement.

D. Issuer-Owned Bonds. The Agency covenants that it will present at the meeting a certificate, signed and verified by one member thereof and by the Treasurer, stating the serial numbers, maturities and principal amounts of all Bonds owned by, or held for account of, the Agency or the City, directly or indirectly. No person shall be permitted at the meeting to vote or consent with respect to any Bond appearing upon such certificate, or any Bond which it shall be established at or prior to the meeting is owned by the Agency or the City, directly or indirectly, and no such Bond (in this Resolution referred to as "issuer-owned Bonds") shall be counted in determining whether a quorum is present at the meeting.

E. Quorum and Procedure. A representation of at least sixty percent (60%) in aggregate principal amount of the Bonds then outstanding (exclusive of issuer-owned Bonds, if any) shall be necessary to constitute a quorum at any meeting

of Bondholders, but less than a quorum may adjourn the meeting from time to time, and the meeting may be held as so adjourned without further notice, whether such adjournment shall have been held by a quorum or by less than a quorum. The Agency shall, by an instrument in writing, appoint a temporary chairman of the meeting, and the meeting shall be organized by the election of a permanent chairman and secretary. At any meeting each Bondholder shall be entitled to one vote for every $5,000 principal amount of Bonds with respect to which he shall be qualified to vote as aforesaid, and such vote may be given in person or by proxy duly appointed by an instrument in writing presented at the meeting. The Agency and/or the Fiscal Agent by their duly authorized representatives and counsel, may attend any meeting of the Bondholders, but shall not be required to do so.

F. Vote Required. At any such meeting held as aforesaid there shall be submitted for the consideration and action of the Bondholders a statement of the proposed action consent to which is desired, and if such action shall be consented to and approved by Bondholders holding at least sixty percent (60%) in aggregate principal amount of the Bonds then outstanding (exclusive of issuer-owned Bonds) the chairman and secretary of the meeting shall so certify in writing to the Agency, and such certificate shall constitute complete evidence of consent of the Bondholders under the provision of this Resolution. A certificate signed and verified by the chairman and the secretary of any such meeting shall be conclusive evidence and the only competent evidence of matters stated in such certificate relating to proceedings taken at such meeting.

Section 24. Proceedings Constitute Contract; Events of Default and Remedies of Bondholders. The provisions of this Resolution, of the resolutions providing for the sale of the Bonds and awarding the Bonds and fixing the interest rate or rates thereon, and of any other resolution supplementing or amending this Resolution, shall constitute a contract between the Agency and the Bondholders, and the provisions thereof shall be enforceable by any Bondholder for the equal benefit and protection of all Bondholders similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may hereafter be authorized under the laws of the State of California in any court of competent jurisdiction. Said contract is made under and is to be construed in accordance with the laws of the State of California. The following provisions shall not limit the generality of the foregoing.

A. Events of Default. Each of the following shall constitute an event of default.

(1) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable:

(2) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(3) Default made by the Agency in the observance of any of the covenants, agreements or conditions contained in this Resolution or in the Bonds, and such default shall have continued for a period of thirty (30) days following written notice to the Agency; or

(4) The Agency shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property;

In each and every event of default described in (1) or (2) above the Fiscal Agent shall, and in each and every case of default described in (3) or (4) above, the Fiscal Agent may, and shall if so requested by the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding (such request to be in writing to the Fiscal Agent and the Agency), declare the principal of all of the Bonds then outstanding and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Resolution or in the Bonds to the contrary notwithstanding.

Such declaration may be rescinded by the holders of not less than a majority of the Bonds then outstanding provided the Agency cures such default or defaults including the deposit with the Fiscal Agent of a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest at the rate of twelve percent (12%) per annum on such overdue installments of principal and, to the extent such payment of interest on interest is lawful at that time, on such

overdue installments of interest, so that the Agency is currently in compliance with all payment, deposit and transfer provisions of this Resolution, and an amount sufficient to pay any expenses incurred by the Fiscal Agent in connection with such default.

B. Certain Remedies of Bondholders. Any Bondholder shall have the right, for the equal benefit and protection of all Bondholders similarly situated --

(1) by mandamus, suit, action or proceeding, to compel the Agency and its members, officers, agents or employees to perform each and every term, provision and convenant contained in this Resolution and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Agency and the fulfillment of all duties imposed upon it by the Law;

(2) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bondholders' rights; or

(3) upon the happening of any event of default (as defined in this Section), by suit, action or proceeding in any court of competent jurisdiction, to require the Agency and its members and employees to account as if it and they were the trustees of an express trust.

C. Non-Waiver. Nothing in this Section or in any other provisions of this Resolution, or in the Bonds, shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Holders of the Bonds at the respective dates of maturity, as herein provided, or affect or impair the right, which is also absolute and unconditional, of such Holders to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

No remedy conferred hereby upon any Bondholder is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law of the State of California. No waiver of any default or breach of any duty or contract by any Bondholder shall affect any subsequent default or breach of any duty or contract or shall impair any rights or remedies on said subsequent default or breach. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any such default or

acquiescence therein. Every substantive right and every remedy conferred upon the Bondholders may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and should said suit, action or proceeding be abandoned, or be determined adversely to the Bondholders, then, and in every such case, the Agency and the Bondholders shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

D. Actions by Fiscal Agent as Attorney-in-Fact. Any suit, action or proceeding which any Holder of Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Fiscal Agent for the equal benefit and protection of all Holders of Bonds similarly situated and the Fiscal Agent is hereby appointed (and the successive respective registered owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective registered owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective registered owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Fiscal Agent as such attorney-in-fact.

E. General. After the issuance and delivery of the Bonds, this Resolution, and any supplemental resolutions hereto, shall be irrepealable, but shall be subject to modification or amendment to the extent and in the manner provided in this Resolution, but to no greater extent and in no other manner.

Section 25. CUSIP Numbers. CUSIP identification numbers will be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and no liability shall hereafter attach to the Agency or any of the officers or agents thereof because of or on account of said numbers. Any error or omission with respect to said numbers shall not constitute cause for refusal by the successful bidder to accept delivery of and pay for the Bonds.

Section 26. Severability. If any covenant, agreement or provision, or any portion thereof, contained in this Resolution, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Resolution and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected, and this Resolution and the Bonds issued pursuant hereto shall remain valid and the

Bondholders shall retain all valid rights and benefits accorded to them under this Resolution and the Constitution and the laws of the State of California. If the provisions relating to the appointment and duties of a Fiscal Agent are held to be unconstitutional, invalid or unenforceable, said duties shall be performed by the Treasurer.

Section 27. Effective Date. This Resolution shall take effect upon adoption.

ADOPTED AND APPROVED the _____ day of October, 1985.

_____
Chairman of the Redevelopment
Agency of the City of Sacramento

(SEAL)

ATTEST:

_____
Secretary of the Redevelopment Agency
of the City of Sacramento

50

STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO)ss.
CITY OF SACRAMENTO)

SECRETARY'S CERTIFICATE
RE ADOPTION OF RESOLUTION

I, _____, Secretary of the Redevelopment Agency of the City of Sacramento, DO HEREBY CERTIFY that the foregoing Resolution was duly adopted by said Agency at an adjourned regular meeting of said Agency held on the _____ day of September, 1985, and that the same was passed and adopted by the following vote to wit:

AYES: Members _____

_____

NOES: Members _____

ABSENT: Members _____

ABSTAIN: Members _____

_____
Secretary of the Redevelopment
Agency of the City of Sacramento

(SEAL)

STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO)ss.
CITY OF SACRAMENTO)

SECRETARY'S CERTIFICATE
OF AUTHENTICATION

I, _____, Secretary of the Redevelopment Agency of the City of Sacramento, DO HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of Resolution No. _____ of said Agency and that said Resolution was adopted at the time and by the vote stated on the above certificate, and has not been amended or repealed.

_____
Secretary of the Redevelopment
Agency of the City of Sacramento

(SEAL)

50

EXHIBIT A

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SACRAMENTO
CITY OF SACRAMENTO
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
CAPITOL MALL RIVERFRONT PROJECT, PROJECT NO. 4
TAX ALLOCATION BONDS, SERIES 1985

The REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO (hereinafter sometimes call the "Agency"), a public body, corporate and politic, duly organized and existing under the laws of the State of California, for value received, hereby promises to pay (but solely out of the funds hereinafter mentioned) to _____ or registered assigns (herein sometimes referred to as "registered owner"), subject to the right of prior redemption hereinafter mentioned, the principal sum of _____ Dollars ($_____), on May 1, ____, and to pay such registered owner on each interest payment date by check or draft mailed to him as his name and address appear on the register kept by the Fiscal Agent at the close of business on the fifteenth (15th) day preceding each interest payment date (the "regular record date"), interest on such principal sum from the interest payment date next preceding the date hereof (unless (i) it is dated prior to the first regular payment date in which event from November 1, 1985, or (ii) the date hereof is on an interest payment date, in which event from that interest payment date, or (iii) it is dated after a regular record date but before the following interest payment date and if the Agency shall not default in the payment of interest due on such interest payment date, in which event it shall bear interest from such interest payment date) until the principal hereof shall have been paid or provided for in accordance with the Resolution hereinafter referred to, at the rate of _____ percent (___%) per annum payable semiannually on May 1 and November 1 in each year commencing on November 1, 1986. Both principal and interest and any premium upon the redemption prior to maturity of all or part hereof are payable in lawful money of the United States of America, and (except for interest which is payable by check or draft as stated above) are payable at the corporate trust office of First Interstate Bank of California, Fiscal Agent for the Agency, in San Francisco, California.

This Bond, the interest hereon and any premium due upon the redemption of this Bond prior to maturity are not a debt of the City of Sacramento, the State of California or any of its political subdivisions, and neither the City, the State nor any of its political subdivisions is liable hereon, nor in any event shall this Bond, said interest or said premium be payable out of any funds or properties other than the funds of the Agency as set forth in the Resolution hereinafter mentioned. This Bond does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing this Bond are liable personally on this Bond by reason of its issuance.

This Bond is one of a duly authorized issue of Bonds of the Agency designated "Redevelopment Agency of the City of Sacramento, Capitol Mall Riverfront Project, Project No. 4 Tax Allocation Bonds, Series 1985" (herein called the "Bonds"), in an aggregate principal amount of $6,500,000, all of like tenor (except for bond numbers, interest rates, amounts and maturity) and all of which have been issued pursuant to and in full conformity with the Constitution and laws of the State of California and particularly the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California) for the purpose of aiding in the financing of the Redevelopment Project referred to above. The Bonds are authorized by and issued pursuant to Resolution No. ___, adopted by the Agency on _____, 1985 which supplemented Resolution No. 85-080 adopted by the Agency on September 17, 1985, copies of which are on file with the Secretary of the Agency and the Fiscal Agent (said Resolution No. ___ being herein referred to as the "Resolution").

All of the Bonds are equally secured in accordance with the terms of the Resolution, reference to which is hereby made for a specific description of the security therein provided for said Bonds, for the nature, extent and manner of enforcement of such security, for the covenants and agreements made for the benefit of the Bondholders, and for a statement of the rights of the Bondholders. By the acceptance of this Bond the registered owner hereof consents to all of the terms, conditions and provisions of said Resolution. In the manner provided in the Resolution, said Resolution and the rights and obligations of the Agency and of the Bondholders may (with certain exceptions as stated in said Resolution) be modified or amended with the consent of the Holders of sixty percent (60%) in aggregate principal amount of outstanding Bonds, exclusive of issuer-owned Bonds, unless the modification or amendment is for the purpose of curing ambiguities, defects or inconsistent provisions, in which case no Bondholders' consent is required.

The principal of this Bond and the interest hereon are secured by an irrevocable pledge of, and are payable solely out of, the Tax Revenues (as such term is defined in said Resolution) and certain other funds, all as more particularly set forth in the Resolution. Said Resolution is adopted under and this Bond is issued under and is to be construed in accordance with the laws of the State of California.

The outstanding Bonds, or any of them, maturing on or after May 1, 1996 may be called before maturity and redeemed at the option of the Agency, in whole from the proceeds of refunding bonds and other available funds, or in whole or in part from any other source of funds on May 1, 1995 or on any interest payment date thereafter prior to maturity in reverse order of maturity and by lot within any one maturity. Bonds so called for redemption shall be redeemed at a redemption price for each redeemed Bond equal to the principal amount thereof, plus accrued interest to the redemption date plus a premium of two percent (2%) for Bonds redeemed on the first available redemption date decreasing by one-half percent (1/2%) for each year or fraction thereof between the first available redemption date as set forth above and the actual date of the call and redemption for all or a portion of the Bonds so redeemed. The interest payment date on which Bonds are to be presented for redemption is herein sometimes called the "redemption date." Notice of call and redemption prior to maturity shall be given as provided in the Resolution.

This Bond is issued in fully registered form and is negotiable upon proper transfer of registration. This Bond is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the corporate trust office of the Fiscal Agent in the City of San Francisco, California, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, upon surrender and cancellation of this Bond. Upon such transfer a new Bond of any authorized denomination or denominations for the same aggregate principal amount and maturity of the same issue will be issued to the transferee in exchange therefor.

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

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

50

It is hereby recited, certified and declared that any and all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State of California.

IN WITNESS WHEREOF, the Redevelopment Agency of the City of Sacramento has caused this Bond to be signed on its behalf by the facsimile signature of its Chairman and by the manual or facsimile signature of its Secretary, and the seal of said Agency to be reproduced hereon, all as of the first day of November, 1985.

_____
Chairman of the Redevelopment
Agency of the City of Sacramento

(SEAL)

_____
Secretary of the Redevelopment
Agency of the City of Sacramento

(FORM OF CERTIFICATE OF AUTHENTICATION OF BONDS)

This is one of the Bonds described in the within mentioned Resolution.

_____
Fiscal Agent

By_____
Authorized Officer

(FORM OF ASSIGNMENT OF BONDS)

For value received _____ hereby sells, assigns and transfers unto _____ _____ the within-mentioned Bonds and hereby irrevocably constitutes and appoints _____, attorney, to transfer the same on the books of the Fiscal Agent with full power of substitution in the premises.

_____

Dated: _____

NOTE:

The signature to this assignment must correspond with the name as written on the face of the within Bond in every particular, without alterations or enlargement or any change whatsoever.

(FORM OF CERTIFICATE OF AUTHENTICATION OF BONDS)

This is one of the Bonds described in the within mentioned Resolution.

_____
Fiscal Agent

Joan R.
10-29-85
#50C

DISPOSITION AND DEVELOPMENT AGREEMENT

PART I

AGREEMENT, consisting of Part I, Exhibits "A"-"H", and Part II (Form HUD-6209B, 9-69), annexed hereto and made a part hereof (which Part I, the Exhibits and Part II are together hereinafter called "Agreement"), made on or as of the 17th day of July, 1984, by and between the **REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO**, a public body, corporate and politic (which, together with any successor public body or officer hereafter designated by or pursuant to law, is hereinafter called the **"Agency"**), established pursuant to Part I (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (hereinafter called "Community Redevelopment Law"), and having its office at 630 "I" Street in the City of Sacramento (hereinafter called "City"), State of California, and **SACRAMENTO HOTEL ASSOCIATES**, a Limited Partnership, (hereinafter called the **"Redeveloper"**), and having an office for the transaction of business at One Appletree Square, Bloomington, Minnesota 55420.

WITNESSETH:

WHEREAS, in furtherance of the objectives of the Community Redevelopment Law, the Agency has undertaken a program for the clearance and reconstruction or rehabilitation of blighted areas in the City, and in this connection is engaged in a redevelopment project known as the "Uptown Development Project, Project No. 8", in the project area particularly described in Exhibit "A" annexed hereto and made a part hereof (hereinafter called "Project Area"); and

WHEREAS, as of the date of this Agreement there has been prepared and approved a redevelopment plan for the Project, approved by the City Council of the City on July 20, 1972, by City Ordinance No. 3146, Fourth Series (which plan, as it may hereafter be amended from time to time pursuant to law, and as so constituted from time to time, is, unless otherwise indicated by the context, hereinafter called "Redevelopment Plan"); and

WHEREAS, a copy of the Redevelopment Plan was recorded on September 21, 1979, among the land records for the place in which the Project Area is situated, namely, in the Office of the County Recorder of the County of Sacramento in Book 79-09-21 of Official Records, beginning at page 1507, as amended of record; and

WHEREAS, the Agency has offered to lease and Redeveloper is willing to lease and redevelop in accordance with the Redevelopment Plan and this Agreement, certain real property located in the block bounded by K Street Mall, 13th Street, L Street and 12th Street, which property is more particularly described in Exhibit "B" annexed hereto and shown on the Parcel Map attached hereto as Exhibit "C" (hereinafter referred to as the "Property"); and

WHEREAS, the Agency believes that the redevelopment of the Property pursuant to this Agreement and the fulfillment generally of the Agreement, are in the vital and best interests of the City and the health, safety and welfare of its residents, and in accord with the public purposes and provisions of the applicable Federal, State and local laws and requirements under which the Project has been undertaken and is being assisted.

NOW, THEREFORE, in consideration of the premises and the mutual obligation of the parties hereto, each of them does hereby covenant and agree with the other as follows:

SEC.1. LEASE

Subject to all terms, covenants and conditions of this Agreement, the Agency shall lease the Property to the Redeveloper, and the Redeveloper shall lease said Property from the Agency.

The Lease (hereinafter the "Ground Lease") shall contain those provisions, conditions, covenants and restrictions as set forth in Exhibit "D" attached hereto and incorporated herein by reference. The agreement of Agency and Redeveloper upon the terms of the Ground Lease does not necessarily imply that Redeveloper has obtained the approval of the Hotel Operator, the Lender, or the equity sources of this Agreement. However, Agency shall be under no obligation to approve any changes hereto sought by such operator, lender or equity source.

SEC. 2. LEASE OF PROPERTY

(a) **Form of Lease**

The Lease shall, in addition to the condition subsequent provided for in Section 704 hereof, and to all other conditions, convenants and restrictions set forth or referred to elsewhere in this Agreement, be subject to:

(i) The Redevelopment Plan, and any amendments thereto approved by the Agency and the Redeveloper;

(ii) The Declaration of Restrictions to be recorded prior to the recordation of the Deed to the Property. (The Declaration of Restrictions shall be in substantially the form attached hereto as Exhibit "E-1" and by this reference made a part hereof.);

(iii) Applicable building and zoning laws and regulations; and

(iv) Easements and rights-of-way of record or in existence as of the date of recordation of the Deed, and other easements as agreed to by the parties.

(v) Exceptions to title noted in Schedule B of Western Title Insurance Company Policy Number 0903 dated April 6, 1984 (a copy of which is incorporated herein and attached hereto as Exhibit "E-2".)

(b) Time, Place and Terms for Delivery of Lease

(i) Opening Escrow and Deposit of Lease

Within the time established in the "Schedule of Performances" incorporated herein and attached hereto as Exhibit "F", the Agency and the Redeveloper shall establish an escrow with the title company hereinafter named. Agency and Redeveloper shall furnish to such company appropriate instructions conforming hereto. Within the time established in the "Schedule of Performances" attached hereto as Exhibit "F", the Agency shall deposit the Lease into escrow. Within the same time, the Agency and the Redeveloper shall deposit whatever fees, premiums, costs or other charges are payable by either party under this Agreement.

The Lease shall be delivered and a Memorandum of Lease shall be recorded within the time established in the "Schedule of Performance" incorporated herein and attached hereto as Exhibit "F".

As a condition precedent to Agency's obligation to deposit the lease into escrow, Redeveloper shall have provided Agency with an executed Management Agreement by and between Lessee and Hyatt Corporation as operator without substantive conditions precedent to Hyatt's obligation as operator other than the obligation of Lessee to construct and furnish the Hotel in accordance with approved plans and specifications.

(ii) Escrow and Title Insurance Premiums

Redeveloper shall pay for all escrow costs, recording fees and title insurance. The escrow agent and title insurance company for the purpose of this Agreement shall be Western Title Insurance Corporation, unless another company is designated by mutual agreement of the parties.

(c) Apportionment of Current Taxes and In Lieu of Tax Payments

The portion of the current taxes, if any, on the Property which are a lien on the date of delivery of the Lease to the Redeveloper allocable to buildings and other improvements which have been demolished or removed from the Property by the Agency shall be borne by the Agency, and the portion of such current taxes allocable to the land and other improvements shall be apportioned between the Agency and the Redeveloper as of the date of the delivery of the Lease. If the amount of the current taxes on the Property is not ascertainable on such date, the apportionment between the Agency and the Redeveloper shall be on the basis of the amount of the most recently ascertainable taxes on the Property, but such apportionment shall be subject to final adjustment within thirty (30) days after the date the actual amount of such current taxes is ascertained.

(d) Extensions of Time

In the event that the Redeveloper should request an extension of time within which to comply with the provisions of of this Section 2 relating to depositing into escrow such sums and documents as are called for hereunder, the Agency may either

deny such request or grant such request subject to such conditions and for such periods as the Agency may from time to time approve in writing. In addition, the Agency may impose as a condition of granting such request that the Redeveloper pay to the Agency on the last day of each successive month an option fee of Eight Hundred Thirty-Five Dollars ($835.00), for each day during any such extension of time that there is a delay in compliance with the provisions of this Section 2. At its discretion, the Agency may withdraw the amounts due the Agency under this subdivision from the Good Faith Deposit delivered to the Agency by Redeveloper pursuant to Section 3.

SEC. 3. GOOD FAITH DEPOSIT

(a) **Amount**

The Redeveloper shall, within seven (7) days of the execution of the Agreement by the Agency, delivered to the Agency a good faith deposit of cash or certified check satisfactory to the Agency in the amount of TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000.00), hereinafter called "Deposit", as security for the performance of the obligations of the Redeveloper to be performed prior to the return of the Deposit to the Redeveloper, or its retention by the Agency as liquidated damages, as the case may be, in accordance with the Agreement.

In lieu of cash or certified check, the Deposit at the option of the Redeveloper, may be in the form of:

(i) Negotiable bonds or other similar obligations of the United States of America in the total principal amount of TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000.00); or

(ii) A irrevocable letter of credit in the amount of TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000.00), in form and substance and drawn upon a banking institution satisfactory to the Agency.

The Deposit, if cash or certified check, shall be deposited in an account of the Agency in a bank or trust company selected by it.

(b) **Interest**

The Agency shall be under no obligation to pay or earn interest on the Deposit, but if interest is payable thereon, such interest when received by the Agency shall be promptly paid to the Redeveloper.

(c) **Retention by Agency**

Upon termination of the Agreement as provided in Sections 703 and 704 hereof, the Deposit or the proceeds of the Deposit, shall be retained by the Agency as provided in Sections 703 or 704 hereof.

(d) **Release of Deposit Upon Completion of Improvements**

If the Deposit has not been claimed by the Agency as liquidated damages or as an option fee, as provided for herein, then upon completion of Redeveloper's Improvements to be constructed upon the Property, and when Redeveloper's Improvements are certified to be completed pursuant to Section 307 hereof, the entire Deposit shall be returned to the Redeveloper by the Agency.

(e) **Liquidated Damages**

If the Redeveloper should default upon its obligations in the manner specified in Sections 703, 704, 705 or 706 hereof, or in the provisions of the Lease attached as Exhibit "D", making it necessary for the Agency to terminate this Agreement or the Redeveloper's estate and to procure another party or parties to redevelop the Property in substantially the manner that such Property would be redeveloped under the terms of this Agreement, then the damages suffered by the Agency by reason thereof would be uncertain, and impracticable or extremely difficult to fix. Such damages would involve such variable factors as the consideration which such party would pay for the Property; the expense of continuing or resuming the ownership and control of the Property; of interesting, and negotiating with, such parties; postponement of tax revenues therefrom to the community; the loss or postponement of transient occupancy taxes to the City; the impact upon the progress of the redevelopment of other properties in the area; and the failure of the Agency to effect its purposes and objectives within a reasonable time, resulting in additional immeasurable damage and loss to the Agency and the community. It is impracticable and extremely difficult to fix the amount of such damages to the Agency, but the Agency is of the opinion, upon the basis of all information available to it, that such damages would be approximately the sum of TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000.00). By reason thereof, the Agency and the Redeveloper hereby agree in advance that the sum of TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000.00), less any sums previously paid pursuant to Section 4(b) below, shall be paid the Agency upon any and all occurrences as the total of all liquidated damages for any and all defaults and not as a penalty.

(f) **Acknowledgement of Liquidated Damages Provisions**

By their signatures below, the Agency and the Redeveloper agree that the provisions of Section 3, Part I, and Sections 703-706, Part II, of this Agreement, as they relate to retention of the Good Faith Deposit and liquidated damages if Redeveloper fails to complete the lease of the Property, are valid and binding between the parties to this Agreement.

REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO

BY _____

VICE Chairman

BY _____
Secretary

APPROVED AS TO FORM:

_____
Agency Counsel

SACRAMENTO HOTEL ASSOCIATES,
a limited partnership,

BY: LANDMARK OF SACRAMENTO, INC.,
A General Partner

BY _____
Its President

(g) **Limitation of Redeveloper Liability**

Notwithstanding anything to the contrary contained herein, Redeveloper's liability for monetary damages, including any assessments pursuant to Section 4(b) below, shall be limited to the amount of the good faith deposit. However, this limitation shall in no way restrict or diminish Redeveloper's obligations pursuant to a decree of specific performance obtained from a court of competent jurisdiction.

(h) **Payment of Deposit in Event of Abandonment**

Redeveloper may elect, at any time prior to the execution of the Ground Lease, to abandon its rights and obligations under this Agreement upon payment of the good faith deposit as stipulated liquidated damages. In the event of such election by Redeveloper and the payment of the deposit pursuant hereto, Redeveloper shall have no further obligations hereunder.

SEC. 4. TIME FOR COMMENCEMENT AND COMPLETION OF IMPROVEMENTS

(a) **In General**

The construction of the Improvements referred to in Section 301 hereof shall be commenced and completed within the times set forth in the "Schedule of Performances" attached hereto as Exhibit "F".

No construction of the aforementioned Improvements shall be undertaken by the Redeveloper until the Agency has approved the Construction Plans submitted by the Redeveloper to the Agency pursuant to the provisions of this Agreement.

(b) Option Extension Fee and Construction Period Extension Fee

In the event that the construction of the Improvements referred to in Section 301 hereof is not commenced on or before the scheduled commencement date which is set forth in the "Schedule of Performances" attached hereto as Exhibit "F" up to the Redeveloper shall pay to Agency, on the first day of each month beginning the month following the month in which the construction of the Improvements is scheduled to commence in accordance with Exhibit "F" as defined above, an option extension fee of Eight Hundred Thirty-Five Dollars ($835.00), for each day by which the commencement of construction is delayed beyond the date of scheduled commencement as defined above and set foth in Exhibit "F". The provisions thereof to the contrary notwithstanding, Section 707 hereof shall have no application to the calculation of the option extension fee as set forth in this Section. However, the option extension fee shall be reduced by the number of days, if any, by which the Agency shall have exceeded the time allotted for any Agency functions as set forth in Exhibit "F" prior to the commencement of construction.

In the event that the construction of the Improvements is not completed within the period of construction specified in Exhibit "F", then Redeveloper shall pay to Agency a construction period extension fee of Eight Hundred Thirty-Five Dollars ($835.00), for each day by which the completion of the Improvements, as evidenced by the Certificate of Completion defined in Section 307 hereof, is delayed beyond the date which is set forth in Exhibit "F". The provisions thereof to the contrary notwithstanding, Section 707 hereof shall have no application to the calculation of the construction period extension fee. The construction period extension fee, if any, calculated hereunder, shall be in addition to any option extension fee calculated hereunder. The Agency, in its discretion may withdraw the amounts due under this subdivision from the Good Faith Deposit delivered to the Agency by Redeveloper pursuant to Section 3.

SEC. 5. TIME FOR CERTAIN OTHER ACTIONS

(a) Preliminary Plans and Construction Plans for Redeveloper's Improvements

(i) Time for submission of Preliminary Plans

The Redeveloper has submitted Preliminary Plans for Redeveloper's Improvements to be constructed on the Property prior to the date of this Agreement and execution of this Agreement shall constitute Agency approval of the Preliminary Plans.

(ii) Time for Submission of Construction Plans

The Redeveloper shall prepare and submit its Construction Plans (as defined in Section 301 hereof) to the Agency in any event, pursuant to Section 301 hereof, within the time set forth in the "Schedule of Performances" attached hereto as Exhibit "F". The Construction Plans shall be in substantial conformity with the approved Preliminary Plans as "substantial" is defined in Section 8(b) below.

(iii) **Time for Agency to Approve or Disapprove Plans**

The Agency shall approve or disapprove the Construction Plans referred to in Section 5(a)(ii) of this Agreement within the time established in the "Schedule of Performances" attached hereto as Exhibit "F".

(b) **Corrected Plans**

(i) **Time for Submission of Corrected Plans**

If the Agency disapproves the Construction Plans referred to in Section 5(a)(ii), the Redeveloper shall submit corrected Plans within thirty (30) days from the date the Redeveloper receives written notice from the Agency of the Agency's disapproval.

(ii) **Time for Agency Action on Corrected Construction Plans**

The Agency must approve or disapprove corrected Construction Plans submitted pursuant to Section 5(b)(i) of this Agreement within thirty (30) days from the date such Plans have been submitted to the Agency.

(c) **Maximum Time for Approved Construction Plans**

In any event, the time within which the Redeveloper shall submit Construction Plans which conform to the requirements of Section 301 hereof and are approved by the Agency shall be no later than the number of days fixed by the Agency at the time the Agency disapproves the corrected Plans, which number of days shall be reasonable in light of the nature of the necessary revisions or corrections.

(d) **Time for Agency Action on Change in Construction Plans**

The time within which the Agency may reject any change in any approved Construction Plans, as provided in Section 302 hereof, shall be thirty (30) days after the date of the Agency's receipt of notice of such change.

(e) **Time for Submission of Evidence of Construction Financing**

Redeveloper shall submit to the Agency a written commitment for construction financing, as provided in Section 303 hereof, within the time specified in the "Schedule of Performances" attached hereto as Exhibit "F".

(f) **Monthly Reporting Prior to and During Construction**

Beginning on the first day of the second month following the month in which this Agreement is executed and or about the first of each month thereafter to and including the month in which the Agency shall issue its Certificate of Completion of the Improvements, the Redeveloper shall provide the Agency with a written report in letter form dealing with the following matters:

(i) as to the period prior to the commencement of construction, Redeveloper's efforts and achievements directed toward fulfillment of the requirements of subparts (a), (b), (c), (d) and (e) of this Section 5; and

(ii) as to the period following commencement of construction, the nature and extent of incremental progress since the next previous report and, whether or not, in the best estimate of the most knowledgeable representatives of Redeveloper, the progress achieved by Redeveloper to the date of the report is sufficient to make it reasonably probable that Redeveloper will in fact complete the Improvements in accordance with the Schedule of Performances.

SEC. 6. PERIOD OF DURATION OF CONVENANT ON USE

The convenant pertaining to the uses of the Property set forth in subdivision (a) of Section 401 hereof shall remain in effect from the date of the Lease until July 20, 2002, a period of thirty (30) years from the effective date of the Ordinance adopting the Redevelopment Plan, or until such date thereafter to which it may be extended by proper amendment of the Redevelopment Plan, on which date, as the case may be, such covenant shall terminate. The covenants hereof respecting restrictions upon the basis of race, color, creed, religion, sex, marital status, national origin or ancestry set forth in subdivisions (b), of Section 401 hereof shall run in perpetuity. The duration of the covenant pertaining to the uses of the property shall be independent of and without regard to the term and provisions of the Lease attached hereto as Exhibit "D".

SEC. 7. NOTICES AND DEMANDS

A notice, demand or other communication under the Agreement by either party to the other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, and

(a) In the case of the Redeveloper, is addressed to or delivered as follows:

SACRAMENTO HOTEL ASSOCIATES
One Appletree Square
Suite 1093
Bloomington, Minnesota 55420

and

ROBERT A. COOK
Bob Cook Company
455 Watt Avenue
Sacramento, California 95825

(b) In the case of the Agency, is addressed to or delivered personally as follows:

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
630 "T" Street
Sacramento, California 95814

or at such other address with respect to either such party as that party may, from time to time, designate in writing and forward to the other as provided in this Section.

SEC. 8. SPECIAL PROVISIONS

(a) **Scope of Development**

Redeveloper's Improvements are described in the "Scope of Development" incorporated herein and attached hereto as Exhibit "G".

(b) **Substantial Changes**

Redeveloper convenants and agrees that before and during the period of construction of Redeveloper's Improvements, Redeveloper shall not make or permit to be made any substantial changes in the Construction Plans, as approved by the Agency, without first submitting such changes to the Agency for approval. Redeveloper shall have the responsibility of notifying his contractors, architects and engineers of the requirements of this subdivision, and Redeveloper shall be responsible for compliance with said requirements. For purposes of this subdivision, substantial changes shall include (but not necessarily be limited to) the following and similarly important changes in the construction or in the approved Construction Plans:

(i) Change in size or design materially affecting bulk, building coverage or floor area ratio, or number of floors;

(ii) Material changes affecting the size or design or use of exterior finishing materials noticeably affecting architectural appearance or functional use and operation of the Improvements;

(iii) Material changes in size or placement of service facilities; or in the number of elevators, stairs and ramps; and changes in general pedestrian or vehicular circulation in, around or through the Improvements;

(iv) Any changes requiring approval of any City or State board, body, commission or officer, or any change required by any City or State board, body, commission or officer;

(v) Material changes in number, size, placement, graphics, design, or materials of all exterior signs, if any, shown in the Construction Plans, differing from those shown and specified in the approved Construction Plan;

(vi) Material change in landscape planting and site improvements; and

(vii) Material changes in size or quality of exterior pavement, pedestrian malls, plazas, retaining walls, pools and fountains, exterior lighting and other site and garage development of the Property other than that shown and specified in the approved Construction Plans.

(c) **Non-discrimination**

Redeveloper shall refrain from restricting the rental, sale or lease of the Property on the basis of race, color, creed, religion, sex, marital status, national origin or ancestry of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(i) **In deeds:** "The Grantee herein convenants by and for himself, his heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee himself or any person claiming under or through him establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

(ii) **In leases:** "The Lessee herein covenants by and for himself, his heirs, executors, administrators and assigns, and all persons claiming under or through him, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the leasing, subleasing, transferring use, occupancy, tenure or enjoyment of the land herein leased nor shall the Lessee himself or any person claiming under or through him, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the land herein leased."

(iii) **In contracts:** "There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, tranfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee himself or any person claiming under or through him, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land."

(d) **Affirmative Action Requirements**

Redeveloper shall, in constructing the Improvements described herein, take all affirmative action necessary to ensure equal employment opportunity in all aspects of employment regardless of race, color, religion, sex or national origin.

(e) **Upkeep and Maintenance**

Redeveloper acknowledges that it is the responsibility of the Agency to oversee the rehabilitation and/or reconstruction of a portion of the City and to protect its continuous economic stability and improved environment. Therefore, Redeveloper will be required to maintain properly and consistently the Property and all Improvements on it to a degree that does not detract from or degrade that of his neighbor or the public property adjacent thereto. A common understanding of the expected quality of maintenance is necessary. Therefore, guidelines for the minimum quality of exterior maintenance are hereby stated.

(i) **Building Upkeep**

The exterior appearance of all buildings and structures are to be kept in a clean and attractive condition. Refinishing of any and all surfaces is to be performed immediately when observed to be needed due to damage or deterioration.

(ii) **Grounds Upkeep**

All surfaces and landscaped areas within the Project boundaries and those adjacent to the Project that are to be maintained by the Redeveloper are to be kept in a condition consistent with top quality landscape care. All lawn areas are to be kept fully planted and regularly mowed. Shrubs and trees are to be properly and consistently pruned. All landscaped areas are to be kept free of weeds, undesirable plants and trash.

(iii) **Trash Storage**

All trash, including lawn, shrubs and tree cuttings are to be placed in a screened enclosure when stored for pickup. No collected trash of any kind is to be allowed to stand outside of an enclosure for more than eight (8) hours.

If, after due notice to the Redeveloper and review by the Agency of a breach of the Redeveloper's good faith in regard to proper maintenance, the Agency shall have the opportunity to take specific action as outlined in Paragraph 9 of the Declaration of Restrictions, attached hereto as Exhibit "E".

(f) **Responsibility for Injury, Death and Property Damage**

Redeveloper shall indemnify Agency and hold it harmless from any and all liability for bodily injury, death and property damage caused by or resulting from the acts of Redeveloper, its officers, employees or agents.

(g) **Redeveloper's Obligation to Protect Public Safety**

Redeveloper shall immediately upon taking possession of the premises take all necessary steps including the erection of fences, barricades and warning devices to protect private contractors and their employees and the public from the risk of injury arising out of or in any way connected with the Property, including, but not limited to, fire, or the failure, collapse, or deterioration of any improvements or buildings.

(h) **Parking Agreements**

Redeveloper shall develop, pursuant to approved plans, two parking structures upon the premises: an underground structure of approximately three hundred fifty three (353) spaces (hereinafter "the underground structure") and a surface structure of approximately three hundred fourteen (314) spaces (hereinafter "the surface structure"). In a form to be agreed upon, the Agency shall lease and cause these structures to be operated pursuant to two separate agreements conforming to the following criteria:

(i) The rent to be paid by the Agency to the Redeveloper for the two structures shall cumulatively total One Million Dollars ($1,000,000.00) per annum net to Redeveloper after payment of property taxes and hazard insurance directly attributable to said structures and shall be allocated as between the two structures in the proportion that the number of parking spaces in each bear to the total of such spaces, where such spaces are calculated on an equivalent basis.

(ii) The agreements shall have terms equal to that of the Ground Lease and any option term thereof.

(iii) The agreement for the underground structure shall terminate automatically upon the sale or refinance of the Hotel premises or the purchase of the premises pursuant to Section 12.12 et. seq., of the Ground Lease.

(iv) The underground structure shall be made available by the Agency to the Redeveloper for hotel guest parking or in the discretion of the Redeveloper other types of parking, provided the written consent of the Hotel Operator is first obtained. In consideration therefor, Redeveloper shall pay to Agency the greater of: (1) One Hundred Fifty Thousand Dollars ($150,000.00) or (2) twenty-five percent (25%) of all of Redeveloper's pre-tax cash flow after payment of debt service on instruments senior to the Agency's Ground Lease debt service on instruments pursuant to Section 8(j), and debt service on instruments securing operating deficit loans and after allowance for a fifteen percent (15%) return on equity. Notwithstanding the foregoing, the total sum paid by Redeveloper to Agency shall not exceed the allocated amount for that structure paid by the Redeveloper pursuant to subpart (i) of this section and provided further that, if and when said payment by Redeveloper to Agency shall equal the allocated amount for that structure under subpart (i) above, or at such earlier time as Redeveloper may in its discretion elect, the agreement relating to the underground structure shall terminate. For purposes of this subpart, "equity" shall mean the difference between the total amount of debt secured by the security instrument to which the Agency 's Ground Lease is subordinated pursuant to Section 6.01 of the Ground Lease plus the financing described by Section 8(j) below, and the total amount of funds expended by the Redeveloper for making the improvements as calculated pursuant to Section 6.01(b) of the Ground Lease plus reserves certified to be reasonable and necessary by Redeveloper's certified public accountant. For purposes of this subpart, "operating deficit loans" shall be loans in which all proceeds are devoted to funding operating deficits of the Hotel, and where prior thereto all equity funds shall have been devoted to the construction of the improvements (excluding exclusionary items set forth in Section 6.01(b) of the Ground Lease) and to funding operating deficits and no equity funds above that cumulative amount expressly allowed by Section 6.01(b) shall have been disbursed to the Redeveloper, any owner of Redeveloper or any affiliate of the Redeveloper or any owner thereof.

(v) The Agency shall operate the above grade structure as a public parking structure at its expense and shall be under no obligation to make any spaces available to Redeveloper or Redeveloper's customers or guests.

(vi) Notwithstanding the provisions of subpart (iv) hereof, for the first five (5) operational years of the Hotel, the One Hundred Fifty Thousand Dollar ($150,000.00) minimum payment set forth therein shall be subordinate to a fifteen percent (15%) return on equity, as that term is defined in Section 8 (h) (iv). To the extent that such available cash flow is insufficient to pay the rent set forth in subpart (iv) hereof, such unpaid amounts shall be cumulated and paid from the next available cash flow after allowance for a fifteen percent (15%) cumulative return on equity and, in any event, upon the sale or refinance of the Hotel premises.

(vii) The obligations under that certain Easement and Use Agreement between Kimmel Properties and The Northwestern Mutual Life Insurance Company dated March 3, 1980 shall be fulfilled from spaces within the Agency's above grade parking structure.

(i) <u>Consents and Approvals</u>

Wherever, under the provisions of this agreement, Redeveloper is required to obtain the approval or consent of the Agency, that approval or consent may not be unreasonably withheld by Agency provided:

(i) the lack of ascertainable criteria within this Agreement as to any particular review or approval shall not be utilized to support a determination of unreasonableness;

(ii) in any action or proceeding contesting the Agency's withholding of or denial of approval or consent, the Redeveloper shall at all times have the burden of establishing that the decision of the Agency was unreasonable; and

(iii) this subpart (i) shall have no application to:

(a) any request by the Redeveloper for an amendment or modification of any term or provision of this agreement; or

(b) any request by the Redeveloper for reinstatement after the Redeveloper has failed to properly remedy its default during the appropriate cure period following notice of the default; or

(c) any request by the Redeveloper for approval of a "substantial change" in the preliminary or final approved plans of a type set forth in subparts (i), (ii), (v), (vi) or (vii) of subpart (b) of this Section 8.

(v) The Agency shall operate the above grade structure as a public parking structure and shall be under no obligation to make any spaces available to Redeveloper or Redeveloper's customers or guests.

(vi) Notwithstanding the provisions of subpart (iv) hereof, for the first five (5) operational years of the Hotel, the One Hundred Fifty Thousand Dollar ($150,000.00) minimum payment set forth therein shall be subordinate to a fifteen percent (15%) return on equity, as that term is defined in Section 8 (h) (iv). To the extent that such available cash flow is insufficient to pay the rent set forth in subpart (iv) hereof, such unpaid amounts shall be cumulated and paid from the next available cash flow after allowance for a fifteen percent (15%) cumulative return on equity and, in any event, upon the sale or refinance of the Hotel premises.

(vii) The obligations under that certain Easement and Use Agreement between Kimmel Properties and The Northwestern Mutual Life Insurance Company dated March 3, 1980 shall be fulfilled from spaces within the Agency's above grade parking structure.

(i) **Consents and Approvals**

Wherever, under the provisions of this agreement, Redeveloper is required to obtain the approval or consent of the Agency, that approval or consent may not be unreasonably withheld by Agency provided:

(i) the lack of ascertainable criteria within this Agreement as to any particular review or approval shall not be utilized to support a determination of unreasonableness;

(ii) in any action or proceeding contesting the Agency's withholding of or denial of approval or consent, the Redeveloper shall at all times have the burden of establishing that the decision of the Agency was unreasonable; and

(iii) this subpart (i) shall have no application to:

(a) any request by the Redeveloper for an amendment or modification of any term or provision of this agreement; or

(b) any request by the Redeveloper for reinstatement after the Redeveloper has failed to properly remedy its default during the appropriate cure period following notice of the default; or

(c) any request by the Redeveloper for approval of a "substantial change" in the preliminary or final approved plans of a type set forth in subparts (i), (ii), (v), (vi) or (vii) of subpart (b) of this Section 8.

(j) Additional Financing

Redeveloper and Agency agree that the developer of the Improvements, as described in the Scope of Development, Exhibit "G" attached hereto, will require public financing beyond that available in the private sector and in addition to the assistance represented by the subsidized levels of Ground Lease rent and parking garage lease payments set forth in this Agreement and in the Ground Lease attached hereto as Exhibit "D". In recognition of the foregoing, Agency agrees to provide Redeveloper with evidence of secondary financing, or its equivalent, available to the Redeveloper having the following characteristics, on or before the date required for the execution of the Ground Lease by Redeveloper:

(i) The financing will be in the amount of Four Million Dollars ($4,000,000.00) for a term of thirty five (35) years from the commencement of Hotel operations with no interest for the first five (5) operational years and interest at the rate of eight percent (8%) per annum thereafter.

(ii) There will be no debt service payments during the first five (5) years of the loan term beginning at the first of the sixth (6th) operational year and continuing through the balance of the loan term debt service payments shall be made on a level annuity, fully amortizing basis.

(iii) The debt service payments required by subpart (ii) shall be paid, to the extent available, from Redeveloper's pre-tax cash flow after payment of debt service on instruments senior to the Agency's Ground Lease and after allowance for a fifteen percent (15%) return on equity, as that term is defined in Section 8(h)(iv) above. To the extent that such available cash flow is insufficient to meet the debt service payments on this financing, such unpaid amounts shall be cumulated and paid from the next available cash flow after allowance for a fifteen percent (15%) cumulative return on equity and, in any event, upon the sale or refinance of the Hotel premises or upon the purchase of the premises by the Redeveloper pursuant to Sections 12.12, et seq., of the Ground Lease.

(iv) The financing will be secured by a lien junior to the Ground Lease which shall be superior to all equity.

(v) The financing will be funded by an Urban Development Action Grant (hereinafter "UDAG") from the United States Department of Housing and Urban Development. Redeveloper shall cooperate in the application for such a grant. However, if for any reason such a grant is unavailable, Agency shall have the option to seek other sources for such financing and, in any event, shall have to and including the date for the execution of the Ground Lease by the Redeveloper pursuant to the Schedule of Performance to deliver the evidence of such financing or its equivalent to Redeveloper. If Agency should fail to provide such financing or its equivalent pursuant hereto, Redeveloper shall be entitled to the return of the good faith deposit.

(k) Concurrently with the execution hereof, Redeveloper shall execute an agreement with Mark Briggs & Associates (hereinafter "Briggs") wherein Briggs will assist the City of Sacramento in the preparation of an application for the UDAG specified in Section 8 (j) (v) above. Redeveloper agrees to pay all costs thereof up to a total of Thirty Five Thousand Dollars ($35,000.00).

SEC. 9. MODIFICATIONS OF PART II

(a) Conflicts

In the event of any inconsistency or conflict between the provisions of this Part I and Part II, the provisions of this Part I shall prevail over those contained in Part II.

(b) Defined Terms

In addition to those terms elsewhere defined in this Agreement, the following terms shall have the respective meanings ascribed to them below, and unless the context otherwise requires, shall include the plural:

(i) "Urban Renewal Act" and "state law" shall mean the Community Redevelopment Law of the State of California (Part I of Division 24 of the Health and Safety Code, Sections 33000, et seq.).

(ii) "Urban Renewal Project" shall mean and include the Uptown Development Project, Project No. 8, in the City of Sacramento, California, the area of which is more particularly described in Exhibit "A", attached hereto and by reference made a part hereof.

(iii) "Urban Renewal Plan" shall mean and include the Redevelopment Plan for the Uptown Development Project, Project No. 8, adopted by City Ordinance No. 3146, Fourth Series, July 20, 1972, and recorded September 21, 1979 in the office of the County Recorder of the County of Sacramento, in Book 79-09-21 of Official records, beginning at page 1507, as amended of record.

(iv) The term "Redeveloper's Improvements" shall mean and include those improvements to be developed and constructed on the Property under this Agreement by the Redeveloper.

(v) The term "commencement of construction" shall mean site preparation and shall include such activities as excavation, filling, leveling and grading of the Property, the demolition of buildings and the removal of buildings.

(vi) The terms "date of this Agreement", "execution", "execution of this Agreement by the Agency", "execution of this Agreement", and "effective date of this Agreement" shall mean in this Agreement (unless the context clearly indicates otherwise), receipt by the Redeveloper of a notification from the Agency that this Agreement has been approved by the Agency.

(vii) Each and every reference to a "deed" or a "special warranty deed" in this Agreement shall be deemed to refer to the Ground Lease attached hereto as Exhibit D.

(c) **Work to be Performed by Agency**

Section 101 shall be amended by deleting the entire section and inserting in lieu thereof:

"SEC. 101. **Site Preparation Work to be Performed by Agency**

(a) The Agency shall, prior to conveyance of the Property but without expense to the Redeveloper, demolish and remove to the surface elevation of the adjoining ground, all existing buildings, other structures and improvements on the Property, including bricks, lumber, pipes, equipment and other material, and all debris and rubbish resulting from such demolition, except such material and debris as may be used for any filling required on the Property.

(b) The Agency shall obtain the removal, abandonment or relocation by the Agency or by the appropriate public body or public utility company of all public utility lines, installations, facilities and related equipment within or on the Property.

(c) Redeveloper acknowledges that it has inspected the Property and except for demolition work to be completed by the Agency pursuant to subsection 101(a), agrees to accept the Property in its present condition."

(d) **Access to Property**

Section 203 is amended by deleting the words "the City, and the United States of America" and substituting in lieu therof "and the City", and deleting the words "the Cooperation Agreement, or the Contract for Loan and Capitol Grant,".

(e) **Plans for Construction of Improvements**

Section 301 shall be amended by deleting the sentence "Such Construction Plans shall, in any event, be deemed approved unless rejection thereof in writing by the Agency, in whole or in part, setting forth in detail the reasons therefor, shall be made within thirty (30) days after the date of their receipt by the Agency."

(f) **Restrictions Upon Use of Property**

(i) Section 401 shall be amended by deleting subsection (b) and inserting in lieu thereof the following:

"(b) Not discriminate upon the basis of race, color, religion, sex or national origin in the sale, lease, or rental or in the use or occupancy of the Property or any improvements erected or to be erected thereon, or any part thereof."

(ii) Section 402 is modified by inserting on line 4, after "covenants running with the land", the phrase "and equitable servitudes thereon,".

(iii) Section 402 is further modified by inserting on line 16, after "or any part thereof or any interest therein" the phrase "any subcontracting party or parties or other transferees under this Agreement,".

(g) **Representations as to Redevelopment**

Subdivision (b) of Section 501 is amended by deleting the words "Federal and".

(h) **Permissive Transfer - Limited Partnership interests**

Section 502 is modified by adding the following to the end thereof: "The above restrictions on transfer shall not apply to transfers of limited parnership interests in the Redeveloper, if and only if, the Limited Partnership Agreement shall (1) prohibit any participation by a limited partner in the management of the partnership; and (2) require the approval of the Agency prior to the modification of such a prohibition."

(i) **Resale of Reacquired Property; Disposition of Proceeds**

In subdivision (a) of Section 705, delete "City assessing official" and insert in lieu thereof the phrase "appropriate local assessing authorities".

(j) Section 601 is amended by deleting the last portion of the first sentence beginning at ", except for the purposes..." to the end of the sentence and substitute therefore the following:

> "unless the encumbrance or lien shall meet the criteria set forth in Section 6.01 of the Ground Lease attached hereto as Exhibit "D"."

SEC. 10. CONSTRUCTION OF THIS AGREEMENT AND GROUND LEASE.

It is the intent of the parties that this Development and Disposition Agreement and the attached Ground Lease, upon its execution by the parties hereto, shall be interpreted in light of each other. However, in the event of conflict between the provisions of this Agreement and the provisions of the Ground Lease, prior to the issuance of a Certificate of Completion as defined in Section 307 hereof, the provisions of this Agreement shall control. Upon the issuance of a Certificate of Completion pursuant to Section 307, the provisions of the Ground Lease shall control.

SEC. 11. BANK OF AMERICA OPTION AGREEMENT

Redeveloper expressly undertakes and agrees to perform the remaining obligations, if any, of Agency under that certain Purchase and Sale Agreement and Option Agreement by and between the Agency and Bank of America, National Trust and Savings Association, a national banking association, dated June 29, 1983, a copy of which is attached hereto and incorporated herein as Exhibit "H".

SEC. 12. ENTIRE AGREEMENT

This Agreement constitutes the entire understanding and agreement of the parties. This Agreement supersedes all negotiations or previous agreement between the parties with respect to all or any part of the subject matter hereof. The respective parties shall have no further or additional obligations other than those which are expressly contained within the pages of this Agreement.

SEC. 13. INSPECTION OF BOOKS AND RECORDS

The Agency has the right at all reasonable times to inspect the books and records of the Redeveloper pertaining to the Property as pertinent to the purposes of this Agreement. The Redeveloper also has the right at all reasonable times to inspect the books and records of the Agency pertaining to the Property as pertinent to the purposes of this Agreement.

SEC. 14. APPLICABLE LAW

This Agreement shall be interpreted pursuant to the law of the State of California.

SEC. 15. COMPLIANCE WITH REGISTRATION LAW

The Redeveloper and any owner of Redeveloper shall, at all times during the term of this Agreement, comply with all provisions of California law pertaining to the registration of foreign corporations and foreign partnerships. Additionally, Redeveloper shall, at all times during the term of this Agreement, maintain an agent for service of process within the State of California and shall advise Agency of the identity of such agency and any change therein.

SEC. 16. COUNTERPARTS AND EXECUTION BY REDEVELOPER

(a) **Counterparts**

This Agreement is executed in three (3) counterparts, each of which shall constitute one and the same instrument.

(b) **Execution by Redeveloper**

This Agreement shall be executed by the Redeveloper prior to the date set for public hearing on the Agreement. Failure to comply with this provision shall, at the option of the Agency, render this Agreement null and void and neither party shall have any further rights each against the other by reason of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Disposition and Development Agreement. This Agreement shall be effective as of the date first above written.

REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO

BY _____
VICE Chairman

BY _____
Secretary

APPROVED AS TO FORM:

_____
Agency Counsel

SACRAMENTO HOTEL ASSOCIATES,
a Minnesota Limited Partnership

BY: LANDMARK OF SACRAMENTO, INC.
A General Partner

BY _____
Its President

RECORDED JUNE 16, 1970
BOOK 70-06-16, OFFICIAL
RECORDS, AT PAGE 203

HUD-6209B
(9-69)

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

URBAN RENEWAL PROGRAM

TERMS AND CONDITIONS

Part II

of

Contract for

SALE OF LAND FOR PRIVATE REDEVELOPMENT

By and Between

REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO

and

THE REDEVELOPER DESCRIBED IN
PART ONE (I) OF THIS CONTRACT

PART II

C O N T E N T S

HUD-6209B
(9-69)

ARTICLE I. PREPARATION OF PROPERTY FOR REDEVELOPMENT

SEC. 101. Work To Be Performed by Agency. The Agency shall, prior to conveyance of the Property and without expense to the Redeveloper, prepare the Property for redevelopment by the Redeveloper in accordance with the Urban Renewal Plan and the Agreement. Such preparation of the Property shall consist of the following (unless the Agency and the Redeveloper hereafter agree in writing that any of such preparation shall not be done, or that it shall be done subsequent to the conveyance of the Property):

(a) Demolition and Removal. The demolition and removal to the surface elevation of the adjoining ground of all existing buildings, other structures and improvements on the Property, including the removal of all bricks, lumber, pipes, equipment and other material, and all debris and rubbish resulting from such demolition, except such material and debris as may be used for any filling required by this Section.

(b) Reduction of Walls. The reduction of all walls, including foundation walls, to the surface elevation of the adjoining ground.

(c) Breaking Up Basement Floors. The breaking up of all basement or cellar floors sufficiently to permit proper drainage.

(d) Removal of Paving. The removal by the Agency or by the appropriate public body of all paving (including catch basins, curbs, gutters, drives, and sidewalks) within or on the Property.

(e) Removal of Public Utility Lines. The removal or abandonment by the Agency or by the appropriate public body or public utility company of all public utility lines, installations, facilities, and related equipment within or on the Property.

(f) Filling and Grading. Such filling, grading, and leveling of the land (but not including topsoil or landscaping) as will permit proper drainage and place the Property in a safe, clean, sanitary, and nonhazardous condition.

(g) Filling Materials. The filling of all basements or other excavations exposed as a result of the work performed by the Agency pursuant to this Section, with noncombustible materials to a level twelve (12) inches below the surface of the adjoining ground on all sides thereof.

SEC. 102. Expenses, Income, and Salvage. All expenses, including current taxes, if any, relating to buildings or other structures demolished or to be demolished in accordance with Section 101 hereof shall be borne by, and all income or salvage received as a result of the demolition of such buildings or structures shall belong to, the Agency.

SEC. 103. Agency's Responsibilities for Certain Other Actions. The Agency, without expense to the Redeveloper or assessment or claim against the Property and prior to completion of the Improvements (or at such earlier time or times as the Redeveloper and the Agency may agree in writing), shall, in accordance with the Urban Renewal Plan, provide or secure or cause to be provided or secured, the following:

(a) Vacation of Streets, Etc. The closing and vacation of all existing streets, alleys, and other public rights-of-way within or abutting on the Property.

(b) Replatting, Resubdivision, or Rezoning. The replatting, resubdivision, or rezoning of the Property, if necessary for the conveyance thereof to the Redeveloper.

(c) Improvements of Existing Streets. The improvement (by the Agency or by the appropriate public body) by resurfacing, rebuilding, or new construction, in accordance with the technical specifications, standards, and practices of the City, of the existing streets, alleys, or other public rights-of-way (including catch basins, curbs and gutters, drive and curb cuts, and drives between the property line of the Property and the public rights-of-way) abutting on the Property.

(d) Construction and Dedication of New Streets. The construction (by the Agency or by the appropriate public body), in accordance with the technical specifications, standards, and practices of the City, and the dedication of all new streets, alleys, and other public rights-of-way (including catch basins, curbs, and gutters) abutting on the Property.

(e) Installation of Sidewalks. The installation (by the Agency or by the appropriate public body), in accordance with the technical specifications, standards, and practices of the City, of public sidewalks along the frontage of the public streets abutting on the Property or within the rights-of-way lines of such public streets, together with sodding or seeding of any such public area between such sidewalks or the curb lines of such public streets.

(f) Street Lighting, Signs, and Fire Hydrants. The installation (by the Agency or by the appropriate public body), in accordance with the technical specifications, standards, and practices by the City, of street lighting, signs, and fire hydrants in connection with all new streets abutting on the Property and to be constructed pursuant to this Section.

(g) Installation of Public Utilities. The installation or relocation (by the Agency or by the appropriate public body or public utility company) of such sewers, drains, water and gas distribution lines, electric, telephone, and telegraph lines, and all other public utility lines, installations, and facilities as

are necessary to be installed or relocated on or in connection with the Property by reason of the redevelopment contemplated by the Urban Renewal Plan and the development of the Property: Provided, That the Agency shall not be responsible for, nor bear any portion of the cost of, installing the necessary utility connections within the boundaries of the Property between the Improvements to be constructed on the Property by the Redeveloper and the water, sanitary sewer, and storm drain mains or other public utility lines owned by the City or by any public utility company within or without such boundaries, or electric, gas, telephone, or other public utility lines owned by any public utility company within or without such boundaries, and the Redeveloper shall secure any permits required for any such installation without cost or expense to the Agency.

SEC. 104. Waiver of Claims and Joining in Petitions by Redeveloper. The Redeveloper hereby waives (as the purchaser of the Property under the Agreement and as the owner after the conveyance of the Property provided for in the Agreement) any and all claims to awards of damages, if any, to compensate for the closing, vacation, or change of grade of any street, alley, or other public right-of-way within or fronting or abutting on, or adjacent to, the Property which, pursuant to subdivision (a) of Section 103 hereof, is to be closed or vacated, or the grade of which is to be changed, and shall upon the request of the Agency subscribe to, and join with, the Agency in any petition or proceeding required for such vacation, dedication, change of grade, and, to the extent necessary, rezoning, and execute any waiver or other document in respect thereof.

ARTICLE II. RIGHTS OF ACCESS TO PROPERTY

SEC. 201. Right of Entry for Utility Service. The Agency reserves for itself, the City, and any public utility company, as may be appropriate, the unqualified right to enter upon the Property at all reasonable times for the purpose of reconstructing, maintaining, repairing, or servicing the public utilities located within the Property boundary lines and provided for in the easements described or referred to in Paragraph (a), Section 2 of Part I hereof.

SEC. 202. Redeveloper Not To Construct Over Utility Easements. The Redeveloper shall not construct any building or other structure or improvement on, over, or within the boundary lines of any easement for public utilities described or referred to in Paragraph (a), Section 2 of Part I hereof, unless such construction is provided for in such easement or has been approved by the City. If approval for such construction is requested by the Redeveloper, the Agency shall use its best efforts to assure that such approval shall not be withheld unreasonably.

SEC. 203. Access to Property. Prior to the conveyance of the Property by the Agency to the Redeveloper, the Agency shall permit representatives of the Redeveloper to have access to any part of the Property as to which the Agency holds title, at all reasonable times for the purpose of obtaining data

and making various tests concerning the Property necessary to carry out the Agreement. After the conveyance of the Property by the Agency to the Redeveloper, the Redeveloper shall permit the representatives of the Agency, the City, and the United States of America access to the Property at all reasonable times which any of them deems necessary for the purposes of the Agreement, the Cooperation Agreement, or the Contract for Loan and Capital Grant, including, but not limited to, inspection of all work being performed in connection with the construction of the Improvements. No compensation shall be payable nor shall any charge be made in any form by any party for the access provided for in this Section.

ARTICLE III. CONSTRUCTION PLANS; CONSTRUCTION OF IMPROVEMENTS; CERTIFICATE OF COMPLETION

SEC. 301. Plans for Construction of Improvements. Plans and specifications with respect to the redevelopment of the Property and the construction of improvements thereon shall be in conformity with the Urban Renewal Plan, the Agreement, and all applicable State and local laws and regulations. As promptly as possible after the date of the Agreement, and, in any event, no later than the time specified therefor in Paragraph (a), Section 5 of Part I hereof, the Redeveloper shall submit to the Agency, for approval by the Agency, plans, drawings, specifications, and related documents, and the proposed construction schedule (which plans, drawings, specifications, related documents, and progress schedule, together with any and all changes therein that may thereafter be made and submitted to the Agency as herein provided, are, except as otherwise clearly indicated by the context, hereinafter collectively called "Construction Plans") with respect to the improvements to be constructed by the Redeveloper on the Property, in sufficient completeness and detail to show that such improvements and construction thereof will be in accordance with the provisions of the Urban Renewal Plan and the Agreement. The Agency shall, if the Construction Plans originally submitted conform to the provisions of the Urban Renewal Plan and the Agreement, approve in writing such Construction Plans and no further filing by the Redeveloper or approval by the Agency thereof shall be required except with respect to any material change. Such Construction Plans shall, in any event, be deemed approved unless rejection thereof in writing by the Agency, in whole or in part, setting forth in detail the reasons therefor, shall be made within thirty (30) days after the date of their receipt by the Agency. If the Agency so rejects the Construction Plans in whole or in part as not being in conformity with the Urban Renewal Plan or the Agreement, the Redeveloper shall submit new or corrected Construction Plans which are in conformity with the Urban Renewal Plan and the Agreement, within the time specified therefor in Paragraph (b), Section 5 of Part I hereof, after written notification to the Redeveloper of the rejection. The provisions of this Section relating to approval, rejection, and resubmission of corrected Construction Plans hereinabove provided with respect to the original Construction Plans shall continue to apply until the Construction Plans have been approved by the Agency: Provided, That in any event the Redeveloper shall submit Construction Plans which are in conformity with the requirements of the Urban Renewal Plan and the Agreement, as determined by the Agency, no later than the time specified therefor in Paragraph (c), Section 5 of Part I

hereof. All work with respect to the improvements to be constructed or provided by the Redeveloper on the Property shall be in conformity with the Construction Plans as approved by the Agency. The term "Improvements", as used in this Agreement, shall be deemed to have reference to the improvements as provided and specified in the Construction Plans as so approved.

SEC. 302. Changes in Construction Plans. If the Redeveloper desires to make any change in the Construction Plans after their approval by the Agency, the Redeveloper shall submit the proposed change to the Agency for its approval. If the Construction Plans, as modified by the proposed change, conform to the requirements of Section 301 hereof with respect to such previously approved Construction Plans, the Agency shall approve the proposed change and notify the Redeveloper in writing of its approval. Such change in the Construction Plans shall, in any event, be deemed approved by the Agency unless rejection thereof, in whole or in part, by written notice thereof by the Agency to the Redeveloper, setting forth in detail the reasons therefor, shall be made within the period specified therefor in Paragraph (d), Section 5 of Part I hereof.

SEC. 303. Evidence of Equity Capital and Mortgage Financing. As promptly as possible after approval by the Agency of the Construction Plans, and, in any event, no later than the time specified therefor in Paragraph (e), Section 5 of Part I hereof, the Redeveloper shall submit to the Agency evidence satisfactory to the Agency that the Redeveloper has the equity capital and commitments for mortgage financing necessary for the construction of the Improvements.

SEC. 304. Approvals of Construction Plans and Evidence of Financing As Conditions Precedent to Conveyance. The submission of Construction Plans and their approval by the Agency as provided in Section 301 hereof, and the submission of evidence of equity capital and commitments for mortgage financing as provided in Section 303 hereof, are conditions precedent to the obligation of the Agency to convey the Property to the Redeveloper.

SEC. 305. Commencement and Completion of Construction of Improvements. The Redeveloper agrees for itself, its successors and assigns, and every successor in interest to the Property, or any part thereof, and the Deed shall contain covenants on the part of the Redeveloper for itself and such successors and assigns, that the Redeveloper, and such successors and assigns, shall promptly begin and diligently prosecute to completion the redevelopment of the Property through the construction of the Improvements thereon, and that such construction shall in any event be begun within the period specified in Section 4 of Part I hereof and be completed within the period specified in such Section 4. It is intended and agreed, and the Deed shall so expressly provide, that such agreements and covenants shall be covenants running with the land and that they shall, in any event, and without regard to technical classification or designation, legal or otherwise, and except only as otherwise specifically provided in the Agreement itself, be, to the fullest extent permitted by law and equity, binding for the benefit of the community and the Agency and enforceable by the Agency against the Redeveloper and its successors and assigns to or of the Property or any part thereof or any interest therein.

SEC. 306. Progress Reports. Subsequent to conveyance of the Property, or any part thereof, to the Redeveloper, and until construction of the Improvements has been completed, the Redeveloper shall make reports, in such detail and at such times as may reasonably be requested by the Agency, as to the actual progress of the Redeveloper with respect to such construction.

SEC. 307. Certificate of Completion.

(a) Promptly after completion of the Improvements in accordance with those provisions of the Agreement relating solely to the obligations of the Redeveloper to construct the Improvements (including the dates for beginning and completion thereof), the Agency will furnish the Redeveloper with an appropriate instrument so certifying. Such certification by the Agency shall be (and it shall be so provided in the Deed and in the certification itself) a conclusive determination of satisfaction and termination of the agreements and covenants in the Agreement and in the Deed with respect to the obligations of the Redeveloper, and its successors and assigns, to construct the Improvements and the dates for the beginning and completion thereof: Provided, That if there is upon the Property a mortgage insured, or held or owned, by the Federal Housing Administration and the Federal Housing Administration shall have determined that all buildings constituting a part of the Improvements and covered by such mortgage are, in fact, substantially completed in accordance with the Construction Plans and are ready for occupancy, then, in such event, the Agency and the Redeveloper shall accept the determination of the Federal Housing Administration as to such completion of the construction of the Improvements in accordance with the Construction Plans, and, if the other agreements and covenants in the Agreement obligating the Redeveloper in respect of the construction and completion of the Improvements have been fully satisfied, the Agency shall forthwith issue its certification provided for in this Section. Such certification and such determination shall not constitute evidence of compliance with or satisfaction of any obligation of the Redeveloper to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance the Improvements, or any part thereof.

(b) With respect to such individual parts or parcels of the Property which, if so provided in Part I hereof, the Redeveloper may convey or lease as the Improvements to be constructed thereon are completed, the Agency will also, upon proper completion of the Improvements relating to any such part or parcel, certify to the Redeveloper that such Improvements have been made in accordance with the provisions of the Agreement. Such certification shall mean and provide, and the Deed shall so state, (1) that any party purchasing or leasing such individual part or parcel pursuant to the authorization herein contained shall not (because of such purchase or lease) incur any obligation with respect to the construction of the Improvements relating to such part or parcel or to any other part or parcel of the Property; and (2) that neither the Agency nor any other party shall thereafter have or be entitled to exercise with respect to any such individual part or parcel so sold (or, in the case of lease, with respect to the leasehold interest) any rights or remedies or controls that it may

otherwise have or be entitled to exercise with respect to the Property as a result of a default in or breach of any provisions of the Agreement or the Deed by the Redeveloper or any successor in interest or assign, unless (i) such default or breach be by the purchaser or lessee, or any successor in interest to or assign of such individual part or parcel with respect to the covenants contained and referred to in Section 401 hereof, and (ii) the right, remedy, or control relates to such default or breach.

(c) Each certification provided for in this Section 307 shall be in such form as will enable it to be recorded in the proper office for the recordation of deeds and other instruments pertaining to the Property, including the Deed. If the Agency shall refuse or fail to provide any certification in accordance with the provisions of this Section, the Agency shall, within thirty (30) days after written request by the Redeveloper, provide the Redeveloper with a written statement, indicating in adequate detail in what respects the Redeveloper has failed to complete the Improvements in accordance with the provisions of the Agreement, or is otherwise in default, and what measures or acts it will be necessary, in the opinion of the Agency, for the Redeveloper to take or perform in order to obtain such certification.

ARTICLE IV. RESTRICTIONS UPON USE OF PROPERTY

SEC. 401. Restrictions on Use. The Redeveloper agrees for itself, and its successors and assigns, and every successor in interest to the Property, or any part thereof, and the Deed shall contain covenants on the part of the Redeveloper for itself, and such successors and assigns, that the Redeveloper, and such successors and assigns, shall:

(a) Devote the Property to, and only to and in accordance with, the uses specified in the Urban Renewal Plan; and

(b) Not discriminate upon the basis of race, color, creed, or national origin in the sale, lease, or rental or in the use or occupancy of the Property or any improvements erected or to be erected thereon, or any part thereof.

SEC. 402. Covenants; Binding Upon Successors in Interest; Period of Duration. It is intended and agreed, and the Deed shall so expressly provide, that the agreements and covenants provided in Section 401 hereof shall be covenants running with the land and that they shall, in any event, and without regard to technical classification or designation, legal or otherwise, and except only as otherwise specifically provided in the Agreement, be binding, to the fullest extent permitted by law and equity, for the benefit and in favor of, and enforceable by, the Agency, its successors and assigns, the City and any successor in interest to the Property, or any part thereof, and the owner of any other land (or of any interest in such land) in the Project Area which is subject to the land use requirements and restrictions of the Urban Renewal Plan, and the United

States (in the case of the covenant provided in subdivision (b) of Section 401 hereof), against the Redeveloper, its successors and assigns and every successor in interest to the Property, or any part thereof or any interest therein, and any party in possession or occupancy of the Property or any part thereof. It is further intended and agreed that the agreement and covenant provided in subdivision (a) of Section 401 hereof shall remain in effect for the period of time, or until the date, specified or referred to in Section 6 of Part I hereof (at which time such agreement and covenant shall terminate) and that the agreements and covenants provided in subdivision (b) of Section 401 hereof shall remain in effect without limitation as to time: Provided, That such agreements and covenants shall be binding on the Redeveloper itself, each successor in interest to the Property, and every part thereof, and each party in possession or occupancy, respectively, only for such period as such successor or party shall have title to, or an interest in, or possession or occupancy of, the Property or part thereof. The terms "uses specified in the Urban Renewal Plan" and "land use" referring to provisions of the Urban Renewal Plan, or similar language, in the Agreement shall include the land and all building, housing, and other requirements or restrictions of the Urban Renewal Plan pertaining to such land.

SEC. 403. Agency and United States Rights To Enforce. In amplification, and not in restriction of, the provisions of the preceding Section, it is intended and agreed that the Agency and its successors and assigns shall be deemed beneficiaries of the agreements and covenants provided in Section 401 hereof, and the United States shall be deemed a beneficiary of the covenant provided in subdivision (b) of Section 401 hereof, both for and in their or its own right and also for the purposes of protecting the interests of the community and other parties, public or private, in whose favor or for whose benefit such agreements and covenants have been provided. Such agreements and covenants shall (and the Deed shall so state) run in favor of the Agency and the United States, for the entire period during which such agreements and covenants shall be in force and effect, without regard to whether the Agency or the United States has at any time been, remains, or is an owner of any land or interest therein to or in favor of which such agreements and covenants relate. The Agency shall have the right, in the event of any breach of any such agreement or covenant, and the United States shall have the right in the event of any breach of the covenant provided in subdivision (b) of Section 401 hereof, to exercise all the rights and remedies, and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breach of agreement or covenant, to which it or any other beneficiaries of such agreement or covenant may be entitled.

ARTICLE V. PROHIBITIONS AGAINST ASSIGNMENT AND TRANSFER

SEC. 501. Representations As to Redevelopment. The Redeveloper represents and agrees that its purchase of the Property, and its other undertakings pursuant to the Agreement, are, and will be used, for the

purpose of redevelopment of the Property and not for speculation in land holding. The Redeveloper further recognizes that, in view of

(a) the importance of the redevelopment of the Property to the general welfare of the community;

(b) the substantial financing and other public aids that have been made available by law and by the Federal and local Governments for the purpose of making such redevelopment possible; and

(c) the fact that a transfer of the stock in the Redeveloper or of a substantial part thereof, or any other act or transaction involving or resulting in a significant change in the ownership or distribution of such stock or with respect to the identity of the parties in control of the Redeveloper or the degree thereof, is for practical purposes a transfer or disposition of the Property then owned by the Redeveloper,

the qualifications and identity of the Redeveloper, and its stockholders, are of particular concern to the community and the Agency. The Redeveloper further recognizes that it is because of such qualifications and identity that the Agency is entering into the Agreement with the Redeveloper, and, in so doing, is further willing to accept and rely on the obligations of the Redeveloper for the faithful performance of all undertakings and covenants hereby by it to be performed without requiring in addition a surety bond or similar undertaking for such performance of all undertakings and covenants in the Agreement.

SEC. 502. Prohibition Against Transfer of Shares of Stock; Binding Upon Stockholders Individually. For the foregoing reasons, the Redeveloper represents and agrees for itself, its stockholders, and any successor in interest of itself and its stockholders, respectively, that: Prior to completion of the Improvements as certified by the Agency, and without the prior written approval of the Agency, (a) there shall be no transfer by any party owning 10 percent or more of the stock in the Redeveloper (which term shall be deemed for the purposes of this and related provisions to include successors in interest of such stock or any part thereof or interest therein), (b) nor shall any such owner suffer any such transfer to be made, (c) nor shall there be or be suffered to be by the Redeveloper, or by any owner of 10 percent or more of the stock therein, any other similarly significant change in the ownership of such stock or in the relative distribution thereof, or with respect to the identity of the parties in control of the Redeveloper or the degree thereof, by any other method or means, whether by increased capitalization, merger with another corporation, corporate or other amendments, issuance of additional or new stock or classification of stock, or otherwise. With respect to this provision, the Redeveloper and the parties signing the Agreement on behalf of the Redeveloper represent that they have the authority of all of its existing stockholders to agree to this provision on their behalf and to bind them with respect thereto.

503. Prohibition Against Transfer of Property and Assignment of Agreement. Also, for the foregoing reasons the Redeveloper represents and agrees for itself, and its successors and assigns, that:

(a) Except only

(1) by way of security for, and only for, (i) the purpose of obtaining financing necessary to enable the Redeveloper or any successor in interest to the Property, or any part thereof, to perform its obligations with respect to making the Improvements under the Agreement, and (ii) any other purpose authorized by the Agreement, and

(2) as to any individual parts or parcels of the Property on which the Improvements to be constructed thereon have been completed, and which, by the terms of the Agreement, the Redeveloper is authorized to convey or lease as such Improvements are completed,

the Redeveloper (except as so authorized) has not made or created, and that it will not, prior to the proper completion of the Improvements as certified by the Agency, make or create, or suffer to be made or created, any total or partial sale, assignment, conveyance, or lease, or any trust or power, or transfer in any other mode or form of or with respect to the Agreement or the Property, or any part thereof or any interest therein, or any contract or agreement to do any of the same, without the prior written approval of the Agency: Provided, That, prior to the issuance by the Agency of the certificate provided for in Section 307 hereof as to completion of construction of the Improvements, the Redeveloper may enter into any agreement to sell, lease, or otherwise transfer, after the issuance of such certificate, the Property or any part thereof or interest therein, which agreement shall not provide for payment of or on account of the purchase price or rent for the Property, or the part thereof or the interest therein to be so transferred, prior to the issuance of such certificate.

(b) The Agency shall be entitled to require, except as otherwise provided in the Agreement, as conditions to any such approval that:

(1) Any proposed transferee shall have the qualifications and financial responsibility, as determined by the Agency, necessary and adequate to fulfill the obligations undertaken in the Agreement by the Redeveloper (or, in the event the transfer is of or relates to part of the Property, such obligations to the extent that they relate to such part).

(2) Any proposed transferee, by instrument in writing satisfactory to the Agency and in form recordable among the land records, shall, for itself and its successors and assigns, and expressly for the benefit of the Agency, have expressly assumed all of the obligations of the Redeveloper

under the Agreement and agreed to be subject to all the conditions and restrictions to which the Redeveloper is subject (or, in the event the transfer is of or relates to part of the Property, such obligations, conditions, and restrictions to the extent that they relate to such part): Provided, That the fact that any transferee of, or any other successor in interest whatsoever to, the Property, or any part thereof, shall, whatever the reason, not have assumed such obligations or so agreed, shall not (unless and only to the extent otherwise specifically provided in the Agreement or agreed to in writing by the Agency) relieve or except such transferee or successor of or from such obligations, conditions, or restrictions, or deprive or limit the Agency of or with respect to any rights or remedies or controls with respect to the Property or the construction of the Improvements; it being the intent of this, together with other provisions of the Agreement, that (to the fullest extent permitted by law and equity and excepting only in the manner and to the extent specifically provided otherwise in the Agreement) no transfer of, or change with respect to, ownership in the Property or any part thereof, or any interest therein, however consummated or occurring, and whether voluntary or involuntary, shall operate, legally or practically, to deprive or limit the Agency of or with respect to any rights or remedies or controls provided in or resulting from the Agreement with respect to the Property and the construction of the Improvements that the Agency would have had, had there been no such transfer or change.

(3) There shall be submitted to the Agency for review all instruments and other legal documents involved in effecting transfer; and if approved by the Agency, its approval shall be indicated to the Redeveloper in writing.

(4) The consideration payable for the transfer by the transferee or on its behalf shall not exceed an amount representing the actual cost (including carrying charges) to the Redeveloper of the Property (or allocable to the part thereof or interest therein transferred) and the Improvements, if any, theretofore made thereon by it; it being the intent of this provision to preclude assignment of the Agreement or transfer of the Property (or any parts thereof other than those referred to in subdivision (2), Paragraph (a) of this Section 503) for profit prior to the completion of the Improvements and to provide that in the event any such assignment or transfer is made (and is not canceled), the Agency shall be entitled to increase the Purchase Price to the Redeveloper by the amount that the consideration payable for the assignment or transfer is in excess of the amount that may be authorized pursuant to this subdivision (4), and such consideration shall, to the extent it is in excess of the amount so authorized, belong to and forthwith be paid to the Agency.

(5) The Redeveloper and its transferee shall comply with such other conditions as the Agency may find desirable in order to achieve and safeguard the purposes of the Urban Renewal Act and the Urban Renewal Plan.

Provided, That in the absence of specific written agreement by the Agency to the contrary, no such transfer or approval by the Agency thereof shall be deemed to relieve the Redeveloper, or any other party bound in any way by the Agreement or otherwise with respect to the construction of the Improvements, from any of its obligations with respect thereto.

SEC. 504. Information As to Stockholders. In order to assist in the effectuation of the purposes of this Article V and the statutory objectives generally, the Redeveloper agrees that during the period between execution of the Agreement and completion of the Improvements as certified by the Agency, (a) the Redeveloper will promptly notify the Agency of any and all changes whatsoever in the ownership of stock, legal or beneficial, or of any other act or transaction involving or resulting in any change in the ownership of such stock or in the relative distribution thereof, or with respect to the identity of the parties in control of the Redeveloper or the degree thereof, of which it or any of its officers have been notified or otherwise have knowledge or information; and (b) the Redeveloper shall, at such time or times as the Agency may request, furnish the Agency with a complete statement, subscribed and sworn to by the President or other executive officer of the Redeveloper, setting forth all of the stockholders of the Redeveloper and the extent of their respective holdings, and in the event any other parties have a beneficial interest in such stock their names and the extent of such interest, all as determined or indicated by the records of the Redeveloper, by specific inquiry made by any such officer, of all parties who on the basis of such records own 10 percent or more of the stock in the Redeveloper, and by such other knowledge or information as such officer shall have. Such lists, data, and information shall in any event be furnished the Agency immediately prior to the delivery of the Deed to the Redeveloper and as a condition precedent thereto, and annually thereafter on the anniversary of the date of the Deed until the issuance of a certificate of completion for all the Property.

ARTICLE VI. MORTGAGE FINANCING; RIGHTS OF MORTGAGEES

SEC. 601. Limitation Upon Encumbrance of Property. Prior to the completion of the Improvements, as certified by the Agency, neither the Redeveloper nor any successor in interest to the Property or any part thereof shall engage in any financing or any other transaction creating any mortgage or other encumbrance or lien upon the Property, whether by express agreement or operation of law, or suffer any encumbrance or lien to be made on or attach to the Property, except for the purposes of obtaining (a) funds only to the extent necessary for making the Improvements and (b) such additional funds, if any, in an amount not to exceed the Purchase Price paid by the Redeveloper to the Agency. The Redeveloper (or successor in interest) shall notify the Agency in advance of any financing, secured by mortgage or other

similar lien instrument, it proposes to enter into with respect to the Property, or any part thereof, and in any event it shall promptly notify the Agency of any encumbrance or lien that has been created on or attached to the Property, whether by voluntary act of the Redeveloper or otherwise. For the purposes of such mortgage financing as may be made pursuant to the Agreement, the Property may, at the option of the Redeveloper (or successor in interest), be divided into several parts or parcels, provided that such subdivision, in the opinion of the Agency, is not inconsistent with the purposes of the Urban Renewal Plan and the Agreement and is approved in writing by the Agency.

SEC. 602. Mortgagee Not Obligated To Construct. Notwithstanding any of the provisions of the Agreement, including but not limited to those which are or are intended to be covenants running with the land, the holder of any mortgage authorized by the Agreement (including any such holder who obtains title to the Property or any part thereof as a result of foreclosure proceedings, or action in lieu thereof, but not including (a) any other party who thereafter obtains title to the Property or such part from or through such holder or (b) any other purchaser at foreclosure sale other than the holder of the mortgage itself) shall in no wise be obligated by the provisions of the Agreement to construct or complete the Improvements or to guarantee such construction or completion; nor shall any covenant or any other provision in the Deed be construed to so obligate such holder: Provided, That nothing in this Section or any other Section or provision of the Agreement shall be deemed or construed to permit or authorize any such holder to devote the Property or any part thereof to any uses, or to construct any improvements thereon, other than those uses or improvements provided or permitted in the Urban Renewal Plan and in the Agreement.

SEC. 603. Copy of Notice of Default to Mortgagee. Whenever the Agency shall deliver any notice or demand to the Redeveloper with respect to any breach or default by the Redeveloper in its obligations or covenants under the Agreement, the Agency shall at the same time forward a copy of such notice or demand to each holder of any mortgage authorized by the Agreement at the last address of such holder shown in the records of the Agency.

SEC. 604. Mortgagee's Option To Cure Defaults. After any breach or default referred to in Section 603 hereof, each such holder shall (insofar as the rights of the Agency are concerned) have the right, at its option, to cure or remedy such breach or default (or such breach or default to the extent that it relates to the part of the Property covered by its mortgage) and to add the cost thereof to the mortgage debt and the lien of its mortgage: Provided, That if the breach or default is with respect to construction of the Improvements, nothing contained in this Section or any other Section of the Agreement shall be deemed to permit or authorize such holder, either before or after foreclosure or action in lieu thereof, to undertake or continue the construction or completion of the Improvements (beyond the extent necessary to conserve or protect Improvements or construction already made) without first having expressly assumed the obligation to the Agency, by written agreement satisfactory to the Agency, to complete, in the manner provided in the Agreement, the Improvements on

the Property or the part thereof to which the lien or title of such holder relates. Any such holder who shall properly complete the Improvements relating to the Property or applicable part thereof shall be entitled, upon written request made to the Agency, to a certification or certifications by the Agency to such effect in the manner provided in Section 307 of the Agreement, and any such certification shall, if so requested by such holder, mean and provide that any remedies or rights with respect to recapture of or reversion or revesting of title to the Property that the Agency shall have or be entitled to because of failure of the Redeveloper or any successor in interest to the Property, or any part thereof, to cure or remedy any default with respect to the construction of the Improvements on other parts or parcels of the Property, or because of any other default in or breach of the Agreement by the Redeveloper or such successor, shall not apply to the part or parcel of the Property to which such certification relates.

SEC. 605. Agency's Option To Pay Mortgage Debt or Purchase Property. In any case, where, subsequent to default or breach by the Redeveloper (or successor in interest) under the Agreement, the holder of any mortgage on the Property or part thereof

(a) has, but does not exercise, the option to construct or complete the Improvements relating to the Property or part thereof covered by its mortgage or to which it has obtained title, and such failure continues for a period of sixty (60) days after the holder has been notified or informed of the default or breach; or

(b) undertakes construction or completion of the Improvements but does not complete such construction within the period as agreed upon by the Agency and such holder (which period shall in any event be at least as long as the period prescribed for such construction or completion in the Agreement), and such default shall not have been cured within sixty (60) days after written demand by the Agency so to do,

the Agency shall (and every mortgage instrument made prior to completion of the Improvements with respect to the Property by the Redeveloper or successor in interest shall so provide) have the option of paying to the holder the amount of the mortgage debt and securing an assignment of the mortgage and the debt secured thereby, or, in the event ownership of the Property (or part thereof) has vested in such holder by way of foreclosure or action in lieu thereof, the Agency shall be entitled, at its option, to a conveyance to it of the Property or part thereof (as the case may be) upon payment to such holder of an amount equal to the sum of: (i) the mortgage debt at the time of foreclosure or action in lieu thereof (less all appropriate credits, including those resulting from collection and application of rentals and other income received during foreclosure proceedings); (ii) all expenses with respect to the foreclosure; (iii) the net expense, if any (exclusive of general overhead), incurred by such holder in and as a direct result of the subsequent management of the Property; (iv) the costs of any Improvements made by such holder; and (v) an amount equivalent to the interest that would have accrued on the

aggregate of such amounts had all such amounts become part of the mortgage debt and such debt had continued in existence.

SEC. 606. Agency's Option To Cure Mortgage Default. In the event of a default or breach prior to the completion of the Improvements by the Redeveloper, or any successor in interest, in or of any of its obligations under, and to the holder of, any mortgage or other instrument creating an encumbrance or lien upon the Property or part thereof, the Agency may at its option cure such default or breach, in which case the Agency shall be entitled, in addition to and without limitation upon any other rights or remedies to which it shall be entitled by the Agreement, operation of law, or otherwise, to reimbursement from the Redeveloper or successor in interest of all costs and expenses incurred by the Agency in curing such default or breach and to a lien upon the Property (or the part thereof to which the mortgage, encumbrance, or lien relates) for such reimbursement: Provided, That any such lien shall be subject always to the lien of (including any lien contemplated, because of advances yet to be made, by) any then existing mortgages on the Property authorized by the Agreement.

SEC. 607. Mortgage and Holder. For the purposes of the Agreement: The term "mortgage" shall include a deed of trust or other instrument creating an encumbrance or lien upon the Property, or any part thereof, as security for a loan. The term "holder" in reference to a mortgage shall include any insurer or guarantor of any obligation or condition secured by such mortgage or deed of trust, including, but not limited to, the Federal Housing Commissioner, the Administrator of Veterans Affairs, and any successor in office of either such official.

ARTICLE VII. REMEDIES

SEC. 701. In General. Except as otherwise provided in the Agreement, in the event of any default in or breach of the Agreement, or any of its terms or conditions, by either party hereto, or any successor to such party, such party (or successor) shall, upon written notice from the other, proceed immediately to cure or remedy such default or breach, and, in any event, within sixty (60) days after receipt of such notice. In case such action is not taken or not diligently pursued, or the default or breach shall not be cured or remedied within a reasonable time, the aggrieved party may institute such proceedings as may be necessary or desirable in its opinion to cure and remedy such default or breach, including, but not limited to, proceedings to compel specific performance by the party in default or breach of its obligations.

SEC. 702. Termination by Redeveloper Prior to Conveyance. In the event that

(a) the Agency does not tender conveyance of the Property, or possession thereof, in the manner and condition, and by the date, provided in the Agreement, and any such failure shall not

be cured within thirty (30) days after the date of written demand by the Redeveloper; or

(b) the Redeveloper shall, after preparation of Construction Plans satisfactory to the Agency, furnish evidence satisfactory to the Agency that it has been unable, after and despite diligent effort for a period of sixty (60) days after approval by the Agency of the Construction Plans, to obtain mortgage financing for the construction of the Improvements on a basis and on terms that would generally be considered satisfactory by builders or contractors for improvements of the nature and type provided in such Construction Plans, and the Redeveloper shall, after having submitted such evidence and if so requested by the Agency, continue to make diligent efforts to obtain such financing for a period of sixty (60) days after such request, but without success,

then the Agreement shall, at the option of the Redeveloper, be terminated by written notice thereof to the Agency, and, except with respect to the return of the Deposit as provided in Paragraph (e), Section 3 of Part I hereof, neither the Agency nor the Redeveloper shall have any further rights against or liability to the other under the Agreement.

SEC. 703. Termination by Agency Prior to Conveyance. In the event that

(a) prior to conveyance of the Property to the Redeveloper and in violation of the Agreement

(i) the Redeveloper (or any successor in interest) assigns or attempts to assign the Agreement or any rights therein, or in the Property, or

(ii) there is any change in the ownership or distribution of the stock of the Redeveloper or with respect to the identity of the parties in control of the Redeveloper or the degree thereof; or

(b) the Redeveloper does not submit Construction Plans, as required by the Agreement, or (except as excused under subdivision (b) of Section 702 hereof) evidence that it has the necessary equity capital and mortgage financing, in satisfactory form and in the manner and by the dates respectively provided in the Agreement therefor; or

(c) the Redeveloper does not pay the Purchase Price and take title to the Property upon tender of conveyance by the Agency pursuant to the Agreement, and if any default or failure referred to in subdivisions (b) and (c) of this Section 703 shall not be cured within thirty (30) days after the date of written demand by the Agency,

then the Agreement, and any rights of the Redeveloper, or any assignee or transferee, in the Agreement, or arising therefrom with respect to the Agency or the Property, shall, at the option of the Agency, be terminated by the Agency, in which event, as provided in Paragraph (d), Section 3 of Part I hereof, the Deposit shall be retained by the Agency as liquidated damages and as its property without any deduction, offset, or recoupment whatsoever, and neither the Redeveloper (or assignee or transferee) nor the Agency shall have any further rights against or liability to the other under the Agreement.

SEC. 704. Revesting Title in Agency Upon Happening of Event Subsequent to Conveyance to Redeveloper. In the event that subsequent to conveyance of the Property or any part thereof to the Redeveloper and prior to completion of the Improvements as certified by the Agency

(a) the Redeveloper (or successor in interest) shall default in or violate its obligations with respect to the construction of the Improvements (including the nature and the dates for the beginning and completion thereof), or shall abandon or substantially suspend construction work, and any such default, violation, abandonment, or suspension shall not be cured, ended, or remedied within three (3) months (six (6) months, if the default is with respect to the date for completion of the Improvements) after written demand by the Agency so to do; or

(b) the Redeveloper (or successor in interest) shall fail to pay real estate taxes or assessments on the Property or any part thereof when due, or shall place thereon any encumbrance or lien unauthorized by the Agreement, or shall suffer any levy or attachment to be made, or any materialmen's or mechanics' lien, or any other unauthorized encumbrance or lien to attach, and such taxes or assessments shall not have been paid, or the encumbrance or lien removed or discharged or provision satisfactory to the Agency made for such payment, removal, or discharge, within ninety (90) days after written demand by the Agency so to do; or

(c) there is, in violation of the Agreement, any transfer of the Property or any part thereof, or any change in the ownership or distribution of the stock or the Redeveloper, or with respect to the identity of the parties in control of the Redeveloper or the degree thereof, and such violation shall not be cured within sixty (60) days after written demand by the Agency to the Redeveloper,

then the Agency shall have the right to re-enter and take possession of the Property and to terminate (and revest in the Agency) the estate conveyed by the Deed to the Redeveloper, it being the intent of this provision, together with other provisions of the Agreement, that the conveyance of the Property to the Redeveloper shall be made upon, and that the Deed shall contain, a condition subsequent to the effect that in the event of any default, failure, violation, or other action or inaction by the Redeveloper specified in subdivisions (a), (b), and (c) of this Section 704, failure on the part of

the Redeveloper to remedy, end, or abrogate such default, failure, violation or other action or inaction, within the period and in the manner stated in such subdivisions, the Agency at its option may declare a termination in favor of the Agency of the title, and of all the rights and interests in and to the Property conveyed by the Deed to the Redeveloper, and that such title and all rights and interests of the Redeveloper, and any assigns or successors in interest to and in the Property, shall revert to the Agency: Provided, That such condition subsequent and any revesting of title as a result thereof in the Agency

(1) shall always be subject to and limited by, and shall not defeat, render invalid, or limit in any way, (i) the lien of any mortgage authorized by the Agreement, and (ii) any rights or interests provided in the Agreement for the protection of the holders of such mortgages; and

(2) shall not apply to individual parts or parcels of the Property (or, in the case of parts or parcels leased, the leasehold interest) on which the Improvements to be constructed thereon have been completed in accordance with the Agreement and for which a certificate of completion is issued therefor as provided in Section 307 hereof.

In addition to, and without in any way limiting the Agency's right to reentry as provided for in the preceding sentence, the Agency shall have the right to retain the Deposit, as provided in Paragraph (d), Section 3 of Part I hereof, without any deduction, offset or recoupment whatsoever, in the event of a default, violation or failure of the Redeveloper as specified in the preceding sentence.

SEC. 705. Resale of Reacquired Property; Disposition of Proceeds. Upon the revesting in the Agency of title to the Property or any part thereof as provided in Section 704, the Agency shall, pursuant to its responsibilities under State law, use its best efforts to resell the Property or part thereof (subject to such mortgage liens and leasehold interests as in Section 704 set forth and provided) as soon and in such manner as the Agency shall find feasible and consistent with the objectives of such law and of the Urban Renewal Plan to a qualified and responsible party or parties (as determined by the Agency) who will assume the obligation of making or completing the Improvements or such other improvements in their stead as shall be satisfactory to the Agency and in accordance with the uses specified for such Property or part thereof in the Urban Renewal Plan. Upon such resale of the Property, the proceeds thereof shall be applied:

(a) First, to reimburse the Agency, on its own behalf or on behalf of the City, for all costs and expenses incurred by the Agency, including but not limited to salaries of personnel, in connection with the recapture, management, and resale of the Property or part thereof (but less any income derived by the Agency from the Property or part thereof in connection with such management); all taxes, assessments, and water and sewer charges with respect to the Property or part thereof (or, in the event the Property is exempt from taxation or assessment or such charges during the

period of ownership thereof by the Agency, an amount, if paid, equal to such taxes, assessments, or charges (as determined by the City assessing official) as would have been payable if the Property were not so exempt); any payments made or necessary to be made to discharge any encumbrances or liens existing on the Property or part thereof at the time of revesting of title thereto in the Agency or to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations, defaults, or acts of the Redeveloper, its successors or transferees; any expenditures made or obligations incurred with respect to the making or completion of the Improvements or any part thereof on the Property or part thereof; and any amounts otherwise owing the Agency by the Redeveloper and its successor or transferee; and

(b) Second, to reimburse the Redeveloper, its successor or transferee, up to the amount equal to (1) the sum of the purchase price paid by it for the Property (or allocable to the part thereof) and the cash actually invested by it in making any of the Improvements on the Property or part thereof, less (2) any gains or income withdrawn or made by it from the Agreement or the Property.

Any balance remaining after such reimbursements shall be retained by the Agency as its property.

SEC. 706. Other Rights and Remedies of Agency; No Waiver by Delay. The Agency shall have the right to institute such actions or proceedings as it may deem desirable for effectuating the purposes of this Article VII, including also the right to execute and record or file among the public land records in the office in which the Deed is recorded a written declaration of the termination of all the right, title, and interest of the Redeveloper, and (except for such individual parts or parcels upon which construction of that part of the Improvements required to be constructed thereon has been completed, in accordance with the Agreement, and for which a certificate of completion as provided in Section 307 hereof is to be delivered, and subject to such mortgage liens and leasehold interests as provided in Section 704 hereof) its successors in interest and assigns, in the Property, and the revesting of title thereto in the Agency: Provided, That any delay by the Agency in instituting or prosecuting any such actions or proceedings or otherwise asserting its rights under this Article VII shall not operate as a waiver of such rights or to deprive it of or limit such rights in any way (it being the intent of this provision that the Agency should not be constrained (so as to avoid the risk of being deprived of or limited in the exercise of the remedy provided in this Section because of concepts of waiver, laches, or otherwise) to exercise such remedy at a time when it may still hope otherwise to resolve the problems created by the default involved); nor shall any waiver in fact made by the Agency with respect to any specific default by the Redeveloper under this Section be considered or treated as a waiver of the rights of the Agency

with respect to any other defaults by the Redeveloper under this Section or with respect to the particular default except to the extent specifically waived in writing.

SEC. 707. Enforced Delay in Performance for Causes Beyond Control of Party. For the purposes of any of the provisions of the Agreement, neither the Agency nor the Redeveloper, as the case may be, nor any successor in interest, shall be considered in breach of, or default in, its obligations with respect to the preparation of the Property for redevelopment, or the beginning and completion of construction of the Improvements, or progress in respect thereto, in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not restricted to, acts of God, acts of the public enemy, acts of the Federal Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight, embargoes, and unusually severe weather or delays of subcontractors due to such causes; it being the purpose and intent of this provision that in the event of the occurrence of any such enforced delay, the time or times for performance of the obligations of the Agency with respect to the preparation of the Property for redevelopment or of the Redeveloper with respect to construction of the Improvements, as the case may be, shall be extended for the period of the enforced delay as determined by the Agency: Provided, That the party seeking the benefit of the provisions of this Section shall, within ten (10) days after the beginning of any such enforced delay, have first notified the other party thereof in writing, and of the cause or causes thereof, and requested an extension for the period of the enforced delay.

SEC. 708. Rights and Remedies Cumulative. The rights and remedies of the parties to the Agreement, whether provided by law or by the Agreement, shall be cumulative, and the exercise by either party of any one or more of such remedies shall not preclude the exercise by it, at the same or different times, of any other such remedies for the same default or breach or of any of its remedies for any other default or breach by the other party. No waiver made by either such party with respect to the performance, or manner or time thereof, or any obligation of the other party or any condition to its own obligation under the Agreement shall be considered a waiver of any rights of the party making the waiver with respect to the particular obligation of the other party or condition to its own obligation beyond those expressly waived in writing and to the extent thereof, or a waiver in any respect in regard to any other rights of the party making the waiver or any other obligations of the other party.

SEC. 709. Party in Position of Surety With Respect to Obligations. The Redeveloper, for itself and its successors and assigns, and for all other persons who are or who shall become, whether by express or implied assumption or otherwise, liable upon or subject to any obligation or burden under the Agreement, hereby waives, to the fullest extent permitted by law and equity, any and all claims or defenses otherwise available on the ground of its (or their) being or having become a person in the position of a surety, whether real, personal, or otherwise or whether by agreement or operation of law, including, without limitation on the generality of the foregoing, any and all claims and defenses based upon extension of time, indulgence, or modification of terms of contract.

ARTICLE VIII. MISCELLANEOUS

SEC. 801. Conflict of Interests; Agency Representatives Not Individually Liable. No member, official, or employee of the Agency shall have any personal interest, direct or indirect, in the Agreement, nor shall any such member, official, or employee participate in any decision relating to the Agreement which affects his personal interests or the interests of any corporation, partnership, or association in which he is, directly or indirectly, interested. No member, official, or employee of the Agency shall be personally liable to the Redeveloper, or any successor in interest, in the event of any default or breach by the Agency or for any amount which may become due to the Redeveloper or successor or on any obligations under the terms of the Agreement.

SEC. 802. Equal Employment Opportunity. The Redeveloper, for itself and its successors and assigns, agrees that during the construction of the Improvements provided for in the Agreement:

(a) The Redeveloper will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Redeveloper will take affirmative action to insure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Redeveloper agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Agency setting forth the provisions of this nondiscrimination clause.

(b) The Redeveloper will, in all solicitations or advertisements for employees placed by or on behalf of the Redeveloper, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) The Redeveloper will send to each labor union or representative of workers with which the Redeveloper has a collective bargaining agreement or other contract or understanding, a notice, to be provided, advising the labor union or workers' representative of the Redeveloper's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Redeveloper will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Redeveloper will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor or the Secretary of Housing and Urban Development pursuant thereto, and will permit access to the Redeveloper's books, records, and accounts by the Agency, the Secretary of Housing and Urban Development, and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(f) In the event of the Redeveloper's noncompliance with the nondiscrimination clauses of this Section, or with any of the said rules, regulations, or orders, the Agreement may be canceled, terminated, or suspended in whole or in part and the Redeveloper may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Redeveloper will include the provisions of Paragraphs (a) through (g) of this Section in every contract or purchase order, and will require the inclusion of these provisions in every subcontract entered into by any of its contractors, unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each such contractor, subcontractor, or vendor, as the case may be. The Redeveloper will take such action with respect to any construction contract, subcontract, or purchase order as the Agency or the Department of Housing and Urban Development may direct as a means of enforcing such provisions, including sanctions for noncompliance: Provided, however, That in the event the Redeveloper becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the Agency or the Department of Housing and Urban Development, the Redeveloper may request the United States to enter into such litigation to protect the interests of the United States. For the purpose of including such provisions in any construction contract, subcontract, or purchase order, as required hereby, the first three lines of this Section shall be changed to read "During the performance of this Contract, the Contractor agrees as follows:", and the term "Redeveloper" shall be changed to "Contractor".

SEC. 803. Provisions Not Merged With Deed. None of the provisions of the Agreement are intended to or shall be merged by reason of any deed transferring title to the Property from the Agency to the Redeveloper or any successor in interest, and any such deed shall not be deemed to affect or impair the provisions and covenants of the Agreement.

SEC. 804. Titles of Articles and Sections. Any titles of the several parts, Articles, and Sections of the Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

* U.S. GOVERNMENT PRINTING OFFICE : 1969 O—356-731

FIRST AMENDMENT TO DISPOSITION AND DEVELOPMENT AGREEMENT

This Amendment, made as of October 30, 1984, by and between the Redevelopment Agency of the City of Sacramento, a public body, corporate and public (hereinafter "Agency") and Sacramento Hotel Associates, a limited partnership (hereinafter "Redeveloper") amends that certain Disposition and Development Agreement ("the Agreement") between the parties hereto dated July 17, 1984.

In consideration of the mutual promises, obligations and covenants of the Agreement and this Amendment, the parties hereto do hereby amend the Agreement as follows:

1. Section 8(h) of the Agreement is hereby amended to read as attached hereto as Exhibit "A".

2. Section 8(j) of the Agreement is hereby amended to read as attached hereto as Exhibit "B".

3. All other terms, conditions and provisions of the Agreement remain unchanged and in full force and effect.

REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO

BY _____
Chairman

BY _____
Secretary

Approved As To Form:

_____
Agency Counsel

SACRAMENTO HOTEL ASSOCIATES,
A Minnesota Limited Partnership

BY: LANDMARK OF SACRAMENTO
INC., a general partner

BY _____
Its President

(h) Parking Agreement - Underground Structure

There shall be developed, pursuant to approved plans, two parking structures upon the premises: an underground structure of approximately three hundred fifty three (353) spaces (hereinafter "the underground structure") and a surface structure of approximately three hundred fourteen (314) spaces (hereinafter "the surface structure"). The surface structure shall be developed by Agency pursuant to the provisions of Section 8(j) below. In a form to be agreed upon, the Agency shall lease and cause the underground structure to be operated pursuant to an agreement conforming to the following criteria:

(i) The rent to be paid by the Agency to the Redeveloper for the underground structure shall be One Million Dollars ($1,000,000.00) per annum net to Redeveloper after payment of property taxes and hazard insurance directly attributable to said structure.

(ii) The agreement shall have a term equal to that of the Ground Lease and any option term thereof.

(iii) The agreement for the underground structure shall terminate automatically upon the sale or refinance of the Hotel premises or the purchase of the premises pursuant to Section 12.12 et. seq., of the Ground Lease.

(iv) The underground structure shall be made available by the Agency to the Redeveloper for hotel guest parking or in the discretion of the Redeveloper other types of parking, provided the written consent of the Hotel Operator is first obtained. In consideration therefor, Redeveloper shall pay to Agency the greater of: (1) One Hundred Fifty Thousand Dollars ($150,000.00) or (2) twenty-five percent (25%) of all of Redeveloper's pre-tax cash flow after payment of Ground Lease rent, debt service on instruments senior to the Agency's Ground Lease, payments pursuant to Section 8(j), and debt service on instruments securing operating deficit loans and after allowance for a fifteen percent (15%) return on equity. Notwithstanding the foregoing, the total annual sum paid by Redeveloper to Agency shall not exceed the amount paid by the Agency pursuant to subpart (i) of this section (as reduced by payments by Redeveloper to Agency pursuant to Section 8(j) below) and provided further that, if and when said payment by Redeveloper to Agency shall equal the amount under subpart (i) above, (as reduced by payments by Redeveloper to Agency pursuant to Section 8(j) below) or at such earlier time as Redeveloper may in its discretion elect, the agreement relating to the underground structure shall terminate. For purposes of this subpart, "equity" shall mean the difference between the total amount of debt secured by the security instrument to which the Agency 's Ground Lease is subordinated pursuant to Section 6.01 of the Ground Lease and the total amount of funds expended by the Redeveloper for making the improvements as calculated pursuant to Section 6.01(b) of the Ground Lease not including sums expended by Agency pursuant to Section 8(j) (iv) below plus reserves certified to be reasonable and necessary by Redeveloper's certified public accountant. For purposes of this subpart, "operating deficit loans" shall be loans in which all proceeds are devoted to funding operating deficits of the Hotel, and where prior thereto all equity funds shall have been devoted to the construction of the improvements (excluding exclusionary items set forth in Section 6.01(b) of the Ground Lease) and to funding operating deficits and no equity funds above that cumulative amount expressly allowed by Section 6.01(b) shall have been disbursed to the Redeveloper, any owner of Redeveloper or any affiliate of the Redeveloper or any owner thereof.

(v) The Agency shall operate its surface structure as a public parking structure at its expense and shall be under no obligation to make any spaces available to Redeveloper or Redeveloper's customers or guests.

(vi) Notwithstanding the provisions of subpart (iv) hereof, for the first five (5) operational years of the Hotel, the One Hundred Fifty Thousand Dollar ($150,000.00) minimum payment set forth therein shall be subordinate to a fifteen percent (15%) return on equity, as that term is defined in Section 8 (h) (iv). To the extent that such available cash flow is insufficient to pay the rent set forth in subpart (iv) hereof, such unpaid amounts shall be cumulated and paid from the next available cash flow after allowance for a fifteen percent (15%) cumulative return on equity and, in any event, upon the sale or refinance of the Hotel premises.

(vii) The obligations under that certain Easement and Use Agreement between Kimmel Properties and The Northwestern Mutual Life Insurance Company dated March 3, 1980 shall be fulfilled from spaces within the Agency's above grade parking structure.

EXHIBIT H

SAW

(j) **Agency Improvements**

Redeveloper and Agency agree that the developer of the Improvements, as described in the Scope of Development, Exhibit "G" attached hereto, will require public assistance beyond that available in the private sector and in addition to the assistance represented by the subsidized levels of Ground Lease rent and parking garage lease payments set forth in this Agreement and in the Ground Lease attached hereto as Exhibit "D". In recognition of the foregoing, Agency agrees to develop, own and operate or cause to be operated, an above-ground public parking structure (hereinafter "the surface structure") of approximately three hundred fourteen (314) spaces and certain additional public improvements subject to and pursuant to the following provisions:

(i) The total amount expended by the Agency for all improvements specified in subpart (iv) below shall in no event exceed Four Million Dollars ($4,000,000.00).

(ii) In consideration of the assurance of public parking and other amenities specified herein upon the site, Redeveloper shall pay to Agency a public parking assurance payment (hereinafter "PPA Payment") in an amount of Three Hundred Twenty Thousand Dollars ($320,000.00) per annum, beginning upon the first day of the sixth (6th) operational year of the Hotel and annually thereafter to and including the earlier of: (1) the first day of the thirty-sixth (36th) operational year of the Hotel or (2) the permanent closure of the public parking structure.

(iii) The PPA payments required by subpart (ii) shall be paid, to the extent available, from Redeveloper's pre-tax cash flow after payment of Ground Lease rent, debt service on instruments senior to the Agency's Ground Lease, debt service on operating deficit loan and after allowance for a fifteen percent (15%) return on equity, as that term is defined in Section 8(h)(iv) above. To the extent that such available cash flow is insufficient to meet the debt service payments on this financing, such unpaid amounts shall be cumulated and paid together with interest calculated pursuant to Section 2.04 of the Ground Lease from the next available cash flow and, in any event, upon the sale or refinance of the Hotel premises or upon the purchase of the premises by the Redeveloper pursuant to Sections 12.12, et seq., of the Ground Lease.

(iv) Subject to the dollar limitation set forth in subpart (i) of this section above, the Agency shall undertake, in descending order of priority, the following developments and/or payments to the extent of available funds:

(A) the surface parking structure;

(B) the incremental foundation costs of Redeveloper which, in the determination of Redeveloper's and Agency's structural engineers or, in the case of disagreement, in the determination of an impartial third structual engineer selected by the first two (the cost of which is shared equally by Redeveloper and Agency), would not otherwise have been required for Redeveloper's structures but for the existence of the surface parking structure;

(C) the portion of the Redeveloper's expenditures for Art in Public Places (pursuant to the applicable City ordinance) which is calculated by multiplying the total qualifying expenditure of Redeveloper under the ordinance by the proportion which the cost of the surface parking structure (including (A) and (B) above) bears to the total cost of the development;

(D) the reimbursement of Redeveloper by Agency of sums paid by Redeveloper for architectural and engineering services related to the planning and design of the surface parking structure provided that such sums are (1) reasonably and proximately related to said structure and (2) not in excess of those which would have been paid by Agency to a third party architect/engineer on a negotiated, arms-length services contract;

(E) the landscaping and other external improvements upon the open space area abutting Thirteenth Street as reflected by the approved plans and specifications, including the reimbursement of Redeveloper by Agency of sums paid by Redeveloper for architectural and engineering services related to the planning and design of the open space area provided that such sums are (1) reasonably and proximately related to said ~~structure~~ AREA and (2) not in excess of those which would have been paid by Agency to a third party architect/engineer on a negotiated, arms-length services contract and provided further that all such open space area shall be subleased by Redeveloper to Agency for One Dollar ($1.00) per year for a term concurrent with the Lease.

(F) the incremental cost attributable to extraordinary excavation conditions encountered upon the site by Redeveloper or its contractor.

As to the foregoing improvements, if the Agency is incapable of completing all or any portion of all such improvements by reason of the limitation in subpart (i) above, Redeveloper shall nonetheless complete all such improvements at its own cost and expense, except only in the event of the eventuality set forth in subpart (viii) below.

(v) If the total sum paid by Agency for all of the improvements and/or payments specified in subpart (iv) above shall be less than Four Million Dollars ($4,000,000.00), then the PPA payment specified in subpart (ii) above shall be adjusted

EXHIBIT B

by multiplying said PPA payment amount by the proportion which the actual amount incurred by Agency bears to Four Million Dollars ($4,000,000.00).

(vi) Redeveloper and Agency mutually acknowledge the applicability of various statutory requirements to Agency's contracts relating to the development of the surface parking structure and other improvements specified in subpart (iv) above, including without limitation California Health and Safety Code Section 33422 and California Labor Code Section 1771.

Further, the parties mutually acknowledge that proper scheduling and coordination of construction and necessary cost efficiency require that construction of the Agency's surface parking structure and Redeveloper's underground structure and sublateral support be accomplished by the same contractor. Therefore, it is agreed that the construction of the surface parking structure should be accomplished by the Redeveloper's contractor, provided that, pursuant to an agreement to be agreed upon by the parties hereto, in the selection of said contractor and in determination of the contract amount, Redeveloper shall employ such procedures, provisions and agreements as shall be reasonably necessary, in the judgment of Agency counsel, to comply with applicable law. Notwithstanding any other provision hereof, this provision shall not be deemed or construed to require any illegal act or agreement by Agency.

(vii) The air space occupied by the surface parking structure shall be excepted from the Ground Lease attached hereto as Exhibit "D" and reserved to Agency in perpetuity. Further, Redeveloper agrees to execute contemporaneously with the execution of the Ground Lease such additional documents as are reasonably necessary, in the opinion of Agency counsel, to insure the continued viability of the public parking usage upon the premises, including, without limitation, easements running with the land for signage, support, ingress and egress, conditioned only upon continued public parking usage.

(viii) The financial obligations of Agency under this Section 8(j) will necessitate the issuance by Agency of tax exempt, revenue bonds supported solely by tax increment payments paid to Agency pursuant to the California Community Redevelopment Law. If Agency should determine on or before June 1, 1985 that it cannot legally and/or feasibly issue such bonds and thereupon so notify Redeveloper, the provisions of this Section 8(j) shall be modified to relieve Agency of its obligation to build and/or purchase the surface parking structure and its attendant costs as set forth in subparts (iv)(A) through (D) inclusive above and further to limit the Agency's maximum expenditure under this Section 8(j) pursuant to subpart (i) above to a sum equal to Four Million Dollars ($4,000,000.00) less the reasonably anticipated actual cost of the improvements specified in subparts (iv)(A) through (D) inclusive above had said improvements been constructed pursuant to approved plans and specifications. For purposes of this subpart, the issuance of the aforesaid tax increment bonds shall be "infeasible" if, for any reason, Agency is unable to issue such bonds in such amounts and on such terms as to produce (1) net proceeds of at least Four Million Dollars ($4,000,00.00) (2) at an effective rate of interest on such net proceeds of not more than sixteen percent (16%), (3) for a term of not less than twenty (20) years, (4) supported only by tax increment payments to and revenues of the Agency.

EXHIBIT B

SAG

SECOND AMENDMENT TO DEVELOPMENT AND DISPOSITION AGREEMENT

THIS AMENDMENT executed as of the 18th day of June 1985 by and between the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a public body corporate and politic ("AGENCY") and COOK REGENCY CORPORATION, a California Corporation,("COOK") amending that certain Disposition and Development Agreement dated as of July 17, 1984 by and between the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO and SACRAMENTO HOTEL ASSOCIATES, a California Limited Partnership, ("SHA").

WHEREAS, the principals of COOK were the principals of an entity which participated in SHA; and

WHEREAS, the general partners of SHA have indicated to AGENCY that they no longer wish to take an active part in the project; and

WHEREAS, COOK and SHA have proposed an assignment from SHA to COOK and have submitted the requisite documentation in support therefor; and

WHEREAS, COOK proposes to continue to develop a project of substantially the same nature, type and extent as that proposed by SHA in its original proposal dated April 18, 1984 and approved by AGENCY on July 17, 1984; and

WHEREAS, COOK has represented to AGENCY that upon receipt of the changes and the schedule of performance set forth in this Amendment, COOK will be able to proceed to cause construction of the project to begin not later than October 31, 1985;

NOW THEREFORE, in consideration of the mutual promises and obligations of the parties hereto it is agreed as follows:

Section 1. The Management Agreement dated May 29, 1985, attached hereto as Exhibit "A", by and between the Hyatt Corporation and COOK is hereby accepted.

Section 2. The assignment of interest in the Disposition and Development Agreement by SHA to COOK pursuant to the Assignment Agreement attached hereto as Exhibit "B" is hereby approved.

Section 3. The schedule of performance, Exhibit F to the Disposition and Development Agreement, is hereby

deleted and the Schedule of Performance attached hereto as Exhibit "C" is substituted in lieu and instead thereof.

Section 4. The revised preliminary plans as attached hereto as Exhibit "D" are conceptually approved by AGENCY subject to review and approval by the Design Review and Preservation Board of the City of Sacramento.

Section 5. By reason of this Amendment, the Notice of Default dated May 2, 1985 issued by AGENCY to SHA is hereby withdrawn.

Section 6. COOK hereby ratifies, confirms and undertakes to perform each and every promise, term, condition and obligation of the aforesaid Disposition and Development Agreement, as amended, in lieu and instead of SHA. Nothing contained herein shall be deemed or construed to be a release of SHA from its liability under the aforesaid Disposition and Development Agreement.

Executed at Sacramento, California as of the date and year first above written.

COOK REGENCY CORPORATION
A California Corporation

BY Robert A. Cook
President

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, A Public Body, Corporate and Politic

BY Anne Rudin
Chairman

BY William H Edgar
Secretary

Approved As To Form:

Agency Counsel

EXHIBIT A

MANAGEMENT AGREEMENT
(Sacramento)

between

COOK REGENCY CORPORATION,
a California corporation

and

HYATT CORPORATION,
a Delaware corporation

DATED: May ~~27~~ 29 CRC, 1985

051383
PMK-0416

INDEX OF DEFINITIONS

INDEX

MANAGEMENT AGREEMENT

THIS AGREEMENT is executed in several counterparts as of the ~~22nd~~ 29th day of May, 1985, by and between COOK REGENCY CORPORATION, a California corporation (hereinafter called "Owner"), and HYATT CORPORATION, a Delaware corporation (hereinafter called "Hyatt").

RECITALS

Owner will be the lessee of that certain real property (the "Site") located in the City and County of Sacramento, State of California, more particularly described in Exhibit A attached hereto and hereby made a part hereof.

Pursuant to a Development Agreement between Owner and the Redevelopment Agency of the City of Sacramento, California, executed July 17, 1984, as amended October 29, 1984 ("Development Agreement"), Owner desires to build, furnish and equip a first-class hotel upon the Site and to have the same managed by Hyatt for the account of Owner.

Owner and Hyatt desire to enter into this Agreement respecting the construction and furnishing of a first-class hotel on the Site and the management thereof by Hyatt upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto hereby agree as follows:

Section 1. CONSTRUCTION, FURNISHING AND EQUIPPING, PRE-OPENING AND OPENING OF HOTEL.

1.1 Construction.

Owner shall, in accordance with the Development Agreement, and in accordance with plans, specifications, budgets and financing (including both debt and

equity financing), approved by Hyatt (which approval shall not be unreasonably withheld), and with reasonable diligence, cause such hotel improvements (the "Improvements") to be constructed upon the Site as may be necessary or desirable to meet a first-class hotel standard. The Improvements shall include a building containing approximately 500 room modules (the "Building"), adequate parking and appropriate landscaping.

1.2 Furnishings and Equipment and Operating Equipment.

Owner shall, in accordance with plans, specifications, budgets and financing (including both debt and equity financing) to be approved by Hyatt (which approval shall not be unreasonably withheld), cause to be purchased and installed in or about the Building all of the following to the extent necessary or desirable to meet a first-class hotel standard: (1) furniture and furnishings; (2) hotel equipment (including office equipment and property management equipment as necessary); (3) uniforms, tools and utensils, and (4) china, glassware, linens, silverware and the like (all of the foregoing being hereinafter referred to as "FFE," the items referred to under (1) and (2) above being hereinafter collectively referred to as "Furnishings and Equipment," and the items referred to under (3) and (4) above being hereinafter collectively referred to as "Operating Equipment").

1.3 "Hotel" and "First-class Hotel Standard" Defined.

The Site, the Improvements and the FFE are herein collectively referred to as the "Hotel."

As respects Hyatt's approval rights as set forth in Section 1 of this Agreement, a "first-class hotel standard" refers to the standard of construction, furnishing and equipping applicable to such other hotels comparable in size to the Hotel and operated by Hyatt under the "Regency" designation, which, as of the date hereof, represents the highest quality hotels of such size in the Hyatt chain of hotels.

As respects operational standards, a "first-class hotel standard" refers, at

any given time, to the standard of operation of such other hotels comparable in size to the Hotel and operated by Hyatt under the "Regency" designation, which then represent the highest quality of hotels of such size in the Hyatt chain of hotels, such as the Hyatt Regency Princeton, the Hyatt Regency Cincinnati and the Hyatt on Capitol Square (Columbus). The first-class hotel standard includes, without limitation, operations of the Hotel on a seven day a week, twenty-four hour a day basis, with adequate staffing to provide first-class staffing, and food, beverage, housekeeping, banquet, parking, bellmen and porter services; provided that such standard of operation shall never be lower than the standard of operation existing at the date hereof with respect to the highest quality of hotels of such comparable size in the Hyatt chain of hotels which are, as of the date hereof, being operated by Hyatt under the "Regency" designation.

1.4 Plans and Specifications.

Owner shall engage and retain, at no expense to Hyatt, such architects, designers, specialists and contractors (each of whom shall be approved in advance by Hyatt) as shall be necessary and appropriate in connection with the planning and completion of the Improvements and in connection with the design, selection, purchase and installation of the FFE. Owner shall, with reasonable diligence, cause to be prepared with respect to the Hotel full and adequate plans and specifications meeting a first-class hotel standard and shall furnish copies of each thereof to Hyatt for its advance approval. Approvals required by this Section 1.4 shall not be unreasonably withheld, and Hyatt hereby approves Ellerbe Associates, Inc. as architects for the project.

1.5 Technical Assistance Services Respecting Improvements.

Hyatt shall consult with Owner and its architect at such reasonable times and places as Owner shall specify, to provide technical assistance in connection with the planning and completion of the Improvements. Such consultation shall include, but shall

not be limited to, the matters set forth in Annex I hereto. In consideration of such services, Owner shall pay to Hyatt a fee not to exceed $250,000, payable as follows: (i) on or before July 22, 1985 Owner shall pay to CRC ~~has paid~~ Hyatt the sum of $50,000, ~~the receipt whereof is hereby acknowledged by Hyatt~~; and (ii) twenty (20) installments of $10,000 each due on the first day of each month commencing on the first day of August, 1985, provided, however, the entire unpaid balance shall be due on or before the Opening Date.

Except as provided in Section 1.8, in the event that this Agreement shall be terminated at any time or for any reasons, the sum then due under the first paragraph of this Section 1.5 shall be due and payable upon such termination and payment thereof shall be a condition to such termination.

1.6 Pre-opening Budget.

As soon as practicable after the receipt by Hyatt of the "construction commencement notice" (as provided in Section 1.7(a)), setting forth the estimated Opening Date for the Hotel, Hyatt shall submit to Owner, for its approval, (which approval shall not be unreasonably withheld) a budget setting forth the costs and expenses (the "pre-opening expenses") to be incurred during the "pre-opening period" (as hereinafter defined) for the staffing of the Hotel, for pre-opening promotion and advertising, and for the organization of the Hotel's operations and services. Initially, such budget shall equal the sum determined by multiplying $3,000 by the number of guest rooms to be included in the Building, which sum, as the same may be revised from time to time as set forth below, is herein referred to as the "budgetary limit." The "pre-opening period" shall commence on the "construction commencement date" referred to in Section 1.7(a), and shall end on the date preceding the Opening Date referred to in Section 1.7(b). Such budget shall, among other things, include the estimated cost of Chain Services as defined in Section 7.2 (without taking into account, however, the cost of the centralized reservation services) properly allocable to the Hotel for that portion

of the pre-opening period commencing at approximately the time a sales office for the Hotel is opened. Hyatt shall not, without Owner's approval (which approval shall not be unreasonably withheld), incur aggregate pre-opening expenses in excess of the budgetary limit. Subject to the foregoing restriction, Hyatt shall not be limited in respect of the amounts to be incurred for the various categories of pre-opening expenses as specified in such budget, except (i) that Hyatt shall not enter into contracts, agreements or understandings involving a commitment in excess of $50,000 without Owner's prior approval and (ii) that the total cost of Chain Services (without taking into account, however, the cost of the centralized reservation services) shall not exceed such amount as would properly be allocable to the Hotel if the same were in operation during the pre-opening period.

No later than the "construction commencement date" (as defined in Section 1.7(a) below), Owner shall advise Hyatt in writing of the estimated Opening Date. Whenever it shall be reasonably apparent that the estimated Opening Date theretofore specified is inappropriate, Owner shall promptly give notice to Hyatt designating a revised estimated Opening Date. In any such event, Hyatt shall promptly submit to Owner for its approval (which approval shall not be unreasonably withheld) a revised budget (and revised budgetary limit) which shall, as compared with the immediately preceding budgetary limit, reflect any additional cost or expense.

Subject to the foregoing, Hyatt shall have the right, in the name of Owner, to enter into contracts for pre-opening expenses and Owner shall be liable for the payment of obligations incurred in connection with such contracts. In the alternative, Hyatt may, in its own name, incur and pay pre-opening expenses within the budgetary limit, in which case Owner shall reimburse Hyatt for pre-opening expenses so paid by Hyatt within ten (10) days after receipt by Owner of Hyatt's statement in respect

thereof, or, if later, the date of the next disbursement of loan funds under Owner's construction loan agreement, but in no event later than forty-five (45) days after receipt by Owner of such statement.

The initial budgetary limit of $3,000 per room set forth in the first paragraph hereof assumes that construction of the Building will commence no later than December 1, 1985 and that the Opening Date shall be not later than December 1, 1987. Anything herein contained to the contrary notwithstanding, in the event the commencement of construction or the Opening Date shall be delayed for any reason beyond the dates set forth in the preceding sentence, the budgetary limit shall be increased (but not decreased) by a percentage equal to the amount, if any, by which the Consumer Price Index for U.S. City Averages for all Urban Consumers, All Items, published from time to time by the United States Bureau of Labor Statistics ("CPI") exceeds the CPI in effect as of the end of the month preceding the date hereof, and by the amount of any other cost increases directly attributable to the delay. If the CPI is discontinued or is unavailable or is substantially revised, a comparable index agreeable to Owner and Hyatt reflecting the changes in the cost of living or purchasing power of the consumer dollar, published by any governmental agency or recognized authority shall be used in place thereof.

1.7 Construction Commencement Date and Opening Date.

(a) Owner shall give Hyatt at least thirty (30) days' notice (the "construction commencement notice") of the date when construction of the Building will commence. The "construction commencement date" shall mean that date which is the earlier to occur of (i) the date on which all footings and foundations for the Building shall have been completed, or (ii) if construction financing for the project shall have been obtained, and funds shall have been

advanced pursuant to a construction loan, the date of commencement of excavation for the Building.

(b) The "Opening Date" of the Hotel shall be the date specified by Owner in a notice to Hyatt (given at least fifteen (15) days prior to the Opening Date so specified), provided that the Opening Date shall not be sooner than the day by which all of the following conditions shall have been met: the Improvements shall have been substantially completed in accordance with the plans and specifications theretofore approved by Hyatt, the applicable governmental authorities shall have issued all certificates of occupancy and other required consents and approvals with respect to the Improvements, and the FFE conforming to the plans and specifications theretofore approved by Hyatt shall (except for minor inconsequential items) have been properly installed in the Building. The parties hereto agree to execute an Addendum to this Agreement setting forth the Opening Date, and a counterpart of such Addendum shall be attached to and become a part of each counterpart of this Agreement.

1.8 Termination by Owner for Failure to Obtain Financing Commitments.

In the event that Owner shall in good faith determine that it cannot obtain reasonable financing commitments in respect of the Hotel, then Owner may, at any time prior to the commencement of construction of the Building, terminate this Agreement by giving notice to such effect to Hyatt. Upon any termination of this Agreement pursuant to this Section 1.8, Owner shall be relieved of any further obligation to pay any portion of the fee referred to in Section 1.5 which has not yet become due and payable, but shall not be entitled to a refund of any amount previously paid or required to be paid to Hyatt. If, at any time, within two (2) years following the effective date of any such termination, Owner or any of its affiliates, commences construction of a hotel on the

Site, this Management Agreement shall, at the option of Hyatt, continue in effect with respect to such hotel and Owner shall thereupon immediately pay to Hyatt (if Hyatt elects its option as herein provided) the full amount of the fee due to Hyatt pursuant to Section 1.5 which remained unpaid on the effective date of such termination.

1.9 Termination by Hyatt.

Hyatt shall have the right to terminate this Agreement in the event that it does not approve financing or that commencement of construction of the Building shall not occur by July 1, 1986 or if completion of construction has not occurred by July 1, 1988. Such right shall be exercisable by Hyatt giving Owner 60 days' written notice of termination. Upon any termination of this Agreement pursuant to Section 1.9, Owner shall be relieved of any further obligation to pay any portion of the fee referred to in Section 1.5 which has not yet become due and payable, but shall not be entitled to a refund of any amount previously paid or required to be paid to Hyatt.

Section 2. TERM.

(a) The original term of this Agreement shall commence on the Opening Date provided in Section 1.7(b) and shall continue until the succeeding December 31st, and for an aggregate of thirty (30) fiscal years thereafter, unless this Agreement shall be sooner terminated as herein provided.

(b) Hyatt shall have the right (amounting to two (2) separate renewal options) to extend such original term for two (2) successive periods ("renewal terms") of ten (10) fiscal years each, provided that, as to each renewal option, Hyatt shall give notice to Owner of its election to extend such term at least eighteen (18) months prior to the time when the term then in force would otherwise expire; that, at the time when such notice is given, there shall not be an uncured

event of default on the part of Hyatt hereunder; and that the term of this Agreement shall have been extended for the prior renewal term, if any.

(c) As used herein, the "Term" shall mean the original term and any renewal term or terms.

Section 3. USE AND OPERATION OF THE HOTEL.

3.1 Use and Standard of Operation.

(a) Owner hereby grants to Hyatt the sole and exclusive right to manage and operate the Hotel pursuant to the terms of this Agreement and Hyatt agrees that, except to the extent excused as hereinafter provided, Hyatt will, as the agent of Owner, operate the Hotel during the Term in conformity with a first-class hotel standard and in a businesslike and efficient manner as an economic enterprise; and Hyatt shall use the Hotel solely for the operation of a hotel business conforming to a first-class hotel standard and for other activities which are customary and usual in connection with such an operation. Except as otherwise specifically limited under this Agreement, Hyatt, as sole and exclusive agent of Owner, shall (subject to compliance with the provisions of Section 6.2 hereof) have absolute control and discretion in the operation of the Hotel including, without limitation, the right and power to negotiate and enter into such reasonable contracts (including, without limitation, collective bargaining agreements or labor contracts) in the name and at the expense of Owner as may be reasonably necessary or advisable in connection with the operation of the Hotel (subject, however, to Owner's right to approve contracts with a corporation or a person or persons controlling, controlled by, or under common control or affiliated with Hyatt) and the right to determine the terms of admittance, charges for rooms, charges for entertainment, food and

beverages, labor policies (including wage rates, the hiring and discharging of employees, and the installation of employee retirement or other benefit plans), and all phases of promotion and publicity relating to the Hotel. Hyatt shall notify Owner in writing each time Hyatt enters into a contract having a term of more than one year and involving an expenditure of more than $100,000 (said amount to be subject to increase by reason of any increases in the U.S. Consumer Price Index (CPI) from the date of this Agreement to the beginning of each fiscal year), provided, however, no failure by Hyatt to deliver such notification shall be grounds for termination of this Agreement unless such failure was willful or deliberate. The rights of Owner to receive an amount based on the financial returns from the operation of the Hotel shall not be deemed to give Owner any interest, control or discretion in the operation of the Hotel which is vested in Hyatt, as agent for Owner, pursuant to this Agreement.

Anything herein to the contrary notwithstanding, Owner agrees that Hyatt may retain its affiliate, Rosemont Purchasing Company ("Rosemont"), to act as a purchasing agent for Owner in connection with acquiring replacements of and additions to Operating Equipment, FFE, or otherwise. Owner also agrees that Rosemont will be paid a fee for its services, which fee will be no greater than that charged by Rosemont to unaffiliated third parties for comparable services. Purchases made from or through Rosemont shall be at Rosemont's cost for such merchandise, without profit or mark-up, it being understood that the fee charged by Rosemont for its purchasing services shall be its only compensation therefor.

All employees of the Hotel shall be the employees of Hyatt and Hyatt may reimburse itself out of operating accounts for the total aggregate compensation, including, without limitation, fringe benefits and annual bonuses paid or payable to

the employees so assigned or, as the case may be, to all employees of the Hotel. The term "fringe benefits" shall, without limitation, include the cost of pension or profit sharing plans, workers' compensation benefits, group life and accident and health insurance or equivalent benefits and similar benefits available to such employees by virtue of their employment by Hyatt.

In the event and whenever Hyatt shall be subject to any tax, irrespective of its designation (including a fee, charge or other imposition for the issuance of a license, permit or the privilege to conduct a business or occupation, but excluding corporate franchise or net income taxes to which Hyatt is generally subject), imposed, levied or assessed by the United States, the State of California, or the City or County of Sacramento, any subdivision or agency of the foregoing or any other government body, which tax is measured, in whole or in part, by reference to reimbursements to Hyatt for compensation, employment taxes or any fringe benefits paid or payable to or in respect of employees of the Hotel, then, and in any such event, Owner will indemnify and hold Hyatt harmless from and against any and all liability for such tax or taxes to the extent so measured. Any payments made by Owner in this connection shall be deducted in computing Profit (as defined in Section 5.2 hereof) hereunder for any period. At Owner's request, Hyatt will resist, by appropriate proceedings, any liability for any tax which is the subject of the foregoing indemnification, in which case all costs and expenses (including, without limitation, attorneys' fees) incurred by Hyatt in resisting or defending itself against such liability shall be borne and paid for by Owner.

(b) Notwithstanding anything in this Section 3.1 or elsewhere in this Agreement contained, Hyatt shall be excused from its obligation to operate the Hotel in conformity with a first-class hotel standard (i) to the extent and whenever

Hyatt shall be prevented from compliance with such standard by "Force Majeure Causes," (ii) to the extent of any breach by Owner of any provision hereof, including, without limitation, a breach of Owner's obligations under Sections 7.1 and 5.4(c) hereof and (iii) to the extent and whenever there is herein provided a limitation upon Hyatt's ability to expend funds in respect of the Hotel (for example, the limitations contained in Section 5.4 hereof respecting monies available for the replacement of, and additions to, Furnishings and Equipment), provided that the failure to expend funds by reason of the operation of such limitation shall reasonably prevent Hyatt from meeting such standard. For the purpose hereof, Force Majeure Causes shall mean causes beyond the reasonable control of Hyatt, including casualties, war, insurrection, strikes, lockouts and governmental actions (but excluding causes which can be controlled by the expenditure of money in accordance with good business practices).

It is expressly agreed and understood that each and every provision contained in this Agreement pursuant to which Hyatt is excused from its obligation to operate the Hotel in conformity with a first-class hotel standard shall operate without prejudice to any other remedy (including, without limiting the generality of the foregoing, the right to terminate this Agreement) which Hyatt shall have under the terms of this Agreement.

3.2 Leases and Concessions.

(a) Hyatt shall not, without the approval of Owner (which approval shall not be unreasonably withheld), arrange leases or concessions for any hotel operations, any restaurant or food service operations or for any other commercial operation in or about the Hotel. Any such lease or concession so approved shall be entered into in Owner's name and shall be executed by Owner (or Hyatt, as agent).

(b) Hyatt shall, during the Term, use reasonable efforts to perform, as agent for Owner, all of the obligations of Owner as landlord or concessionaire under all present or future leases and concessions made or granted with respect to the Hotel.

(c) Hyatt shall collect all rents and other sums falling due during the Term under any present or future lease or concession, and shall deposit the same in the operating accounts.

(d) Notwithstanding the foregoing provisions of this Section 3.2, it is understood that Owner is considering the leasing of certain space in or about the Hotel premises for commercial purposes unrelated to the operation of the Hotel, and it is agreed that Owner shall have the full right and authority to do so, and that Hyatt shall have no liability or responsibility with respect to administering or enforcing any of the provisions of any such lease entered into by Owner or to collect rentals thereunder, provided, however, that (i) Owner shall not enter into any leases with respect to restaurant or other food service operations (other than restaurants or food service operations which provide for separate exterior identity, access and signage designed, to the extent possible, to separate said facilities physically and operationally from the operation of Hotel facilities), newsstands, tobacco shops, barber and beauty shops, airline and other transportation services, car rental agencies, and sundry gift shops; (ii) Hyatt shall have the right to approve both the tenant and the nature of the retail business and the location of the leased premises within the Building with respect to any leases so entered into by Owner (which approval shall not be unreasonably withheld); (iii) all such stores shall be of a quality and standard of operation consistent with the standards of the Hotel, and adequate provision shall be made in each lease, satisfactory to Hyatt, for the

enforcement of such quality standards; (iv) the costs of operation of such leased premises shall not be charged to Hotel operations; and (v) Owner shall indemnify and hold Hyatt free and harmless of and from any liability, cost or expense to tenants or others with respect to the use or operation of any stores or other portions of the Hotel premises or environs leased by Owner hereunder. For purposes of determining Hyatt's Annual Management Fee rentals collected from any leases entered into by Owner in accordance with the provisions of this subparagraph (d), shall not constitute "Gross Receipts" nor be counted for purposes of determining Gross Operating Profit.

3.3 Parking. It is understood that parking for the Hotel will be provided in an underground facility located within the Building. Hyatt shall have no liability or obligation hereunder, or otherwise, with respect to the operation of the parking facility, and Owner shall indemnify and hold Hyatt free and harmless in connection with the operation thereof. In addition to the foregoing, Owner agrees that (i) the parking facility shall be operated in a manner consistent with the first-class hotel standard, and adequate provision shall be made in the agreement with the operator, reasonably satisfactory to Hyatt, for the enforcement of such quality standards, (ii) the operator of the parking facility shall be an entity reasonably satisfactory to Hyatt, (iii) all parking rates shall be subject to Hyatt approval, and (iv) the agreement between Owner and the parking operator shall contain provisions, reasonably satisfactory to Hyatt, including provisions designed to assure coordination of the operations of the Hotel and the parking facility (including billing arrangements).

3.4 Bank Accounts.

There shall be deposited in a bank or banks designated by Owner and in accounts established in Owner's name all monies advanced to the Hotel as working

capital by Owner, as provided in Section 7.1 hereof, and all monies received by Hyatt from the operations of the Hotel ("operating accounts"), and Hyatt shall pay out of the operating accounts, to the extent of the funds from time to time therein, all costs and expenses incurred in connection with the operation of the Hotel, all other items entering into the calculation of Profit hereunder and all other amounts required to perform its obligations hereunder. Checks or other documents of withdrawal drawn upon the operating accounts shall be signed by representatives of Hyatt or Hotel employees designated by Hyatt, as agent for Owner, which persons drawing on such accounts shall be bonded or otherwise insured.

3.5 Negation of Partnership or Joint Venture.

Nothing in this Agreement contained shall constitute, or be construed to be or to create, a partnership, joint venture or lease between Owner and Hyatt with respect to the Hotel.

Section 4. MANAGEMENT FEES AND REMITTANCES TO OWNER

4.1 Fiscal Year.

(a) A "fiscal year" hereunder shall mean a period of twelve (12) consecutive months included in the Term and ending on December 31st, except that the first fiscal year hereunder shall commence on the date the Hotel commences hotel operations (which date may be prior to the Opening Date) and end on December 31st of the calendar year in which the Opening Date falls and, in the event that there shall be an early termination of the Term on a date other than December 31st, the last fiscal year hereunder shall end on such date of termination and shall commence on the preceding January 1st.

(b) The "Cumulative Period" in respect of any month included in a fiscal

year shall mean the period commencing on the first day of such fiscal year and ending on the last day of such calendar month.

The Gross Receipts for any Cumulative Period shall mean the sum of the Gross Receipts (as defined in Section 5.3 hereof) for each calendar month included in such Cumulative Period. The Profit for any Cumulative Period shall mean the sum of the amounts of Profit for each calendar month included in such Cumulative Period, such sum to be determined after taking into account any deficit in Profit for any such calendar month.

4.2 Hyatt's Management Fee.

4.2.1 Annual Management Fee.

For each fiscal year Hyatt shall receive, in respect of its management services hereunder, an amount (the "Annual Management Fee") equal to the sum of the Basic Fee and Incentive Fee, as provided in the ensuing clauses (a) and (b):

(a) Until the end of the second full fiscal year hereunder (a full fiscal year for purposes of this Section 4.2.1 being any fiscal year consisting of at least six (6) full calendar months), Hyatt shall receive a Basic Fee equal to four percent (4%) of the Gross Receipts for such fiscal year, and, for each fiscal year thereafter, a Basic Fee equal to four and one-half percent (4.5%) of the Gross Receipts for each such fiscal year; and

(b) For any fiscal year for which there is a Profit, Hyatt shall receive, in addition to the Basic Fee, an Incentive Fee equal to ten percent (10%) of the Profit for such fiscal year.

4.2.2 Time and Manner of Payment.

With respect to any fiscal year and each calendar month included therein, the Basic Fee and the Incentive Fee shall each be payable in tentative monthly

installments of the respective amounts hereinafter provided, which tentative monthly installments on account of such Basic Fee and Incentive Fee for any such calendar month shall be paid by Hyatt withdrawing the same from the operating accounts at any time after Hyatt shall furnish to Owner the unaudited financial statement for such calendar month, pursuant to Section 7.4 hereof.

With respect to each calendar month included in any fiscal year:

(a) The tentative monthly installment on account of the Basic Fee shall equal four percent (4%), or four and one-half percent (4.5%), as the case may be, of the Gross Receipts for the Cumulative Period in respect of such calendar month, less the aggregate amount of the tentative monthly installments having theretofore become payable for such fiscal year on account of such Basic Fee; and

(b) The tentative monthly installment on account of the Incentive Fee shall equal ten percent (10%) of the Profit for the Cumulative Period in respect of such calendar month, less (ii) the aggregate amount of the tentative monthly installments having theretofore become payable for such fiscal year on account of such Incentive Fee.

If, for any fiscal year, the aggregate amount of the tentative monthly installments paid to Hyatt on account of the Basic Fee and Incentive Fee shall be more or less than the Annual Management Fee payable for such fiscal year based upon the final determination of Gross Receipts and Profit for such fiscal year as reflected in the Certified Financial Statement for such fiscal year referred to in Section 7.4 hereof, then, by way of year-end adjustment, within fifteen (15) days after the delivery of such Certified Financial Statement to Owner, Hyatt shall pay into the operating accounts the amount of any such overpayment or withdraw from the operating accounts the amount of any such underpayment.

4.3 Remittances to Owner.

Contemporaneously with furnishing the monthly statement for each calendar month pursuant to Section 7.4 hereof, Hyatt shall remit to Owner out of the operating accounts an amount (the "Owner's Remittance Amount") by which the total funds then in the operating accounts exceed the amount then reasonably required to be maintained in the operating accounts (after withdrawal of the Management Fee and after fulfilling the provisions of the Supplemental Payment as required in Section 4.4) in order to carry on the operation of the Hotel pursuant to a first-class standard and so that Hyatt may perform its obligations hereunder. Each remittance shall be paid to Owner at Owner's address then in effect hereunder for receipt of notices hereunder by Owner, or at such other place as Owner may, from time to time, designate in a notice to Hyatt.

4.4 Supplemental Payment.

In addition to the Owner's Remittance Amount to be paid by Hyatt under Section 4.3, Hyatt shall deposit, in respect of each calendar month during the Term as a supplemental payment to Owner, the amount specified in Section 5.4(a) hereof in respect of such calendar month and payable under Section 5.4 into the Fund for Replacements of and Additions to Furnishings and Equipment referred to therein, such amount to be deposited by Hyatt into such Fund for the account of Owner.

4.5 Deferral of Incentive Fee.

In any fiscal year in which the amount of the Incentive Fee earned for such fiscal year exceeds "Adjusted Profit" (as hereinafter defined), a portion of the Incentive Fee equal to such excess shall be deferred for payment in subsequent fiscal years (any such Incentive Fees so deferred being herein referred to as "Deferred Fees"); provided, however, any Incentive Fees earned through the end of the second full fiscal year hereunder (a full fiscal year for purposes of this Section 4.5 being any fiscal year

consisting of at least six (6) full calendar months) which are not paid or payable by reason of the provisions of this Section 4.5 shall be waived and shall be deemed, for all purposes, as having not been earned. Deferred Fees shall accrue with interest, compounded annually, at a rate equal to Prime and shall be payable, with interest, at the times and in the manner provided in Section 4.6. No monthly installments of Incentive Fee shall be paid to Hyatt unless Hyatt's projections of Adjusted Profit for such fiscal year indicates sufficient funds for the payment thereof consistent with the provisions of this Section 4.5. If, however, payments of any monthly installments of Incentive Fee have been made in any fiscal year, and, subsequently, notwithstanding Hyatt's projections for such fiscal year, Adjusted Profit is insufficient for the payment thereof, no further additional installments of Incentive Fees shall be paid, and Hyatt shall refund any Incentive Fee previously paid to it with respect to such fiscal year in excess of the amounts properly payable in accordance with the provisions of this Section 4.5. For purposes hereof, the term "Adjusted Profit" shall mean "Profit" (as defined in Section 5.2) less the sum of (i) the amount of Basic Fees actually paid for such fiscal year; and (ii) the lesser of (x) $4,950,000 (or pro rata portion thereof in the case of a fiscal year consisting of less than twelve full months) and (y) the actual amount of "Financial Charges." For purposes hereof, the term "Financial Charges" shall mean the sum of (a) all required payments of principal and interest in any fiscal year under any loan secured by a first lien on the Hotel (excluding any portion of such mortgage indebtedness incurred in order to finance construction of facilities leased by Owner pursuant to Section 3.2(d) and the parking facility), plus (b) the amount of basic rent payable under the ground lease relating to the Site. There shall be no reduction in the amount of Basic Fees payable hereunder, and Hyatt shall have no obligation to refund Incentive Fees paid or payable in any previous fiscal year, by reason of the provisions of this Section 4.5.

4.6 Repayment of Deferred Fees.

Deferred Fees, with accrued interest, shall, after payment in full of all Basic Fees and Incentive Fees for the then current fiscal year, be paid from funds in the operating accounts available for payment to the Owner in the form of Owner's Remittance Amounts pursuant to Section 4.3, all such payments to be applied first to accrued interest on, and then to the principal of, the Deferred Fees. Anything to the contrary herein contained, Deferred Fees, with accrued interest thereon, and all other amounts due to Hyatt, shall, at the option of Hyatt, become immediately due and payable in full upon the occurrence of any of the following events:

(a) In the event of Owner's default under the Management Agreement as defined in Section 12;

(b) A default by Owner under any mortgage resulting in the acceleration of the mortgage debt, or the commencement of any proceedings by the mortgagee to enforce its rights under the mortgage which are not dismissed within ninety (90) days after the institution thereof (unless, within said ninety (90) day period, a decree of foreclosure shall be entered);

(c) A default under the ground lease which represents the Owner's interest in the Site which results in the ground lessor's commencement of any proceedings to enforce its rights under such lease which are not dismissed within ninety (90) days after the institution thereof (unless within said ninety (90) day period, an order shall be entered evicting Owner from possession of the leased premises, or terminating or confirming the termination of, the said ground lease);

(d) Upon any sale, transfer, assignment or conveyance by the Owner of (i) any of its interest in the Management Agreement; (ii) all or any part of the Hotel (excluding the sale of items of FFE made in the normal course of adding to or

replacing FFE) in any manner whatsoever, voluntary or involuntary, to a third party; or (iii) any interest in Owner, the sale or transfer of which requires the consent of Hyatt under the provisions of Section 15.2; provided, however, Hyatt shall have no right to accelerate the payment of any such obligations if, in connection with any such sale, transfer, assignment or conveyance Hyatt has consented thereto (or its consent thereto shall not, under the provisions of this Management Agreement, be required) and the transferee shall have assumed in writing, by written instrument, in form and substance reasonably satisfactory to Hyatt, the obligations to make payment in full of all such Deferred Fees, with accrued interest, at the time and in the manner herein provided;

(e) Condemnation of or casualty to the Hotel which results in insurance or condemnation proceeds being used for purposes other than repair or reconstruction of the Hotel; or

(f) A refinancing of the Hotel in which loan proceeds are used for any purpose other than the payment of then existing debt or making improvements to the Hotel or replacing or upgrading FFE for the Hotel.

Section 5. DETERMINATION OF PROFIT AND GROSS RECEIPTS.

5.1 Books and Records.

Hyatt shall keep full and adequate books of account and other records reflecting the results of the operation of the Hotel. Such books and records shall, at all times, be kept in all material respects, in accordance with the then latest edition of the Uniform System of Accounts for Hotels (the "Uniform System"), as adopted by the American Hotel Association, except as otherwise specified in this Agreement.

5.2 "Profit" Defined.

There is attached hereto as Exhibit B, and hereby made a part hereof, a copy of page 12 of the Uniform System, Sixth Revised Edition (the "Sixth Edition"), showing the items of income and expense which are taken into account in determining "Gross Operating Profit."

The "Profit" derived from the Hotel for any period shall mean the Gross Operating Profit of the Hotel for such period, determined in accordance with the Sixth Edition, without regard to any supplements or amendments thereto hereafter adopted, but without taking into account any deduction for management fees payable under Section 4 hereof, and less deductions for the following amounts (but only to the extent that such amounts are not otherwise deducted under the Sixth Edition in computing Gross Operating Profit):

(a) An amount equal to the costs incurred during such period in replacing, or adding to, the Operating Equipment;

(b) One-half of the amount equal to the aggregate deductions made under Section 5.4(a) for such period;

(c) The Hotel's pro rata share of Allocable Chain Expense for such period, in accordance with Section 7.2;

(d) The cost of insurance maintained in accordance with Section 8.2 and properly allocable to such period;

(e) All real and personal property taxes referred to in Section 7.6 and properly allocable to such period;

(f) All costs and expenses incurred during such period in respect of items described in Section 6.1 and 6.2 hereof; and

(g) All other reasonable costs and expenses incurred during such period

in the operation of the Hotel and all other amounts deductible in respect of such period under the terms of this Agreement.

Notwithstanding any of the foregoing, the actual cost of leasing or renting or other similar charges incurred after the Opening Date for the replacement of or addition to Furnishings and Equipment shall not be deductions in determining Profit. Such payments or costs incurred after the Opening Date shall be charged against the Fund for Replacement of and Additions to Furnishings and Equipment or shall otherwise be paid by Owner, as agreed upon between Hyatt and Owner.

5.3 Definition of Gross Receipts.

"Gross Receipts" during any period shall mean all revenues and income of any kind properly accrued during such period and derived, directly or indirectly, from the Hotel during such period, excluding parking receipts but including, without limitation, all revenues derived from the sale during such period of rooms and food and beverages (without taking into account any costs incurred in respect of such sales) and all rents or fees payable by subtenants and concessionaires in respect of such period (but not the gross receipts of subtenants or concessionaires) provided that the net proceeds (after deduction of the expenses of adjustment and collection) of use and occupancy or other similar insurance in respect of the Hotel shall be included only to the extent actually received during such period, as well as all of the other items listed under "Departmental Profit (Loss)" on Exhibit B hereto. There shall be excluded in determining Gross Receipts for any period (i) any sales or other excise taxes required by law to be collected from customers of the Hotel and remitted to the appropriate taxing authorities or (ii) any interest earned on funds held in the operating accounts when not required (a) for the operation of the Hotel or (b) to be paid to Owner as Owner's Remittances, all such interest to be the property of Hyatt to the extent earned on funds held in the operating

accounts which were required to be paid to Hyatt.

5.4 Fund for Replacement of and Additions to Furnishings and Equipment.

(a) During each fiscal year Hyatt shall deposit for each calendar month included in such fiscal year an amount equal to (i) one percent (1%) of the Gross Receipts for the period of twelve (12) full calendar months following the Opening Date; (ii) two percent (2%) of the Gross Receipts for each such calendar month for the next twelve (12) full calendar months; (iii) three percent (3%) of the Gross Receipts for such calendar month for the next forty-eight (48) full calendar months; and (iv) four percent (4%) of the Gross Receipts for such calendar month in each fiscal year thereafter, into a fund to be entitled "Fund for Replacement of and Additions to Furnishings and Equipment," which Fund shall be maintained on deposit by Hyatt in trust for Owner in an interest-bearing bank account. Investments of the Fund shall be made in a prudent and reasonable manner consistent with the need for liquidity in the Fund. The monies in such Fund shall be the property of Owner. Interest earned during any period from the amounts in such Fund shall be excluded from the Gross Receipts for such period and in computing Profit for such period and shall remain part of such Fund. To the extent that Hyatt shall be required to pay any income taxes on such interest as a fiduciary, the same shall be payable out of such Fund. In addition to such payments into such Fund, all proceeds from the sale of Furnishings and Equipment no longer needed for the operation of the Hotel shall also be paid into such Fund. Hyatt shall be entitled to withdraw from such Fund any amounts required to make contributions to the cost of replacements of, and additions to, the Furnishings and Equipment reasonably deemed by Hyatt to be necessary or desirable, and the items of Furnishings and Equipment so replaced or added shall be and become, forthwith upon acquisition

and installation and without further act or action, the property of Owner and part of the Hotel. All such replacements and additions shall be purchased by Hyatt at competitive prices from Rosemont. Any amounts remaining in such Fund at the termination or expiration of the Term shall be returned by Hyatt to Owner.

(b) Hyatt shall not, without the approval of Owner (which approval shall not be unreasonably withheld), expend any monies for replacements of, or additions to, the Furnishings and Equipment in excess of the amount then existing in the Fund and, notwithstanding anything else to the contrary in this Agreement contained, Hyatt's obligations with respect to additions to, or replacements of, Furnishings and Equipment shall be excused to the extent that the amount in such Fund is inadequate to meet such obligations.

(c) Anything in this Agreement to the contrary notwithstanding, Owner shall be obligated to make sufficient funds available to Hyatt so that the Hotel can be maintained at all times during the Term in accordance with the first-class hotel standard of construction, furnishing and equipping as set forth in Section 1.3.

For purposes of Section 5.4(c), and except as otherwise required by Legal Requirements, the first-class hotel standard shall, as respects the physical and structural elements of the Building, relate to the first-class hotel standard in effect at the time of the commencement of construction of the Building.

Section 6. REPAIRS AND CHANGES; LEGAL REQUIREMENTS.

6.1 Repairs and Maintenance.

Except to the extent prevented by causes beyond its reasonable control (including Force Majeure Causes and the unavailability of funds from Owner), Hyatt shall, throughout the Term, take good care of the Hotel (other than such portions thereof

as are leased to tenants who undertake a duty of repair and maintenance) and maintain the same in good order and condition and make all repairs thereto as may be necessary to maintain the first-class hotel standard. Provided, however, that Hyatt's responsibilities, as hereinabove stated in this Section, shall not include any matters relating to the structural integrity of the Hotel or other matters relating to defects in design, materials or workmanship in the construction of the Improvements (other than alterations or additions made by Hyatt pursuant to Section 6.3) which shall be the responsibility of Owner throughout the term of this Agreement.

6.2 Compliance with Legal Requirements.

Except as elsewhere herein limited or excused, Hyatt shall, throughout the Term, comply with all applicable requirements (the "Legal Requirements") of which Hyatt has knowledge under all laws, ordinances, orders, rules and regulations of governmental authorities having jurisdiction over the Hotel and Hyatt may, at its option, defend any actions, suits or other proceedings alleging noncompliance. Hyatt shall exercise reasonable care and diligence to be informed as to applicable Legal Requirements. Hyatt may, but only after approval by Owner (which approval shall not be unreasonably withheld), contest, by appropriate legal proceedings conducted in good faith, in the name of Hyatt or Owner, or both, the validity or application of any Legal Requirements. If Owner shall approve any such contest, Owner shall execute and deliver any appropriate documents which may be necessary or proper to permit Hyatt to prosecute such contest. Owner may, by notice to Hyatt, direct Hyatt to contest, or Owner may contest directly, any Legal Requirements which Hyatt may otherwise desire not to contest.

6.3 Alterations and Additions.

Except in order to comply with the Legal Requirements and except as hereinafter provided, Hyatt shall make no alterations, additions or improvements in or to the Improvements without the approval of Owner (which approval may be arbitrarily withheld). Notwithstanding the preceding sentence, (i) in the event any alterations, additions or improvements, structural or non-structural, shall be required in order that the Building be in compliance with applicable Legal Requirements, the same shall be the responsibility of Owner, and (ii) Hyatt shall have the right (without obtaining the approval of Owner), from time to time during the Term, to make voluntary alterations, additions or improvements in or to the Improvements (which shall become part thereof for the purposes of this Agreement) in order to improve the operation of the Hotel, provided that the aggregate amount which may be incurred in respect thereof during any fiscal year shall not exceed ten percent (10%) of the aggregate amount deductible under Section 5.4 for each of the calendar months included in such fiscal year, and provided further that any amounts expended by Hyatt pursuant to this clause (ii) shall be charged against, and shall be paid from, any proceeds then on deposit in the Fund for Replacement of and Additions to Furnishings and Equipment referred to in Section 5.4.

Section 7. GENERAL COVENANTS OF HYATT AND OWNER.

7.1 Working Capital.

Except as otherwise in this Agreement specifically provided, Owner shall, at all times during the Term, cause sufficient working capital funds to be on hand in the operating accounts to assure the timely payment of all current liabilities of the Hotel (including Hyatt's fees and the installments thereof payable under Section 4.2 hereof) and all other items entering into the calculation of Profit, the uninterrupted and efficient

operation of the Hotel at all times during the Term and the performance by Hyatt of its other obligations hereunder. On the commencement of the Term, Owner shall have adequate funds in the operating accounts and there shall be on hand all necessary inventories of food, beverages and operating supplies; further, Owner shall have met all applicable Legal Requirements including, without limitation, the procurement of all liquor and other licenses required to meet such Legal Requirements.

7.2 Chain Services.

Hyatt shall provide, or shall cause its affiliate to provide, in connection with the operation and for the benefit of the Hotel, those group benefits, services and facilities (hereinafter referred to collectively as "Chain Services") generally made available by Hyatt from time to time during the Term to hotels (which term, as used herein, does not include Hyatt Lodges or any hotel not operated under a name which includes the word "Hyatt") operated by Hyatt or its affiliates. Chain Services presently consists of (i) convention, business and sales promotion services (including the maintenance and staffing of Hyatt's home office sales force and of regional sales offices in various parts of the United States and the world), (ii) advertising, publicity and public relations services, (iii) food and beverage, personnel and other operational departmental supervision and control services, (iv) centralized reservations services in Omaha, Nebraska, and (v) the making available of qualified personnel through the Hyatt employee training program. Neither Hyatt nor any of its affiliates shall charge or receive any profit in respect of any such Chain Services. Hyatt shall, however, be entitled to charge the operation of the Hotel and to be reimbursed for the Hotel's pro rata share of "Allocable Chain Expense." "Chain Expense" for any period shall include all costs incurred during such period by Hyatt or by any of its affiliates in respect of Chain Services other than the costs of food and beverage, personnel and other operational

departmental supervision and control services. "Allocable Chain Expense" for any period shall mean all Chain Expense incurred during such period, reduced by any amounts which Hyatt or any of its affiliates shall be entitled to be paid in respect of Chain Services furnished during such period to hotels which are situated outside of the United States (whether or not opened to the public) or which are situated in the United States but are not opened to the Public (for the reason that they are under construction or are otherwise being prepared for opening). The Hotel's pro rata share of Allocable Chain Expense for any period shall bear the same ratio of the Allocable Chain Expense for such period as the number of guest rooms in the Building bears to the average number of guest rooms in all hotels in the United States opened to the public and operated during such period by Hyatt or its affiliates. Each time that Hyatt shall charge the operation of the Hotel for its pro rata share of Allocable Chain Expense for any period, it shall furnish to Owner a statement in reasonably sufficient detail to provide Owner with data supporting such charge.

7.3 Right of Inspection and Review.

Hyatt shall accord to Owner and its duly authorized agents the right to enter upon any part of the Hotel at all reasonable times during the Term for the purpose of examining or inspecting the Hotel or examining or making extracts from the books and records of the Hotel operation, or for any other purpose which Owner, in its discretion, shall deem necessary or advisable, but the same shall be done with as little disturbance to the operation of the Hotel as possible. Owner and its duly authorized agents shall also have the right to examine the books of Hyatt relative to the Hotel's pro rata share of Allocable Chain Expense.

7.4 Financial Reports.

Hyatt shall deliver to Owner as soon as practicable, but in no event later than thirty (30) days after the end of each calendar month, an unaudited financial statement prepared from the books of account maintained by Hyatt and containing (i) a statement of current assets and current liabilities of the Hotel as of the end of such calendar month, (ii) a profit and loss statement showing the results of operation of the Hotel for such calendar month and for the Cumulative Period in respect of such calendar month and (iii) a statement of the Gross Receipts for such calendar month and such Cumulative Period. As soon as practicable, but in no event later than ninety (90) days after the end of such fiscal year (or seventy-five (75) days if the firm conducting the audit shall be Laventhol & Horwath), Hyatt shall deliver to Owner a financial statement for such fiscal year (herein referred to as the "Certified Financial Statement"), containing a statement of the current assets and current liabilities of the Hotel as of the end of such fiscal year, and a profit and loss statement showing the results of operation of the Hotel (including store rentals, other than rentals from stores referred to in Section 3.2(d)) for such fiscal year, with an opinion thereon after an audit by a duly licensed independent certified public accounting firm retained by Hyatt and approved by Owner. (Owner hereby gives approval to the firm of Laventhol & Horwath if such firm is properly licensed to make such audit and give such opinion.) Such Certified Financial Statement shall set forth the Gross Receipts, the Profit and the Annual Management Fee (broken down between the Basic Fee and the Incentive Fee) for such fiscal year. The cost of such audit in respect of such Certified Financial Statement for a fiscal year shall be charged as an expense of the operation of the Hotel for the succeeding fiscal year. If the opinion of such independent certified public accounting firm with respect to the matters set forth in such Certified Financial Statement for a fiscal year shall be an unqualified

opinion, then such Certified Financial Statement shall be conclusive upon the parties hereto with respect to such matters and shall be deemed to be a final determination of the Gross Receipts, the Profit and the Annual Management Fee for such fiscal year unless, within ninety (90) days after delivery thereof to Owner, Owner shall object thereto in a written notice to Hyatt setting forth, in reasonable detail, the reasons for its objections. If, after delivery of such notice by Owner, the parties are unable to resolve their differences, the matter shall be submitted to arbitration as hereinafter provided.

7.5 Owner's Warranties as to Title.

Owner warrants that the interest of Hyatt under this Agreement shall not be subject or subordinate (a) to any ground or underlying leases, mortgages, deeds of trust, security agreements or other encumbrances affecting the Hotel except those which contain, or are subject to, a non-disturbance agreement, so-called, to the effect that this Agreement shall not be subject to forfeiture or termination except in accordance with the provisions thereof, notwithstanding a default, termination, foreclosure or exercise of a power of sale under such lease, mortgage, deed of trust, security agreement or other encumbrance or any obligation secured thereby, and, in the case of a ground lease, which is reasonably satisfactory to Hyatt, or (b) to any other matters affecting title to the Hotel, except for nondelinquent real and personal property taxes and such other matters as shall not materially and adversely affect the operation of the Hotel by Hyatt. Owner further warrants that, so long as Hyatt shall not be in default hereunder, Hyatt shall be entitled to operate the Hotel for the Term, and Owner shall, at no expense to Hyatt, undertake and prosecute all appropriate actions, judicial or otherwise, required to assure such right of operation to Hyatt.

Owner agrees that it shall, throughout the Term:

(a) Keep and maintain, or cause to be kept and maintained, any leases

covering real or personal property or other agreements necessary to the ownership or control of the Hotel, or any part thereof, in full force and effect and free from default, and in this connection Owner shall pay and discharge, or cause to be paid and discharged, any ground rents or other rental payments or other charges payable by Owner in respect of the Hotel;

(b) Maintain, or cause to be maintained, in good standing and free from default, any and all mortgages affecting the Hotel (but no additional rights against Owner are hereby created in favor of any mortgagee under such mortgage); and

(c) Observe, or cause to be observed, and comply with, or cause to be complied with, any and all other liens, encumbrances, covenants, charges, burdens or restrictions pertaining to the Hotel or any part thereof, none of which shall, however, materially and adversely affect the operation of the Hotel by Hyatt.

7.6 Payment of Taxes.

During the Term, Owner shall, prior to delinquency, pay all real and personal property taxes assessed against the Hotel to the extent that the same are properly allocable to the Term. Such property taxes for any period which includes the Opening Date or the date on which the Term shall expire or otherwise terminate shall be prorated and only the portion of such property taxes applicable to the Term shall be deductible under Section 5.2(e).

Section 8. INSURANCE.

8.1 Insurance to be Maintained Prior to the Commencement of Term.

Owner shall, at all times prior to the Opening Date and at no cost to Hyatt, procure and maintain with responsible and properly licensed companies (i) public liability and indemnity and property insurance in respect of the Hotel fully protecting both Owner

and Hyatt against loss or damage arising in connection with the construction, furnishing and equipping of the Hotel and the pre-opening activities of Hyatt hereunder and (ii) adequate insurance for the full insurable value of the Hotel against all risk of direct physical damage, including but not limited to fire and extended coverage, boiler and machinery, and builder's risk insurance, and such other risks and perils for which insurance is customarily provided for hotels of similar character during the period of construction and completion and (iii) Workers' Compensation or similar insurance with respect to the occupation of the Hotel (or a portion thereof) by Hyatt employees (or potential patrons) prior to the Opening Date. All liability and indemnity policies evidencing such insurance shall name Hyatt as an additional insured thereunder by means of the following endorsement:

"Additional Insured Endorsement:

Hyatt Corporation and all affiliated, associated, proprietary, or subsidiary companies, partnerships, and trusts as they may now exist or exist hereafter and any firm name, trade name, or style under which they may operate: except Hyatt Medical Enterprises, Inc., Hyatt Management Corporation and HMC Management Corporation."

8.2 Insurance to be Maintained During Term.

Owner shall maintain, at all times during the Term, the following insurance respecting the Hotel in amounts and with responsible and properly licensed companies as approved by Hyatt (such amounts shall in no event be less than the amounts required under any mortgage, deed of trust or security agreement affecting the Hotel):

(a) Public liability insurance for injury to or death of persons and damage to or loss of property, with endorsements including coverage for those risks listed in Exhibit C attached hereto and hereby made a part hereof;

(b) Workers' compensation, including employers' liability and a broad

form "all states" endorsement or similar insurance as may be required by law;

(c) Insurance against all risk of direct physical loss, including but not limited to, fire and extended coverage including business interruption, boiler and machinery coverage including use and occupancy, and such other risks and perils with respect to which insurance is customarily carried by Hyatt for hotels of similar character;

(d) Crime and fidelity insurance against dishonest acts by employees and others; and

(e) Such other insurance as Hyatt shall deem reasonably necessary for protection against claims, liabilities and losses arising from the operation of the Hotel.

All policies evidencing the foregoing insurance shall name Owner as the principal insured and shall name Hyatt, its directors, officers, employees and agents and (if required by Owner) any mortgagee of the Hotel as additional insureds thereunder.

Whenever Owner is about, or proposes, to purchase any insurance policy or policies required under this Section 8.2, Owner shall invite a bid from Hyatt (the "Hyatt bid") covering such policy or policies and prepared by Hyatt's insurance broker or adviser. The Hyatt bid may (if reasonably satisfactory to the holder of a first mortgage on the Hotel) be based upon self-insurance (as described in Section 8.5) or providing all or part of the insurance in question under a blanket policy insuring, in addition to the Hotel, other hotels operated by Hyatt or its affiliates, in which event the insurance premiums to be included in the Hyatt bid shall be those properly allocable to the Hotel, as determined in good faith by the insurance carrier or carriers involved. If Owner shall purchase such policy or policies of insurance (the "Owner-procured policies") through its own resources in preference to accepting the Hyatt bid, then, for the purposes of determining Profit

hereunder, the premiums in respect of the Owner-procured policies shall be deemed not to exceed the amount of the premiums which would have been payable for such policies pursuant to the Hyatt bid, which amount shall be prorated over the term or terms of such policies in determining the amount of premiums deductible in respect of each period included in the Term.

8.3 Notice of Cancellation or Change.

All insurance policies required to be carried hereunder shall, to the extent obtainable, have attached thereto an endorsement that the same shall not be cancelled or changed without at least thirty (30) days' prior written notice to all named insureds and additional insureds.

8.4 Evidence of Insurance Coverage.

For the purpose of evidencing compliance with the provisions of this Section 8, Owner shall from time to time furnish to Hyatt certified duplicate policies of all insurance required to be maintained by Owner pursuant to this Section 8.

8.5 Self-Insurance.

Owner understands that Hyatt customarily and in the course of managing the hotels in its chain, self-insures and assumes the risk of certain losses and liabilities and places certain coverage with an affiliated insurance carrier. Subject to the next succeeding paragraph, Owner agrees that Hyatt may, in submitting the Hyatt bid, be a self-insurer of all or any of the risks described in this Section 8, or may place coverage with such affiliated carrier, so long as such self-insurance or coverage is consistent in type and amount with Hyatt's self-insurance or coverage practices at other hotels.

In the event that Hyatt self-insures, it will carry insurance, in customary amounts, above the self-insured deductibles protecting Owner and Hyatt. Owner shall be named as an additional insured in said policies.

Section 9. INDEMNIFICATION OF OWNER.

To the extent that Owner shall not be fully covered by insurance, Hyatt will indemnify Owner and hold it harmless from any damages, liability, cost, claim or expense, including attorneys' fees, arising out of or in connection with the operation of the Hotel or Hyatt's operations other than at the Hotel. The costs of such indemnity shall be borne as follows:

(a) If the damage, liability, cost, claim or expense is attributable to Hyatt's gross negligence, willful misconduct, willful violation of any Legal Requirements or breach of this Agreement (other than Hyatt's covenant to comply with the Legal Requirements), the cost of such indemnification shall be borne solely by Hyatt and shall not be charged against Profit;

(b) If the damage, liability, cost, claim or expense is attributable to any other reason or cause, the cost of such indemnification shall be paid by Hyatt out of the operating accounts and may be charged against the Profit.

Hyatt's obligations under this Section 9 shall not include any losses, expenses or damages arising from any matters relating to the structural integrity of the Hotel or other matters relating to defects in design, materials or workmanship in the construction of the Improvements (other than alterations or additions made by Hyatt pursuant to Section 6.3).

Section 10. DAMAGE TO AND DESTRUCTION OF HOTEL; CONDEMNATION.

10.1 Owner's Duty of Restoration.

If the Hotel, or any portion thereof, shall be damaged or destroyed at any time or times during the Term by fire or any other casualty Owner, at no expense or risk

to Hyatt, shall using due diligence and dispatch, repair, rebuild or replace the same (such repairing, rebuilding or replacing being herein called "restoration") so that after such restoration the Hotel shall be substantially the same as prior to such damage or destruction, and all proceeds of insurance shall be made available to Owner for this purpose; provided that Hyatt shall have the right to ensure that such proceeds of insurance shall be applied to such restoration. If Owner fails to undertake such restoration within sixty (60) days after such fire or other casualty, or shall fail to complete the same diligently, Hyatt may, but shall not be obligated to, undertake or complete such restoration for the account of Owner and shall be entitled, upon demand, to be repaid therefor (including all necessary incidental costs and expenses incurred in connection therewith), together with interest on the aggregate out-of-pocket amount expended at the Prime rate at the time of such expenditure plus one percent (1%) per annum (but not to exceed the maximum interest allowed by law) from the date of making such expenditure or expenditures until repayment thereof. In such case, the proceeds of insurance shall be made available to Hyatt for this purpose, provided that Owner shall have the right to ensure that such proceeds of insurance shall be applied to such restoration.

10.2 Owner's Election Not to Restore.

Anything in Section 10.1 to the contrary contained notwithstanding, if, in connection with any casualty, the cost of restoring the Hotel shall equal or exceed (i) twenty-five percent (25%) of the replacement cost thereof immediately prior to such casualty if such casualty shall be covered by insurance or (ii) ten percent (10%) of such replacement cost if such casualty shall not be covered by insurance, then, and in either event, Owner shall have an election exercisable by notice to Hyatt, given within ninety (90) days from the occurrence of such casualty, not to restore the Hotel and to terminate

this Agreement.

10.3 Condemnation.

If the whole of or any substantial portion of the Hotel is taken by any public authority under the power of eminent domain, or taken in any manner for any public or quasi-public use, so as to render, in the reasonable judgment of Hyatt and Owner, with the consent of mortgagees, the remaining portion of the Hotel unsuitable for operating in accordance with the first-class hotel standard, then the Term of this Agreement shall cease and terminate ninety (90) days prior to the date possession shall be taken by any public authority. All proceeds of damages, including damages, if any, apportioned to any interest Hyatt may have or claim to have in the unexpired Term of this Agreement, consequential damages to the land not taken, fixtures or in alterations to the premises for their use or otherwise for such taking under the power of eminent domain or any like proceedings shall belong to and be the property of Owner, subject to Owner's obligations to Hyatt hereunder, as described in the next paragraph. Hyatt shall have the right through any separate legal action to pursue damages for the taking of its personal property (including its trade fixtures, if any) or for other losses provided such legal action does not diminish the Owner's award.

The Owner's award shall be disbursed by Owner in the following order: (i) the payment of mortgage debt to the extent required by the mortgages; (ii) all sums due to Hyatt under the terms of this Agreement (such as, but not limited to, Deferred Fees with all accrued interest); and (iii) the remainder to Owner.

If, as a result of any taking, in the reasonable judgment of Hyatt and Owner, with the consent of mortgagees, the remaining portion of the Hotel shall be deemed suitable for operating in accordance with a first-class hotel standard and in an economically feasible manner, then Owner shall be obligated to proceed to repair and

restore the portion of the Hotel remaining after such taking using funds available from the condemnation for such purposes, such restoration to be effected in accordance with plans and specifications reasonably satisfactory to Hyatt.

Section 11. INTEREST ON OVERDUE SUMS.

If either party (the "defaulting party") shall fail to pay, when due, to the other party (the "non-defaulting party") any sum payable to the latter hereunder, then the defaulting party shall, without notice to or demand upon it, be liable to the non-defaulting party for the payment of such sum together with interest thereon at the rate of (i) "Prime" plus 1% per annum or (ii) the maximum rate of interest allowed by law, whichever shall be less, from the date when such sum shall become due to the date of actual payment. For the purposes hereof, "Prime" shall mean the rate per annum announced from time to time by The First National Bank of Chicago as its prime or equivalent rate of interest.

Section 12. EVENTS OF DEFAULT.

The following shall constitute events of default hereunder:

(1) The failure of either party (the "defaulting party") to pay to the other party (the "non-defaulting party") any sum which may become due hereunder within fifteen (15) days after receipt by the defaulting party of a notice from the non-defaulting party specifying such failure; or

(2) The failure by either party (the "defaulting party") to perform, keep or fulfill any of the material terms, covenants, undertakings, obligations or conditions set forth in this Agreement other than those referred to in the foregoing paragraph (1), and the continuance of such failure for a period of thirty (30) days

after receipt by the defaulting party of notice thereof from the other party hereto (the "non-defaulting party") specifying such failure; or, in the event such failure is of a nature that it cannot, with due diligence and in good faith, be cured within thirty (30) days and such defaulting party fails to proceed promptly and with due diligence and in good faith to cure the same and thereafter to prosecute the curing of such failure with due diligence and in good faith (it being intended that, in connection with a failure not susceptible of being cured with diligence and in good faith within thirty (30) days, the time of such defaulting party within which to cure the same shall be extended for such period as may be necessary for the curing thereof with due diligence and in good faith).

If an event of default shall occur, the non-defaulting party may give to the defaulting party notice of intention to terminate the Term after the expiration of a period of fifteen (15) days from the date of such notice and, upon the expiration of such period, the Term shall expire. Such termination shall be without prejudice to any right to damages which the non-defaulting party may have against the defaulting party under applicable law.

Section 13. TRADE NAME.

During the Term the Hotel shall at all times be known and designated as the "Hyatt Regency Sacramento", or by such other name as shall be mutually agreed upon by Owner and Hyatt. Hyatt represents and warrants to Owner that Hyatt has the legal right to use each of the names "Hyatt" and "Regency" (herein called the "protected names") either alone or in conjunction with another word or words. Owner acknowledges that each of the protected names, when used either alone or in conjunction with any other word or words, is the exclusive property of Hyatt. Accordingly, Owner agrees that

no right or remedy of Owner for any default of Hyatt hereunder, nor the delivery of possession of the Hotel to Owner upon the expiration or sooner termination of the Term, nor any provision of this Agreement, shall confer upon Owner, or any transferee, assignee or successor of Owner, or any person, firm or corporation claiming by or through Owner, the right to use either of the protected names, either alone or in conjunction with any other word or words, in connection with the use or operation of the Hotel or otherwise. In the event of any breach of this covenant by Owner, Hyatt shall be entitled to damages, to relief by injunction, and to all other available legal rights or remedies, and this provision shall be deemed to survive the expiration or sooner termination of the Term.

Notwithstanding the foregoing, if at any time, Hyatt shall be excused from its obligation to operate the Hotel in conformity with a first-class hotel standard in accordance with the provisions of Section 3.1(b), then, in addition to any other right or remedy available to Hyatt by reason thereof, Hyatt may, in its sole and absolute discretion, and for so long as Hyatt may be excused from its said obligation, change the name of the Hotel to such other name as Hyatt, in its discretion, shall select, which name may, if Hyatt so elects, exclude the use of the names "Hyatt" or "Regency", or either of them, provided only that the new name selected by Hyatt shall not infringe upon the rights of any other person, firm or corporation.

Section 14. ARBITRATION.

Except as otherwise herein provided, if any controversy should arise between the parties in the performance, interpretation or application of this Agreement, either party may serve upon the other a written notice stating that such party desires to have such controversy reviewed by a board of three (3) arbitrators and naming the person whom such party has designated to act as an arbitrator. Within fifteen (15) days after

receipt of such notice, the other party shall designate a person to act as arbitrator and shall notify the party requesting arbitration of such designation and the name of the person so designated. The two (2) arbitrators designated as aforesaid shall Promptly select a third arbitrator, and if they are not able to agree on such third arbitrator within three (3) weeks after the appointment of the second arbitrator, then either arbitrator, on five (5) days' notice in writing to the other, or both arbitrators, shall apply to the American Arbitration Association to designate and appoint such third arbitrator. If the party upon whom such written request for arbitration is served shall fail to designate its arbitrator within fifteen (15) days after receipt of such notice, then the arbitrator designated by the party requesting arbitration shall act as the sole arbitrator and shall be deemed to be the single, mutually approved arbitrator to resolve such controversy. The decision and award of a majority of the arbitrators or of such sole arbitrator shall be binding upon both Owner and Hyatt and shall be enforceable in any court of competent jurisdiction. Such decision and award may allocate the costs of such arbitration to one of the parties or disproportionately between the parties. Any arbitration pursuant to this Section 14 shall take place in San Francisco, California.

Section 15. SUCCESSORS AND ASSIGNS.

15.1 Assignment by Hyatt.

Hyatt shall have the right to assign its rights and obligations under this Agreement, without the consent of Owner, to any affiliate or to any assignee who also acquires all, or substantially all, of the assets of Hyatt and assumes its obligations, including those hereunder. In such latter event, Hyatt's liability hereunder shall terminate upon such assignment, but in the event of such an assignment to an affiliate Hyatt shall continue to be liable under this Agreement to the same extent as though such

assignment had not been made. Except as hereinabove provided, Hyatt shall not assign its rights and obligations under this Agreement without the approval of Owner (which approval shall not be unreasonably withheld). In the event that Hyatt shall assign its rights and obligations under this Agreement to any affiliate (the "assignee affiliate"), as hereinbefore provided, then the sale by Hyatt or by an affiliate of controlling interest in such assignee shall constitute an assignment of Hyatt's interest requiring Owner's approval, as provided in the immediately preceding sentence, except for a sale which is part of a sale of all, or substantially all, of the assets of Hyatt to an assignee who assumes its obligations, including those hereunder (in which case, any contingent liability of Hyatt hereunder shall terminate upon such sale). A "controlling interest" in an affiliate refers to shares of capital stock representing more than fifty percent (50%) of the voting power of such affiliate.

It is understood and agreed that any approval given by Owner to any assignment shall not be deemed a waiver of the covenant herein contained against assignment in any subsequent case. Any assignee who succeeds to the interest of Hyatt hereunder (or to the interest of an assignee of Hyatt hereunder) shall be deemed to be Hyatt hereunder for all purposes. The term "affiliate", as used herein, shall mean a corporation included in an "affiliated group" as that term is defined in Section 1504(a) of the Internal Revenue Code as presently in effect and of which Hyatt is the common parent corporation.

15.2 Assignment by Owner.

Owner shall not have the right to sell, hypothecate or convey the Hotel or any portion thereof, or to assign its interest in this Agreement, without the prior approval of Hyatt. Hyatt's approval (which shall not be unreasonably withheld) shall be based on the following factors (i) the ability of the prospective assignee to fulfill the

financial obligations of Owner hereunder, (ii) the character and business reputation of the proposed transferee or its principal owners, and (iii) the nature of any other business activities engaged in by the proposed transferee or its principal owners. Any approved assignee shall expressly assume in writing the obligations of Owner hereunder.

For the purposes of this Agreement, an assignment of this Agreement shall be deemed to have occurred, if, within any twelve-month period, there is a transfer of more than ten percent (10%) of the beneficial ownership of Owner other than by bequests, devise or transfers under laws of intestacy.

Notwithstanding the foregoing, Owner may assign all or any portion of its interest in the Management Agreement and the Hotel to a limited partnership (or any other party) formed to provide equity financing for the Hotel (the "Partnership") provided that Owner shall have obtained the prior written approval of Hyatt, which approval shall be conditioned upon the satisfaction of the following conditions, among others: (i) the Partnership shall assume all of the obligations of Owner under the Management Agreement (including, but not limited to, all amounts due or payable to Hyatt thereunder) and shall execute such documentation as Hyatt may request evidencing such assumption; (ii) each of the partners shall be financial institutions, business entities and/or individuals of good business reputations who shall be satisfactory to Hyatt; (iii) such assignment is not in violation of any mortgage, lease or other material contract pertaining to the project; (iv) Robert A. Cook and/or an entity owned or controlled by him shall be the managing general partner (the "Managing General Partner") of the Partnership and shall retain not less than a twenty percent (20%) equity interest in the Partnership; (v) Hyatt shall be provided assurances to its satisfaction that the Partnership has adequate financial resources available to it to meet its obligations under the Management Agreement, which assurances may include the provision of one or more

letters of credit in favor of Hyatt, restrictions on distributions to partners and/or other measures acceptable to Hyatt; and (vi) the Managing General Partner shall have undertaken to make to the Partnership, from time to time, additional capital contributions in an aggregate amount satisfactory to Hyatt, in the event that the financial resources otherwise available to the Partnership shall be or become inadequate to meet its obligations under the Management Agreement, and the Managing General Partner shall have provided Hyatt with such evidences as Hyatt may require establishing the ability of the Managing General Partner to fulfill such undertaking, which evidences may include the provision of one or more letters of credit, restrictions on distributions to equity owners and/or other measures satisfactory to Hyatt. Upon any assignment of this Management Agreement to the Partnership as above provided, the Partnership shall, for all purposes, be deemed to have succeeded to the rights of the Owner hereunder and, for all purposes of this Section 15.2 relating to transfers of beneficial ownership interests in Owner, both the Partnership and the Managing General Partner shall be deemed an "Owner" hereunder; provided, however, nothing herein contained shall be deemed to limit, restrict or prohibit the right of any limited partner in the Partnership, to sell, transfer or assign its limited partnership interest, nor require the consent or approval of Hyatt thereto, provided such transactions are in full compliance with all applicable securities laws.

15.3 Binding on Successors.

The terms, provisions, covenants, undertakings, agreements, obligations and conditions of this Agreement shall be binding upon and shall inure to the benefit of the successors in interest and the assigns of the parties hereto with the same effect as if mentioned in each instance where the party hereto is named or referred to.

Section 16. NOTICES.

All notices to be given hereunder shall be given in writing and shall be deemed given when delivered by messenger or by the U.S. mails (and, if mailed, shall be deemed received two (2) business days after the postmarked date thereof), with postage prepaid, registered or certified, and, if intended for Owner, delivered or addressed to:

COOK REGENCY CORPORATION
c/o Bob Cook Company
445 Watt Avenue
Sacramento, California 95825
Attention: Robert A. Cook

and

John Davis, Esq.
555 Capitol Mall
Suite 845
Sacramento, California 95814

and if intended for Hyatt, delivered or addressed to:

Hyatt Corporation
Madison Plaza
200 West Madison Street
Chicago, Illinois 60606
Attention: Harold S. Handelsman

Either party hereto may change the address for notices hereunder by such party giving notice of such change to the other party hereto in the manner hereinabove provided. If Hyatt is given the name and address of any mortgagees, it will give copies of all notices given to Owner to such mortgagees, in the manner set forth in this Section 16.

Section 17. APPROVALS.

If a party shall desire the approval of the other party hereto to any matter, such party may give notice to such other party that it requests such approval, specifying in such notice the matter as to which such approval is requested and reasonable detail respecting such matter. If such other party shall not respond negatively in writing to

such notice within twenty (20) days after receipt thereof, such other party shall be deemed to have approved the matter referred to in such notice.

Section 18. FURTHER INSTRUMENTS.

Upon notice from either party to the other, Hyatt and Owner shall execute (in recordable form) and deliver to the party requesting the same an appropriate instrument which, when recorded, will impart constructive notice to third parties of the rights of Hyatt under this Agreement. Each party hereto shall further execute and deliver all such other appropriate supplemental agreements and other instruments and take such other action as may be necessary to make this Agreement fully and legally effective, binding and enforceable as between the parties hereto and as against third parties, or as the other party may reasonably request.

Section 19. INDEMNIFICATION OF HYATT.

Upon termination of this Agreement, whether by lapse of time or otherwise, Owner shall indemnify and hold harmless Hyatt and its directors, officers, employees and agents from and against any and all liability, loss, damages, costs and expenses ("Liabilities") arising out of, or incurred in connection with the management and operation of the Hotel, except those caused by the gross negligence, willful misconduct or willful violations of Legal Requirements by Hyatt or its employees or agents occurring during the Term. Without limiting the generality of the foregoing, Owner shall indemnify and hold harmless Hyatt and its directors, officers, employees and agents from and against any and all Liabilities arising out of, or relating to, the provisions of the Employee Retirement Income Security Act of 1974 and the Multi-Employer Pension Plan Act of 1980.

Section 20. APPLICABLE LAW.

This Agreement shall be governed in all respects by the internal laws of the State of California.

Section 21. PAYMENT OF AMOUNTS DUE TO HYATT.

If, pursuant to the terms of this Agreement, the Term and Hyatt's management of the Hotel are terminated, Owner's obligations to pay to Hyatt any other amounts due to Hyatt hereunder, shall survive such termination and shall continue until all such amounts, with interest, are paid in full. If such termination is the result of condemnation of, or a casualty to the Hotel, these amounts due to Hyatt shall be paid out of any condemnation award or insurance proceeds available to Owner after satisfaction of the holder of the first mortgage and the Redevelopment Agency of the City of Sacramento, California under the ground lease.

If the condemnation award or any insurance proceeds are insufficient, Owner shall be obligated to pay all such amounts to Hyatt from other funds of Owner.

Section 22. SURVIVAL AND CONTINUATION.

Notwithstanding the termination of the Term or Hyatt's management of the Hotel in accordance with this Agreement, all terms, provisions and obligations of either party contained herein, which in order to give them effect and accomplish their intent and purpose need to survive such termination (e.g. Sections 19 and 21) shall, by agreement between Owner and Hyatt, survive and continue until they have been fully satisfied or performed.

Section 23. HYATT APPROVALS.

Owner and Hyatt agree that in each instance in this Agreement or elsewhere wherein Hyatt is required to give its approval of plans, specifications, budgets and/or financing, no such approval shall imply or be deemed to constitute an opinion by Hyatt, nor impose upon Hyatt any responsibility for the design or construction of building elements, including but not limited to structural integrity or life/safety requirements or adequacy of budgets and/or financing. The scope of Hyatt's review and approval of plans and specifications is limited solely to the adequacy and relationship of spaces and esthetics of the Improvements for use as a hotel.

All reviews and approvals by Hyatt under the terms of the Management Agreement are for the sole and exclusive benefit of Hyatt and no other person or party shall have the right to rely on any such reviews or approvals by Hyatt. Hyatt shall have the absolute right, in its sole discretion, to waive any such reviews or approvals as a condition to its performance under the Management Agreement.

Section 24. SALE OF SECURITIES.

In the event Owner, the Partnership or any person controlling, controlled by or under common control with Owner or the Partnership shall, at any time, sell or offer to sell any of its securities through the medium of any prospectus, offering circular or otherwise, it shall do so only in compliance with all applicable federal and state securities laws, and shall clearly disclose to all purchasers and offerees that neither Hyatt nor any of its officers, directors, agents or employees: (i) shall in any way be deemed an issuer or underwriter of such securities, (ii) has reviewed or passed upon the merits of an investment in such securities or the accuracy or adequacy of any offering

materials and, (iii) has or has assumed any liability arising out of or relating to the offer or sale of such securities, including, without limitation, any liability or responsibility for any financial statements, projections or other financial information contained in any offering materials or oral communications. Hyatt shall have the right to approve any description of Hyatt, the Management Agreement and the issuer's relationship with Hyatt which may be contained in any offering materials or other communications, and Owner agrees to furnish copies of all such materials to Hyatt for such purpose not less than twenty (20) days prior to the delivery thereof to any prospective purchaser. Copies of the Management Agreement shall not be made available to any person in connection with the sale of securities except with the prior approval of Hyatt. No offers or sales of any such securities shall be made until Owner shall have executed and delivered to Hyatt instruments satisfactory to Hyatt whereby Owner agrees to indemnify, defend and hold Hyatt, its officers, directors, agents and employees, free and harmless of and from any and all liabilities, costs, damages, claims, or expenses arising out of or relating to the offer or sale of any such securities.

IN WITNESS WHEREOF, Owner and Hyatt have executed this Agreement as of the day and year first above set forth.

HYATT CORPORATION,
a Delaware corporation

ATTEST:

By: _____
Vice President

COOK REGENCY CORPORATION,
a California corporation

By: _____
President

EXHIBIT A

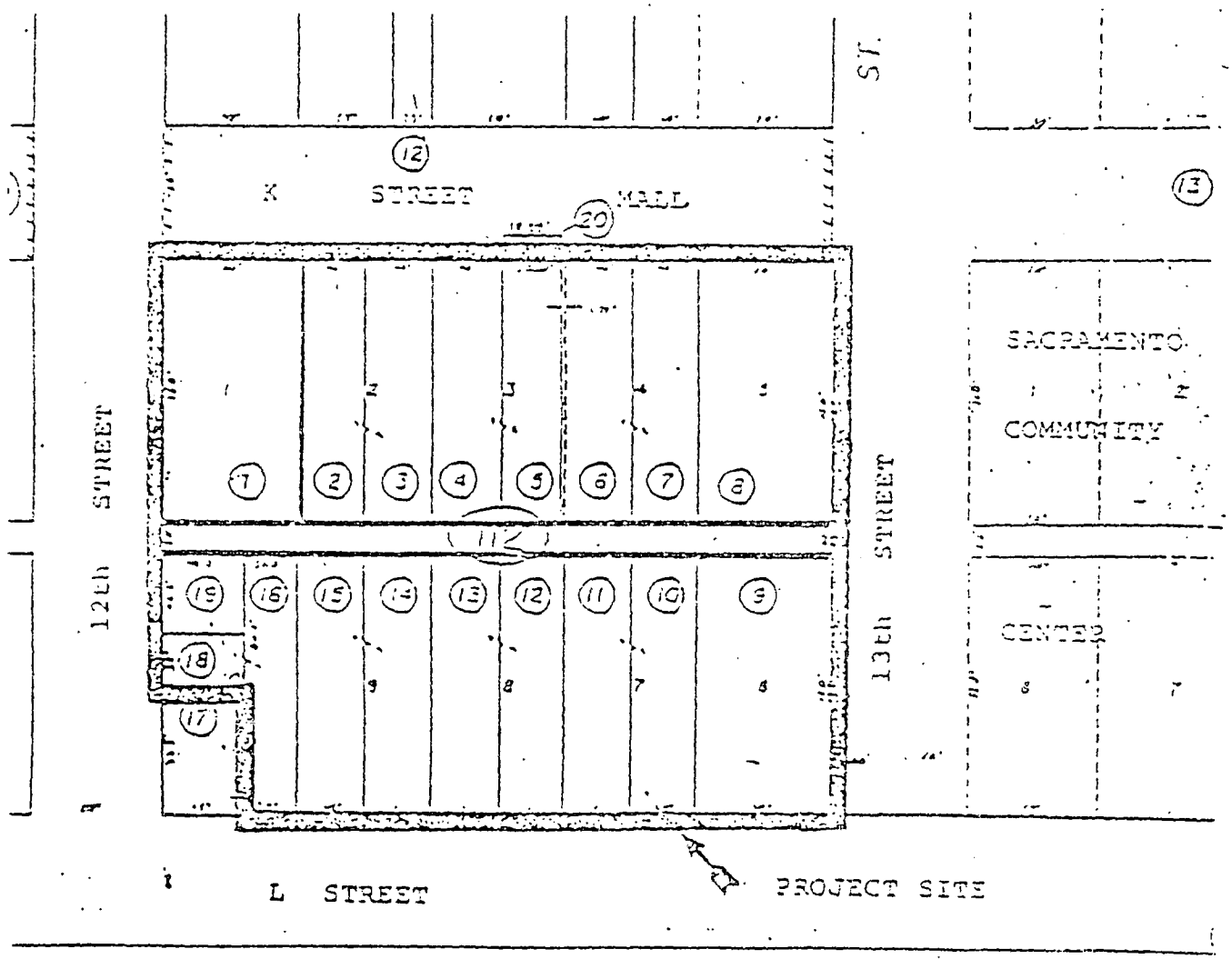
All that land situate in the State of California, County of Sacramento, City of Sacramento, described as follows:

All that certain real property lying within the block bounded by 12th, 13th, "K", and "L" Streets of the City of Sacramento, according to the official plat thereof.

EXCEPTING THEREFROM all that portion of Lot 10 in said block described as follows:
Beginning at the point of intersection of the East line of said 12th Street with the North line of said "L" Street, said point being the Southwest corner of said Lot 10; thence from said point of beginning, along the East line of said 12th Street, Northerly 79.50 feet; thence along a line parallel with and 79.50 feet Northerly from the North line of said "L" Street Easterly 42.00 feet; thence along a line parallel with and 42.00 feet Easterly from the East line of said 12th Street Southerly 79.50 feet to the North line of said "L" Street; thence along the North line of said "L" Street Westerly 42.00 feet to the point of beginning.

EXHIBIT A

PARCEL MAP
12th-13th-K-L STREET
PROPERTY



STATEMENT OF INCOME
(Short Form)

		Current Period
DEPARTMENTAL PROFIT (Loss)		
Rooms	Schedule B- 1	$_____
Foods	B- 2	
Beverages	B- 2	
Telephone	B- 3	
Barber Shop	B- 4	
Beauty Parlor	B- 5	
Checkrooms and Washrooms	B- 6	
Cigar and Newsstand	B- 7	
Fountain and Gift Shop	B- 8	
Garage--Parking Lot	B- 9	
Guest Laundry	B-10	
Swimming Pool--Cabanas--Baths	B-11	
Valet	B-12	_____
		$_____
Profit from Operated Departments		
OTHER INCOME	B-13	_____
GROSS OPERATING INCOME		$_____
DEDUCTIONS FROM INCOME		
Administrative and General Expense	B-14	$_____
Advertising and Sales Promotion	B-15	
Heat, Light and Power	B-16	
Repairs and Maintenance	B-17	_____
Total Deductions from Income		
HOUSE PROFIT		$_____
STORE RENTALS	B-18	_____
GROSS OPERATING PROFIT		$_____
RENT, MUNICIPAL TAXES AND INSURANCE	B-19	_____
PROFIT BEFORE INTEREST AND DEPRECIATION		$_____
INTEREST	B-19	_____
PROFIT BEFORE DEPRECIATION		$_____
DEPRECIATION AND EXPENSE AMORTIZATION	B-19	_____
NET OPERATING PROFIT (LOSS)		$_____
OTHER ADDITIONS AND DEDUCTIONS	B-20	_____
NET INCOME (Loss) -- TO RETAINED EARNINGS		$_____

EXHIBIT B

I. Comprehensive General Liability

Premises Operations
Elevators
Independent Contractors
Blanket Contractual
Worldwide Products Liability (U.S. Suit or Foreign Indemnity)
Personal Injury (including Contractual) Exclusion C deleted
Amendment of "Bodily Injury" to include Mental Anguish, Mental Injury, or illness whether or not accompanied by physical injury or illness suffered by any person or persons
Employees as Additional Insureds
Broad Form Property Damage
Fire Legal Liability ($50,000 per location)
Host Liquor Liability (including Loss of Means of Support)
Liquor Liability
XCU exclusion deleted
Incidental Malpractice

II. Innkeepers Liability Including Safe Deposit Box Liability

III. Comprehensive Automobile Liability Limits:

Includes all owned, hired, leased (or substitute) automobiles.
Use of other auto - broad form - Blanket coverage for all Hyatt officers and/or employees while acting within the scope of their duties, including an individual while a resident of the household, and spouse and dependent children of such individual.

IV. Garagekeepers Legal Liability

Fire and Explosion
Theft
Riot, Civil Commotion, Malicious Mischief and Vandalism
Collision or upset

Including coverage for personal property left in insured vehicle

EXHIBIT C

ANNEX I

TECHNICAL SERVICES EXHIBIT

The Planning and Construction Department of Hyatt Hotels Corporation shall provide the following technical services in conjunction with the design of the proposed Hyatt Regency Hotel in Sacramento, California.

I. PRELIMINARY DEVELOPMENT:

A. Assist in the evaluation and selection of the site, if needed.

B. Consult in the selection of architects, interior designers, food facilities planners, and other consultants and the delineation of their respective design responsibilities.

C. Prepare the Design Program for the hotel, consisting of:

1. Space and Planning Requirements;

2. Food and Beverage Program;

3. Guest Room Mix;

4. Design Criteria.

D. Consult in the differentiation of budget categories, especially construction versus FF&E.

E. Cooperate in the development of an outline FF&E budget, delineating the anticipated cost of:

1. Guest room interiors;

2. Public area interiors;

3. Graphics and signage;

4. Food service equipment;

5. Expendables;

6. Back-of-House equipment;

7. Miscellaneous systems.

II. CONCEPTUAL DESIGN AND DESIGN DEVELOPMENT:

A. Assist the architect in the schematic planning of the hotel, by setting functional requirements for the organization of the principal public and service areas.

B. Assist the engineering consultants in defining the operational requirements for a Hyatt Regency Hotel, with respect to:

1. Heating, ventilation and air conditioning systems;

2. Plumbing, sewage and water treatment;

3. Electrical power supply and distribution, including lighting, alarm, television, etc., systems;

4. Telephone, public address, and internal communications systems;

5. Other special hotel systems.

C. Advise the interior designer and food facilities consultant on the technical and functional requirements of a Hyatt Regency Hotel.

D. Review the conceptual plans of the architect to determine whether they conform to the requirements of the space program and to assess the appropriateness of the design with respect to its location.

E. Review also the conceptual design of the consulting engineer, interior designer, kitchen consultant, and others with respect to the suitability of the plans.

F. Review the outline specifications for interior and exterior materials for their aesthetic and operational requirements.

G. Provide ongoing and timely review of the planning development, and approve the design documents with respect to planning and aesthetic design.

III. CONSTRUCTION DOCUMENTS:

A. Provide necessary technical information as requested for the Hotel systems and specialized areas including, but not limited to, the following areas and systems:

1. Guest Room Areas:

a. Room numbering (provide layout);

b. Typical guest rooms (furnish design criteria);

c. Special suites (furnish design criteria);

d. General Manager's Apartment (furnish design criteria);

e. Guest room security systems (furnish design criteria);

f. Maids' area (furnishing and equipment layout and specifications);

g. Vending (furnishing and equipping layout and specifications);

h. Elevator cab design and equipment (furnish design criteria);

2. Administration (Assist designers with layout and furnish typical details for specialized millwork as required):

a. Front office and front desk layout, including required equipment, baggage handling, bellman's stand, etc.;

b. Executive Offices;

c. Sales and Catering Offices;

d. Accounting Offices, including safety deposit area, hotel safe, and security requirements.

3. Food and Beverage Areas (Assist designers with layout and furnish specifications for equipment specified by Hyatt);

a. Equipment requirements for special Food and Beverage concepts;

b. Room service area;

c. Secure storage;

d. Chef's office;

e. Food and Beverage cashier;

f. Banquet Manager.

4. Back-of-House (Assist designers with layout and furnish specifications for equipment specified by Hyatt):

a. Service entrance, security office, receiving and trash/garbage holding;

b. Personnel Offices;

c. Purchasing office;

d. Employees' lockers and toilets, lounge, cafeteria, etc.;

e. Housekeeping;

f. Engineering office;

g. Maintenance and repair shops.

5. Systems (Assist designers with layout and furnish specifications for equipment specified by Hyatt):

a. Audio-visual, television antenna, sound, in-room movie, etc.;

b. Paging, wake-up, room status, etc.;

c. Telephone system;

d. Security, including CCTV, watchman's clock, etc.;

e. Keying schedule;

f. Computer reservations, accounting, etc., requirements.

6. Other:

a. Health Club, pool lockers, etc.

b. Meeting room partitions, storage, electrical, etc.;

c. Special lobby, food and beverage outlet, and function areas FF&E items.

B. Review and approve the final drawings with respect to planning, operational and aesthetic considerations.

IV. BIDDING AND CONSTRUCTION:

A. Review, as requested, representative samples of finish materials and furnishings to assure the maintenance of a high quality.

B. Approximately six months prior to opening, furnish the following specifications:

1. FF&E Section III - "Expendables";

2. FF&E Section IV - "Back-of-House Equipment and Furnishings."

C. Review and approve the following contractor/vendor submittals:

1. Millwork shop drawings (as requested);

2. Hardware and keying schedule;

3. Submittals pertaining to equipment specified by Hyatt.

D. During construction, periodically visit the Site and attend such Site coordination meetings as may reasonably be requested by the Owner, but in no event more frequently than once per month.

EXHIBIT B

ASSIGNMENT OF DISPOSITION AND

DEVELOPMENT AGREEMENT

THIS ASSIGNMENT OF DISPOSITION AND DEVELOPMENT AGREEMENT is made and entered into this 24th day of May, 1985, by and between SACRAMENTO HOTEL ASSOCIATES, a Minnesota Limited Partnership, which has Landmark of California, Inc., as its General Partner (hereinafter referred to as "SHA"), COOK REGENCY CORPORATION, a California Corporation (hereinafter referred to as "COOK") and the Redevelopment Agency of the City of Sacramento (hereinafter referred to as "the Agency").

WHEREAS, SHA and the Agency have entered into a Disposition and Development Agreement dated July 17, 1984, which has been amended on October 29, 1984 (hereinafter referred to as "the DDA");

WHEREAS, SHA and COOK are parties to an Agreement for Assignment of Development Interest dated March 27, 1985 in which,

JOHN F. DAVIS
LAW CORPORATION
555 CAPITOL MALL
SUITE 845
SACRAMENTO CA 95814
916/447-7770

AGREEMENT FOR ASSIGNMENT OF DEVELOPMENT INTEREST

THIS AGREEMENT FOR ASSIGNMENT OF DEVELOPMENT INTEREST is made and entered into this 27th day of March, 1985 by and between APPLETREE ENTERPRISES, INC., a Minnesota Corporation (APPLETREE), SACRAMENTO HOTEL ASSOCIATES, a Limited Partnership (SHA), SCOTT A. GODIN (GODIN), ELLERBE ASSOCIATES, INC., a Minnesota Corporation, and APPLEMARK OF CALIFORNIA, INC., a Minnesota Corporation (APPLEMARK) (hereinafter collectively referred to as "ASSIGNORS") and THE BOB COOK COMPANY, a California Corporation (COOK CO.), ROBERT A. COOK (RAC) and COOK REGENCY CORPORATION, a California Corporation (hereinafter collectively referred to as "COOK").

R E C I T A L S

WHEREAS, APPLETREE has acted as developer and COOK has acted as co-developer in connection with the development of a hotel project in Sacramento, California, commonly known as The Capitol Center Hyatt Hotel (the "project).

WHEREAS, a dispute has arisen between APPLETREE and COOK regarding the continuing development of the project.

JOHN F. DAVIS
LAW CORPORATION
555 CAPITOL MALL
SUITE 845
SACRAMENTO CA 95814

WHEREAS, APPLETREE wishes to withdraw from further development of the project.

WHEREAS, ASSIGNORS and COOK have agreed that ASSIGNORS shall assign any and all right, title and interest they may have in the project to COOK REGENCY.

WHEREAS, the parties desire to enter into a binding written Agreement in which this assignment is memorialized.

NOW, THEREFORE, it is agreed as follows:

1. ASSIGNMENT OF INTEREST:

APPLETREE hereby withdraws as developer on the project and ASSIGNORS assign to COOK REGENCY any and all right, title and interest they may have in the project. This assignment shall be all-inclusive, and shall include any and all types of interests held by ASSIGNORS in the project, plus any and all rights in the following documents:

a. Management Agreement dated February 13, 1985 (Management Agreement) to be executed by SHA and Hyatt Corporation (Hyatt).

b. Loan Commitment dated February 19, 1985 (Loan Commitment) to be executed by the Public Employees' Retirement System (PERS) and SHA.

c. Disposition and Development Agreement (Development Agreement) between SHA and the City of Sacramento (City), as amended).

/ / / / / /

JOHN F. DAVIS
LAW CORPORATION
555 CAPITOL MALL
SUITE 845
SACRAMENTO CALIFORNIA
916/447 7770

COOK agrees not to deliver the Loan Commitment or execute the Management Agreement described in (a) and (b) above, until written notification of this assignment has been given to both PFRS and Hyatt, respectively, and written acknowledgement to the assignment has been received.

2. PAYMENT TO COOK REGENCY:

Promptly after satisfaction of the requirements set forth in Paragraphs 4 and 8 below, APPLETREE shall pay COOK REGENCY the sum of ONE HUNDRED FIFTY THOUSAND DOLLARS ($150,000.00), in cash.

3. EFFECTIVE DATE OF ASSIGNMENT:

The effective date of the assignment contemplated by this Agreement shall be March 27, 1985.

4. EXECUTION OF ARCHITECT AND ENGINEERING AGREEMENT:

COOK REGENCY and ELLERBE shall enter into an Architect Agreement no later than March 29, 1985. This Agreement automatically becomes "Null and Void" in the event this condition is not satisfied in time.

5. LETTER OF CREDIT:

Appletree has executed a Letter of Credit for the benefit of the City of Sacramento. Appletree shall pay any and all costs to keep said Letter of Credit in full force and effect for its full term. COOK REGENCY agrees to reimburse Appletree

for actual out-of-pocket expenses in maintaining this Letter of Credit from the first draw of the construction loan proceeds. In the event the construction loan is not funded, COOK shall have no further liability for reimbursement of these sums. In the event and only in the event the project is successfully completed in a timely manner, in accordance with the terms of the Development Agreement, the Letter of Credit shall be returned directly to APPLETREE by the City of Sacramento.

6. RELEASE OF COOK:

In consideration for the execution of this Agreement, other than the obligation and liabilities created pursuant to this Agreement, ASSIGNORS jointly and severally release COOK, its agents, affiliates, subsidiaries and assigns from any and all claims and liabilites, known or unknown, which may arise from the project or any liabilities or obligations arising therefrom. In executing this release from liabilities, ASSIGNORS and each of them acknowledge the following: Except as is necessary to give full force and effect to the indemnification provision hereof, the parties hereby expressly waive the provisions of Section 1542 of the California Civil Code, which reads as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM, MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

7. RELEASE OF ASSIGNORS:

In consideration for the execution of this Agreement, other than the obligation and liabilities created pursuant to

OHN F. DAVIS
AW CORPORATION
55 CAPITOL MALL
SUITE 845
RAMENTO CA 95814

this Agreement, COOK jointly and severally releases ASSIGNORS, their agents, affiliates, subsidiaries and assigns from any and all claims and liabilities, known or unknown, which may arise from the project or any liabilities or obligations arising therefrom. In executing this release from liabilities, COOK and each of them acknowledge the following: Except as is necessary to give full force and effect to the indemnification provision hereof, the parties hereby expressly waive the provisions of Section 1542 of the California Code, which reads as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM, MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

8. AGREEMENT CONDITIONAL:

This Agreement is expressly conditioned upon the following: (1) COOK REGENCY'S causing Public Employees' Retirement System to affirm, in writing, the effectiveness of the Loan Commitment dated March 12, 1985 addressed to Sacramento Hotel Associates; (2) COOK'S receiving the acknowledgement of assignment referred to in Paragraph 1 above; (3) Receipt of evidence of payment of all fees currently payable to Public Employees' Retirement System; and (4) An agreement being reached regarding payment of all fees to Regency Mortgage Corporation. In the event these conditions are not satisfied by April 5, 1985 this Agreement shall automatically become "Null and Void" and of no further force and effect.

JOHN F. DAVIS
LAW CORPORATION
555 CAPITOL MALL
SUITE 845
SACRAMENTO CA 95814
916/447-7770

9. OTHER DOCUMENTS:

Each party hereby expressly agrees to execute such other documents as may be reasonably necessary to effectuate the interest and meaning of this Agreement, including, but not limited to, Assignments and Quitclaim Deeds.

10. CALIFORNIA LAW:

The parties agree that should any dispute arise among the parties regarding any term or provision of this Agreement, the laws of the State of California shall prevail.

APPLETREE ENTERPRISES, INC.,
a Minnesota Corporation

By _____
President

SACRAMENTO HOTEL ASSOCIATES,
a Limited Partnership

By _____
President, Applemark of Calif.

_____
SCOTT A. GODIN
Individually

ELLERBE ASSOCIATES, INC.,
a Minnesota Corporation

By _____
SENIOR VICE PRESIDENT

APPLEMARK OF CALIFORNIA, INC.,
a Minnesota Corporation

By _____
President

/ / / / / / /

JOHN F. DAVIS
LAW CORPORATION
555 CAPITOL MALL
SUITE 845
SACRAMENTO CA 95814
916/447 7770

THE BOB COOK COMPANY, a
California Corporation.

By _____

President

_____
ROBERT A. COOK
Individually

COOK REGENCY CORPORATION, a
California Corporation

By _____

President

77-0

JOHN F. DAVIS
LAW CORPORATION
555 CAPITOL MALL
SUITE 845
SACRAMENTO CA 95814
916/447-7770

FIRST AMENDMENT TO

AGREEMENT FOR ASSIGNMENT OF DEVELOPMENT INTEREST

THIS FIRST AMENDMENT TO AGREEMENT OF DEVELOPMENT INTEREST is made and entered into this 24th day of May, 1985 by and between APPLETREE ENTERPRISES, INC., a Minnesota Corporation (APPLETREE), SACRAMENTO HOTEL ASSOCIATES, a Limited Partnership (SHA), SCOTT A. GODIN (GODIN), ELLERBE ASSOCIATES, INC., a Minnesota Corporation (ELLERBE) and APPLEMARK OF CALIFORNIA, INC., a Minnesota Corporation (APPLEMARK) (hereinafter collectively referred to as "ASSIGNORS") and THE BOB COOK COMPANY, a California Corporation (COOK CO), ROBERT A. COOK (RAC) and COOK REGENCY CORPORATION, a California Corporation (hereinafter collectively referred to as "COOK").

WHEREAS, the above parties have entered into an Agreement for Assignment of Development Interest dated March 27, 1985 (hereinafter referred to as "the Agreement").

WHEREAS, Paragraphs 4 and 8 of the Agreement causes the Agreement to be conditional upon certain specific events taking place in a timely manner.

WHEREAS, all of the conditions have now been met to the satisfaction of all parties.

WHEREAS, the parties now desire to modify the Agreement by eliminating the conditionality of the Agreement and to ratify and affirm the Agreement as amended.

NOW, THEREFORE, the Agreement is amended as follows:

1. DELETION OF PARAGRAPHS 4 and 8:

The requirements contained in Paragraphs 4 and 8 of the Agreement have been completed and are deemed satisfied.

2. AGREEMENT AFFIRMED:

Except as has been expressly modified by this First Amendment to Agreement for Assignment of Development Interest, the Agreement is ratified, affirmed and approved by all of the parties.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands the day and year first above written.

APPLETREE ENTERPRISES, INC.,
a Minnesota Corporation

By: _____
President

SACRAMENTO HOTEL ASSOCIATES,
a Limited Partnership

By: Applemark of California, Inc.,
a Minnesota Corporation

By: _____
President

Its: General Partner

_____
SCOTT A. GODIN,
Individually

ELLERBE ASSOCIATES, INC.,
a Minnesota Corporation

By: _____
Senior Vice-President

APPLEMARK OF CALIFORNIA, INC.,
a Minnesota Corporation

By: _____
President

THE BOB COOK COMPANY, a
California Corporation

By: _____
ROBERT A. COOK, President

_____
ROBERT A. COOK,
Individually

COOK REGENCY CORPORATION, a
California Corporation

By: _____
ROBERT A. COOK, President

among other things and subject to certain conditions SHA agreed to assign to COOK and COOK agreed to accept the assignment of any and all right, title and interest in the DDA.

WHEREAS, all of the conditions between SHA and COOK for the agreed assignment have been met and COOK and SHA desire to affirm this Assignment.

WHEREAS, Section 503 of Part II to the DDA provides that the assignment contemplated may become effective only after the written consent of the Agency has been obtained.

WHEREAS, SHA, COOK and the Agency now desire to affirm and consent to this Assignment.

NOW, THEREFORE, it is agreed:

1. ASSIGNMENT:

Effective March 27, 1985 SHA conveys any and all right, title and interest in the DDA to COOK. COOK accepts this Assignment and, for itself and its successors and assigns, and expressly for the benefit of the Agency, expressly assumes all of the obligations of the Redeveloper under the DDA and agrees to be subject to all the conditions and restrictions to which the Redeveloper is subject.

/ / / / / / /

/ / / / / / /

OHN F. DAVIS
AW CORPORATION
555 CAPITOL MALL
SUITE 645
RAMENTO CA 95814
916/447-7770

2. CONSENT TO ASSIGNMENT:

The Agency consents to the Assignment described in Paragraph 1, above, without waiving any rights it may have against SHA.

3. DDA RATIFIED:

Except for the assignment described in this Agreement, the DDA, as amended, is hereby expressly ratified and approved by the parties.

SACRAMENTO HOTEL ASSOCIATES, a Minnesota Limited Partnership

By Applemark of California, Inc.
Daryl S. Dunn - President

~~LANDMARK OF SACRAMENTO, INC., a General Partnership~~

~~By~~ _____
~~President~~

COOK REGENCY CORPORATION

By Robert A. Cook
ROBERT A. COOK,
President

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

By _____
Vice Chairman

By _____
Secretary

APPROVED AS TO FORM:

_____
AGENCY COUNCIL

80-B

JOHN F. DAVIS
LAW CORPORATION
555 CAPITOL MALL
SUITE 845
SACRAMENTO CA 95814
916/447-7770

STATE OF CALIFORNIA
COUNTY OF Sacramento

On this 24th day of May in the year 1985 before me Margaret C. Leary, a Notary Public, State of California, duly commissioned and sworn, personally appeared Robert A. Cook, personally known to me (or proved to me on the basis of satisfactory evidence) to be the President of the corporation that executed the within instrument, and also known to me to be the person _____ who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same _____.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal in the _____ County of _____ Sacramento on the date set forth above in this certificate.

Margaret C. Leary
Notary Public, State of California

My commission expires March 28, 1988

OFFICIAL SEAL
MARGARET C. LEARY
NOTARY PUBLIC - CALIFORNIA
SACRAMENTO COUNTY
My Comm. Expires March 28, 1988

Cowdery's Form No. 28 — Acknowledgement to Notary Public — Corporation (C. C. Secs. 1190-1190.1)

STATE OF MINNESOTA)
)
COUNTY OF HENNEPIN)

Subscribed and sworn to before me this 10th day of June, 1985.

Sharon K. Adams
Sharon K. Adams

SHARON K. ADAMS
NOTARY PUBLIC — MINNESOTA
HENNEPIN COUNTY
My Commission Expires July 15, 1989

Notary Public in and for the State of Minnesota, residing in Hennepin County. My commission expires July 15, 1989.

EXHIBIT "C"

SCHEDULE OF PERFORMANCE

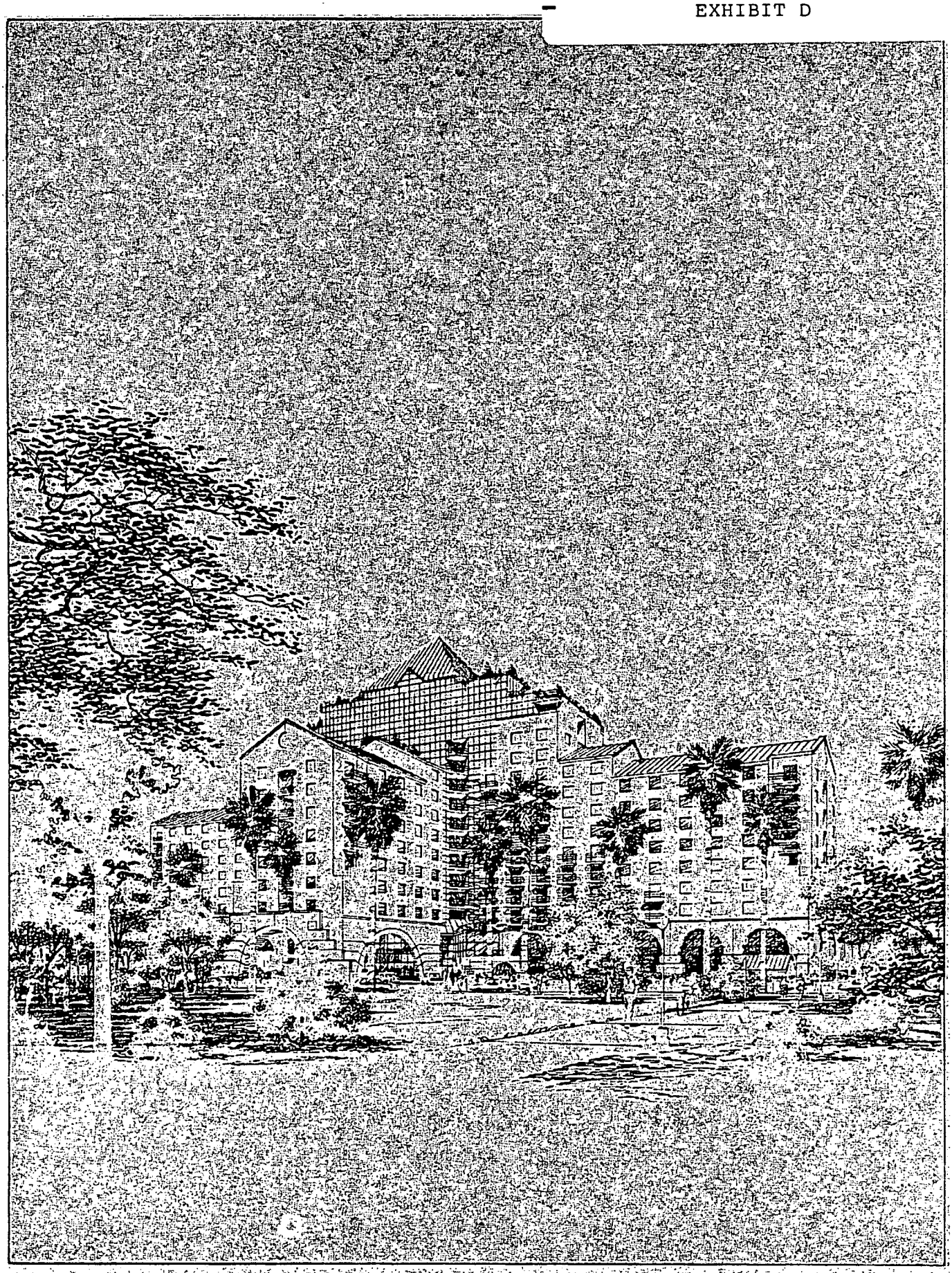
1.	Redeveloper shall submit Preliminary Plans to City Design Review Board	Within thirty (30) days after the effective date of the Agreement, not later than August 15, 1984.
2.	Redeveloper shall submit an executed Hotel Management Agreement with the Hyatt Corporation to the Agency.	Within 330 days after the effective date of the Agreement, not later than May 31, 1985.
3.	Redeveloper shall submit Design Plans to City Design Review Board.	Within 345 days after the effective date of the Agreement, not later than June 19, 1985.
4.	The City Design Review Board shall approve or disapprove the Design Plans*.	Within thirty (30) days after submission of such Final Design Plans, not later than July 19, 1985.
5.	Redeveloper shall prepare and submit Final Foundation Construction Plans to the Agency and the City Building Division.	Within fourteen (14) months after the effective date of the Agreement, not later than September 18, 1985.
6.	Redeveloper shall submit a written commitment for construction and permanent financing (including equity) to the Agency.	Within fourteen (14) months after the effective date of the Agreement, not later than September 18, 1985.
7.	The Agency and City Building Division shall approve or disapprove the Redeveloper's Final Foundation Construction Plans*.	Within thirty (30) days after submission of such Final Foundation Construction Plans, not later than October 18, 1985.
8.	The Agency shall approve or disapprove Redeveloper's Evidence of Construction and Permanent Financing (including equity)*.	Within thirty (30) days after submission of such Evidence of Construction and Permanent Financing not later than October 18, 1985.
9.	The Agency shall deposit the Lease for the property into escrow*.	At the time of Agency approval of Redeveloper's Final Foundation Construction Plans and Evidence of Financing, not later than October 18, 1985.

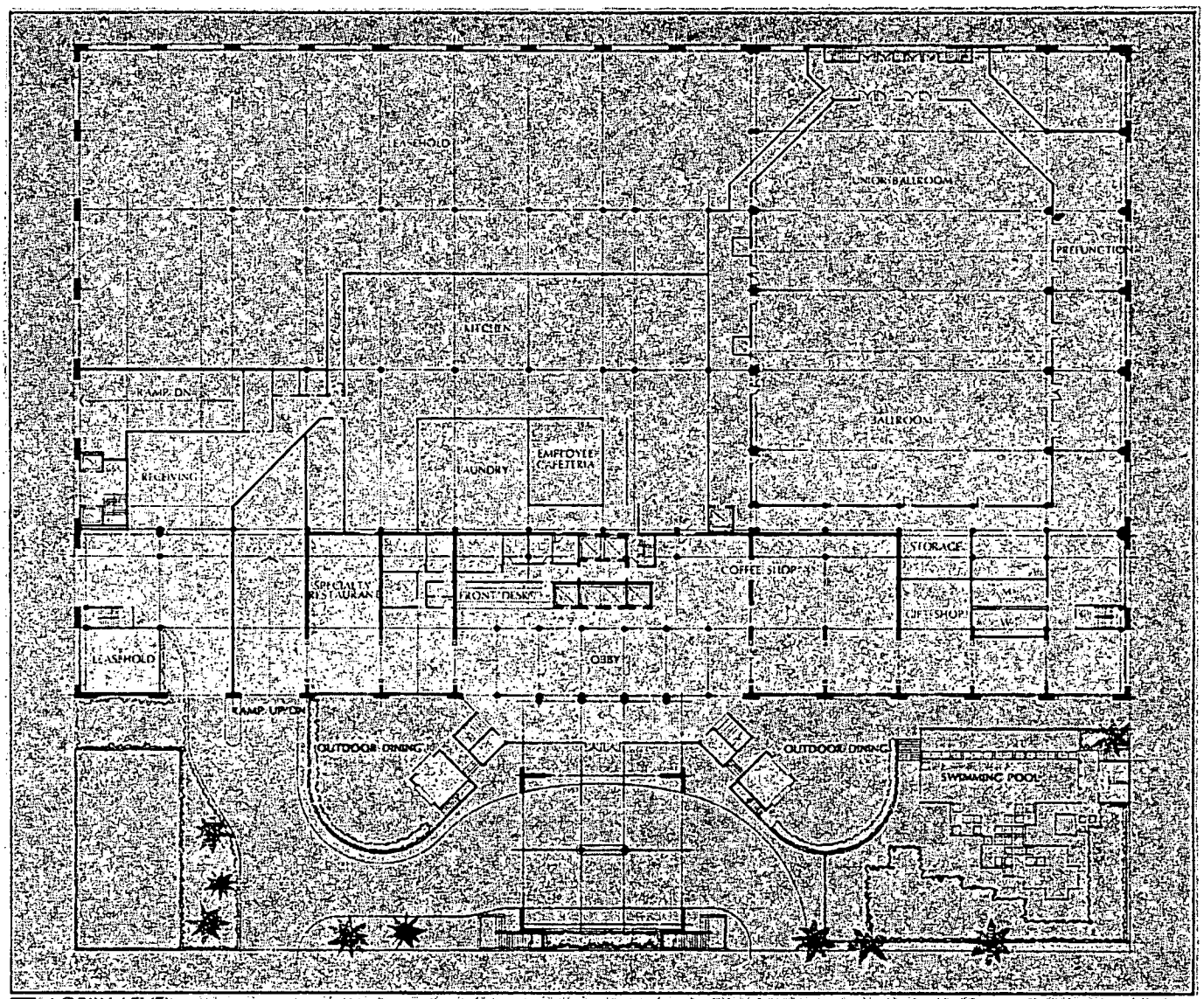
10.	Agency and Redeveloper shall deposit all fees, premiums, costs or other charges and execute and submit all documents necessary to close escrow*.	Within fifteen (15) days after the Agency deposits the Lease into escrow, not later than October 31, 1985.
11.	Redeveloper shall submit the executed Land Lease Agreement with the Agency.	Within fifteen (15) months after the effective date of the Agreement, not later than October 31, 1985.
12.	Redeveloper shall commence construction of the foundation improvements on the property.	Within fifteen (15) months after the effective date of the Agreement, not later than October 31, 1985.
13.	Redeveloper shall prepare and submit Final Building Construction Plans to the Agency and City Building Division.	Within eighteen (18) months after the effective date of the Agreement, not later than January 10, 1986.
14.	The Agency and City Building Division shall approve or disapprove Redeveloper's Final Building Construction Plans*.	Within thirty (30) days after submission of such Final Building Construction Plans, not later than February 10, 1986.
15.	Redeveloper shall commence construction of the building improvements on the subject property.	Within nineteen (19) months after the effective date of the Agreement, not later than February 24, 1986.
16.	Redeveloper shall complete construction of the improvements on the property.	Within 37.5 months after the effective date of the Agreement, not later than August 28, 1987.

---

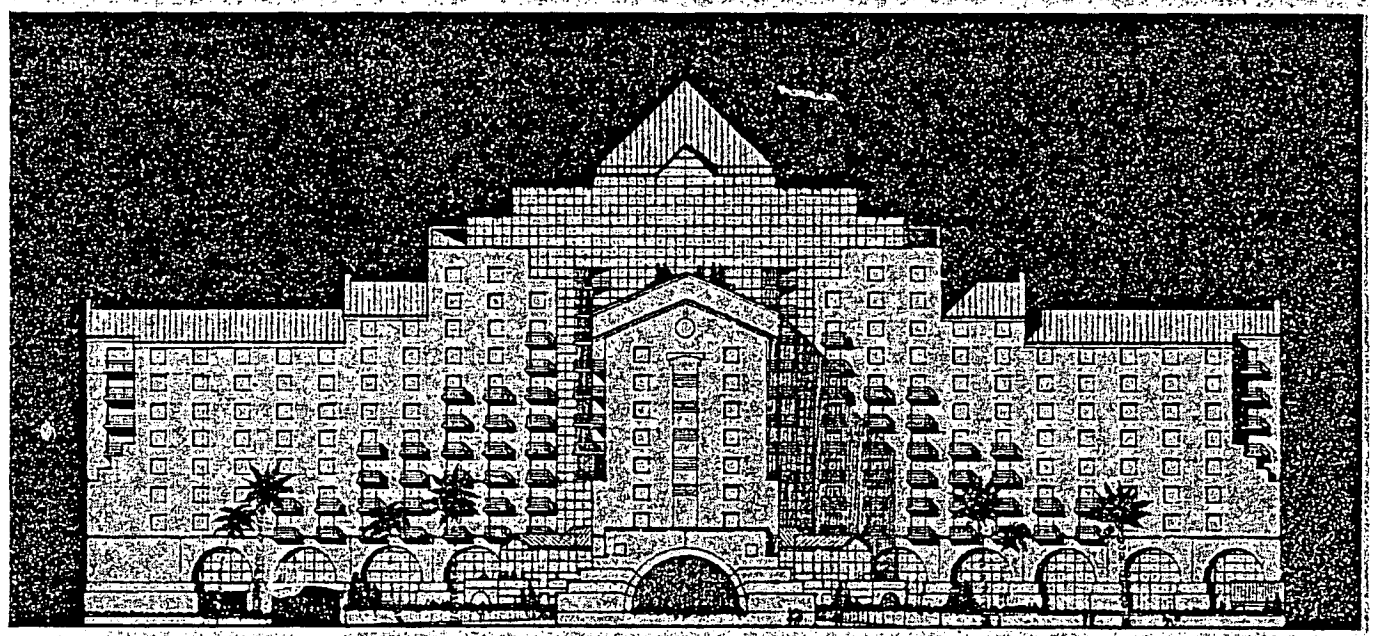
* If the Agency fails to perform its responsibilities within the time specified in Items 7, 8, 9, 10 and 14 and if Redeveloper has timely performed prior to such Agency failure, Redeveloper's time for performance shall be increased by the number of days Agency's performance exceeds the time specified.

EXHIBIT D

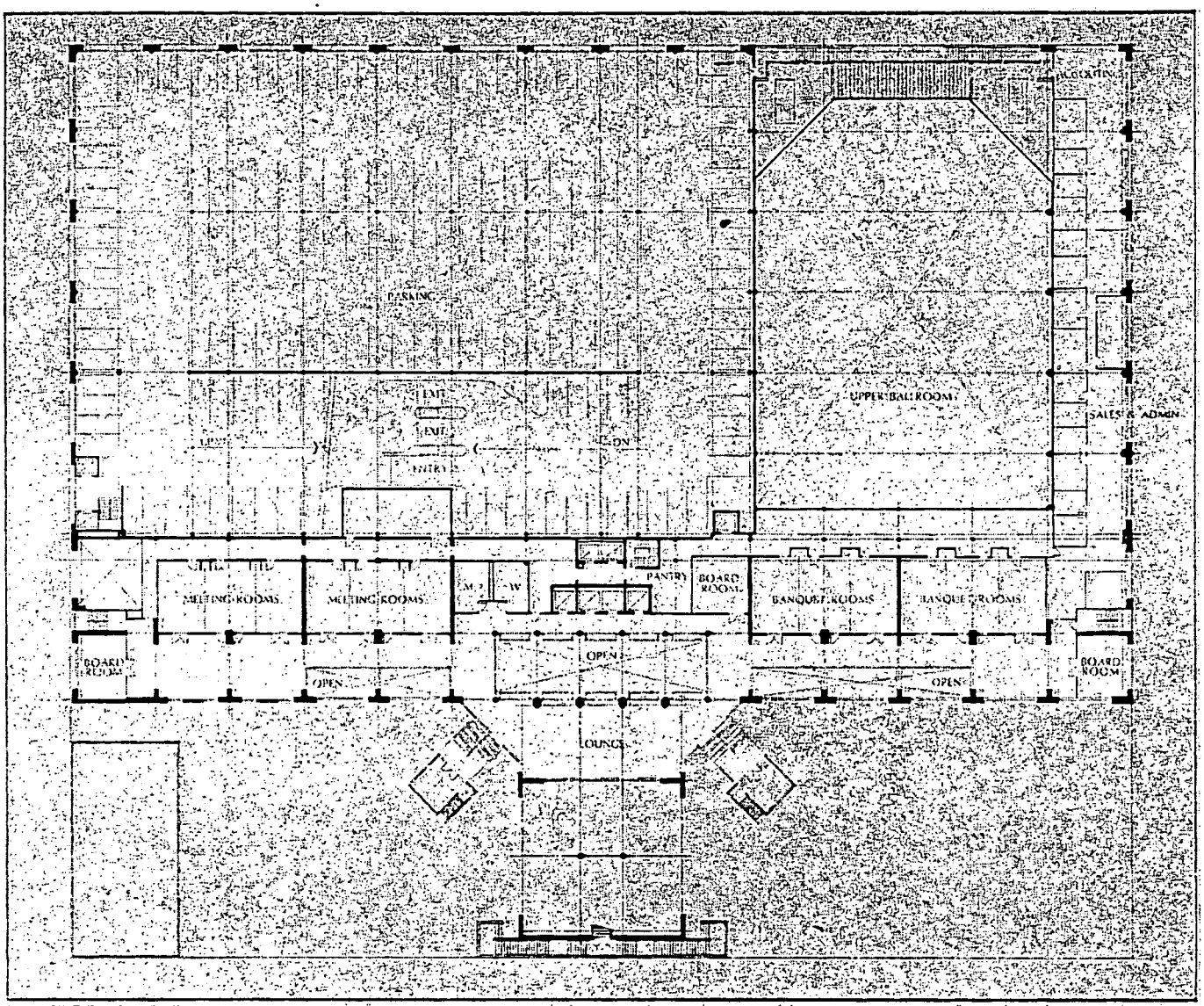




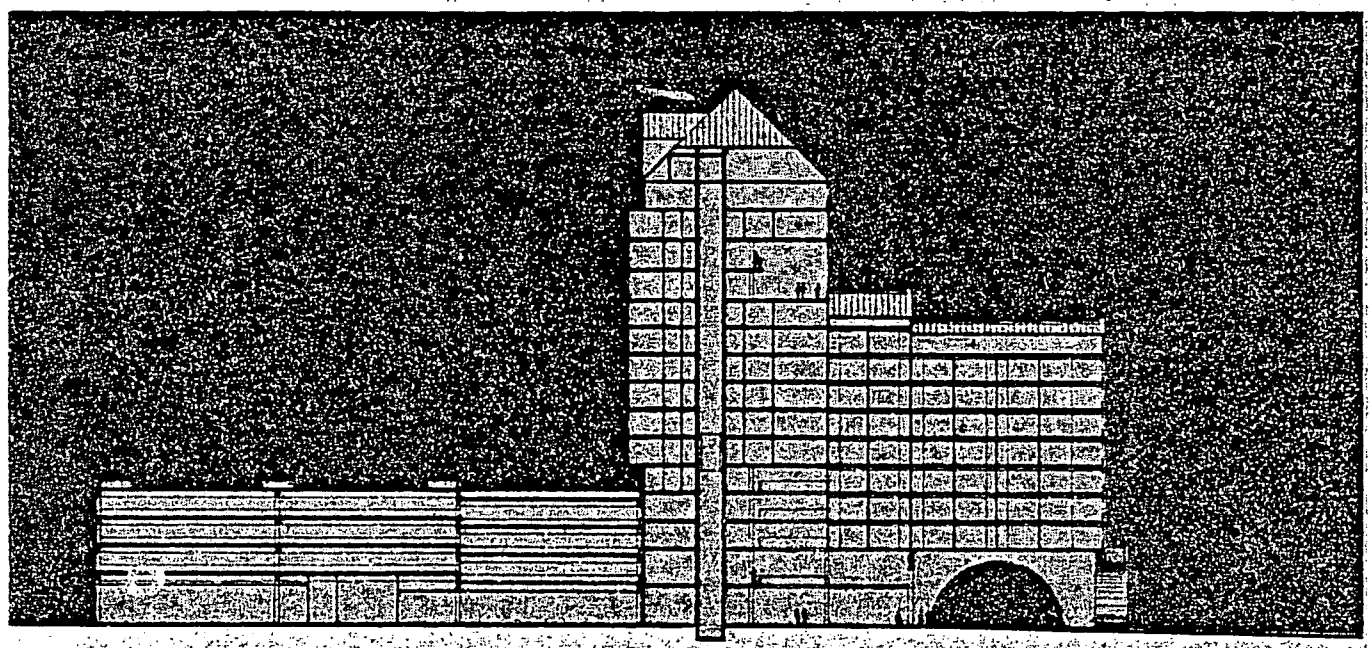
LOBBY LEVEL



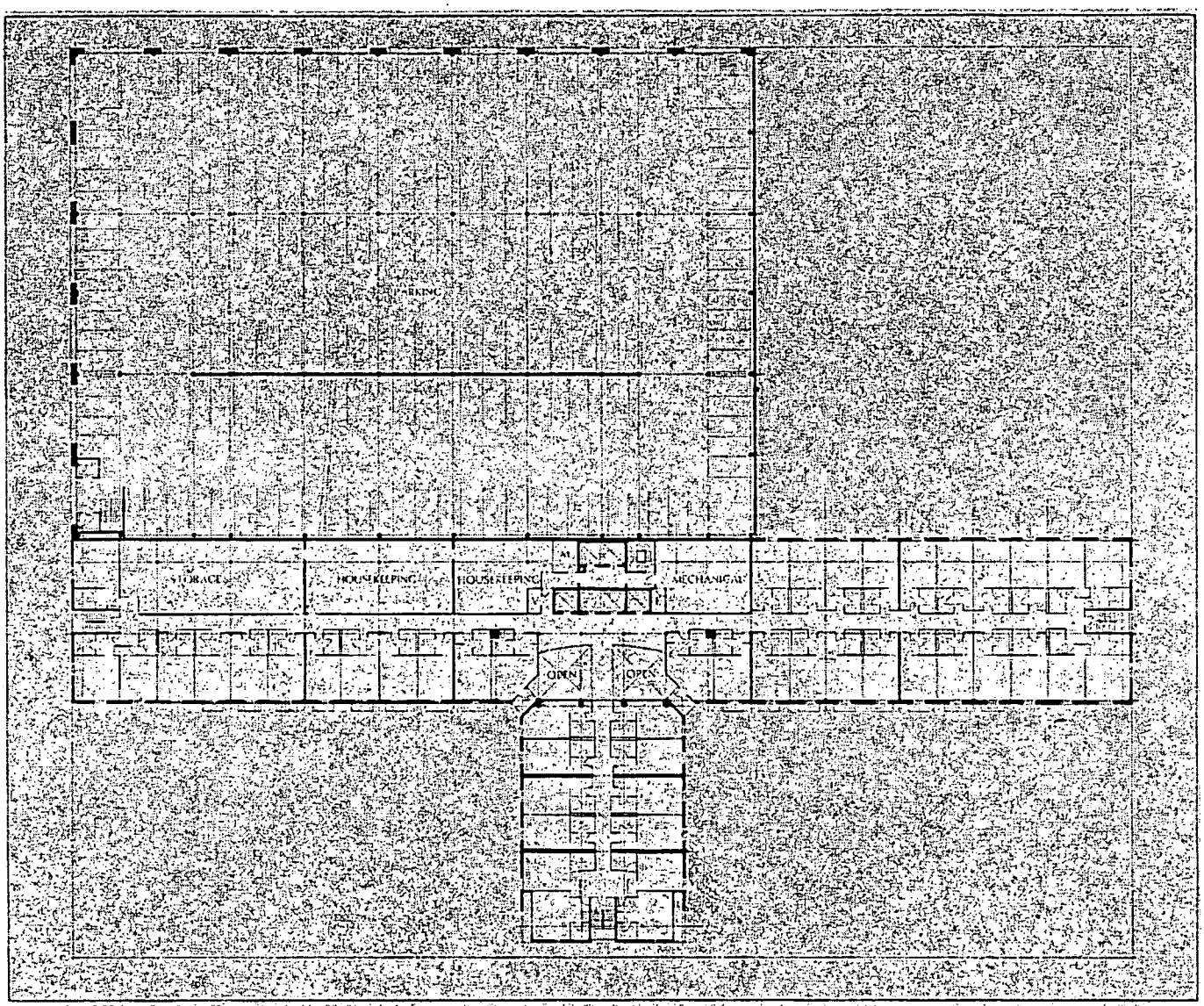
SOUTH ELEVATION



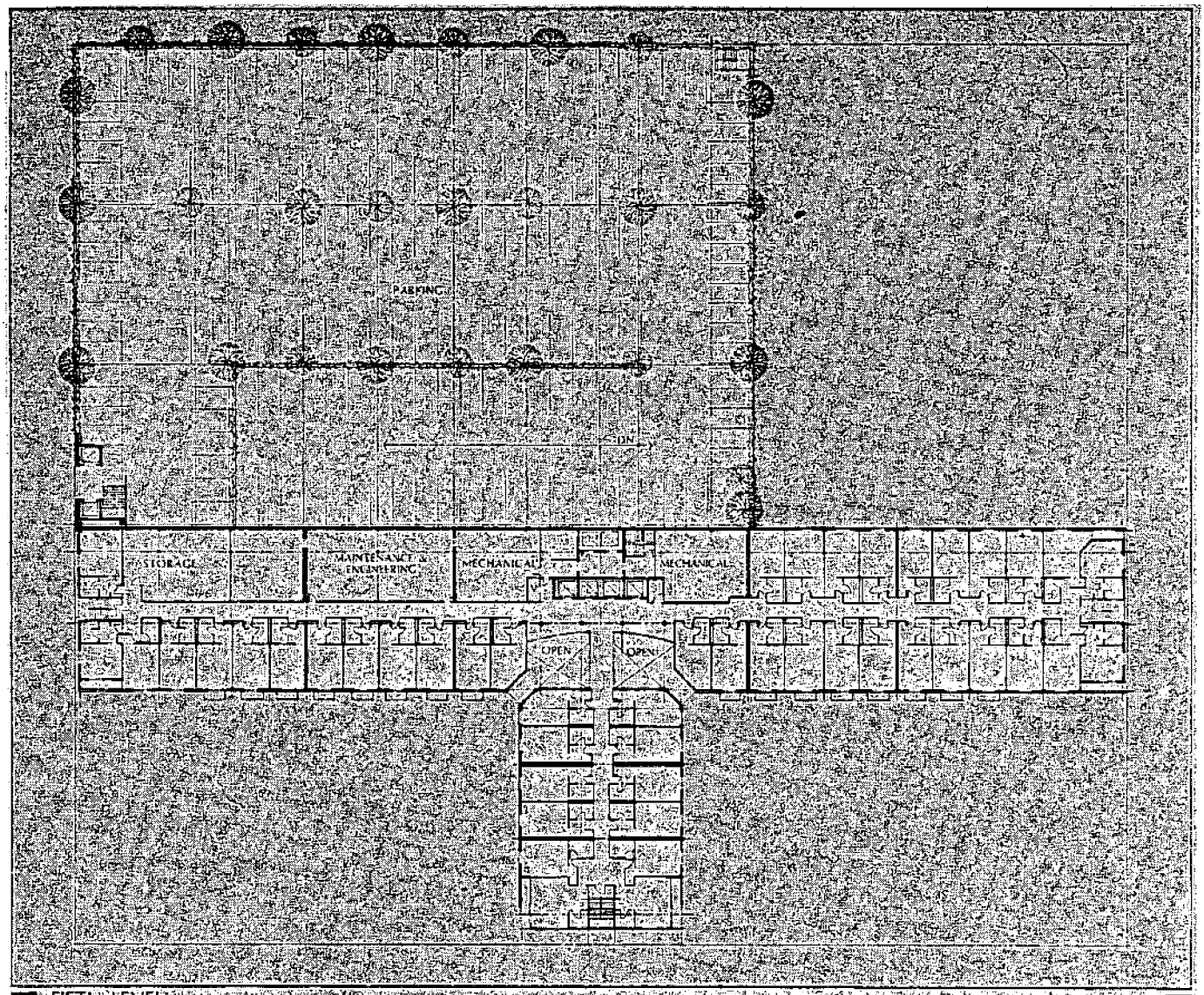
SECOND LEVEL



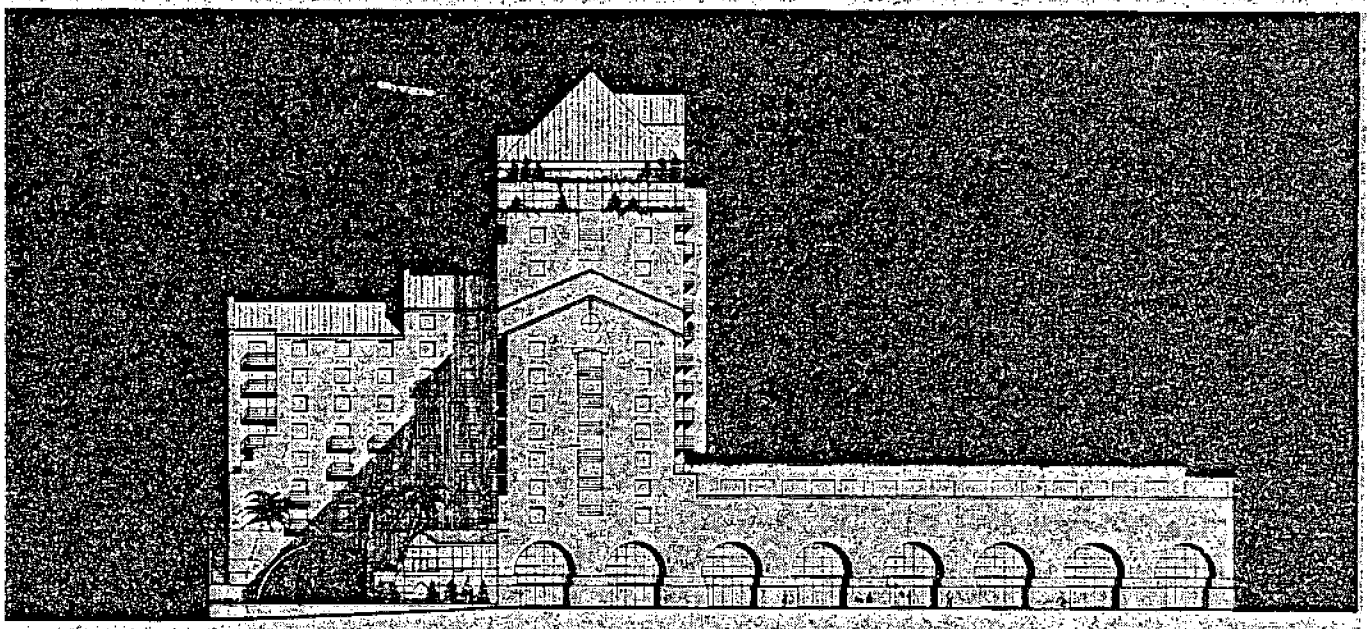
SECTION



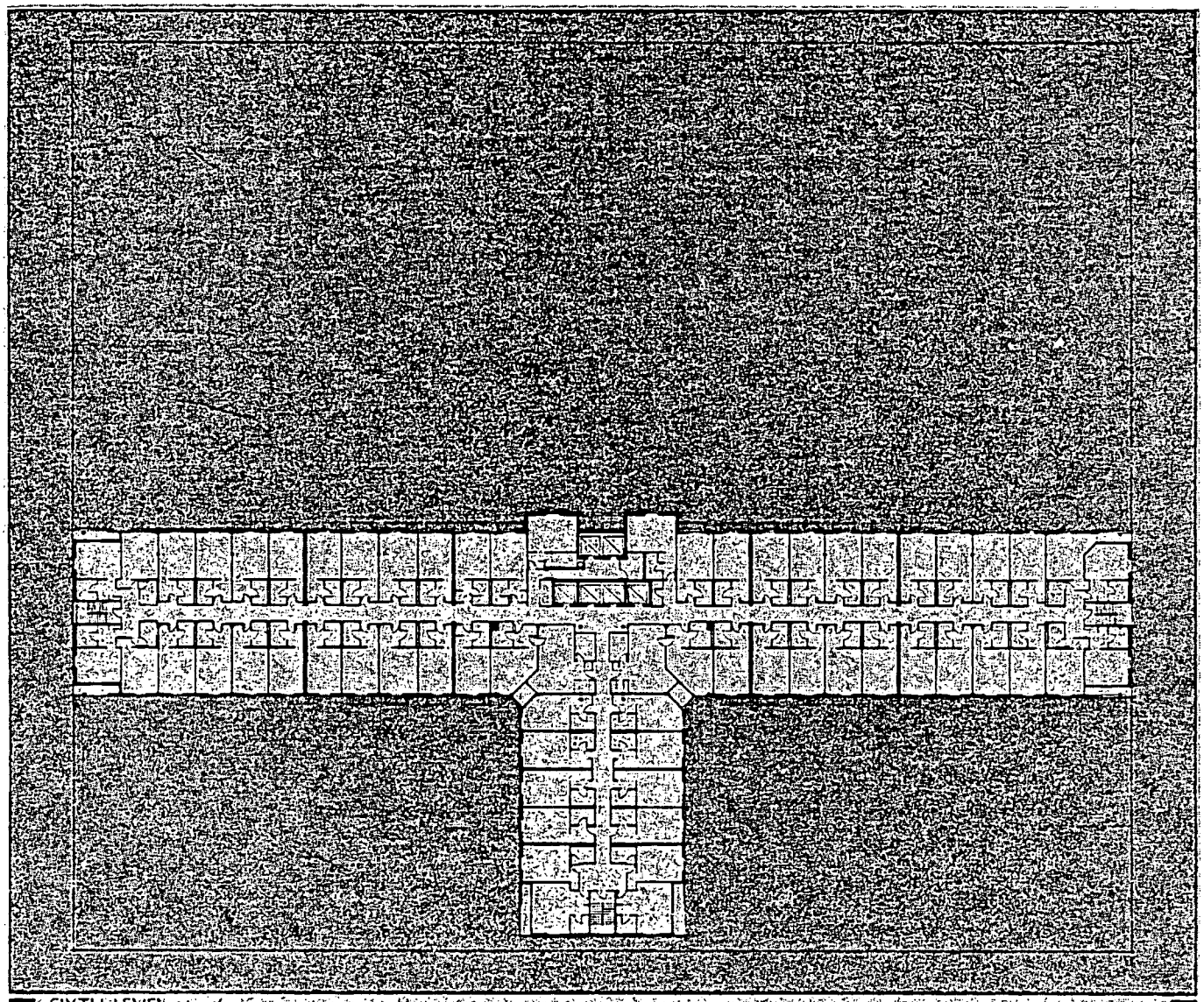
FOURTH LEVEL



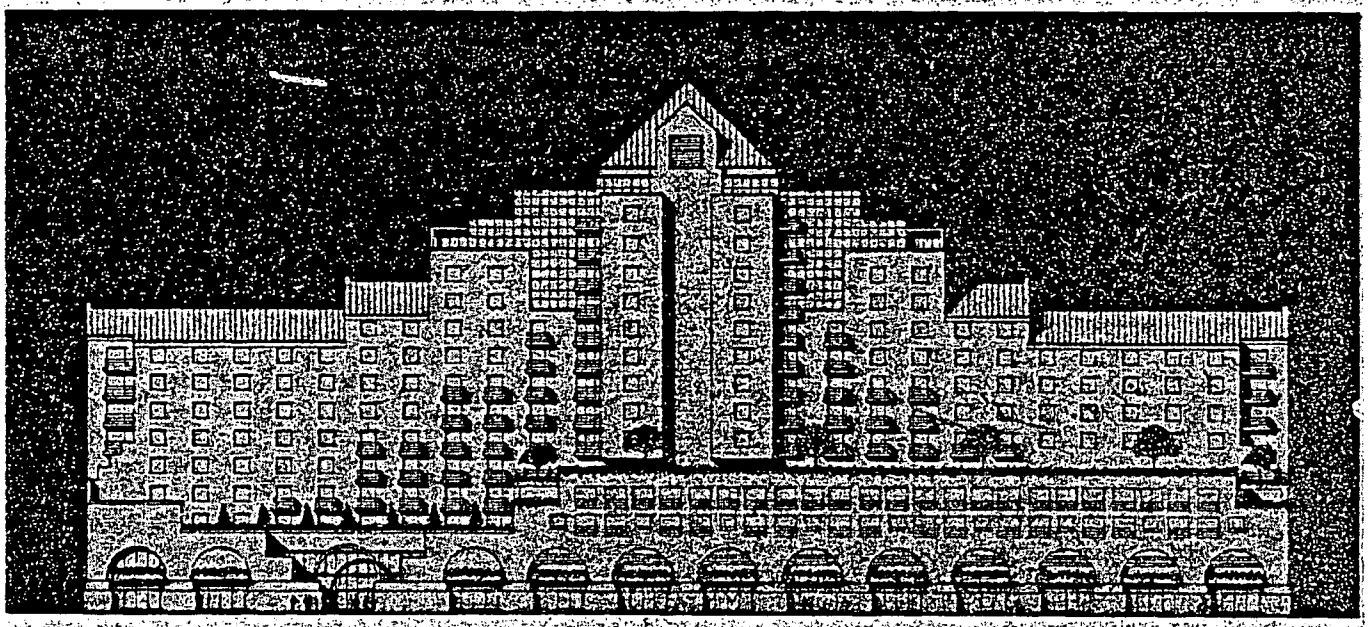
FIFTH LEVEL



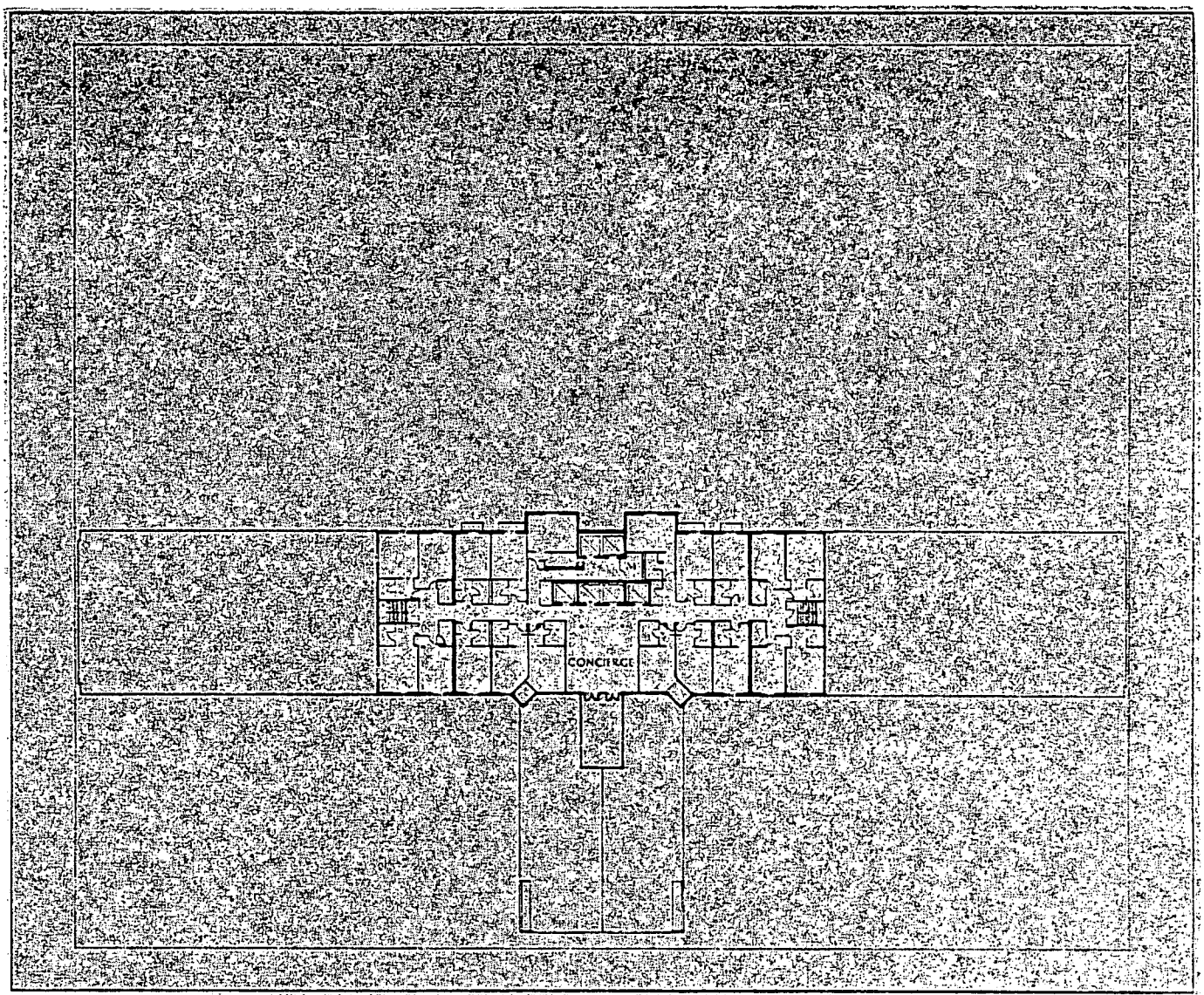
EAST ELEVATION



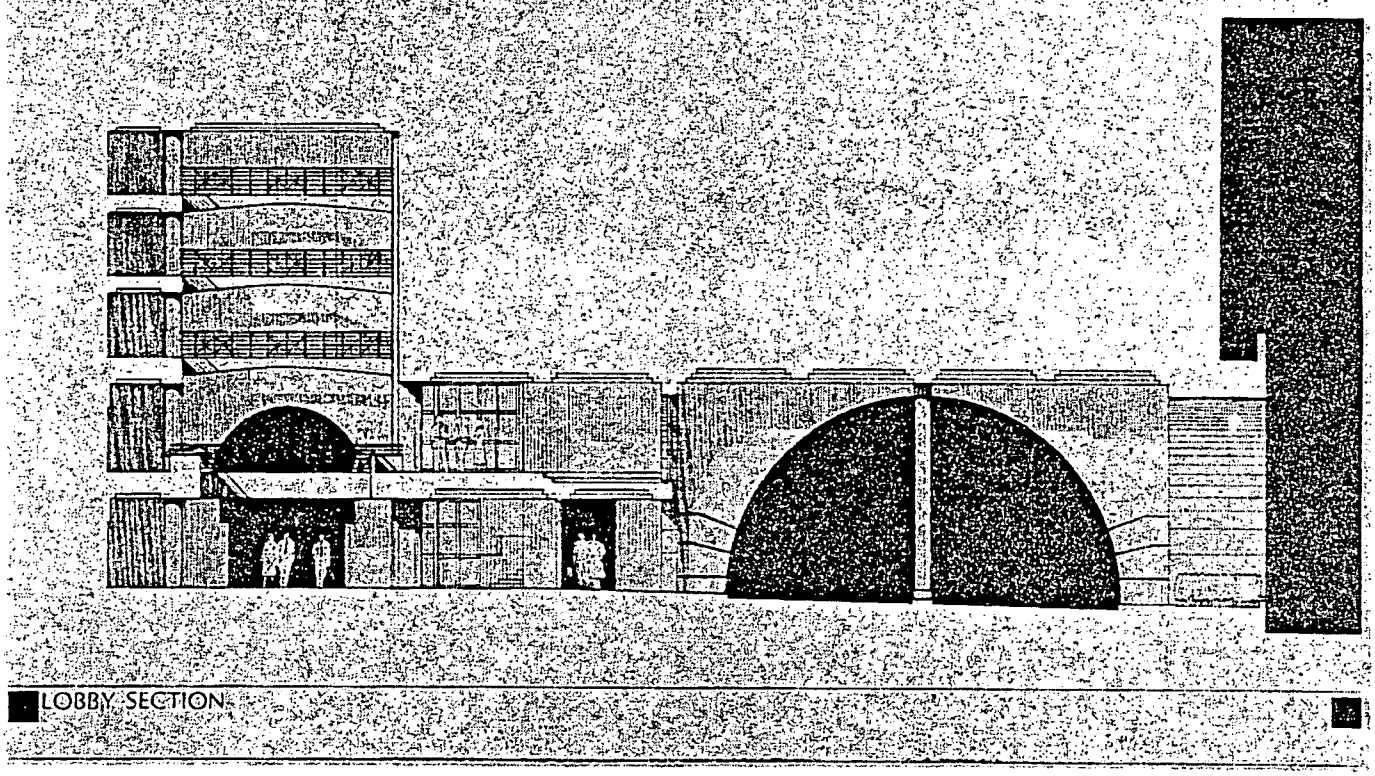
SIXTH LEVEL



NORTH ELEVATION



TYPICAL TOWER LEVEL



LOBBY SECTION

EXHIBIT IV

CAPITOL CENTER HOTEL PROJECT
HOTEL PROJECT BUILDING AREAS

HOTEL	
Number of Rooms	508
Gross Building Area	368,000 square feet
Number of Floors	16
Building Height	160 feet
LEVEL #1	
Coffee Shop (225 seats)	3,900 square feet
Speciality Restaurant (110 seats)	2,200 square feet
Ballroom (1350 people)	16,300 square feet
Main Ballroom (890 people)	10,700 square feet
Junior Ballroom (460 people)	5,600 square feet
LEVEL #2	
Meeting Rooms (500 people) 4 at 1,560 square feet	6,240 square feet
Boardrooms (110 people) 3 at 450 square feet	1,350 square feet
Lounge (120 people)	2,160 square feet
LEVEL #3	
Rooftop Bar/Restaurant (115 people)	2,000 square feet

PARKING

Number of spaces	660 (approximately)

RETAIL

Leasehold	30,000 square feet (approximately)

hotelbldgareas

EXHIBIT "D"

GROUND LEASE

Preamble - Parties and Premises

WHEREAS, a redevelopment plan (which, together with all modifications thereof made after the date of this Lease in accordance with applicable law, is hereinafter referred to as the "Redevelopment Plan"), for the Uptown Development Project, Project No. 8 (hereinafter referred to as the "Project"), has been approved by the City Council of the City of Sacramento by Ordinance No. 3146, Fourth Series, on July 20, 1972, as amended of record, which Redevelopment Plan is recorded in the office of the County Recorder of the County of Sacramento (hereinafter referred to as the "Recorder"), in Book 79-09-21 of Official Records, beginning at page 1507; and

WHEREAS, the Redevelopment Agency of the City of Sacramento is owner and holder of record of fee simple title to certain real property located in the Project Area; and

WHEREAS, pursuant to the Redevelopment Plan and Part I (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (hereinafter called the "Community Redevelopment Law"), the Redevelopment Agency of the City of Sacramento is authorized to lease individual portions of land in the Project Area;

NOW, THEREFORE, as of this _____ day of _____, 1984, the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic (hereinafter referred to as the "Lessor"), acting herein pursuant to the above-mentioned Community Redevelopment Law, hereby leases to SACRAMENTO HOTEL ASSOCIATES, a limited partnership, (hereinafter referred to as the "Lessee") the land and premises (hereinafter referred to as the "premises") described as follows:

All that land situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

All that certain real property lying within the block bounded by 12th, 13th, "K", and "L" Streets of the City of Sacramento, according to the official plat thereof.

Excepting therefrom all that portion of Lot 10 in said block described as follows:

Beginning at the point of intersection of the East line of said 12th Street with the North line of said "L" Street, said point being the Southeast corner of said Lot 10; thence from said point of beginning, along the East line of said 12th Street, Northerly 79.50 feet; thence

along a line parallel with and 79.50 feet Northerly from the North line of said "L" Street Easterly 42.00 feet; thence along a line parallel with and 42.00 feet Easterly from the East line of said 12th Street Southerly 79.50 feet to the North line of said "L" Street; thence along the North line of said "L" Street Westerly 42.00 feet to the point of beginning. (hereinafter referred to as the "Premises"); and subject to:

1. Easement for electrical facilities and appurtenances thereto granted to Great Western Power Company of California, a corporation, recorded July 25, 1924, Book 688 of Deeds, page 214, which affects the East 3.00 feet of the West 51.00 feet of the North 48.50 feet of Lot 10 in said block.

2. Easement for electrical facilities and appurtenances thereto granted to Great Western Power Company of California, a corporation, recorded July 25, 1924, Book 688 of Deed, page 215, which affects the East 3 feet of the West 48.72 feet of the North 33.04 feet of the South 112.54 feet of Lot 10 in said block.

3. Easement for electrical facilities and appurtenances thereto granted to Great Western Power Company of California, a corporation, recorded September 3, 1930, Book 321, Official Records, page 165 which affects a portion of the West 51 feet of the North 35.00 feet of Lot 10 in said block.

4. The effect of the document entitled, "Property Rehabilitation Standards For Satisfactory Rehabilitation of Properties", dated March 28, 1968, recorded January 31, 1969, in Book 690131 of Official Records, page 328; and Amendments or Revisions thereto which were recorded June 10, 1971, in Book 710610 of Official Records, page 232; recorded February 15, 1973, in Book 730215 of Official Records, page 394; and recorded August 23, 1978, in Book 780823 of Official Records, page 1222.

5. The terms, provisions and conditions contained in Sacramento City Ordinance No. 2820, Fourth Series, as disclosed by that certain instrument recorded August 5, 1969, in Book 690805, Official Records, page 571, which affects the portion of the premises adjoining "K" Street.

6. The effect of the Redevelopment Plan for the Central City Development Project, a certified copy of which was recorded, September 21, 1979, in Book 790921 of Official Records, page 1507 and Amendments or Revisions thereto recorded August 13, 1980, in Book 800813 of Official Records, page 1256.

7. Easements, terms, and provisions contained in Easement And Use Agreement between Kimmel Properties, a California general partnership, and The Northwestern Mutual Life Insurance Company, a Wisconsin corporation, dated March 3, 1980, recorded March 4, 1980, in Book 800304, Official Records, page 366, which affects Lots 1, 6, 7, 8, and 9 in said block.

8. The effect of the document entitled "Description of Land Within Redevelopment Project Area Of The Capitol Area Development Authority", recorded September 12, 1980, in Book 800912 of Official Records, Page 1586, and re-recorded October 31, 1980, in Book 801031 of Official Records, page 1065.

9. The following as disclosed by the A.L.T.A. survey of Lots 2, 3, 4, 5, 6, 7, 8, 9, & portion of Lot 10, block bounded by 12th, 13th, L & K Street, City of Sacramento, California, prepared by The Spink Corporation in March 1984, under Job No. 7795013:

(a) Three (3) foot 1st floor overhang and five (5) foot roof overhang of the North side of the building situated on the parcel described in the exception within the above description; and

(b) Sign and canopy overhang "K" Street and sign overhang onto "K" Street.

ARTICLE 1. TERM OF LEASE

Fixed Term

Section 1.01. The term of this Lease shall be a period of fifty-five (55) years commencing July 1, 1985 and ending June 30, 2040, unless sooner terminated as herein provided.

Option Terms

Section 1.02. Lessee shall have the option to extend the fixed term of this Lease by two (2) additional terms of ten (10) years each (hereinafter "the option terms") on the following basis:

(a) the first option term commencing July 1, 2040 and ending June 30, 2050, provided that Lessee shall have given Lessor written notice of its election to extend the term of the Lease for the first option term within the twelve (12) month period preceding June 30, 2039; and

(b) the second option term commencing July 1, 2050 and ending June 30, 2060, provided that Lessee shall have given Lessor written notice of its election to extend the term of the Lease for the second option term within the twelve (12) month period preceding June 30, 2049.

ARTICLE 2. RENT

Basic Rent

Section 2.01. Lessee agrees to pay the Lessor in equal quarterly installments on the twentieth (20th) day of January, April, July and October of each year beginning upon the first such quarterly day for the then previous quarter following the inception of operation of the Hotel upon the premises as set forth in Article 3 hereof, annual basic guaranteed rental for the use and occupancy of said premises in the greater of the following amounts:

(a) For the partial operational year preceding the first operational year, if any, and the first through the tenth operational years. An amount equal to two (2) percent of Total Gross Revenues From Hotel Operations; and/or

(b) For the eleventh operational year and each year thereafter for the remainder of the Lease term, an amount equal to three (3) percent of Total Gross Revenues From Hotel Operations; and/or

(c) Two Hundred Fifty Thousand Dollars ($250,000.00).

The amounts paid pursuant to subparts (a) or (b) hereof shall be adjusted in accordance with the results of an audit conducted by an independent certified public accountant within one hundred five (105) days after the end of each calendar year.

Operational Year

Section 2.02. As used in Section 2.01 hereof the term "operational year" shall be defined to mean an annual period beginning upon the first of January of the year following the inception of operation of the hotel or its anniversary as appropriate.

Revenue From Hotel Operations

Section 2.03. As utilized in Section 2.01 of this Lease, the phrase "Total Gross Revenues From Hotel Operations" shall be:

"Gross receipts" as defined by Section 5.03 or such successor section of the management agreement between Lessee and the hotel operator as may define the basis upon which management fees and incentives are calculated for the Hotel Operator, but excluding parking revenues and retail commercial leasehold revenues.

Interest on Unpaid Sums

Section 2.04. Each unpaid quarterly installment or portion thereof of annual rent pursuant to Section 2.01 above or pursuant to Section 8 (h) of the Development and Disposition Agreement shall bear interest if not promptly paid on the date it becomes due at the rate set forth in the following schedule for the appropriate period until it is paid by Lessee to Lessor:

(a) for first through the fourth operational years: no interest;

(b) for the fifth operational year: fifty percent (50%) of the prime rate;

(c) for the sixth operational year: sixty percent (60%) of the prime rate;

(d) for the seventh operational year: seventy percent (70%) of the prime rate;

(e) for the eighth operational year: eighty percent (80%) of the prime rate;

(f) for the ninth operational year: ninety percent (90%) of the prime rate;

(g) for the tenth operational year and thereafter: the prime rate; and

(h) notwithstanding the foregoing, for any operational year or portion thereof following the purchase of the premises by Lessee pursuant to Sections 12.12, et seq.: one percent (1%) above the prime rate.

Place for Payment of Rent

Section 2.05. All rent that becomes due and payable under this Lease shall be paid to Lessor at the office of Lessor at 630 "I" Street, Sacramento, California or such other place or places as Lessor may from time to time designate by written notice given to Lessee.

Alternative Use Rent

Section 2.06. (a) In the event that, pursuant to the restrictions upon use of the premises set forth in Section 3.02 below, Lessee shall utilize the premises for any other lawful use other than or in addition to that of a first-class convention hotel, then, in lieu of the basic rent calculated pursuant to Section 2.01 above, Lessee shall pay to Lessor, in quarterly installments, the fair market rental of the premises beginning as of the date of the changed use.

(b) Said fair market rental shall be established by an independent fee appraiser selected by Lessor within the notice of change of use (hereinafter "the Lessor's appraiser"), in accordance with generally accepted real property appraisal standards. Said rental shall be that which would be negotiated by private parties under no compulsion so to do as of the date of the change of use.

(c) If Lessee should be dissatisfied with the fair market rental established by Lessor's appraiser, Lessee may within thirty (30) days after the receipt of the report of Lessor's appraiser, designate its own appraiser (hereinafter "the Lessee's appraiser"), who shall, in turn, render his report and opinion of fair market rental within ninety (90) days after receipt of the report of Lessor's appraiser.

(d) In the event, the opinions of Lessor's and Lessee's appraiser shall disagree, Lessee shall within thirty (30) days thereafter, (1) accept the greater of the appraisers as the fair market rental or (2) retain a third appraiser, chosen jointly by Lessee's and Lessor's appraisers, or, in the event they are unable to agree, by the local chapter of the Appraisal Institute, who shall be required to choose one or the other of the prior opinions as the fair market rental of the premises within thirty (30) days after his selection.

(e) Lessee shall bear all costs related to the appraisal process set forth in subparts (b), (c) and (d) above.

(f) Lessor shall initiate the provisions of this Section, by giving written notice to Lessee of its intention so to do and including within said notice, the change of use involved and the name of the appraiser selected by Lessor.

(g) For purposes of this section, a termination or assignment of the Management Agreement with Hyatt Corporation shall raise a presumption affecting the burden of proof of a change of use which may be rebutted by Lessee by evidence that the use of the premises is of the same nature, extent and quality as that specified by Hyatt Corporation pursuant to the Management Agreement executed concurrently herewith.

(h) On the third anniversary of the change of use and establishment of alternative use rent pursuant to this section, and every three (3) years thereafter for the balance of the term of the Lease, the fair market rental shall be adjusted by agreement of the parties to reflect the then current fair market rental. If the parties should be unable to agree upon such fair market rent, it shall be established pursuant to the procedure set forth in subparts (b), (c) and (d) above and the procedure shall be initiated by written notice from Lessor, designating Lessor's appraiser, not more than ninety (90) days in advance of the aforesaid anniversary. All costs and expenses of the reappraisal process shall be borne equally by Lessee and Lessor.

Payment of Cumulative Rent

Section 2.07. (a) Rent payments hereunder shall have priority as against any and all other obligations of Lessee, save and except the following items which shall have priorities over rent payments hereunder: (1) debt service payments on a loan meeting the criteria of Section 6.01 below (hereinafter "Section 6.01 debt service"); (2) operating expenses payable to third parties; (3) the basic management fee of the Hotel Operator; and (4) reserves required by the Lender or Hotel Operator by the Lessee's independent certified public accountant applying generally accepted accounting principles.

(b) In the event, that revenues of Lessee are insufficient in any year to make the full basic rent payment required by Section 2.01 above, any such unpaid sums shall be cumulated and paid, together with interest required by Section 2.04 above from future years' revenues, as available after payment of Section 6.01 debt service and after allowance for or payment of a cumulative return of fifteen percent (15%) on equity as defined in Section 8(h)(iv) of the Disposition and Development Agreement, and in any event upon sale or refinance.

ARTICLE 3. USE OF PREMISES

Principle Use

Section 3.01. It is expressly understood and agreed that Lessee is leasing said premises as vacant and unimproved land with the express agreement and obligation to develop said premises by constructing, maintaining and operating thereon a major, first-class, convention hotel (hereinafter "the hotel" or "hotel") in strict accordance with the provisions of that certain Disposition and Development Agreement executed by and between the parties hereto on 17th day of July, 1984. Said agreement being hereby incorporated within this Lease by reference as fully as if set forth herein.

Only Lawful Uses Permitted

Section 3.02. Lessee shall not use or permit said premises or any portion of said premises to be improved, developed, used, or occupied in any manner or for any purpose that is in any way in violation or contravention of the aforesaid Disposition and Development Agreement, any valid law, ordinance, or regulation of any federal, state, county or local governmental agency, body or entity, nor shall the premises or any portion of said premises be used for any use or occupancy other than as a major first-class convention hotel and ancillary uses prior to the earlier of:

(1) the purchase of the premises hereof by Lessee pursuant to Sections 12.11, et seq., hereof; or

(2) the end of the tenth (10th) operational year of the Hotel as defined in Section 2.02 above. Furthermore, Lessee shall not maintain, commit, or permit the maintenance or commission of any nuisance as now or hereafter defined by any statutory or decisional law applicable to said premises on said premises or any party of said premises.

Express Reliance Upon Management Agreement

Section 3.03. Lessor has entered into the aforementioned Disposition and Development Agreement and this Lease with Lessee in express reliance upon Lessee representations and assurances that Lessee is, concurrently with the execution hereof, entering into a definitive Agreement hereinafter "the Management Agreement" regarding the management by Hyatt Corporation hereinafter "Hyatt" of the hotel to be constructed upon the premises. Lessor hereby expressly declares that it enters this Lease in reliance upon that representation and that, but for that representation and but for Hyatt's operation of the hotel, Lessor would not have entered into this Lease. Lessee warrants, declares and represents that a primary purpose and intention of its execution of the Management Agreement with Hyatt is the inducement of Lessor to enter into the Disposition and Development Agreement and this Lease and that further, Lessor is an intended third party beneficiary of the Management Agreement and is entitled to enforce and fulfill, at its option, any and all provisions thereof to as full and complete an extent as the Lessee. Lessee agrees that the Management Agreement described above shall be documented to ensure and memorialize the rights of Lessor as set forth herein to the satisfaction of Lessor's counsel.

Conditions Precedent and Satisfied

Section 3.04. Lessee expressly warrants declares and represents that any and all conditions precedent to the obligation of Hyatt under the Management Agreement have been fulfilled, satisfied and discharged prior to the execution of this Lease, except the obligation of Lessee to construct the Hotel and fund the purchase of furnishings, fixtures and equipment in accordance with the approved plans and specifications.

Right to Cure

Section 3.05. (a) Any breach of the Management Agreement by the Lessee, declared as such by the Operator, if not remedied during the relevant cure period, shall be and is a breach of this Lease.

(b) In the event of a breach of the Management Agreement by the Operator which is not so declared by the Lessee, the Lessor may, but shall not be obligated to do so, upon not less than fifteen (15) days prior notice to Lessee, undertake to declare, enforce and/or fulfill any such provisions of the Management Agreement pursuant to its rights under Section 3.03 above, provided that the failure of the Lessee to declare the breach of the Operator shall not, of itself, constitute a breach of this Lease.

(c) In the event of a breach of the Management Agreement by the Operator which is so declared by the Lessee, the Lessor shall not be entitled to pursue any remedy available to it pursuant to Section 3.03 above unless and until the relevant cure period shall have expired.

(d) In the event of a breach of the Management Agreement by the Lessee which is so declared by the Operator, the Lessee expressly delegates, assigns and grants to Lessor the right to cure any such default by Lessee, if the breach shall not have been remedied by the Lessee at least fifteen (15) days prior to the expiration of the relevant cure period.

(e) In the event of a breach of the Management Agreement by the Lessee which is not so declared by the Operator the Lessor may, but shall not be obligated to do so, undertake to declare, enforce and/or fulfill any such provisions of the Management Agreement pursuant to its rights under Section 3.03 above.

Timely Completion of Improvements

Section 3.06. The timely completion of the improvements upon the premises as set forth in detail in the above mentioned Disposition and Development Agreement is of the essence to this Lease. Any breach by Lessee of any term, condition, or covenant of the aforesaid Disposition and Development Agreement shall be a breach of this Lease.

Possible Future Expansion

Section 3.07. It is expressly understood and agreed that Lessee is leasing said premises with the express intention of developing said premises in addition to the improvements required by the Disposition and Development Agreement, either alone or in conjunction with adjoining lands that may now or hereafter be acquired by Lessee of an addition to the hotel of not to exceed one hundred sixty (160) additional rooms upon the premises covered by this Lease and/or of an addition not to exceed an additional sixty (60) rooms upon the premises presently occupied by the Francesca Apartments. Lessee acknowledges that Lessor recognition of Lessee's intention in this regard in no way operates to mitigate or discharge to any degree whatsoever Lessee's obligation to comply with appropriate governmental review procedures for such additions by an governmental entity having jurisdiction, including without limitation the City of Sacramento. This recitation of Lessee's intent is not intended to estop or circumscribe in any way the discretion of any such governmental entity in the conduct of any such governmental review or approval.

Parking Availability

Section 3.08. If the Lessee should elect to develop the one hundred sixty (160) room addition specified in Section 3.07 above, Lessor agrees to make available, upon completion and inception of hotel operations therein up to an incremental one hundred (100) parking spaces in Lessor's public parking garage for guests of the Hotel at those rates and upon those terms and conditions as those spaces would otherwise be available to the general public. If the Lessee should elect to develop the sixty (60) room addition specified in Section 3.07 above, Lessor agrees to make available, upon

completion and inception of hotel operations therein up to an incremental thirty-eight (38) parking spaces in Lessor's public parking garage for guests of the Hotel at those rates and upon those terms and conditions as those spaces would otherwise be available to the general public. This provision shall not require the physical segregation or identification of such spaces; it being the intent of this provision that Lessor undertake measures reasonably calculated to insure the availability of such incremental spaces on an as-needed basis.

ARTICLE 4. TAXES AND UTILITIES

Lessee to Pay Taxes

Section 4.01. In addition to the rents required to be paid under this Lease, Lessee shall pay and Lessee hereby agrees to pay, any and all taxes, assessments, or other charges of any description levied or assessed during the term of this Lease by any governmental agency or entity on or against said premises, any portion of said premises, any interest in said premises, or any improvements or other property in or on said premises. No taxes shall be paid by Lessee which have been levied upon Lessor's interest in the land.

Proration of First and Last Year Taxes

Section 4.02. Notwithstanding the provisions of Section 4.01 of this Lease, all taxes or assessments levied or assessed on or against said premises during the tax years in which the term of this Lease is to commence and the term of this Lease is to end shall be prorated between Lessor and Lessee as of 12:01 a.m., on the date the term of this Lease is to commence and on the date the term of this Lease is to end respectively on the basis of tax years that commence on July 1, and end on June 30 of each year.

Lessor shall pay the taxes, if any, for the year in which this Lease is to commence and Lessee shall promptly on service of written request by Lessor reimburse Lessor for Lessee's share of such taxes. Lessee shall pay the taxes for the year in which the Lease is to end; and Lessor shall promptly, on service of written request by Lessee, reimburse Lessee for its share, if any, of such taxes.

Payment Before Delinquency

Section 4.03. Any and all taxes and assessments and installments of taxes and assessments required to be paid by Lessee under this Lease shall be paid by Lessee at least ten (10) days before such tax, assessment, or installment of tax or assessment becomes delinquent and the official and original receipt for the payment of such tax, assessment, or installment shall immediately be given to Lessor.

Contest of Tax

Section 4.04. Lessee shall have the right to contest, oppose, or object to the amount or validity of any tax, assessment, or other charge levied on or assessed against said premises or any part of said premises; provided, however, that the contest, opposition or objection must be filed before the tax, assessment, or other charge at which it is directed become delinquent and written notice of the contest, opposition,

or objection must be given to Lessor at least ten (10) days before the date the tax, assessment, or other charge becomes delinquent. Lessor shall, on written request of Lessee, join in any such contest, opposition, or objection if Lessee determines that such joinder is necessary or convenient for the proper prosecution of the proceedings but Lessor shall not be liable for any costs or expenses incurred or awarded in the proceeding. Furthermore, no such contest, opposition, or objection shall be continued or maintained after the date the tax, assessment or other charge at which it is directed becomes delinquent unless Lessee has either:

(1) paid such tax, assessment, or other charge under protest prior to its becoming delinquent; or

(2) obtained and maintained a stay of all proceedings for enforcement and collection of the tax, assessment, or other charge by posting such bond or other matter required by law for such a stay; or

(3) delivered to Lessor a good and sufficient undertaking in an amount specified by Lessor and issued by a bonding corporation authorized to issue undertakings in California conditioned on the payment by Lessee of the tax, assessment, or other charge together with any fines, interest, penalties, costs, and expenses that may have accrued or been imposed thereon within thirty (30) days after final determination of Lessee's contest, opposition, or objection to such tax, assessment, or other charge.

Tax Returns and Statements

Section 4.05. The Lessee shall, as between Lessor and Lessee, have the duty of attending to, preparing, making, and filing any statement, return, report, or other instrument required or permitted by law in connection with the determination, equalization, reduction, or payment of any taxes, assessments, or other charges that are or may be levied on or assessed against said premises, any portion of said premises, any interest in said premises, or any improvements or other property on said premises.

Tax Hold Harmless Clause

Section 4.06. Lessee shall indemnify and hold Lessor and the property of Lessor, including said premises and any improvements now or hereafter on said premises free and harmless from any liability, loss or damage resulting from any taxes, assessments, or other charges required by this article to be paid by Lessee and from all interest, penalties, and other sums imposed thereon and from any sales or other proceedings to enforce collection of any such taxes, assessments, or other charges.

Utilities

Section 4.07. Lessee shall pay or cause to be paid, and hold Lessor and the premises free and harmless from, all charges for the furnishing of, including initial installation of, gas, water, electricity, telephone service, and other public utilities to said premises during the term of this Lease and for the removal of garbage and rubbish from said premises during the term of this Lease.

Payment by Lessor

Section 4.08. Should Lessee fail to pay within the time specified within this article any taxes, assessments, or other charges required by this article to be paid by Lessee, Lessor may, without notice to or demand on Lessee, pay, discharge, or adjust such tax, assessment, or other charge for the benefit of Lessee. In such event, Lessee shall promptly on written demand of Lessor reimburse Lessor for the full amount paid by Lessor in paying, discharging, or adjusting such tax, assessment or other charge together with interest thereon at the prime rate from the date of payment by Lessor until the date of repayment by Lessee. Where no time within which any charge required by this article to be paid be Lessee is specified in this article, such charge must be paid by Lessee before it becomes delinquent.

ARTICLE 5. CONSTRUCTION BY LESSEE

Duty to Construct

Section 5.01. Lessee shall, at Lessee's sole cost and expense, construct or cause to be constructed on such premises a major, first-class convention hotel hereinafter "the hotel" in the manner and according to the terms specified in this article.

Lessor's Approval of Plans Required

Section 5.02. No structure or other improvement of any kind shall be erected or maintained on said premises unless and until the plans, specifications, and proposed location of such structure or improvement have been approved in writing by Lessor. No structure or other improvement shall be erected or maintained on said premises that does not comply with the plans, specifications, and locations approved in writing by Lessor. Furthermore no material addition to or material structural alteration of any structure now or hereafter on said premises shall be commenced until and unless plans and specifications for such addition or alteration shall be approved in writing by Lessor.

Preparation and Submission of Plans

Section 5.03. (a) The parties hereto declare and represent that Lessee has prepared and submitted to Lessor, as part of the selection procedure leading to the Disposition and Development Agreement, an set of preliminary drawings, specifications and elevations of the hotel. Lessor represents and declares and Lessee acknowledges that Lessor placed great emphasis upon said preliminary plans and elevations in the selection of Lessee as Lessee under this Lease. Lessee declares and represents that its sole purpose in submitting the aforementioned preliminary plans was to induce Lessor to grant this Lease to Lessee in reliance thereon.

(b) Lessee shall, at Lessee's own cost and expense, prepare complete final construction plans for the hotel and submit those plans to the Lessor, the Architectural Review Board of the City of Sacramento and the City of Sacramento Building Department in accordance with Exhibit "F" of the Development and Disposition Agreement. These plans shall include detailed working drawings, plans, and specifications for the building project. The plans shall be in substantial conformity with the preliminary plans submitted in connection with the selection process.

Lessor's Approval of Plans - Time Limit

Section 5.04. Within thirty (30) days after receipt by Lessor of any of the documents submitted to Lessor for approval pursuant to Section 5.03 of this Lease, Lessor shall either approve such documents by endorsing Lessor's approval on each such document and returning one set of the documents to Lessee, or Lessor shall give written notice to Lessee of any objections Lessor may have to such documents. Within thirty (30) days after service on Lessee of written notice of Lessor's objections, Lessee may deliver corrective amendments to the documents to Lessor and Lessor shall within thirty (30) days after receiving the corrective amendments serve written notice on Lessee of Lessor's approval or rejection of the documents as so amended.

Changes in Plans

Section 5.05. (a) After approval by Lessor of the documents pertaining to said hotel mentioned in Section 5.03 of this Lease, any substantial change in the plans or specification for said building project must be approved by Lessor.

(b) For purposes of this subdivision, substantial changes shall include (but not necessarily be limited to) the following similarly important changes in the construction or in the approved construction plans:

(i) Change in size or design materially affecting bulk, building coverage or floor area ratio, or number of floors;

(ii) Material changes affecting the size or design or use of exterior finishing materials noticeably affecting architectural appearance or functional use and operation of the improvements;

(iii) Material changes in size or placement of service facilities; or in the number of elevators, stairs and ramps; and changes in general pedestrian or vehicular circulation in, around or through the improvements;

(iv) Any changes requiring approval of any City or State board, body, commission or officer, or any change required by any City or State board, body, commission or officer;

(v) Material changes in number, size, placement, graphics, design, or materials of all exterior signs, if any shown in the construction plans, differing from those shown and specified in the approved construction plans;

(vi) Material change in landscape planting and site improvements; and

(vii) Material changes in size or quality of exterior pavement, pedestrian malls, plazas, retaining walls, pools and fountains, exterior lighting and other site and entourage development of the premises other than that shown and specified in the approved construction plans.

(c) Changes in work or materials not amounting to "substantial changes", need not be approved by Lessor but a copy of the altered plans and specifications reflecting such minor changes must be given to Lessor.

No Construction Before Notice - Notice of Nonresponsibility

Section 5.06. No work of any kind shall be commenced on and no building or other material shall be delivered for said building project, nor shall any other building or land Development work be commenced or building material be delivered on said premises until at least ten (10) days after written notice has been given by Lessee to Lessor of the commencement of such work or the delivery of such materials. Lessor shall, at any and all times during the term of this Lease have the right to post and maintain on said premises and to record as required by law any notice or notices of nonresponsibility provided for by the Mechanic's Lien laws of the State of California. The work prohibited by this section until ten (10) days written notice thereof has been given to Lessor includes as well as actual construction work any sight preparation work, installation of utilities, street construction or improvement work or any grading or filling of said premises.

All Work On Written Contract

Section 5.07. (a) All work required in the construction of said building project, including any site preparation work, landscaping work, utility installation work as well as actual construction work on said building project, shall be performed only by competent contractors duly licensed as such under the laws of the State of California and shall be performed pursuant to written contracts with such contractors. Each such contract shall provide that the final payment under the contract due to the contractor shall be an amount equalling at least ten (10) percent of the full amount payable under the contract, or such lesser security as the Agency may, in its sole discretion approve, and shall not be paid to the contractor until, which ever last occurs, either:

(1) The expiration of thirty-five (35) days from the date of recording by Lessee as owner of a notice of completion of said building project, Lessee agreeing to record such notice of completion promptly within the time specified by law for the recording of such notice; or

(2) The settlement and discharge of all liens of record claimed by persons who supplied either labor or materials for the construction of said building project.

(b) Notwithstanding the provisions of subpart (a) above, the amount withheld from any contractor pursuant thereto may be paid to said contractor prior to the expiration of the period specified in subpart (a)(1) above where the Lessee represents, warrants and declares in writing to Lessor that:

(1) Lessee has undertaken such investigation as it finds necessary and has determined that all persons, who could claim a lien by reason of having furnished labor or materials for the construction of the improvements, have been paid;

(2) Such persons, having been paid, have no basis to claim a lien against the premises; and

(3) Notwithstanding the provisions of Section 3(e) and 3(g) of the Disposition and Development Agreement and Section 11.02 below to the contrary, and in addition to the damages set forth therein, Lessee does agree to indemnify Lessor for any loss which Lessor may suffer by reason of any such claim of lien up to the amount of such payment of withheld funds by Lessee or its agents.

Performance and Lien Bonds

Section 5.08. Each contractor engaged by Lessee to perform any services in or about the construction of said building project, including any construction, site preparation, utility installation, landscaping, or parking construction services, shall furnish to Lessee, who shall deliver copies thereof to Lessor, at his own expense at the time of entering a contract with Lessee for such services:

(1) A bond issued by a corporate surety authorized to issue surety insurance in California in an amount equal to one hundred (100) percent of the contract price payable under the contract, or such lesser security as the Agency may, in its sole discretion approve, securing the faithful performance by the contractor of his contract with Lessee; and

(2) A bond issued by a corporate surety authorized to issue surety insurance in California in an amount equal to one hundred (100) percent of the contract price payable under the contract, or such lesser security as the Agency may, in its sole discretion approve, securing the payment of all claims for the performance of labor or services on, or the furnishing of materials for, the performance of the contract.

In lieu of the foregoing, Lessee may designate Lessor as a co-beneficiary with the construction lender of such other forms of security securing performance and payment of contract amounts as may be acceptable to the construction lender provided that:

(1) Lessor shall have priority, as against the construction lender or any other entity, as to that portion of such security as shall be derived when the amount of such security is multiplied by a fraction, the numerator of which is the difference between the total cost of all improvements and the amount of the indebtedness of Lessee to the construction lender and the denominator of which is the total cost of all improvements; or

(2) Lessor shall, in its sole and complete discretion, approve some lesser security.

Compliance With Law and Quality

Section 5.09. Said building project shall be constructed, and all work performed on said premises and all buildings or other improvements erected on said premises shall be in accordance with all laws, ordinances, regulations, and orders of all federal, state, county, or local governmental agencies or entities having jurisdiction over said

premises; provided, however, that any structure or other improvement erected on said premises, including said building project, shall be deemed to have been constructed in full compliance with all such laws, ordinances, regulations, and orders when a final valid Certificate of Occupancy entitling Lessee and tenants of Lessee to occupancy and use of the structure or other improvement has been duly issued by proper governmental agencies or entities. All work performed on said premises pursuant to this Lease or to the Disposition and Development Agreement, or all authorized by this Lease or Disposition and Development Agreement, shall be done in good workmanlike manner and only with new materials of good quality and high standard.

No Discrimination

Section 5.10. The Lessee herein covenants by and for himself, his heirs, executors, administators and assigns, and all persons claiming under or through him, and this Lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased nor shall the Lessee himself nor any person claiming under or through him, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subleasees, subtenants or vendees in the land herein leased.

Time For Completion; Enforced Delay

Section 5.11. Lessee shall cause construction of said building project to be commenced no later than the date set forth therefore in the Schedule of Performances, shall cause construction of said building project to thereafter be diligently pursued without unnecessary interruption, and shall cause said building project to be completed and ready for occupancy not later than the date set forth therefore in the Schedule of Performances. Should Lessee fail to commence the construction of said building project on or before the date specified in this section, or should Lessee abandon or substantially suspend construction work or should Lessee default in or violate its obligations with respect to the construction of said building project in any other fashion under this article, Lessor may, by giving three (3) months written notice to Lessee, terminate this Lease, or in the sole and complete discretion of Lessor, charge the sum of Eight Hundred Thirty Five Dollars ($835) per day for each such day of delay, including the period of notice set forth above, as additional rent under this Lease.

Should the Lessee fail to complete construction of said building project on or before the date specified in this section, Lessor may, by giving six (6) months written notice to Lessee, terminate this Lease or charge the sum of Eight Hundred Thirty Five Dollars ($835) per day for each such day of delay, including the period of notice set forth above, as additional rent under this Lease.

In the calculation of any delay in the commencement or completion of said building project under this section, Lessee shall be excused for any enforced delays in commencement of construction, construction, or completion of construction, caused by unforeseeable causes beyond its control and without its fault or negligence, including

without limitation the act of Lessor, the act of any agent of Lessor, the act of any public enemy, acts of God, the elements (to the extent that such delays are attributable to elements not reasonably anticipated to occur within the period of construction), war, war defense conditions, litigation, strikes, walk-outs, shortage of construction materials or other similar causes beyond Lessee's control and Lessee's reasonable anticipation provided that Lessee shall, have used reasonable diligence to avoid any such delay and to resume construction as promptly as possible after any such delay, and provided further that Lessee shall, within fifteen (15) days after the beginning of any such enforced delay, have first notified the Lessor thereof in writing, and of the cause or causes thereof, and requested an extension for the period of the enforced delay.

Mechanic's Liens

Section 5.12. At all times during the term of this Lease, Lessee shall keep said premises and all building and improvements now or hereafter located on said premises free and clear of all liens and claims of liens for labor, services, materials, supplies, or equipment performed on or furnished to said premises. Should Lessee fail to pay and discharge, or cause said premises to be released from, or bond (in amount equal to one and one-half times the amount of the lien or claim) any such lien or claim of lien within thirty (30) days after service on Lessee of written request from Lessor to do so, Lessor may pay, adjust, compromise, and discharge any such lien or claim of lien on such terms and manner as Lessor may deem appropriate. In such event, Lessee shall, on or before the first day of the next calendar month following any such payment by Lessor, reimburse Lessor for the full amount paid by Lessor in paying, adjusting, compromising, and discharging such lien or claim of lien including any attorney's fees or other costs expended by Lessor together with interest at the prime rate from the date of payment by Lessor to the date of repayment by Lessee.

Ownership of Building Project

Section 5.13. Any and all buildings as improvements placed or erected on said premises and part of said building project as well as any and all other alterations, additional improvements, and fixtures, except furniture, trade fixtures or equipment made or placed in or on said premises by Lessee or any other person shall be owned by Lessee during the term of this Lease, but shall be considered part of the real property of said premises and upon expiration or sooner termination of this Lease shall remain on said premises and shall become the property of Lessor.

Lessor's Approval of Preplanned Expansion

Section 5.14. Notwithstanding the provisions of Section 5.02 hereof, Lessor hereby grants its approval of the discretionary construction of a preplanned expansion of the hotel to be constructed under this Lease to the extent of an additional one hundred sixty (160) guest rooms as that expansion is set forth in those certain plans and specifications dated April 18, 1984, and entitled "Alternative Expansion Plan", said preplanned expansion to be located in the northwest corner of the premises extending toward the K Street Mall.

Excess Equity

Section 5.15. Lessee may sell limited partnership equity interests in the project. It is possible that such sale of equity interests may generate greater proceeds than that required to fund the difference between the total of funds expended by Lessee to make the improvements, less the exclusions set forth in Section 6.01(b) below, and the first deed of trust specified by Section 6.01 below (said difference hereinafter "the excess equity").

In the event that such excess equity should occur, Lessee agrees to retain such excess equity as operational reserves and not, by way of example, pay any portion of such funds to any owner of Lessee or any affiliate of Lessee or any owner thereof for any purpose whatever (except as expressly specified in Section 6.01 (b) below) until the earlier of:

(a) the end of the seventh (7th) operational year; or

(b) the Hotel Operator's independent certified public accountant shall certify to Lessor that the Hotel has had a positive pre-tax, post debt service cash flow for two (2) consecutive calendar years.

ARTICLE 6. INCUMBRANCE OF LEASEHOLD ESTATE

Lessee's Right to Encumber

Section 6.01. Lessee may, at any time and from time to time during the term of this Lease encumber to any person or entity (hereinafter "Lender") by deed of trust or mortgage or other security instrument all of Lessee's interest under this Lease and the leasehold estate created hereby in Lessee for any purpose or purposes without the consent of Lessor: Provided, however, that no encumbrance incurred by Lessee pursuant to this section whether by express agreement or by operation of law shall, and Lessee shall not have power to incur any encumbrance that will, constitute in any way a lien or encumbrance on the fee of said premises or any interest of Lessor in said premises, provided further that Lessor expressly agrees to subordinate its interests in the fee estate of said premises to first deed of trust obtained by Lessee having the following characteristics:

(a) A term of not more than thirty-five (35) years;

(b) Securing an amount not to exceed ninety-two (92) percent of the funds expended by Lessee for making the improvements specified within this Lease, excluding for the purpose of said calculation (1) any charge, expense or allowance for the overhead including office rental expense and general administrative expenses of Lessee, (2) any salary, other compensation and benefits to any officer, employees of the Lessee or any owner or affiliate thereof, (3) any charge, expense or allowance for expenses incurred by Lessee or any owner or affiliate thereof prior to or during the selection process resulting in the execution of this Lease and Disposition and Development Agreement, (4) any development fee to the Lessee, any owner of the Lessee or any affiliate of the Lessee or any owner thereof, and (5) any fee or amount for services, construction or improvements paid to the Lessee, any owner of the Lessee or any affiliate of the Lessee or any owner thereof which exceeds the amount of such fee

or amount which would be reasonably expected to be incurred on a third party, arms length basis; provided that said calculation may include a development fee of not more than One Million Five Hundred Thousand Dollars ($1,500,000.00) and a basic construction management fee of not more than Three Hundred Thousand Dollars ($300,000.00) and an incentive construction management fee of not more than Four Hundred Fifty Thousand Dollars ($450,000.00) and, provided further, that the total amount of said development fee and said basic construction management fee in excess of Five Hundred Thousand Dollars ($500,000.00) shall not be included within said calculation during construction in a proportion to the total of such fees which exceeds the then attained percentage of completion of improvements and said incentive construction fee shall not be included within said calculation until Lessee shall have obtained a Certificate of Completion of Improvements from Lessor.

(c) Grants to the Lessor the right to cure any breach or default of said mortgage by lessee;

(d) The right of Lessor upon breach of this Lease by Lessee to foreclose, discharge and extinguish the interest of Lessee without affecting in any way the right of the Lessor to maintain said mortgage upon the premises.

Notice of Loan Default

Section 6.02. Immediately after the recording of any deed of trust or mortgage executed by Lessee pursuant to Section 6.01 of this Lease and containing a power of sale as defined by California law, Lessor shall at Lessee's cost and expense record in the office of the County Recorder of Sacramento County, California a written request executed and acknowledged by Lessor for a a copy of any notice of default and a copy of any notice of sale under such deed of trust or mortgage to be mailed to Lessor at the address specified in the request by Lessor.

Notice to and Service on Lender

Section 6.03. Lessor shall mail to Lender, should Lessee incur any encumbrance pursuant to Section 6.01 of this Lease, and to Hotel Operator, a duplicate copy of any and all notices Lessor may from time to time give to or serve on Lessee pursuant to or relating to this Lease. Lessee shall at all times keep Lessor informed in writing of the name and mailing address of Lender and Hotel Operator and any changes in Lender's or Hotel Operator's address. Any notices or other communications permitted by this or any other section of the Lease or by law to be served on or given to Lender and/or Hotel Operator by Lessor shall be deemed duly served on and given to Lender and/or Hotel Operator when deposited in the United States mail, first-class, postage prepaid, addressed to Lender and/or Hotel Operator at the last mailing address for Lender and/or Hotel Operator furnished in writing to Lessor by Lessee or Lender and/or Hotel Operator.

No Modification Without Lender's Consent

Section 6.04. Should Lessee incur any encumbrance pursuant to Section 6.01 of this Lease, Lessee and Lessor hereby stipulate and agree that they will not modify this Lease in any way or cancel this Lease by mutual agreement without the written consent of Lender and Hotel Operator having such encumbrances.

Rights of Lender and Hotel Operator

Section 6.05. Should Lessee incur any encumbrance pursuant to Section 6.01 of this Lease, and in any event as to the Hotel Operator, the Lender having such encumbrance and/or the Hotel Operator shall have the right at any time during the term of this Lease and the existence of the Lender's encumbrance and/or the Management Agreement to:

(1) Do any act or thing required of Lessee under this Lease, and any such act or thing done or performed by Lender and/or Hotel Operator shall be as effective to prevent a forfeiture of Lessee's rights under this Lease as if done by Lessee itself;

(2) Realize on the security afforded by the leasehold estate by exercising foreclosure proceedings or power or sale or other remedy afforded in law or in equity or by the security document (hereinafter the "Trust Deed") or by the Management Agreement and to:

(a) transfer, convey or assign the title of Lessee to the leasehold estate created by this Lease to any purchaser at any foreclosure sale, whether the foreclosure sale be conducted pursuant to court order or pursuant to a power of sale contained in the Trust Deed; or

(b) acquire and succeed to the interest of Lessee under this Lease by virtue of any foreclosure sale or transfer whether the foreclosure sale be conducted pursuant to a court order or pursuant to a power of sale contained in the Trust Deed or pursuant to any other statutory or decisional law.

Right of Lender and/or Hotel Operator to Cure Default

Section 6.06. Should Lessee incur an encumbrance pursuant to Section 6.01 of this Lease and in any event as to Hotel Operator, before Lessor may terminate this Lease because of any default under or breach of this Lease by Lessee, Lessor must give written notice of the default or breach to Lender and Hotel Operator and afford Lender and/or Hotel Operator the opportunity after service of notice to:

(1) Cure the breach or default within thirty (30) days where the default can be cured by the payment of money to Lessor or some other person;

(2) Cure the breach or default within thirty (30) days where to breach or default must be cured by something other than the payment of money and can be cured within that time; <u>or</u>

(3) Cure the breach or default in such reasonable time as may be required where something other than money is required to cure the breach or default and cannot be performed within thirty (30) days provided that acts to cure the breach or default are commenced within that time period after service of notice of the default on Lender and/or Hotel Operator by Lessor and are thereafter diligently continued by Lender

and/or Hotel Operator.

Foreclosure in Lieu of Curing Default

Section 6.07. Notwithstanding any other provision of this Lease, the Hotel Operator and/or a Lender under an encumbrance incurred by Lessee pursuant to Section 6.01 of this Lease may forestall termination of this Lease by Lessor for a default under or breach of this Lease by Lessee by commencing proceedings to foreclose his encumbrance on the leasehold estate created by this Lease. The proceedings so commenced may be for foreclosure of the encumbrance by order of court or by foreclosure of the encumbrance under a power of sale contained in the instrument containing the encumbrance or by any other procedure under statutory or decisional law. The proceedings shall not, however, forestall termination of this Lease by Lessor for the default or breach by Lessee unless:

(1) They are commenced within ninety (90) days after service on Lender of the notice described in Section 6.06 of this Lease above;

(2) They are, after having been commenced, diligently pursued in the manner required by law to completion; and

(3) Hotel Operator and/or Lender keeps and performs all the terms, covenants, and conditions of this Lease requiring the payment or expenditure of money by Lessee until the foreclosure proceedings are complete or are discharged by redemption, satisfaction, payment, or conveyance of the leasehold estate to Hotel Operator and/or Lender.

No Merger of Leasehold and Fee Estates

Section 6.08. Should Lessee incur an encumbrance pursuant to Section 6.01 of this Lease and in any event as to the Hotel Operator, then there shall thereafter, during the existence of the encumbrance and/or the Management Agreement, be no merger without the consent of Hotel Operator and/or Lender under such encumbrance of the leasehold estate created by this Lease and the fee estate in said premises merely because both estates have been acquired or become vested in the same person or entity.

Hotel Operator as Assignee of Lease

Section 6.09. No Hotel Operator shall be liable to Lessor as assignee of this Lease unless and until such time as Hotel Operator acquires all rights of Lessee under this Lease through foreclosure or other proceedings in the nature of foreclosure or as the result of some other action or remedy provided by law or the Management Agreement.

Lender and Hotel Operator as Including Subsequent Interests

Section 6.10. The term "Lender" as used in this Lease and the term "Hotel Operator" as used in this Lease shall mean not only the entity that loaned money to Lessee and is named as beneficiary, mortgagee, secured party or security holder in

the instrument creating any encumbrance incurred by Lessee pursuant to Section 6.01 of this Lease and/or the person, persons, or entity that undertook initially to operate the hotel under the Management Agreement, but also all subsequent assignees and holders of the interest created by such instruments.

Refinancing of Existing Indebtedness

Section 6.11. Lessee may, at its option during the term of this Lease refinance the existing indebtedness secured by the encumbrances specified under this Article including any encumbrance which shall be superior to this Lease pursuant to Section 6.01 hereof. However, in the event that Lessee shall refinance any encumbrance which shall be superior to Lessor's rights pursuant to Section 6.01 hereof, the refinanced encumbrance shall have the following characteristics:

(a) The refinanced encumbrance shall not secure a dollar amount of indebtedness greater than the dollar amount of indebtedness to which Lessor's interest was originally subordinated pursuant to Section 6.01 hereof;

(b) The debt service of the refinanced indebtedness shall be an amount not exceeding the amount of the debt service of the indebtedness secured by the initial encumbrance superior to the rights of Lessor pursuant to Section 6.01 hereof.

ARTICLE 7. REPAIRS AND RESTORATION

Maintenance by Lessee

Section 7.01. At all times during the term of this Lease Lessee shall, at Lessee's own cost and expense, keep and maintain said premises and all improvements now or hereafter on said premises as well as all facilities now or hereafter appurtenant to said premises in good order and repair and in safe and clean condition. Furthermore, Lessee shall, at Lessee's own cost and expense, maintain at all times during the term of this Lease the whole of said premises as well as any improvements, landscaping, or facilities thereon in a clean, sanitary, neat, tidy, orderly, and attractive condition.

Requirements of Governmental Agencies

Section 7.02. At all times during the term of this Lease, Lessee, at Lessee's own cost and expense shall:

(1) Make all alterations, additions, or repairs to said premises or the improvements or facilities on said premises required by any valid law, ordinance, statute, order, or regulation now or hereafter made or issued by any federal, state, county, local, or other governmental agency or entity;

(2) Observe and comply with all valid laws, ordinances, statutes, orders, and regulations now or hereafter made or issued respecting said premises or the improvements or facilities on said premises by any federal, state, county, local, or other governmental agency or entity;

(3) Contest if Lessee, in Lessee's sole discretion, desires by appropriate legal proceedings brought in good faith and diligently prosecuted in the name Lessee, or in the names of Lessee and Lessor where appropriate or required, the validity or applicability to said premises of any law, ordinance, statute, order, or regulation now or hereafter made or issued by any federal, state, county, local, or other governmental agency or entity; provided, however, that any such contest or proceeding, though maintained in the names of Lessee and Lessor, shall be without cost to Lessor, and Lessee shall protect said premises and Lessor from Lessee's failure to observe or comply during the contest with the contested law, ordinance, statute, order, or regulation;

(4) Indemnify and hold Lessor and the property of Lessor, including said premises, free and harmless from any and all liability, loss, damages, fines, penalties, claims, and actions resulting from Lessee's failure to comply with and perform the requirements of this section.

Lessee's Duty to Restore Premises

Section 7.03. Should, at any time during the terms of this Lease, any building or improvements now or hereafter on said premises be destroyed in whole or in part by fire, theft, the elements, or any other cause not the fault of Lessor, this Lease shall continue in full force and effect and Lessee, at Lessee's own cost and expense, shall repair and restore the damaged or destroyed building, buildings, improvement, or improvements according to the original plan thereof or according to such modified plans therefore as shall be approved in writing by Lessor. The work of repair and restoration shall be commenced by Lessee within one hundred twenty (120) days after the damage or destruction occurs and shall be completed with due diligence not longer than two (2) years after the work is commenced. In all other respects, the work of repair and restoration shall be done in accordance with the requirements for original construction work on said premises set forth in Article 5 of this Lease.

Option to Terminate Lease for Destruction

Section 7.04. Notwithstanding the provisions of Section 7.03 of this Lease, Lessee shall have the option of terminating this Lease on the last calendar day of any month by giving Lessor at least one hundred eighty (180) days' prior written notice of Lessee's intent to do so and by removing, at Lessee's own cost and expense, all debris and remains of the damaged improvements from said premises where:

(1) Any buildings or improvements now or hereafter on said premises are so damaged or destroyed by fire, theft, the elements, or any cause not the fault of Lessee or Lessor during the last twenty-five (25) years of the initial term of this Lease that they cannot be repaired and restored as required by Section 7.03 of this Lease at a cost not exceeding fifty (50) percent of the cost to replacing all buildings and improvements if totally destroyed then, immediately preceding the calamity damaging or destroying the damaged buildings or improvement, located on said premises.

(2) Any buildings or improvements now or hereafter on said premises are so damaged or destroyed by fire, theft, the elements, or any cause not the fault of Lessee or Lessor during the last ten (10) years of the term of this Lease that they cannot be

repaired and restored as required by Section 7.03 of this Lease at a cost not exceeding twenty (20) percent of the cost of replacing all buildings and improvements if totally destroyed then, immediately preceding the calamity damaging or destroying the damaged or destroyed buildings or improvements, located on said premises.

(3) At any time after the ninth (9th) operational year of the Hotel, Lessee shall purchase the premises pursuant to Section 12.12 et. seq., below or pay the alternative use rent pursuant to Section 2.06 et. seq.

Application of Insurance Proceeds

Section 7.05. Any and all fire or other insurance proceeds that become payable at any time during the term of this Lease because of damage to or destruction of any buildings or improvements on said premises shall be paid to Lessee or its Lender and applied by Lessee toward the cost of repairing and restoring the damaged or destroyed buildings or improvements in the manner required by Section 7.03 of this Lease; provided, however, that should Lessee exercise the option given Lessee by Section 7.04 of this Lease to terminate this Lease because of damage to or destruction of buildings or improvements on said premises, then, in that event, any and all fire or other insurance proceeds that become payable because of such damage or destruction:

(1) Shall be applied first toward the reduction of the unpaid principal balance of the obligation secured and discharging said premises from any then outstanding encumbrance or encumbrances incurred by Lessee pursuant to Section 6.01 of this lease; and

(2) If the damage or destruction shall have occurred prior to end of the ninth (9th) year, shall then be applied toward an amount equal to the then-present value of all subsidies paid by or made available by Lessor to Lessee from the inception of development to the date of termination; and

(3) Then the balance of the proceeds, if any, shall be paid to Lessee.

For the purposes of the calculation of the amount of the subsidies required by subpart (2) above, such subsidies shall be deemed to include the following:

(a) the difference between the fair market rental, calculated in accordance with the provisions of Section 2.06 above, of the premises for each year of the Lease and the amount theretofore paid by Lessee in lease rent hereunder; and

(b) the difference between the fair market value of any service or other provision, including without limitation parking spaces, made available by Lessor to Lessee, Hotel Operator or guests of the Hotel and the amounts paid by Lessee, Hotel Operator and guests of the Hotel to Lessor for such service or other provision during the term of the Lease.

In calculating the amount of such subsidies no consideration shall be given to taxes, assessments and other impositions of general application, including without limitation, property taxes and transient occupancy taxes, which may accrue to the benefit of Lessor or related entities.

In calculating the present value of such subsidies, the after tax rate of return on equity earned by Lessee's equity owners during the term of the Lease shall be used.

ARTICLE 8. INDEMNITY AND INSURANCE

Indemnity Agreement

Section 8.01. Lessee shall indemnify and hold Lessor and the property of Lessor, including said premises and any buildings or improvements now or hereafter on said premises, free and harmless from any and all liability, claims, loss, damages, or expenses resulting from Lessee's occupation and use of said premises, and excepting only any portion of such liability directly attributable to negligence of Lessor, specifically including, without limitation, any liability, claim, loss, damage, or expense arising by reason of:

(1) The death or injury of any person, including Lessee or any person who is an employee or agent of Lessee, or by reason of the damage to or destruction of any property, including property owned by Lessee or by any person who is an employee or agent of Lessee, from any cause whatever while such person or property is in or on said premises or in any way connected with said premises or with any of the improvements or personal property on said premises;

(2) The death or injury of any person, including Lessee or any person who is an employee or agent of Lessee, or by reason of the damage to or destruction of any property, including property owned by Lessee or any person who is an employee or agent of Lessee, caused or allegedly caused by either (a) the condition of said premises or some building or improvement on said premises, or (b) some act or omission on said premises of Lessee or any person in, on, or about said premises with the permission and consent of Lessee;

(3) Any work performed on said premises or materials furnished to said premises at the instance or request of Lessee or any person or entity acting for or on behalf of Lessee; or

(4) Lessee's failure to perform any provision of this lease or to comply with any requirement of law or any requirement imposed on Lessee or said premises by any duly authorized governmental agency or political subdivision.

Liability Insurance

Section 8.02. Lessee shall, at Lessee's own cost and expense, secure promptly after execution of this lease and maintain during the entire term of this lease a broad form comprehensive coverage policy of public liability insurance issued by an insurance company acceptable to Lessor and authorized to issue liability insurance in California insuring Lessee and Lessor against loss or liability caused by or connected with Lessee's occupation and use of said premises under this lease in amounts not less than:

(1) One Million Dollars ($1,000,000.00) for injury to or death of one person and, subject to such limitation for the injury or death of one person, of not less than Fifty

Million Dollars ($50,000,000.00) for injury to or death of two or more persons as a result of any one accident or incident; and

(2) Five Million Dollars ($5,000,000.00) for damage to or destruction of any property of others.

Fire and Casualty Insurance

Section 8.03. Lessee shall, at Lessee's own cost and expense, at all times during the term of this Lease keep all buildings, improvements, and other structures on said premises, as well as any and all additions thereto, insured for their full insurable value by insurance companies authorized to issue such insurance in California against loss or destruction by fire and the perils commonly covered under the standard extended coverage endorsement to fire insurance policies in the county where said premises are located. Any loss payable under such insurance shall be payable to Lessee, Lessor, and any Lender under an encumbrance incurred by Lessee pursuant to Section 6.01 of this Lease as their interests may appear. Any proceeds received because of a loss covered by such insurance shall be used and applied in the manner required by Section 7.05 of this Lease.

Specific Perils to Be Insured

Section 8.04. Notwithstanding anything to the contrary contained in Section 8.03 of this Lease, the insurance required by Section 8.03 of this Lease shall, whether or not included in the standard extended coverage endorsement mentioned in Section 8.03, insure all buildings, improvements, and other structures on said premises, as well as any and all additions thereto, against loss or destruction by earthquake, windstorm, cyclone, tornado, hail, explosion, riot, riot attending a strike, civil commotion, malicious mischief, vandalism, aircraft, fire, smoke damage, and sprinkler leakage. Furthermore, the insurance required by Section 8.03 of this Lease during the construction of said building project described in Article 5 shall have course of construction, vandalism, and malicious mischief clauses attached insuring said project during its construction and all materials delivered to the site of said building project for their full insurable value.

Deposit of Insurance With Lessor

Section 8.05. Lessee shall within ten (10) days after execution of this Lease, and promptly thereafter when any such policy is replaced, rewritten, or renewed, deliver to Lessor a true and correct copy of each insurance policy required by this Article of this Lease or a certificate executed by the insurance company or companies or their authorized agent evidencing such policy or policies.

Notice of Cancellation of Insurance

Section 8.06. Each insurance policy required by this Article of this Lease shall contain a provision that it cannot be cancelled for any reason unless ten (10) days prior written notice of the cancellation is given to Lessor in the manner required by this Lease for service of notices on Lessor by Lessee.

ARTICLE 9. CONDEMNATION

Total Condemnation

Section 9.01. Should, during the term of this Lease, title and possession of all of said premises be taken under the power of eminent domain by any public or quasi-public agency or entity, this Lease shall terminate as of 12:01 A.M. of, whichever first occurs, (1) the date legal title of said premises becomes vested in or (2) actual physical possession of said premises is taken by the agency or entity exercising the power of eminent domain and both Lessor and Lessee shall thereafter be released from all obligations, except those specified in Section 9.05 of this Lease, under this Lease.

Partial Taking - Parking Facilities Only

Section 9.02. Should, during the term of this Lease, title and possession of only a portion of said premises be taken under the power of eminent domain by any public or quasi-public agency or entity, all compensation and damages payable by reason of any parking facilities constructed by Lessee on said premises taken by such exercise of the eminent domain power shall be available to and used, to the extent reasonably needed, by Lessee in replacing the parking facilities so taken to the extent reasonably practicable under then existing laws and conditions with new parking facilities on the remaining portion of said premises. Plans and specifications for the replacement parking facilities must be first approved in writing by Lessor.

Partial Taking - Hotel Facilities

Section 9.03. Should, during the term of this Lease, title and possession of only a portion of said premises be taken under power of eminent domain by any public or quasi-public agency or entity, all compensation and damages payable by reason of any improvements other than parking facilities constructed by Lessee on said premises taken by such exercise of the eminent domain power shall be available to and used, to the extent reasonably needed, by Lessee to replace the improvements so taken to the extent reasonably practicable under then existing laws and conditions with improvements of the same type on the remaining portion of said premises. Plans and specifications for the replacement improvements must, however, be first approved by Lessor in writing.

Termination for Partial Taking

Section 9.04. Lessee may terminate this lease for the reasons stated in either, or both, Section 9.02 or Section 9.03 of this lease by serving written notice of termination on Lessor within ninety (90) days after Lessee has been deprived of actual physical possession of the portion of said premises taken by eminent domain. This lease shall terminate as of 12:01 A.M. of the first day of the calendar month following the calendar month in which the notice of termination described in this section is served on Lessor. On termination of this lease pursuant to this section, all subleases and subtenancies in or on said premises or any portion or portions of said premises created by Lessee under this lease shall also terminate and said premises shall be delivered to Lessor free and clear of all such subleases and subtenancies; provided, however, that Lessor may, at Lessor's option, by mailing written notice to a subtenant allow any subtenant to attorn to Lessor and continue his or her occupancy on said premises as a tenant of Lessor. On termination of this lease pursuant to this section, however, both Lessor and Lessee shall be released from all obligations, except those specified in Section 9.05 of this lease, under this lease.

Condemnation Award

Section 9.05. Any compensation or damages awarded or payable because of the taking of all or any portion of said premises by eminent domain shall be allocated between Lessor and Lessee as follows:

(1) All compensation or damages awarded or payable for the taking by eminent domain of any land that is part of the said premises shall be paid to and be the sole property of Lessor free and clear of any claim of Lessee or any person claiming rights to said premises through or under Lessee.

(2) All compensation or damages awarded or payable because of any improvements constructed or located on the portion of said premises taken by eminent domain where only a portion of said premises is taken by eminent domain and Lessee is not entitled to or does not terminate this lease shall be applied in the manner specified in Section 9.02 or Section 9.03 toward the replacement of such improvements with equivalent new improvements on the remaining portions of said premises.

(3) All compensation or damages awarded or payable because of any improvements constructed or located on the portion of said premises taken by eminent domain where this lease is terminated because of the taking by eminent domain, whether all or only a portion of said premises is taken by eminent domain, shall be allocated between Lessee and Lessor as follows:

(a) That percentage of the compensation or damages awarded or payable because of the improvements that equal the percentage of the full term of this lease that has, at the time of the taking, not expired shall belong to and be the sole property of Lessee.

(b) That percentage of the compensation or damages awarded or payable because of the improvements that equals the percentage of the full term of this Lease that has, at the time of the taking, expired shall belong to and be the sole property of Lessor.

(c) The term "time of taking" as used in this subparagraph shall mean 12:01 A.M. of, whichever shall first occur, the date title or the date physical possession of the portion of said premises on which the improvements are located is taken by the agency or entity exercising the eminent domain power.

(4) Any severance damages awarded or payable because only a portion of said premises is taken by eminent domain shall be:

(a) The sole and separate property of Lessee during the first ten (10) years of the term of this Lease;

(b) Equally divided, except to the extent needed to replace any improvements taken by eminent domain with equivalent improvements on the remaining portion of said premises where Lessee cannot or does not terminate this Lease between Lessor and Lessee during the eleven (11) to forty-five (45) years of the term of this Lease; and

(c) The sole and separate property of Lessor during the last ten (10) years of the term of this Lease or any extension thereof.

Lease Termination for Partial Taking

Section 9.06. Should, during the term of this Lease, title and possession of only a portion of said premises be taken under the power of eminent domain by any public or quasi-public agency or entity and Lessee does not or cannot under Section 9.02 or Section 9.03 terminate this Lease, then this Lease shall terminate as to the portion of said premises taken under eminent domain as of 12:01 A.M. of, whichever first occurs, the date title is taken or the date actual physical possession of the portion taken by eminent domain is taken by the agency or entity exercising the eminent domain power. Furthermore, the rent payable under this Lease shall, as of that time, be reduced in the same proportion that the value of the portion of said premises taken by eminent domain bears to the full value of said premises at that time; provided, however, that Lessee shall, subject to the provisions of Section 9.02 and 9.03 of this Lease, replace any improvements or facilities with equivalent new facilities on the remaining portion of said premises and do all other acts at Lessee's own cost and expense required by the eminent domain taking to make the remaining portion of said premises fit for the uses specified in this Lease.

Voluntary Conveyance in Lieu of Eminent Domain

Section 9.07. A voluntary conveyance by Lessor, with the consent of Lessee, of title to all or a portion of said premises to a public or quasi-public agency or entity in lieu of or under a threat by such agency or entity to take the same by eminent domain proceedings shall be considered a taking of title to all or such portion of said premises under the power of eminent domain subject to the provisions of this Article.

ARTICLE 10. ASSIGNMENT AND SUBLEASING

No Assignment Without Lessor's Consent

Section 10.01. Except as provided in Section 10.02 of this Lease, Lessee shall

not assign or otherwise transfer this Lease, any right or interest in this Lease, or any right or interest in said premises or any of the improvements that may now or hereafter be constructed or installed on said premises without the express written consent of Lessor first had and obtained. Any assignment or transfer by Lessee without the prior written consent of Lessor, whether it be voluntary or involuntary, by operation of law or otherwise, is void and shall, at the option of Lessor, terminate this Lease. A consent by Lessor to one assignment shall not be deemed to be a consent to any subsequent assignment of this Lease by Lessee. The consent of Lessor to any assignment of Lessee's interest in this Lease, however, shall not be unreasonably withheld; provided, however that if the assignment of Lessee's interest shall give rise to any right of termination by the Operator under Section 15.2 or its successor section of the Management Agreement, the consent of Lessor shall be in Lessor's sole and complete discretion.

Permitted Assignments and Transfers

Section 10.02. Notwithstanding the provisions of Section 10.01 of this Lease, Lessee may without the prior written consent of Lessor transfer and assign all Lessee's interest under this Lease and the leasehold estate hereby created in Lessee to:

(1) Any trustee named in a deed of trust, any mortgagee named in a mortgage, or any person named in any other type of security instrument for the purpose of incurring an encumbrance on such interest and such leasehold estate pursuant to Section 6.01 of this Lease.

(2) A corporation now or hereafter organized in which Lessee owns at least ninety (90) percent of all outstanding shares of stock.

However, such a permitted assignment shall not operate to relieve Lessee of its obligations to Lessor hereunder unless and until Lessor shall have conveyed to Lessee its written consent to such an assignment and release.

Hotel Operator and Management Agreement

Section 10.03. Lessee shall cause the Hotel to be operated pursuant to a management agreement ("Management Agreement") with a Hotel Operator ("Operator"). The Management Agreement shall be subject to Lessor's approval. The initial Operator of the Hotel is to be Hyatt Corporation ("Hyatt"). In the event of any transfer or assignment of said Management Agreement such new Operator and Management Agreement must be approved in writing by Lessor.

Lessor shall approve such subsequent Management Agreement if it contains the following minimum requirements: (a) the initial term of the Management Agreement shall be for at least thirty (30) years; (b) the Management Agreement cannot be terminated without Lessor's consent by either party except (i) in the event of breach thereunder or (ii) the failure to achieve economic goals reasonably approved by Lessor, and that in no event will there be a termination of the Management Agreement by Lessee for the failure to reach such economic goals prior to the end of the seventh (7th) operational year; Provided, however, that no Lessor consent shall be required for a termination of the Management Agreement by any Mortgagee who succeeds to the position of Lessee as a result of a foreclosure or similar proceeding so long as the

Mortgagee provides for a replacement Operator consistent herewith; (c) the Management Agreement shall provide that Lessor shall receive notice of default and notice of the grounds therefor when the defaulting party does; (d) that the Operator cannot without Lessor's consent assign its rights under the Management Agreement except to a wholly owned subsidiary whose performance is guaranteed by its parent in a written guarantee reasonably satisfactory to Lessor; (e) the Management Agreement shall be subordinate to this Lease and that in the event of a default thereunder by Operator, Operator shall be liable in damages to Lessor as Lessee's successor or assignee (i) in the case of the failure of Operator to pay over sums due to Lessee (and Lessor shall be entitled to collect such sums from Operator), and (ii) in all other cases, damages sustained after delivery by Lessor of a notice of default under this Lease, provided that no suit pursuant to this clause (ii) may be instituted by Lessor against Operator prior to termination of this Lease; (f) the Management Agreement shall not conflict with this Lease, and shall require Operator to comply with all the provisions of this Lease relating to the use, operation, and maintenance of the Hotel and the personal property located thereon; (g) the Management Agreement shall require the Operator (i) to operate the Hotel as a first-class convention hotel on standards equal to the standards of other comparable hotels, (ii) to maintain the Hotel and its personal property in a neat, clean, sanitary and safe condition, (iii) to make provisions for the cost of replacing and renewing the Hotel's personal property through the establishment of reserves or other appropriate mechanism, (iv) to manage, supervise and direct the Hotel's sales, reservations, advertising, promotional, marketing and public relations activities, (v) to apply sound administrative, accounting, budgeting, personnel, and purchasing policies and practices, (vi) to maintain or cause to be maintained the insurance required by Article 8 hereof, (vii) to establish, implement and supervise inventory and cost control systems, (viii) to maintain adequate control over the Hotel's books and records, especially but not limited to those relating to total gross revenues from hotel operations, (ix) to arrange for on behalf of Lessee, as appropriate, water, electricity, gas, steam, fuel oil, telephone, sanitation equipment maintenance and other necessary services for the Hotel's proper operation, (x) to make timely payments from the Hotel's Gross Revenues for all purchases made or arranged for the Hotel, (xi) to collect, account for and remit all applicable excise, sales and use taxes or similar governmental charges collected directly from guests and patrons, (xii) to encourage, through sales offices, the use of the Hotel by businesses, trade associations, conventions, tourists, incentive groups, travel agencies and other recognized sources of hotel business, (xiii) to recruit, hire and train all the employees at the Hotel, (xiv) to comply with all Laws and Ordinances, and (xv) generally to perform each of the foregoing in an efficient and economic manner so as to (x) optimize the Hotel's revenues and (y) enhance the character and reputation of Capitol Center area; (h) any Operator under the Management Agreement shall agree to attorn to Lessor, at the option of Lessor, in the event of an Event of Default by Lessee hereunder and a termination of this Lease; (i) Lessee's obligations under this Lease shall be secured by an assignment by Lessee to Lessor of all of its right, title and interest in and to such Management Agreement; and (j) the Operator shall agree that if the Management Agreement is terminated as an executory contract in the event of Lessee's bankruptcy that the Operator will agree to enter into a new Management Agreement with Lessor upon the same terms and conditions as the existing Management Agreement.

If Hyatt Corporation ceases to be the Operator for any reason other than Hyatt's succeeding to the position of Lessee hereunder, Lessee agrees to use its best efforts to find a replacement Operator reasonably satisfactory to Lessor. A Operator who is financially responsible and has prior experience in managing first-class hotels shall be reasonably satisfactory to Lessor.

Transfer of Stock as Assignment

Section 10.04. Should Lessee be a corporation, or should Lessee's interest in this Lease be assigned to a corporation pursuant to Section 10.02 of this Lease, any tranfer or assignment of any stock or interest in the corporation totaling in the aggregate more than ten (10) percent of all such stock or interest in the corporatin shall be considered an assignment of this Lease requiring the prior written consent of Lessor; provided, however, that any transfer of shares to a shareholder's spouse, children, or grandchildren caused by the shareholder's death shall be excepted from this provision.

ARTICLE 11. DEFAULT AND TERMINATION

Abandonment by Lessee

Section 11.01. Should Lessee breach this Lease and abandon said premises prior to the natural expiration of the term of this Lease, Lessor may continue this Lease in effect by not terminating Lessee's right to possession of said premises, in which event Lessor shall be entitled to enforce all Lessor's rights and remedies under this Lease including the right to recover the rent specified in this Lease as it becomes due under this Lease.

Termination for Breach by Lessee

Section 11.02. All covenants and agreements contained in this Lease are declared to be conditions to this Lease and to the term hereby demised to Lessee. Should Lessee default in the performance of any covenant, condition, or agreement contained in this Lease and the default not be cured within the period prescribed for shall cure, or, if none is prescribed elsewhere herein, six (6) months after written notice of the default is served on Lessee by Lessor, then Lessor may terminate this Lease and:

(1) Bring an action to recover from Lessee:

(a) The worth at the time of award of the unpaid rent which had been earned including without limitation all amounts accrued but upaid pursuant to Section 2.07 hereof and Section 8 (h) (iv) of the Deposition and Development Agreement and interest pursuant to Section 2.04 hereof at the time of termination of the Lease;

(b) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination of the Lease until the time of award exceeds the amount of rental loss that Lessee proves could have been reasonably avoided; and

(2) Bring an action, in addition to or in lieu of the action described in subparagraph (1) of this section, to reenter and regain possession of said premises in the manner provided by the laws of unlawful detainer of the State of California then in effect.

Insolvency of Lessee

Section 11.03. Should Lessee become insolvent as defined in this section, Lessor may, by giving thirty (30) days written notice to Lessor or to the person appointed to manage Lessee's affairs at the address for such person appearing in the official records of the court that appointed him, terminate this Lease and forfeit Lessee's interest in said premises and in any improvements or facilities in, on, or appertaining to said premises. For purposes of this section, Lessee shall be conclusively presumed to have become insolvent if Lessee:

(1) Has a receiver appointed to take possession of all or substantially all of Lessee's property because of insolvency;

(2) Makes a general assignment for the benefit of creditors; or

(3) Allows any judgment against Lessee to remain unsatisfied and unbonded for a period of ninety (90) days or longer.

Cumulative Remedies

Section 11.04. The remedies given to Lessor and Lessee in this Article shall not be exclusive but shall be cumulative with and in addition to all remedies now or hereafter allowed by law and elsewhere provided in this Lease.

Waiver of Breach

Section 11.05. The waiver by Lessor of any breach by Lessee of any of the provisions of this Lease shall not constitute a continuing waiver or a waiver of any subsequent breach by Lessee either of the same or a different provision of this Lease.

Surrender of Premises

Section 11.06. On expiration or sooner termination of this Lease, Lessee shall surrender said premises, all improvements in or on said premises, and all facilities in any way appertaining to said premises, to Lessor in as good, safe, and clean condition as practicable, reasonable wear and tear excepted.

ARTICLE 12. MISCELLANEOUS

Force Majeure

Section 12.01. Except as otherwise expressly provided in this Lease, should the performance of any act required by this Lease be performed by either Lessor or Lessee be prevented or delayed by reason of unforeseeable causes beyond its control and without its contributing fault or negligence, including without limitation acts of God, acts of the public enemy, acts of the other party, fires, floods, epidemics, quarantines restrictions, strikes, freight, embargos, and unusually severe weather or delays of subcontractors due to such causes or any other cause except financial inability, not the fault of the party required to perform the act, the time for performance of the act will be extended for a period equivalent to the period of enforced delay and

performance of the act during the period of enforced delay will be excused; provided, however, that nothing contained in this section shall excuse the prompt payment of rent by Lessee as required by this Lease or the performance of any act rendered difficult or impossible solely because of the finanicial condition of the party, Lessor or Lessee, required to perform the act and provided further that the parties seeking the benefit of the provisions of this section shall within ten (10) days after the beginning of such enforced delay, have first notified the other party thereof in writing, and of the cause or causes thereof and requested an extension for the period of the enforced delay.

Attorney's Fees

Section 12.02. Should any litigation be commenced between the parties to this Lease concerning said premises, this Lease, or the rights and duties of either in relation thereto, the party, Lessor or Lessee, prevailing in such litigation shall be entitled, in addition to such other relief as may be granted in the litigation to a reasonable sum as and for his attorney's fees in such litigation which shall be determined by the court in such litigation or in a separate action brought for that purpose.

Notices to Lessor

Section 12.03. Except as otherwise expressly provided by law, any and all notices or other communications required or permitted by this Lease or by law to be served on or given to Lessor by Lessee or any Lender described in Article 6 of this Lease shall be in writing and shall be deemed duly served and given when personally delivered to Lessor, to any managing employee of Lessor, or, in lieu of such personal service, when deposited in the United States mail, first-class postage prepaid, addressed to Lessor at 630 "T" Street, Sacramento, California 95814. Lessor may change Lessor's address for the purpose of this section by giving written notice of such change to Lessee in the manner provided in Section 12.04 whereupon Lessee shall transmit a copy of such notice to any Lender described in Article 6 of this Lease.

Notices to Lessee

Section 12.04. Except as otherwise expressly provided by law, any and all notices or other communications required or permitted by this Lease or by law to be served on or given to Lessee by Lessor shall be in writing and shall be deemed duly served and given when personally delivered to Lessee, any managing employee of Lessee, or, in lieu of such personal service, when deposited in the United States mail, first-class postage prepaid, addressed to Lessee at One Appletree Square, Suite 1093, Bloomington, Minnesota 55420 and 455 Watt Avenue, Sacramento, California 95825. Lessee may change his address for the purpose of this section by giving written notice of such change to Lessor in the manner provided in Section 12.03 of this Lease.

Governing Law

Section 12.05. This Lease, and all matters relating to this Lease, shall be governed by the laws of the State of California in force at the time any need for interpretation of this Lease or any decision or holding concerning this Lease arises.

Prime Rate Defined

Section 12.06. As used herein, "prime rate" shall mean that rate charged by Bank of America N.T. and S.A. or its sucessor organization to its prime or best commercial borrowers upon short term, unsecured borrowings as that rate shall be from time to time established, amended and/or announced.

Binding on Heirs and Successors

Section 12.07. This Lease shall be binding on and shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of the parties hereto, Lessor and Lessee, but nothing in this section shall be construed as a consent by Lessor to any assignment of this Lease or any interest therein by Lessee except as provided in Article 10 of this Lease.

Partial Invalidity

Section 12.08. Should any provision of this Lease be held by a court of competent jurisdication to be either invalid, void, or unenforceable, the remaining provisions of this Lease shall remain in full force and effect unimpaired by the holding.

Sole and Only Agreement

Section 12.09. This instrument and the Development and Disposition Agreement, pursuant to the terms hereof constitutes the sole and only agreement between Lessor and Lessee respecting said premises, the leasing of said premises to Lessee, the construction of the said building project described in this Lease on said premises, or the Lease terms herein specified, and correctly sets forth the obligations of Lessor and Lessee to each other as of its date. Any agreements or representations respecting said premises, their leasing to Lessee by Lessor, or any other matter discussed in this Lease not expressly set forth in this instrument are null and void.

Time of Essence

Section 12.10. Time is expressly declared to be the essence of this Lease.

Memorandum of Lease for Recording

Section 12.11. Neither party, Lessor or Lessee, shall record this Lease without the written consent of the other. However, Lessor and Lessee shall, at the request of either at any time during the term of this Lease, execute a memorandum or "short form" of this Lease for purposes of, and in a form suitable for, being recorded. The memorandum or "short form" of this Lease shall describe the parties, Lessor and Lessee, set forth a description of the Lease premises, specify the term of this Lease, and shall incorporate this Lease by reference.

Option to Purchase

Section 12.12. (a) If this Lease shall not have otherwise been terminated pursuant to the terms hereof or by operation of law, Lessee shall have the option on or after the end of the ninth (9th) operational year of the hotel to be constructed upon these premises, (hereinafter the "option date") to purchase the leased fee of said premises at the then exisiting fair market value of the leased fee interest. Lessee may exercise this option by giving written notice to Lessor of its intention so to do.

(b) The fair market value of the leased fee interest in the premises shall be determined in accordance with Section 12.13 hereof. Upon determination of the fair market value of the leased fee interest, Lessee may, within thirty (30) days of the receipt thereof, received its notice of intention to purchase.

(c) The purchase price so determined shall be deposited in an escrow opened by Lessee with a reputable title company together with a copy of Lessee's notice of intent to purchase pursuant to this option and together with all other documents or instruments required by this option to be delivered into escrow. Lessee shall give written notice to Lessor of such deposits in escrow. On close of escrow opened by Lessee upon exercise of the option, Lessor shall convey to Lessee good marketable title to said premises, as evidenced by a standard form CLTA title insurance policy issued by such a reputable title company subject only to such liens, encumbrances, clouds and conditions as exist at time of the execution of this Lease or are hereinafter incurred by Lessee.

(d) On the exercise of this option and close of the escrow for the sale of said premises to Lessee, Lessee shall pay all costs related to said transfer including but not limited to the full cost of the title insurance policy required by this section, the cost of preparing, executing and acknowledging any deed or other instruments required to convey the title to the premises to Lessee, any documentary transfer taxes, costs of recording, and escrow fees. In the event of a purchase by Lessee of Lessor's interest in the premises, Lessor shall convey its interest to Lessee by means of a special warranty deed containing covenants as required by the Development and Disposition Agreement and additional specific covenants as to the use of the premises requiring the same uses and for the same periods as those required by the terms of this Lease.

Determination of Fair Market Value

Section 12.13. At the time of its notice to Lessor of its intention to purchase under the options set forth in Section 12.12 hereof, Lessee shall include the name and report of an independent fee appraiser who has appraised the value of Lessor's interest and rendered an opinion in accordance with generally accepted real property appraisal standards of the fair market value of Lessor's interest at its highest and best use. Upon receipt of the report of said appraiser, (hereinafter "Lessee's appraiser"), Lessor may within thirty (30) days thereafter give notice to Lessee of its intention to retain, at Lessee's cost and expense, an independent free appraiser to render an additional opinion of fair market value in accordance with generally accepted real property appraisal standards. Said appraiser, (hereafter "Lessor's appraiser) shall render his opinion of value within forty five (45) days thereafter. Thereupon, Lessee may

accept the greater of the value estimate established by Lessee's appraiser and/or Lessor's appraiser as the fair market value of Lessor's interest and the purchase price thereof, or Lessee may, at its option, within thirty (30) days after receipt of the report of the Lessor's appraiser, retain a third appraiser chosen by Lessee's appraiser and Lessor's appraisor or, in the event that they are unable to agree, an appraiser recommended by the local governing board of the Appraisal Institute, who shall select the opinion of the Lessee's appraiser or the appraiser or the opinion of the Lessor's appraiser as the fair market value of the Lessor's interest in the premises. If Lessee shall elect to retain the aforesaid third appraiser, the third appraiser's selection of the opinion of value shall be binding upon all parties. The cost of all appraisals undertaken by reason of Lessee's election to purchase pursuant to Section 12.12 hereof shall be borne solely and completely by Lessee.

Conversion of Accrued Rents at Option Purchase

Section 12.14. If Lessee should exercise its option to purchase the leased fee pursuant to Sections 12.12, et seq., prior to a sale or refinance of the Hotel premises, Lessee may, at its option, convert the total accrued but unpaid rents pursuant to Section 2.07 of this Ground Lease and Section 8 (h) of the Disposition and Development Agreement and the total of accrued but unpaid interest calculated pursuant to Section 2.04 hereof to a debt instrument in such total amount bearing interest at one percent (1%) above the prime rate maturing upon the earlier of: (1) the sale or refinance of the Hotel premises or (2) ten (10) years from the date of purchase; and secured by a security interest in the premises subordinated only to Section 6.01 debt and debt pursuant to Section 8 (j) of the Disposition and Development Agreement.

Allocation of Sale or Refinance Proceeds in Event of Insufficiency

Section 12.15. In the event that the net proceeds of a sale or refinance are insufficient to pay a cumulative fifteen percent (15%) return on equity (hereinafter "equity return") and all amounts accrued pursuant to Section 2.07 above and Sections 8(h) and 8(j) of the Disposition and Development Agreement plus interest on such accrued sums pursuant to Section 2.04 above (hereinafter collectively "accrued sums"), said equity return and said accrued sums shall be paid from available net proceeds in the proportion that such amounts bear to each other.

Option Not Assignable Without Consent

Section 12.16. Lessee may not assign this option or right to purchase without the prior written consent of Lessor being first obtained.

Consents and Approvals

Section 12.17. Wherever, under the provisions of this agreement, Lessee is required to obtain the approval or consent of the Lessor, that approval or consent may not be reasonably withheld by Lessor provided that:

(a) the lack of ascertainable criteria within this Lease as to any particular approval or consent shall not be utilized to support a determination of unreasonableness;

(b) in any action or proceeding contesting the Lessor's withholding or denial of approval or consent, the Lessee shall at all times have the burden of establishing by clear and convincing evidence that the decision of the Lessor was unreasonable;

(c) this Section 12.15 shall have no application to

(1) any request by the Lessor for an amendment, modification or waiver of any term or provision of this Lease; or

(2) any request by the Lessee for reinstatement after the Redeveloper has failed to properly remedy its default during the appropriate cure period following notice of the default; or

(3) any request by the Lessee for approval of a "substantial change" in the preliminary or final approved construction plans of a type set forth in subparts (i), (ii), (v), (vi) or (vii) of subpart (b) of Section 8 of the Disposition and Development Agreement.

EXECUTED on _____, 1984, at Sacramento County, California.

REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO

BY:_____

BY:_____

APPROVED AS TO FORM:

_____

SACRAMENTO HOTEL ASSOCIATES,
a California Limited Partnership

BY: LANDMARK OF SACRAMENTO, INC.
A General Partner

BY:_____
Its President