

**MINUTES  
SACRAMENTO CITY  
PUBLIC FACILITIES FINANCING CORPORATION  
JULY 8, 1986**

The following Directors were present:

R. Burnett Miller, President  
Ralph Scurfield, Chief Financial Officer  
John F. Varozza, Vice President

City staff present were:

Thomas P. Friery, City Treasurer  
Diane Balter, Deputy City Attorney  
Walter J. Slipe, City Manager  
Jack R. Crist, Director of Finance  
Frank Mugartegui, Director of General Services  
Deborah Carter, Treasurer's Office  
Anne Mason, Assistant City Clerk

Others present included:

Christina Crosby, Brown and Wood  
Dennis Wong, Security Pacific National Bank  
Jean-Paul Migrditchian, Security Pacific National Bank  
Carlo S. Fowler, Orrick, Herrington & Sutcliffe  
Ash Wood, Paine Webber, Inc.

The Special Meeting of the Directors of Sacramento City Public Facilities Financing Corporation (the "Corporation") was called to order by President R. Burnett Miller at 4:30 p.m. on July 8, 1986, in the Council Chambers Conference Room at 915 I Street, Sacramento, California 95814.

Notice of such meeting had been duly given at least twenty-four (24) hours prior to said meeting to each Director and to the City Clerk of the City of Sacramento and to each local newspaper of general circulation, radio station or television station requesting notice in writing of special meetings of the Corporation.

President R. Burnett Miller acted as Chairperson of the meeting, and Anne Mason, Assistant Secretary, acted as Secretary thereof. The Assistant Secretary called roll and all Directors of the Corporation were present as noted above.

MEETING DATE: 07-08-86  
PAGE NO.: 1 of 5

SACRAMENTO CITY PUBLIC FACILITIES FINANCING CORPORATION

1. Chief Financial Officer Scurfield moved to approve the minutes of the previous meeting. Vice President Varozza seconded the motion and motion passed unanimously.
2. Mr. Ashford D. Wood, Vice President, PaineWebber Incorporated, gave a verbal report reviewing the status of the City of Sacramento 1986 Public Facilities Project and the financing thereof through the sale and delivery of certificates of participation evidencing an undivided interest in certain lease payments to be made pursuant to a lease of such project to the City of Sacramento. He reported the interest rate of 7.375 percent was received on the bonds. Mr. Wood informed the Board of Directors that Moody reaffirmed the City's bond rating.

Chief Financial Officer Scurfield asked Tom Friery, City Treasurer, if he had computed the net cost of the bond. Mr. Friery responded that the net cost of the money was less than 7 percent. Vice President Varozza asked who bought the bonds. Mr. Wood responded that it was determined not to offer the bonds to the retail money market and they would be sold to the institutional market and explained. President Miller asked to whom the bonds were sold. Mr. Wood reported Franklin Fund purchased the bonds and explained. Mr. Wood explained the reason for institutional sale of bonds and negotiated financing in lieu of competitive bidding. Carlo Fowler, Esq., a partner with the law firm of Orrick, Herrington & Sutcliffe, explained public versus private sale of bonds and City history of bond sales.

The attention of the Directors was then directed to a copy of a preliminary official statement describing the certificates of participation which had been previously distributed to the Directors. Tom Friery gave a verbal presentation regarding the preliminary official statement including a litigation waiver regarding flood victims who filed claims. The Directors were advised that copies of the official statement would be widely distributed to prospective purchasers of the certificates of participation. After review and discussion in detail of the contents of the preliminary official statement, Chief Financial Officer Scurfield moved to adopt the Resolution approving the official statement dated July 8, 1986, and authorizing execution and delivery of such official statement. After Vice President Varozza seconded the motion and motion carried unanimously, the following Resolution was adopted:

**ITEM CONTINUED TO NEXT PAGE**

SACRAMENTO CITY PUBLIC FACILITIES FINANCING CORPORATION

2. **ITEM CONTINUED FROM PREVIOUS PAGE**

RESOLUTION NO. 86-006

BE IT RESOLVED, that the official statement, to be dated July 8, 1986, in substantially the form submitted to this meeting including a litigation waiver regarding flood victims who filed claims, is hereby approved, and the proper officers of this Corporation are hereby authorized to execute and deliver such official statement in the name and on behalf of this Corporation, and PaineWebber Incorporated is hereby authorized to distribute copies of said official statement, as finally executed, to prospective purchasers of the certificates and is hereby directed to deliver copies of said official statement to all actual purchasers of the certificates, and the distribution heretofore by PaineWebber Incorporated of the preliminary official statement, dated June 30, 1986, relating to the certificates, is hereby approved, confirmed and ratified.

3. The attention of the Directors was then directed to the draft of a purchase agreement, dated July 8, 1986, providing for the sale of the certificates and proposed to be entered into among the Corporation, the City of Sacramento and PaineWebber Incorporated. Tom Friery, City Treasurer, made the committee aware of changes in the agreement. Chief Financial Officer Scurfield moved to adopted Resolution approving form of Purchase Agreement and authorizing execution and delivery of such Purchase Agreement. Vice President Varozza seconded the motion and motion carried unanimously. By passage of the motion, the following Resolution was adopted:

RESOLUTION NO. 86-007

BE IT RESOLVED, that the form of the purchase agreement submitted to this meeting is hereby approved, and the proper officers of this Corporation are hereby authorized to execute and deliver such purchase agreement in the name and on behalf of this Corporation.

4. There were then submitted to the Directors drafts of (i) a Site Lease, to be executed and entered into as of July 1, 1986, by and between the City of Sacramento and the Corporation; (ii) a Project Lease, to be executed and entered into as of July 1, 1986, by and between the Corporation and the City of Sacramento; (iii) an Assignment Agreement, to be executed and entered into as of July 1, 1986, by and between the

**ITEM CONTINUED TO NEXT PAGE**

SACRAMENTO CITY PUBLIC FACILITIES FINANCING CORPORATION

4. **ITEM CONTINUED FROM PREVIOUS PAGE**

Corporation and Security Pacific National Bank, as trustee; (iv) a Trust Agreement, to be executed and entered into as of July 1, 1986, by and among the City of Sacramento, the Corporation and Security Pacific National Bank, as trustee; and (v) an Agency Agreement, to be executed and entered into as of July 1, 1986, by and between the Corporation and the City of Sacramento.

Carlo Fowler, Orrick, Herrington & Sutcliffe explained the documents. Chief Financial Officer Scurfield moved to adopt Resolution approving Site Lease, Project Lease, Assignment Agreement, Trust Agreement and Agency Agreement and authorizing execution and delivery of all documents in order to effect the financing of the City of Sacramento 1986 Public Facilities Financing Project. After John Varozza seconded motion and motion carried unanimously, the following Resolution was adopted:

RESOLUTION NO. 86-008

BE IT RESOLVED, that the form of Site Lease submitted to this meeting is hereby approved, and the proper officers of this Corporation are hereby authorized to execute and deliver such Site Lease in the name and on behalf of this Corporation.

BE IT FURTHER RESOLVED, that the form of Project Lease submitted to this meeting is hereby approved, and the proper officers of this Corporation are hereby authorized to execute and deliver such Project Lease in the name and on behalf of this Corporation.

BE IT RESOLVED, FURTHER, that the form of Assignment Agreement submitted to this meeting is hereby approved, and the proper officers of this Corporation are hereby authorized to execute and deliver such Assignment Agreement in the name and on behalf of this Corporation.

RESOLVED, FURTHER, that the form of Trust Agreement submitted to this meeting is hereby approved, and the proper officers of this Corporation are hereby authorized to execute and deliver such Trust Agreement in the name and on behalf of this Corporation.

RESOLVED, FURTHER, that the form of Agency Agreement submitted to this meeting is hereby approved, and the proper officers of this Corporation are hereby authorized to execute and deliver such Agency Agreement in the name and on behalf of this Corporation.

**ITEM CONTINUED TO NEXT PAGE**



SACRAMENTO CITY PUBLIC FACILITIES FINANCING CORPORATION

4. ITEM CONTINUED FROM PREVIOUS PAGE

RESOLVED, FURTHER, that the officers of this Corporation are hereby authorized to execute and deliver all such documents in the name and on behalf of this Corporation in order to effect the financing of the City of Sacramento 1986 Public Facilities Project through the sale and delivery of certificates of participation, as authorized in accordance with the above documents.

5. Tom Friery reported that on July 17th and 18th there will be a pre-closing session held in San Francisco. Those attending the meeting should plan to spend the night. The Directors, the Secretary, and Tom Friery should plan to attend.
6. The Directors then held a discussion regarding lease purchase financing in municipal corporations.
7. President Miller asked the Secretary to show the seal and report on it. Anne Mason, Assistant Secretary, presented the corporate seal to the Board and gave a report.
8. President Miller asked if there was any old business. Chief Financial Officer Scurfield complimented the staff on the great job they had done in putting together the financing documents.
9. President Miller adjourned the meeting at 5:06 p.m.

APPROVED:

  
PRESIDENT

ATTEST:

  
ASSISTANT SECRETARY

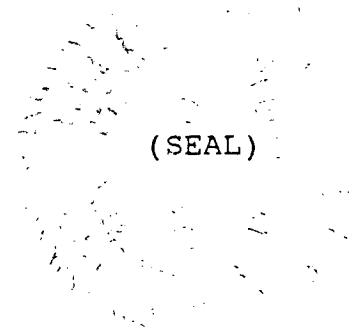
MEETING DATE: 07-08-86

PAGE NO.: 5 of 5

SECRETARY'S CERTIFICATE

I hereby certify that I am the duly elected, qualified and acting Secretary of the Sacramento City Public Facilities Financing Corporation, a nonprofit public benefit corporation organized and existing under the laws of the State of California, and that the foregoing minutes are a true and correct copy of the minutes of a special meeting of the Board of Directors of the Corporation held on the 8th day of July, 1986.

Dated: July 18, 1986.

  
Anne J. Mason  
Secretary

(SEAL)

RECEIVED  
CITY CLERKS OFFICE  
CITY OF SACRAMENTO

WRITTEN DISBURSEMENT REQUEST OF THE CITY NO JUL 22 4 11 PM '86

July 18, 1986

Security Pacific National Bank  
One Embarcadero Center, Fifth Floor  
San Francisco, CA 94111  
Attn: Corporate Trust Department

Re: City of Sacramento -  
Certificates of Participation in Rental  
Payments for the City of Sacramento  
1986 Public Facilities Project

Ladies and Gentlemen:

This letter is our authorization to you to disburse from the Acquisition and Construction Fund provided in that certain Trust Agreement (the "Trust Agreement") by and among Security Pacific National Bank (the "Trustee"), the Sacramento City Public Facilities Financing Corporation (the "Corporation") and the City of Sacramento (the "City"), dated as of July 1, 1986, the sums specified in Schedule I attached hereto to the individuals, firms or corporations named therein for the payment of the specified costs of the Corporation for the payment of expenses incidental to the construction of the Facilities and the acquisition of the Equipment (as those terms are defined in the Trust Agreement).

The obligations in the stated amounts have been properly incurred by the City under and pursuant to the Trust Agreement and that certain Project Lease (the "Project Lease") between the City and the Corporation, dated as of July 1, 1986, and each item thereof is a proper charge against such Acquisition and Construction Fund; and there has not been filed with or served upon the Corporation or the City a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to any of the individuals, firms or corporations named herein which has not been

released or will not be released simultaneously with the payment of such obligation, other than liens accruing by mere operation of law; and sufficient money remains in the Acquisition and Construction Fund to complete the construction of the Facilities and the acquisition of the Equipment (as those terms are defined in the Trust Agreement).

CITY OF SACRAMENTO

By Jack R. Rust  
Director of Finance

[SEAL]

Attest:

Anne J. Mason  
Deputy City Clerk

# SCHEDULE I

<u>Item No.</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
1	Security Pacific National Bank One Embarcadero Center San Francisco, CA	\$12,068	Initial Fee (Reimbursement)
2	Moody's Investors Service 99 Church Street New York, NY	15,000	Rating Fee (Reimbursement)
3	Price Waterhouse 455 Capitol Mall Sacramento, CA and Touche Ross & Co. 1038 Howe Avenue Sacramento, CA	10,000	Audit Fee (Reimbursement)
4	Towers, Perin, Forster & Crosby 1925 Century Park East, 15th Floor Los Angeles, CA	20,000	Insurance Actuary Fee (Reimbursement)
5	Orrick, Herrington & Sutcliffe 600 Montgomery Street San Francisco, CA	52,500	Legal Fee (Reimburement)
6	Jeffries Banknote Company 1330 West Pico Boulevard Los Angeles, CA	4,500	Printing (Reimbursement)
7	City of Sacramento c/o City Treasurer 800 - 10th Street Sacramento, CA	1,500	Reimbursement for out-of-pocket expenses
Total to be reimbursed to City of Sacramento		\$115,568	



# CITY OF SACRAMENTO

OFFICE OF THE CITY CLERK

CITY CLERK

LORRAINE MAGANA  
CITY CLERK

## MEMORANDUM

TO: Sacramento City Public Facilities Financing Corporation Members

FROM: Anne Mason, Assistant City Clerk *am*

SUBJECT: Review of Corporation Minutes of July 8, 1986

DATE: July 11, 1986

Attached for your review are the minutes of the July 8, 1986, meeting of the Sacramento City Public Facilities Financing Corporation.

Please submit any corrections you feel are needed to this office no later than Tuesday, July 15, 1986.

AM:lw

cc: Carlo Fowler, Orrick, Herrington & Sutcliffe  
Debbie Carter, City Treasurer's Office  
Bill Carnozza, City Attorney's Office

attachment

7/8/86 SPFFC Meeting

NAME	Affiliation
THOMAS P. FREEMAN	CITY TREASURER
Christina Crosby	Brown & Wood
DENNIS WONG	SECURITY PACIFIC NAT. BANK
Diane Ball	Deputy City Attorney, Sacramento
JEAN-PAUL MIBEDITCHIAN	SECURITY PACIFIC NAT. BANK
Carlo S. Fowler	Ornick, Herwig & Sutcliffe
WALTER J. SLIPE	CITY MANAGER
Oak Wood	Paine Webber Inc.
Ralph Scurfield	Director CFC
R. BURNETT MILLER	Pres.
JACK R. CRIST	DIRECTOR OF FINANCE
Frank Murgatroyd	Director of General Services
John A. VARRAZZA	Director ZFL
Deborah Carter	Treasurer's Office

NOTICE OF MEETING OF DIRECTORS

SACRAMENTO CITY PUBLIC FACILITIES FINANCING CORPORATION

NOTICE IS HEREBY GIVEN of a special meeting of the Board of Directors of Sacramento City Public Facilities Financing Corporation (the "Corporation") and of the business to be transacted at said meeting. Said meeting will be held at the time and place hereinafter set forth:

TIME: 4:30 P.M.

DATE: Tuesday, July 8, 1986

PLACE: City Hall, 915 I Street  
Room 202, Conference Room, adjacent to Council Chambers  
Sacramento, California, 95814

The purpose of said meeting shall be a review of the status of the proposed City Of Sacramento 1986 Public Facilities Project and the financing thereof through the sale and delivery of certificates of participation, the approval of an official statement describing such certificates of participation, the approval of a purchase agreement providing for the sale of such certificates of participation, the approval of the forms of a Site Lease, a Project Lease, an Assignment Agreement, a Trust Agreement and an Agency Agreement to be executed by the Corporation in connection with such financing, and the transaction of such other business as may be necessary or advisable.

DATED: July 3, 1986

  
BURNETT MILLER, PRESIDENT

  
ANNE MASON, ASSISTANT SECRETARY



RECEIVED  
CITY CLERKS OFFICE  
CITY OF SACRAMENTO

JUL 10 9 30 AM '86

\$12,000,000

EXECUTION COPY

ORIGINAL

CITY OF SACRAMENTO, CALIFORNIA

1986 TAX AND REVENUE ANTICIPATION NOTES

CONTRACT OF PURCHASE

July 8, 1986

City of Sacramento  
Sacramento, California

Ladies and Gentlemen:

The undersigned (the "Underwriter"), acting on behalf of itself, offers to enter into this agreement with the City of Sacramento, California (the "City"), which, upon your acceptance hereof, will be binding upon the City and the Underwriter. This offer is made subject to the written acceptance of this Contract of Purchase by the City and the delivery of such acceptance to us at or prior to 11:59 P.M., San Francisco time, on the date hereof. If this offer is not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to you, at any time prior to acceptance. Upon acceptance, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the City, the Corporation and the Underwriter.

1. Purchase and Sale of the Notes. Upon the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the City for reoffering to the public, and the City hereby agrees to sell to the Underwriter, for such purpose, all (but not less than all) of the City's 1986 Tax and Revenue Anticipation Notes. (the "Notes"). The Notes shall be in bearer form and shall bear interest at a rate of 4.60 percent per annum computed on the basis of a 30-day month/360-day year, such interest being payable on maturity. The Underwriter shall purchase the Notes at an aggregate price of \$11,947,517.

2. The Notes. The Notes shall be dated July 18, 1986, shall mature (without option of prior redemption) on June 30, 1987 and shall be substantially the form described in, and shall be issued and secured pursuant to the provisions of, the Resolution of the City Council adopted on July 8, 1986 authorizing the issuance and sale of the Notes

(as such resolution may thereafter be amended with our written consent, the "Note Resolution") and Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act").

3. Use of Documents. The City hereby authorizes the Underwriter to use, in connection with the offer and sale of the Notes, this Contract of Purchase, an Official Statement in a form to be jointly approved by the City and the Underwriter (which, together with all appendices thereto and with such changes therein and supplements thereto as are consented to by the Underwriter, is herein called the "Official Statement"), the Note Resolution and all information contained herein and therein and all of the documents, certificates or statements furnished by the City to the Underwriter in connection with the transactions contemplated by this Contract of Purchase.

4. Public Offering of the Notes. The Underwriter agrees to make a bona fide public offering of all the Notes at the initial public offering prices or yields to be set forth on the cover page of the Official Statement. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering price or yields as it deems necessary in connection with the marketing the Notes.

5. Delivery of Official Statement. At least one week prior to the Closing described in Section 6 below, you shall deliver to the Underwriter three copies of the Official Statement in the form satisfactory to the Underwriter, duly executed on behalf of the City, and as promptly as practical thereafter, such reasonable number of conformed copies as the Underwriter shall request. The Underwriter agrees that it will not confirm the sale of any Notes unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the Official Statement.

6. Closing. At 8:00 A.M., San Francisco time, on July 18, 1986 or at such other time or on such other date as shall have been mutually agreed upon by you and us (the "Closing"), you will deliver to us at the offices of Security Pacific National Bank, in New York, New York or at such other place as we may mutually agree upon, the Notes in definitive form duly executed, together with the other documents hereinafter mentioned (such documents to be delivered in San Francisco, California at our office or at such other place as we may mutually agree upon); and we will

*one*  
*Federal*  
accept such delivery and pay the purchase price thereof in ~~clearinghouse~~ funds to the order of the City. The Notes will be made available in New York, New York for checking and packaging, ~~two~~ business days prior to the Closing. Notwithstanding anything herein to the contrary, if for any reasons whatsoever the Notes shall not have been delivered by the City to the Underwriter prior to the close of business, San Francisco time on July 31, 1986, then the obligation of the City to sell the Notes hereunder and of the Underwriter to purchase Notes hereunder shall terminate and be of no further force or effect except with respect to the obligations of the City and the Underwriter under Section 11 hereof.

7. Representations, Warranties and Agreements of the City. The City hereby represents, warrants and agrees with the Underwriter that:

(A) The City is validly existing as a municipal corporation subdivision of the State of California, with the power to issue the Notes pursuant to the Act.

(B) (i) At or prior to the Closing, the City will have taken all action required to be taken by it to authorize the issuance and delivery of the Notes; (ii) the City has full legal right, power and authority to enter into this Contract of Purchase, to adopt the Note Resolution, to issue and deliver the Notes to the Underwriter, to perform its obligations under each such document or instrument and to carry out and effectuate the transactions contemplated by this Contract of Purchase and the Note Resolution; (iii) the execution and delivery or adoption of, and the performance by the City of the obligations contained in, the Notes, the Note Resolution and this Contract of Purchase have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Contract of Purchase has been duly executed and delivered and constitutes a valid and legally binding obligation of the City; and (v) the City has duly authorized the consummation by it of all transactions contemplated by this Contract of Purchase which are to be performed by it.

(C) No consent, approval, authorization, order, filing, registration, qualifications, election or referendum, of or by any person, organization, court or governmental agency or public body whatsoever is materially required in connection with the issuance, delivery or sale of the Notes or the consummation of

the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to be taken to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdiction of the United States as the Underwriter may designate.

(D) The City has complied in all respects with the Act.

(E) To the best knowledge of the City, after due investigation, the issuance of the Notes, the execution, delivery and performance of this Contract of Purchase, the Note Resolution and the Notes, and compliance with the provisions hereof and thereof do not conflict with or constitute on the part of the City a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the City is a party or by which it is bound or to which it is subject.

(F) As of the time of acceptance hereof, except as disclosed in the Official Statement, no action, suit, proceeding, hearing or investigation is pending or (to the best knowledge of the City) threatened against the City: (i) in any way affecting the existing of the City or in any way challenging the respective powers of the several offices or the titles of the officials of the City to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Notes, the application of the proceeds to the sale of the Notes, or the collection of revenues or assets of the City pledged or to be pledged or available to pay the principal of and interest on the Notes, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Notes, this Contract of Purchase or the Note Resolution, or contesting the powers of the City or its authority with respect to the Notes, the Note Resolution or this Contract of Purchase; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the City or the consummation of the transactions contemplated by this Contract of Purchase or the Note Resolution, (b) declare this Contract of Purchase to be invalid or unenforceable in whole or in material part, or

(c) adversely affect the exemption of the interest paid on the Notes from Federal income and California personal income taxation.

(G) Between the date hereof and the Closing, without the prior written consent of the Underwriter, the City will not have issued any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

(H) The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the City is a bond issuer whose arbitrage certificates may not be relied upon.

(I) Any certificates signed by any officer of the City and delivered to the Underwriter shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein but not of the person signing the same.

(J) If between the date of this Contract of Purchase and the Closing any event shall occur or be discovered which would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter thereof, and if in the opinion of the City and the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter.

8. Covenants of the City. The City covenants and agrees with the Underwriter that:

(A) The City will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter if and as it may reasonably request in order to (i) qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdiction of the United States as the Underwriter may designate and (ii) determine the eligibility of the Notes for investment under the laws of such states and other jurisdictions, and will use its best efforts to

continue such qualifications in effect so long as required for distribution of the Notes;

(B) The City will apply the proceeds from the sale of the Notes for the purposes specified in the Note Resolution; and

(C) For a period of 90 days after the Closing or until such time (if earlier) as the Underwriter shall no longer hold any of the Notes for sale, the City will (a) not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall object in writing or which shall be disapproved by the Underwriter and (b) if any event relating to or affecting the City shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser, forthwith prepare and furnish (at the expense of the City) a reasonable number of copies of an amendment of or supplement to the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

✓ 9. Conditions and Closing. The Underwriter hereby enters into this Purchase Contract in reliance upon the representations and warranties of the City herein and the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City of its obligations hereunder, both on and as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Notes shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties of the City contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the City made in any certificate or other document furnished pursuant to the provisions hereof, to the performance by the City of its obligations to be hereunder at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) Bring-Down of Representations and Warranties.  
The representations and warranties of the City, contained herein shall be true, complete and correct on the date hereof and on the Closing Date, as if made on and at the Closing as certified by the City pursuant to Section 9(d)(6) below.

(b) Execution and Delivery of Official Statement.  
At the Closing, the Official Statement shall have been duly authorized, executed and delivered by the City as required in Section 9(d)(1) below, in substantially the form heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and shall be in full force and effect; and there shall be in full force and effect such or resolution or resolutions of the City Council as, in the opinion of Orrick, Herrington & Sutcliffe ("Bond Counsel"), shall be necessary or appropriate in connection with the transactions contemplated hereby, as provided in Section 9(d)(2) below;

(c) Material Adverse Affect on Marketability of Certificates. Between the date hereof and the Closing Date, the market price or marketability, at the initial offering price set forth in the Official Statement, of the Notes shall not have been materially adversely affected, in the reasonable judgment of the Underwriter (evidenced by a written notice to the City terminating the obligation of the Underwriter to accept delivery of and make any payment for the Notes), by reason of any of the following:

(1) Legislation or Decisions Imposing Federal Income Taxation. The marketability of the Notes or the market price thereof, in the opinion of the Underwriters, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State of California, or the amendment of legislation pending as of the date hereof in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States

joint statement  
by the Chairman  
of the House Ways  
and Means Committee  
and the Chairman of the  
Senate Committee on  
Finance and the  
Secretary of the  
Treasury on March 14, 1986

7 (excepting H.R. 3838 passed by the United States House of Representatives so long as such bill the effective date of such bill shall be as provided in the

House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for the staff of either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court of any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other Federal or state authority affecting the federal or state tax status of the City, or the interest on notes or obligations (including the Notes) regardless of whether any of the following statements of fact were in existence or known of on the date hereof;

(2) War. The declaration of war or engagement in major military hostilities by the United States or the occurrences of any other national emergency or calamity relating to the effective operation of the government of or the financial community in the United States;

(3) General Banking Moratorium. The declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(4) Material Restrictions by New York Stock Exchange. The imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Notes or obligations of the general character of the Notes or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(5) Legislation or Decisions Affecting Registrations Exemption of Notes. Legislation enacted (or resolution passed) by or introduced or



pending legislation amended in the Congress or recommended for passage by the President of the United States, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed) or press release issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Notes, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the issuance, offering or sale of obligations of the general character of the Notes, or of the Notes, including any or all underlying arrangements, as contemplated hereby or by the Official Statement, otherwise is or would be in violation of the federal securities laws as amended and then in effect;

(6) Rating Withdrawal or Downgrade. The withdrawal or downgrading of any rating of the Notes by a national rating agency; or

(7) Material Untruths or Omissions in Official Statement. Any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(8) Adverse Event. An adverse event of the type described in paragraph 7(F) hereof occurs which in the reasonable opinion of the Underwriter requires or has required a supplement or amendment to the Official Statement; and

(d) Delivery of Certain Documents. At or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) Official Statement. Two copies of the Official Statement, duly executed and delivered by the City;

(2) Opinion of Bond Counsel With Reliance Opinions. The unqualified approving opinions, dated the Closing Date and addressed to the City, of Bond Counsel in substantially the forms attached hereto as Exhibits A~~B~~<sup>#</sup> and an and unqualified opinion of such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such opinions may be relied upon by the Underwriter to the same extent as if such opinions were addressed to it;

(3) Supplemental Opinion of Bond Counsel. The unqualified supplemental opinion, dated the Closing Date and addressed to the Underwriter, to the effect that:

(i) Purchase Contract. The Purchase Contract have been duly authorized, executed and delivered by the City and assuming due authorization, execution and delivery by the Underwriter, is valid and binding obligations of the City enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally, and by the application of equitable principles if equitable remedies are sought, and also by the limitations on legal remedies against cities in the State of California.

(ii) Official Statement. The statements contained in the Official Statement under the captions "INTRODUCTION," and "THE NOTES," insofar as such statements purport to summarize certain provisions of the Notes and the Note Resolution, present an accurate summary of such provisions. In addition the statements contained in the Official Statement under the caption "TAX EXEMPTION" presents an accurate summary of the portions of their legal opinion relating to the exemption from income taxes of interest on the Notes and the statements contained in the Official Statement under the caption "PENDING

LEGISLATION" presents an accurate summary of their opinion regarding such pending legislation.

(iii) Based upon the information made available to them in the course of their participation in the preparation of the Official Statement as special counsel and without having undertaken to determine independently, or assuming, any responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to their attention which would cause them to believe that the Official Statement (excluding therefrom financial statements and the statistical data included in the Official Statement, as to which no opinion need be expressed) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(iv) Registration Exemption. The Notes are exempt from registration under the Securities Act of 1933, as amended and now in effect.

(4) Opinion of City ~~Counsel~~ <sup>attorney</sup>. The opinion of the City Attorney, dated the Closing Date and addressed to the Underwriter, to the effect that:

(i) Due Organization and Existence. The City is a municipal corporation of the State of California duly organized and existing pursuant to the constitution and laws of the State of California.

(ii) Due Adoption of Resolutions. The Notes Resolutions approving and authorizing the execution and delivery by the City of the Official Statement was duly adopted at a meeting of the City Council which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

(iii) No Litigation. There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or to the best knowledge of such counsel after reasonable investigation, threatened against or affecting the City, to restrain or enjoin the sale of the Notes, or in any way contesting or affecting the validity of the Note Resolution or the Official Statement.

(iv) No Conflicts, Breach or Default; No Lien or Security Interest. The execution of the Purchase Contract, the City and the Official Statement, and compliance with the provisions on the City's part contained therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Note Resolution;

(v) Enforceability of City Financing Documents. The Official Statement has been duly authorized, executed and delivered by the City.

(vi) No Authorizations or Approvals. Except as described in the Official Statement, no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the City is required for the valid authorization, execution, delivery and performance by the City of the the Official Statement or for the

adoption of the Note Resolution which has not been obtained.

(5) Opinion of Counsel to Underwriter. The opinion, dated the Closing Date and addressed to the Underwriter, of Brown & Wood, San Francisco, California, counsel for the Underwriter ("Underwriter's Counsel") to the effect that:

(i) The Notes are exempt from registration under the Securities Act of 1933, as amended and now in effect; and

(ii) Based upon the information made available to them in the course of their participation in the preparation of the Official Statement as counsel for the Underwriter and without having undertaken to determine independently or assuming, any responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to their attention which would lead them to believe that the Official Statement (excluding therefrom financial statements and the statistical data included in the Official Statement, as to which no opinion need be expressed) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(6) Certificate of City. A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the City satisfactory to the Underwriter, in form and substance satisfactory to the Underwriter, to the effect that, to the best of his knowledge:

(i) Bring-Down of Representations and Warranties. The representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date.

(ii) No Litigation. No litigation is pending or threatened against the City (A) to

restrain or enjoin the execution, sale or delivery of any of the Notes, (B) in any way contesting or affecting the validity of the Notes or the Official Statement, or (C) in any way contesting the existence or powers of the City.

(iii) Official Statement Not Misleading. No event affecting the City has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement relating to the City or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein relating to the City not misleading in any material respect;

(7) Official Statement. Two copies of the Official Statement, executed on behalf of the City by an authorized representative of the City.

(8) City Resolutions. Two certified copies of the Note Resolution of the City authorizing the execution and delivery of the Official Statement.

(9) Ratings. Evidence that any ratings described in the Official Statement have been obtained as of the Closing Date.

(10) Accountant's Consent. Two copies of a letter from Price Waterhouse consenting to the references to such firm and to the use of the financial statements of the City and the report relating to such financial statements prepared by such firm as Appendix A to the Official Statement.

✓ (11) Such additional legal opinions, certificates, proceedings, instruments, and other documents as the Underwriter, Underwriter's Counsel or Bond Counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations of the City and of the statements and information contained in the Official Statement, and the due performance or satisfaction by the City ~~and the Corporation~~ at or prior to the Closing of all agreements then to be performed and

LAW OFFICES  
ORRICK, HERRINGTON & SUTCLIFFE  
600 MONTGOMERY STREET  
SAN FRANCISCO, CALIFORNIA 94111  
TELEPHONE (415) 392-1122  
TELECOPIER (415) 954-3759    TELEX 70-3520

NEW YORK, NEW YORK 10036  
1211 AVENUE OF THE AMERICAS  
TELEPHONE (212) 704-9660

SAN JOSE, CALIFORNIA 95113  
55 ALMADEN BOULEVARD  
TELEPHONE (408) 298-8800

SACRAMENTO, CALIFORNIA 95814  
555 CAPITOL MALL  
TELEPHONE (916) 447-9200

LOS ANGELES, CALIFORNIA 90017  
444 SOUTH FLOWER STREET  
TELEPHONE (213) 624-2470

WRITER'S DIRECT DIAL NUMBER

July 18, 1986

City Council  
City of Sacramento  
Sacramento County, California

PaineWebber Incorporated  
San Francisco, California

City of Sacramento  
1986 Tax and Revenue Anticipation Notes  
(Sacramento County, State of California)  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Sacramento (the "City") in the County of Sacramento, State of California, of \$12,000,000 principal amount of temporary notes pursuant to and by authority of a resolution (the "Resolution") of the City Council of the City duly passed and adopted on July 8, 1986, under and by authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the Government Code of the State of California, designated "City of Sacramento 1986 Tax and Revenue Anticipation Notes" (the "Notes").

In such connection, we have examined the Resolution, certifications of officers of the City as to certain factual matters and such other documents and matters deemed necessary to render the opinions set forth herein, and the opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Also, in examining the documents and matters referred to in the preceding sentence, we have not undertaken to independently verify the accuracy of the factual matters represented, warranted or certified in such documents, and we

ORRICK, HERRINGTON & SUTCLIFFE

- 2 -

have assumed compliance with the covenants and agreements contained in the Resolution. In addition, we call attention to the fact that the rights and obligations under the Notes and the Resolution are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles when equitable remedies are sought and to the exercise of judicial discretion in appropriate cases.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. Such proceedings show lawful authority for the issuance of the Notes under the Constitution and laws of the State of California now in force, and the Notes are valid and legally binding obligations of the City. The City has pledged all uncollected taxes, income, revenues and cash receipts received during or allocable to Fiscal Year 1986-1987 (including property taxes, but exclusive of taxes levied to pay bonded indebtedness) for the payment of the principal of and interest on the Notes (as provided in the Resolution), and the principal of and interest on the Notes will constitute a first lien and charge thereon when they are deposited in the Repayment Fund established pursuant to the Resolution, and, to the extent not so paid, the principal of and interest on the Notes shall be paid from any other moneys of the City lawfully available therefor; all as further provided in and subject to the Resolution.

2. Interest on the Notes is exempt from all present federal income taxes and State of California personal income taxes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE

per



LAW OFFICES  
ORRICK, HERRINGTON & SUTCLIFFE  
600 MONTGOMERY STREET  
SAN FRANCISCO, CALIFORNIA 94111  
TELEPHONE (415) 392-1122  
TELECOPIER (415) 954-3759    TELEX 70-3520

Exhibit B

NEW YORK, NEW YORK 10036  
1211 AVENUE OF THE AMERICAS  
TELEPHONE (212) 704-9660

SAN JOSE, CALIFORNIA 95113  
55 ALMADEN BOULEVARD  
TELEPHONE (408) 298-8800

SACRAMENTO, CALIFORNIA 95814  
555 CAPITOL MALL  
TELEPHONE (916) 447-9200

LOS ANGELES, CALIFORNIA 90017  
444 SOUTH FLOWER STREET  
TELEPHONE (213) 624-2470

WRITER'S DIRECT DIAL NUMBER

July 18, 1986

City Council  
City of Sacramento  
Sacramento County, California

PaineWebber Incorporated  
San Francisco, California

City of Sacramento  
1986 Tax and Revenue Anticipation Notes  
(Sacramento County, State of California)  
(Supplemental Opinion)

Ladies and Gentlemen:

We have on this date delivered our opinion concerning the exemption of interest on the above-captioned issue of notes from federal income taxes under existing laws, regulations, rulings and court decisions. We express no opinion concerning the effect upon the notes if H.R. 3838 is enacted into law in the form adopted by the House of Representatives of the United States Congress on December 17, 1985 (the "House Tax Bill"). However, in our opinion, the notes fall within the terms of a Joint Statement issued on March 14, 1986, on behalf of the Chairmen and Ranking Members of the House Ways and Means Committee and the Senate Finance Committee and the Secretary of the Treasury endorsing a postponement of the effective date of the House Tax Bill for certain state and local government obligations. Accordingly, if the House Tax Bill is enacted by the United States Congress containing the provisions endorsed in the aforesaid Joint Statement, in our opinion, the enactment of the House Tax Bill would not adversely affect the exemption from federal income taxes of interest on the notes.

ORRICK, HERRINGTON & SUTCLIFFE

We wish to point out that the aforesaid Joint Statement does not appear to provide any postponement of the effective date provisions associated with Section 1022 of the House Tax Bill relating to the treatment of tax-exempt obligations purchased by certain insurance companies, and we express no opinion regarding the treatment of interest on the notes held by such insurance companies under Section 1022 of the House Tax Bill.

On June 24, 1986, the United States Senate approved amendments to H.R. 3838 (which in the form so approved is referred to herein as the "Senate Tax Bill"). The provisions of the Senate Tax Bill pertaining to the tax-exempt status of interest on state and local governmental obligations would apply to obligations issued after the date of enactment. Thus, in our opinion, except as indicated below, enactment of the Senate Tax Bill would not adversely affect the exemption from federal income taxes of interest on the notes.

We wish to point out, however, that, for taxable years beginning after December 31, 1986, the Senate Tax Bill includes provisions for a corporate alternative minimum tax, generally imposed at the rate of 20% on certain corporations' taxable income, determined by taking into account certain adjustments and items of tax preference. One such adjustment would be an increase in taxable income by 50% of the excess of a corporation's book income for financial statement purposes over its taxable income, with certain additional adjustments. For this purpose the Report of the Senate Committee on Finance indicates that financial statement income generally will include the amount of any interest received that otherwise is exempt from taxation, such as interest on the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE

per

for the benefit of the City and the Underwriter (including the successors or assigns of any Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All representations, warranties and agreements of the City in this Contract of Purchase shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of and payment by the Underwriters for the Notes hereunder, and (c) any termination of this Contract of Purchase.

14. Execution in Counterparts. This Contract of Purchase may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute one and the same document.

15. Applicable Law. This Contract of Purchase shall be interpreted, governed and enforced in accordance with the law of the State of California.

Very truly yours,

PAINEWEBBER INCORPORATED

By Ashford D Wood

The foregoing is hereby agreed to and accepted as of the date first above written:

THE CITY OF SACRAMENTO,  
CALIFORNIA

By Walter J. Slips  
Authorized Officer

for the benefit of the City and the Underwriter (including the successors or assigns of any Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All representations, warranties and agreements of the City in this Contract of Purchase shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of and payment by the Underwriters for the Notes hereunder, and (c) any termination of this Contract of Purchase.

14. Execution in Counterparts. This Contract of Purchase may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute one and the same document.

15. Applicable Law. This Contract of Purchase shall be interpreted, governed and enforced in accordance with the law of the State of California.

Very truly yours,

PAINWEBBER INCORPORATED

By Richard S. Wood

The foregoing is hereby agreed to and accepted as of the date first above written:

THE CITY OF SACRAMENTO,  
CALIFORNIA

By Walter J. Slips  
Authorized Officer

APPROVED AS TO FORM:

JAMES P. JACKSON  
City Attorney

RECEIVED  
CITY CLERKS OFFICE  
CITY OF SACRAMENTO

JUL 10 9 30 AM '86

ORIGINAL

EXECUTION COPY

\$14,490,000

CITY OF SACRAMENTO, CALIFORNIA

Certificates of Participation

(1986 Public Facilities Project)

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PURCHASE CONTRACT

---

City of Sacramento  
Sacramento, California

July 8, 1986

Sacramento City Public Facilities  
Financing Corporation  
Sacramento, California

Ladies and Gentlemen:

The undersigned (the "Underwriter"), acting on behalf of itself, hereby offers to enter into this Certificates of Participation Purchase Contract (the "Purchase Contract") with you, the City of Sacramento, California (the "City") and Sacramento City Public Facilities Financing Corporation (the "Corporation") for the purchase by the Underwriter and execution and delivery to be caused by you and Security Pacific National Bank, as Trustee (the "Trustee") of the Certificates of Participation described herein. This offer is made subject to acceptance by you prior to 11:59 o'clock P.M., California time, on the date hereof. If this offer is not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to you, at any time prior to acceptance. Upon acceptance, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the City, the Corporation and the Underwriter.

1. Purchase, Sale and Delivery of the Certificates.

(a) Purchase and Sale on the Date Hereof.

Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from you and you agree to cause the Trustee to execute and deliver to the Underwriter all (but not less than all) of the \$14,490,000 aggregate principal amount of City of Sacramento, California Certificates of Participation (1986 Public Facilities Project) (the "Certificates"), each evidencing a fractional undivided interest of the owner thereof in Rental Payments to be made by the City pursuant to, and as defined in, a Project Lease, dated as of July 1, 1986 (the "Lease"), between the City and the Corporation, as the rental for certain equipment and facilities leased by the Corporation to the City (the "Projects") comprising portions of the City's, together with the related sites leased to the Corporation pursuant to a Site Lease dated as of July 1, 1986 (the "Site Lease") between the Corporation and the City. The Corporation will assign certain of its interests in the Lease, including the right to receive Rental Payments, to the Trustee pursuant to the Assignment Agreement, dated as of July 1, 1986 (the "Assignment Agreement"), between the Corporation and the Trustee. The Lease, the Site Lease, the Trust Agreement, dated as of July 1, 1986 between the City, the Corporation and the Trustee (the "Trust Agreement"), the Certificates, the Assignment Agreement, the Agency Agreement, dated as of July 1, 1986, between the Corporation and the City, and this Purchase Contract are herein referred to as the "Financing Documents."

The aggregate purchase price for the Certificates shall be \$ 14,144,598 plus accrued interest to the Closing Date (as hereinafter defined).

The Certificates shall be substantially in the form described in, and shall be executed, delivered and secured under and pursuant to, and shall be payable and subject to prepayment as provided in, the Trust Agreement. The Certificates will represent the payment of principal and interest from July 1, 1986 in accordance with the schedule attached as Exhibit A hereto, with such interest payable semiannually on January 1 and July 1 in each year commencing on January 1, 1987.

A Preliminary Official Statement dated June 30, 1986 (including the cover page and all appendices, exhibits and statements thereon or attached thereto being herein called the "Preliminary Official Statement," and, with such changes as are accepted by the Underwriter being herein called the "Official Statement") has been delivered to us in connection with the Certificates.

(b) Delivery on Closing Date. At 8:00 o'clock A.M., California time, on July 18, 1986, or at such other time or on such other date as we mutually agree upon (the "Closing Date"), the Trustee will deliver or cause to be delivered to the Underwriter, at a location or locations to be designated by the Underwriter in San Francisco, California, the Certificates in definitive form, duly executed, together with the other documents mentioned herein. The Underwriter will accept such delivery and pay the purchase price of the Certificates as set forth in subparagraph (a) above by wire payable in clearinghouse funds (such delivery and payment being herein referred to as the "Closing") to the order of the Trustee in an amount equal to the purchase price. The Certificates will be made available to the Underwriter for inspection and packaging, at an office which we may mutually agree upon, not less than one business day prior to the Closing. The Certificates shall be delivered as fully registered Certificates in such denominations and registered in such names as the Underwriter shall request by written notice not later than four business days prior to the Closing Date.

(c) Public Offering of Certificates. The Underwriter agrees to make a bona fide public offering of the Certificates at the initial offering prices set forth in the Official Statement, which prices may be changed from time to time by the Underwriter after such offering.

2. Representations and Warranties of the City and the Corporation.

(a) Representations of the City. The City hereby represents, warrants and agrees with the Underwriter as follows:

(1) Official Statement Not Misleading. Both at the date hereof and at the date of Closing, the statements and information contained in the Official Statement under the captions "ESTIMATED USES OF FUNDS,"

"THE PROJECTS," "CITY OF SACRAMENTO FINANCIAL INFORMATION," "CITY OF SACRAMENTO," "THE CITY'S ECONOMY," and "LITIGATION" are and will be true, correct and complete in all material respects and the Official Statement does not and will not omit any statement or information pertaining to the City which is necessary to make the statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respect;

(2) Due Organization, Existence and Authority.

The City is and will be on the Closing Date a municipal corporation of the State of California duly organized and operating pursuant to the Constitution and laws of the State of California with the full power and authority to execute and deliver the Official Statement, and to enter into the Financing Documents to be executed by it;

(3) Due Authorization and Approvals.

By official action of the City prior to or concurrently with the acceptance hereof, the City has duly authorized and approved, ratified and confirmed the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the Financing Documents to which it is a party and the consummation by it of all other transactions contemplated by the Official Statement and the Purchase Contract;

(4) No Conflict, Breach or Default; No Lien or

Security Interest. The Financing Documents to be executed by the City and the Official Statement, and compliance with the provisions on the City's part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement



or other instrument, except as provided in the Financing Documents;

(5) No City Breach or Default. The City is not in any material respect in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute a default or an event of default under any such instrument;

(6) No Litigation. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the best knowledge of the City after reasonable investigation, threatened against the City in any material respect affecting the existence of the City or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Certificates or the payment of Rental Payments or in any way contesting or affecting the validity or enforceability of the Certificates or the Financing Documents or contesting the powers of the City or its authority to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Certificates or the Financing Documents;

(7) Cooperation for Blue-Sky and Legal Investments. The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (a) to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such state and other jurisdictions of the United States as the Underwriter may designate and (b) to determine the eligibility of the Certificates for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such

qualification in effect so long as required for distribution of the Certificates; provided, however, that in no event shall the City be required to take any action which would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject;

(8) Cooperation to Amend or Supplement Official Statement. If between the date hereof and the date of the Closing an event occurs, of which the City has knowledge, which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the City will notify the Underwriter and the Corporation, and, if in the opinion of the City, the Underwriter and the Corporation, or their respective counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will cooperate in the preparation of an amendment or supplement to the Official Statement in a form and manner approved by the Underwriter, and shall pay all expenses thereby incurred;

(9) Amended or Supplemental Official Statement Not Misleading. If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (8) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the Closing Date, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading; and

(10) Indemnification. To the extent permitted by law, the City agrees to indemnify and hold harmless each of you and each person, if any, who controls (within the meaning of Section 15 of the Securities Act of 1933, as amended, or of Section 20 of the Securities Act of 1934, as amended) any of you and the officers, agents and employees of the Corporation against any and

all losses, claims, damages, liabilities and expenses (i) arising out of any statement or information in the Preliminary Official Statement or in the Official Statement, relating to the City, that is or is alleged to be untrue or incorrect in any material respect or the omission or alleged omission therefrom of any statement or information that should be stated therein or that is necessary to make the statements therein relating to the City not misleading in any material respect, and (ii) to the extent of the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of the City; provided, however, that in no event shall this indemnification agreement inure to the benefit of the Underwriter (or any person controlling such Underwriter) on account of any losses, claims, damages, liabilities or actions arising from the sale of the Certificates upon the public offering to any person by such Underwriter if such losses, claims, damages, liabilities or actions arise out of, or are based upon, an untrue statement or omission or alleged untrue statement or omission in the Preliminary Official Statement and if the Official Statement shall correct the untrue statement or omission or the alleged untrue statement or omission which is the basis of the loss, claim, damage, liability or action for which indemnification is sought and a copy of the Official Statement had not been sent or given to such person at or prior to confirmation of such sale to him or her, unless such failure to deliver the Official Statement was a result of noncompliance by the City with Section 8 hereof. In case any claim shall be made or action brought against any of you or any controlling person based upon the Official Statement for which indemnity may be sought against the City, as provided above, you shall promptly notify the City in writing setting forth the particulars of such claim or action and the City shall assume the defense thereof, including at its option the retaining of counsel acceptable to you and including the payment of all expenses. You or any such controlling person shall have the right to retain separate counsel in any such action but shall bear the fees and expenses of such counsel unless (i) the City shall have specifically authorized the retaining of such counsel or (ii) the parties to such suit include such Underwriter or controlling person or persons, and the City and such Underwriter or controlling person or persons have been

advised by such counsel that one or more legal defenses may be available to it or them which may not be available to the City, in which case the City shall not be entitled to assume the defense of such suit but you shall bear the reasonable fees and expenses of such counsel.

(b) Representations and Warranties of the Corporation. The Corporation hereby represents, warrants and agrees with the Underwriter as follows:

(1) Official Statement Not Misleading. Both at the date hereof and at the date of Closing, the statements and information contained in the Official Statement pertaining to the Corporation are and will be true, correct and complete in all material respects and the Official Statement does not and will not omit any statement or information pertaining to the Corporation which is necessary to make the statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respect;

(2) Due Organization, Existence and Authority. The Corporation is and will be on the Closing Date a nonprofit corporation duly organized and validly existing pursuant to the laws of the State of California with the full power and authority to execute and deliver the Official Statement, and to enter into the Financing Documents to be executed by it;

(3) Due Authorization and Approvals. By official action of the Corporation prior to or concurrently with the acceptance hereof, the Corporation has duly authorized and approved, ratified and confirmed the distributions of the Preliminary Official Statement and the execution, delivery and distributions of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Corporation of the obligations on its part contained in, the Financing Documents and the consummation by it of all other transactions contemplated by the Official Statement and the Purchase Contract;

(4) No Conflict, Breach or Default; No Lien. The execution and delivery of the Financing Documents to be executed by the Corporation and the Official Statement, and compliance with the provisions on the Corporation's part contained herein and therein, will not in any

material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Corporation is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Corporation under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Financing Documents;

(5) No Corporation Breach or Default. The Corporation is not in any material respect in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Corporation is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute a default or an event of default under any such instrument;

(6) No Litigation. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending, or to the best knowledge of the Corporation after reasonable investigation, threatened against the Corporation in any material respect affecting the existence of the Corporation or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Certificates or the payment of Rental Payments or in any way contesting or affecting the validity or enforceability of the Certificates or the Financing Documents or contesting the powers of the Corporation or its authority to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Certificates or the Financing Documents;

(7) Cooperation for Blue-Sky or Legal Investments. The Corporation will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (a) to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such state and other jurisdictions of the United States as the Underwriter may designate and (b) to determine the eligibility of the Certificates for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Certificates; provided, however, that in no event shall the Corporation be required to take any action which would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject;

(8) Cooperation to Supplement or Amend Official Statement. If between the date hereof and the date of the Closing an event occurs, of which the Corporation has knowledge, which might or would cause the information relating to the Corporation contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the Corporation will notify the Trustee, the Underwriter and the City, and, if in the opinion of the Corporation, the Trustee, the Underwriter or the City, or their respective counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Corporation will cooperate in the preparation of an amendment or supplement to the Official Statement in a form and manner approved by the Underwriter; and

(9) Amended or Supplemental Official Statement Not Misleading. If the information contained in the Official Statement is amended or supplemented pursuant to subparagraph (8) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the Closing Date, the portions of the Official Statement relating to the Corporation so supplemented or amended (including any financial and statistical data contained therein) will not contain

any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

3. Conditions to the Obligations of the Underwriter.

The Underwriter hereby enters into this Purchase Contract in reliance upon the representations and warranties of the City and the Corporation contained herein and the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City and the Corporation of their obligations hereunder, both on and as of the date hereof and as of the Closing Date. Accordingly, the Underwriter' obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Certificates shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties of the City and the Corporation contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Trustee, the City and the Corporation made in any certificate or other document furnished pursuant to the provisions hereof, to the performance by the Trustee and the City and the Corporation of their respective obligations to be performed under the Financing Documents to which they are a party at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) Bring-Down of Representations and Warranties.

The representations and warranties of the City and the Corporation contained herein shall be true, complete and correct on the date hereof and on the Closing Date, as if made on and at the Closing as certified by the City pursuant to Section 3(d)(8) below and by the Corporation pursuant to Section 3(d)(9) below;

(b) Execution and Delivery of Financing Documents. At the Closing, the Financing Documents shall have been duly authorized, executed and delivered by the respective parties thereto as provided in Section 3(d)(1) below, and the Official Statement shall have been duly authorized, executed and delivered by the City as required in Section 3(d)(12) below, all in substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and shall be

in full force and effect; and there shall be in full force and effect such ordinance or ordinances or resolution or resolutions of the City Council as, in the opinion of Orrick, Herrington & Sutcliffe ("Special Counsel"), shall be necessary or appropriate in connection with the transactions contemplated hereby, as provided in Section 3(d)(14) below;

(c) Material Adverse Affect on Marketability of Certificates. Between the date hereof and the Closing Date, the market price or marketability, at the initial offering price set forth in the Official Statement, of the Certificates shall not have been materially adversely affected, in the reasonable judgment of the Underwriter (evidenced by a written notice to the City and the Corporation terminating the obligation of the Underwriter to accept delivery of and make any payment for the Certificates), by reason of any of the following:

(1) Legislation or Decisions Imposing Federal Income Taxation. The marketability of the Certificates or the market price thereof, in the opinion of the Underwriters, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State of California, or the amendment of legislation pending as of the date hereof in the Congress of the United States (excepting H.R. 3838 passed by the United States House of Representatives so long as the effective date of such bill shall be as provided in the joint statement by the Chairman of the House Ways and Means Committee, the Chairman of the Senate Committee on Finance and the Secretary of the Treasury on March 14, 1986) or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for the staff of either such Committee, or by the staff of the Joint



Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court of any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other Federal or state authority affecting the federal or state tax status of the City, or the interest on notes or obligations (including the Certificates) regardless of whether any of the following statements of fact were in existence or known of on the date hereof;

(2) War. The declaration of war or engagement in major military hostilities by the United States or the occurrences of any other national emergency or calamity relating to the effective operation of the government of or the financial community in the United States;

(3) General Banking Moratorium. The declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(4) Material Restrictions by New York Stock Exchange. The imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Certificates or obligations of the general character of the Certificates or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(5) Legislation or Decisions Affecting Registrations Exemption of Certificates. Legislation enacted (or resolution passed) by or introduced or pending legislation amended in the Congress or recommended for passage by the President of the United States, or an order, decree or injunction issued by any court of

competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed) or press release issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Certificates, or the Certificates, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Certificates, or of the Certificates, including any or all underlying arrangements, as contemplated hereby or by the Official Statement, otherwise is or would be in violation of the federal securities laws as amended and then in effect;

(6) Rating Withdrawal or Downgrade. The withdrawal or downgrading of any rating of the Certificates by a national rating agency; or

(7) Material Untruths or Omissions in Official Statement. Any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(8) Adverse Event. An adverse event of the type described in paragraph 2(a)(8) hereof occurs which in the reasonable opinion of the Underwriter requires or has required a supplement or amendment to the Official Statement; and

(d) Delivery of Certain Documents. At or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) Financing Documents. Two copies of the Financing Documents, each duly executed and delivered by the respective parties;

(2) Opinion of Special Counsel With Reliance Opinions. The unqualified approving opinions, dated the Closing Date and addressed to the City, of Special Counsel in substantially the forms attached hereto as Exhibits B & C, and an unqualified opinion of such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such opinions may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it;

(3) Supplemental Opinion of Special Counsel. The unqualified supplemental opinion, dated the Closing Date and addressed to the Underwriter, to the effect that:

(i) Enforceability of City Financing Documents. The Trust Agreement, the Lease, the Site Lease and this Purchase Contract have been duly authorized, executed and delivered by the City and assuming due authorization, execution and delivery by the other parties thereto, are valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally, and by the application of equitable principles if equitable remedies are sought, and also by the limitations on legal remedies against counties in the State of California.

(ii) Official Statement. The statements contained in the Official Statement under the captions "SUMMARY STATEMENT," "INTRODUCTION," "THE CERTIFICATES," and "APPENDIX B - Summary of Principal Legal Documents," insofar as such statements purport to summarize certain provisions of the Certificates, the Assignment Agreement, the Lease, the Site Lease, and the Trust Agreement, present an accurate summary of such provisions. In addition the statements contained in the Official Statement under the caption "TAX

EXEMPTION" presents an accurate summary of the portions of their legal opinion relating to the exemption from income taxes of interest represented by the Certificates and the statements contained in the Official Statement under the caption "PENDING LEGISLATION" presents an accurate summary of their opinion regarding such pending legislation.

(iii) Based upon the information made available to them in the course of their participation in the preparation of the Official Statement as Special Counsel and without having undertaken to determine independently, or assuming, any responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to their attention which would cause them to believe that the Official Statement (excluding therefrom financial statements and the statistical data included in the Official Statement, as to which no opinion need be expressed) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(iv) Registration Exemption. The Certificates are exempt from registration under the Securities Act of 1933, as amended and now in effect, and the Trust Agreement is exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

(4) Opinion of City Attorney. The opinion of the City Attorney, dated the Closing Date and addressed to the Underwriter, the Corporation and their representative counsel, to the effect that:

(i) Due Organization and Existence. The City is a municipal corporation of the State of California duly organized and existing pursuant to the constitution and laws of the State of California.

(ii) Due Adoption of Resolutions. The ordinance or ordinances or resolution or resolutions of the City (the "Resolutions") approving and authorizing the execution and delivery by the City of the Financing Documents to which the City is a party, and the Official Statement were duly adopted at meetings of the Council of the City which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

(iii) No Litigation. There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or to the best knowledge of such counsel after reasonable investigation, threatened against or affecting the City, to restrain or enjoin the Rental Payments under the Lease, or in any way contesting or affecting the validity of the Resolutions or Financing Documents.

(iv) No Conflicts, Breach or Default; No Lien or Security Interest. The Financing Documents to be executed by the City and the Official Statement, and compliance with the provisions on the City's part contained therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Financing Documents;

(v) Enforceability of City Financing Documents. The Official Statement has been

duly authorized, executed and delivered, and the Financing Documents to which the City is a party have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the City enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought and to the limitation on legal remedies against cities in the State of California.

(vi) No Authorizations or Approvals. Except as described in the Official Statement, no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the City is required for the valid authorization, execution, delivery and performance by the City of the Financing Documents to which the City is a party or the Official Statement or for the adoption of the Resolutions which has not been obtained.

(5) Opinion of Counsel to Trustee. The opinion, dated the Closing Date and addressed to the City, the Corporation and the Underwriter of counsel to the Trustee, in substantially the form of Exhibit D hereto.

(6) Opinion of Counsel to the Corporation. The opinion of counsel to the Corporation, dated the Closing Date and addressed to the City, and the Underwriter, to the effect that:

(i) Due Organization and Existence. The Corporation is a nonprofit corporation duly organized and validly existing pursuant to the laws of the State of California.

(ii) Due Adoption of Resolutions. The resolution or resolutions of the Corporation (the "Corporation Resolutions") approving and

authorizing the execution and delivery by the Corporation of the Financing Documents to which the Corporation is a party, and the Official Statement were duly adopted at meetings of the Board of Directors of the Corporation which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

(iii) No Litigation. There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or to the best knowledge of such counsel after reasonable investigation, threatened against or affecting the Corporation, to restrain or enjoin the receipt and assignment of Rental Payments under the Lease, or in any way contesting or affecting the validity of the Corporation Resolutions or Financing Documents.

(iv) No Conflict, Breaches or Default; No Lien. The Financing Documents to be executed by the Corporation and the Official Statement, and compliance with the provisions on the Corporation's part contained therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Corporation is a party or is otherwise subject, nor will any such exception, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Corporation under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Financing Documents.

(v) Enforceability of Corporation Financing Documents. The Financing Documents to which the Corporation is a party and the

Official Statement have been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the Corporation enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought.

(vi) No Authorizations of Approvals. Except as described in the Official Statement, no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the Corporation is required for the valid authorization, execution, delivery and performance by the Corporation of the Financing Documents to which the Corporation is a party or the Official Statement or for the adoption of the Corporation Resolutions which has not been obtained.

(vii) Effectiveness of Transfer Under Assignment Agreement. Assuming due execution and delivery thereof by the Trustee, the execution and delivery of the Assignment Agreement by the Corporation are effective and sufficient to transfer all right, title and interest of the Corporation in the Projects and the Lease as are purported to be transferred thereby (including certain Rental Payments but excluding the Corporation's right to certain indemnification) to the Trustee, and such transfer is perfected against and not subject to the claims of any person claiming by or through the Corporation or of present or future creditors of the Corporation.

(7) Opinion of Counsel to Underwriter. The opinion, dated the Closing Date and addressed to the Underwriter, of Brown & Wood, San Francisco,



California, counsel for the Underwriter ("Underwriter's Counsel") to the effect that:

(i) The Certificates are exempt from registration under the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended.

(ii) Based upon the information made available to them in the course of their participation in the preparation of the Official Statement as counsel for the Underwriter and without having undertaken to determine independently or assuming, any responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to their attention which would lead them to believe that the Official Statement (excluding therefrom financial statements and the statistical data included in the Official Statement, as to which no opinion need be expressed) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(8) Certificate of City. A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the City satisfactory to the Underwriter, in form and substance satisfactory to the Underwriter, to the effect that, to the best of his knowledge:

(i) Bring-Down of Representations and Warranties. The representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date.

(ii) No Litigation. No litigation is pending or threatened against the City (A) to restrain or enjoin the execution, sale or delivery of any of the Certificates or the payment of the Rental Payments under the Lease, (B) in any way contesting or affecting

the validity of the Certificates or the Financing Documents, or (C) in any way contesting the existence or powers of the City.

(iii) Official Statement Not Misleading. No event affecting the City has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement relating to the City or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein relating to the City not misleading in any material respect;

(9) Certificate of Corporation. A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the Corporation satisfactory to the Underwriter, in form and substance satisfactory to the Underwriter, to the effect that, to the best of his knowledge:

(i) Bring-Down of Representations and Warranties. The representations and warranties of the Corporation contained herein are true and correct in all material respects on and as of the Closing Date.

(ii) No Litigation. No litigation is pending or threatened against the Corporation in any way contesting or affecting (A) the validity of the Financing Documents, or (B) the existence or powers of the Corporation.

(iii) Official Statements. No event affecting the Corporation has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement relating to the Corporation or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein relating to the

Corporation not misleading in any material respect.

(iv) Effectiveness of Assignment under Assignment Agreement. The execution and delivery of the Assignment Agreement by the Trustee and the Corporation are effective and sufficient to transfer all right, title and interest of the Corporation in the Projects and the Lease as are purported to be transferred thereby (including certain Rental Payments but excluding the Corporation's right to certain indemnification) to the Trustee, and such transfer is perfected against and is not subject to the claims of any person claiming by or through the Corporation or of present or future creditors of the Corporation.

(10) Certificate of Trustee. A certificate of an authorized officer of the Trustee, dated the Closing Date, to the effect that:

(i) No Litigation. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending or, to the best knowledge of the Trustee, threatened against or affecting the existence of the Trustee or seeking to prohibit, restrain or enjoin the execution and delivery of the Certificates or the collection of revenues intended to pay the principal of and interest on the Certificates, or pledge thereof, or in any way contesting or affecting the validity or enforceability of the Certificates, the Trust Agreement, the Assignment Agreement or contesting the powers of the Trustee or its authority to enter into or perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated hereby and by the Official Statement, or which, in any way, would adversely affect the validity of the Certificates, the Trust Agreement or the Assignment Agreement; and

(ii) Application of Certificate Proceeds. Subject to the provisions of the Trust Agreement, and applicable law, the Trustee will apply the proceeds from the Certificates to the purposes specified in the Trust Agreement.

(11) Arbitrage Certificate. An arbitrage certificate in form satisfactory to Special Counsel.

(12) Official Statement. Two copies of the Official Statement, executed on behalf of the City by an authorized representative of the City and on behalf of the Corporation by an authorized representative of the Corporation.

(13) Trustee Resolution. Two certified copies of the general resolution of the Trustee authorizing the execution and delivery of the Financing Documents to which the Trustee is a party.

(14) City Resolutions. Two certified copies of the ordinances and/or resolutions of the City authorizing the execution and delivery of the Financing Documents to which the City is a party and the Official Statement.

(15) Corporation Resolutions. Two certified copies of the resolutions of the Corporation authorizing the execution and delivery of the Financing Documents to which the Corporation is a party.

(16) Ratings. Evidence that any ratings described in the Official Statement have been obtained as of the Closing Date.

(17) Accountant's Consent. Two copies of a letter from Price Waterhouse consenting to the references to such firm and to the use of the financial statements of the City and the report relating to such financial statements prepared by such firm as Appendix A to the Official Statement.

(18) Blue Sky Memorandum. Two copies of the Blue Sky Memorandum and Legal Investment Survey with respect to the Certificates, prepared by Underwriter's Counsel.

(19) Such additional legal opinions, certificates, proceedings, instruments, title insurance, other insurance policies or evidences thereof and other documents as the Underwriter, Underwriter's Counsel or Special Counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations of the City and the Corporation and of the statements and information contained in the Official Statement, and the due performance or satisfaction by the Trustee, the City and the Corporation at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by any of them in connection with the transactions contemplated hereby and by the Financing Documents.

If the City, the Corporation or the Trustee shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract or if the Underwriter's obligations shall be terminated for any reason permitted herein, all obligations of the Underwriter hereunder may be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the City and Corporation.

4. Expenses.

All expenses and costs of the City and the Corporation incident to the performance of its obligations in connection with the authorization, execution, delivery and sale of the Certificates to the Underwriter, including the costs of printing of the Certificates, the Preliminary Official Statement, the Official Statement and the Blue Sky Memorandum and Legal Investments Survey, the cost of duplicating the Legal Documents, the fees of accountants, consultants and rating agencies, the initial fee of the Trustee and its counsel in connection with the issuance of the Certificates and the fees and expenses of Special Counsel and Counsel for the Trustee shall be paid from the proceeds of the Certificates. In the event that the Certificates for any reason are not executed and delivered, or to the extent proceeds of the Certificates are insufficient or unavailable therefor, any fees, costs and expenses owed by the City, which otherwise would have been paid from the proceeds of the Certificates, shall be paid by the City. All out-of-pocket expenses of the Underwriter, including traveling, California Debt Advisory Commission fee

and other expenses, and the fees and expenses of Underwriter's Counsel, shall be paid by the Underwriter.

5. Notices.

Any notice or other communication to be given to the Trustee under this Purchase Contract may be given by delivering the same in writing at the Trustee's address set forth above; and any notice or other communication to be given to the other parties to this Purchase Contract may be given by delivering the same in writing to the respective party at the following address:

Underwriter:	PaineWebber Incorporated 100 California St. 12th Floor San Francisco, CA 94111 Attention: Ash Wood
City:	City Treasurer City of Sacramento 800 Tenth Street, Suite 1 Sacramento, CA 95814
Corporation:	Sacramento City Public Facilities Financing Corporation c/o City Treasurer 800 Tenth Street, Suite 1 Sacramento, CA 95814 Attention: President

6. Parties in Interest; Governing Law; Execution in Counterparts; Limited Role of Trustee.

This Purchase Contract is made solely for the benefit of the City, and the Corporation and the Underwriter (including successors or assigns of the Underwriter), and no other person shall acquire or have any right hereunder or by virtue hereof. This Purchase Contract shall be governed by the laws of the State of California. This Purchase Contract may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

7. Survival of Representations and Warranties.

The representations and warranties of the City, the Corporation and the Trustee set forth in or made pursuant to this Purchase Contract or otherwise made pursuant to this

EXHIBIT A

Certificates Payment Schedule

[See Attached.]

CITY OF SACRAMENTO  
COP FINANCING  
COMBINED ISSUES DEBT SERVICE

\*\*\*\*\*  
DEBT SERVICE SCHEDULE  
\*\*\*\*\*

DATE	PRINCIPAL	COUPON	INTEREST	PERIOD TOTAL	FISCAL TOTAL
1/ 1/87			472,493.75	472,493.75	
7/ 1/87	385,000.00	4.500000	472,493.75	857,493.75	1,329,987.50
1/ 1/88			463,831.25	463,831.25	
7/ 1/88	750,000.00	5.000000	463,831.25	1,213,831.25	1,677,662.50
1/ 1/89			445,081.25	445,081.25	
7/ 1/89	1,700,000.00	5.500000	445,081.25	2,145,081.25	2,590,162.50
1/ 1/90			398,331.25	398,331.25	
7/ 1/90	1,795,000.00	6.000000	398,331.25	2,193,331.25	2,591,662.50
1/ 1/91			344,481.25	344,481.25	
7/ 1/91	1,900,000.00	6.250000	344,481.25	2,244,481.25	2,588,962.50
1/ 1/92			285,106.25	285,106.25	
7/ 1/92	2,015,000.00	6.500000	285,106.25	2,300,106.25	2,585,212.50
1/ 1/93			219,618.75	219,618.75	
7/ 1/93	2,150,000.00	6.750000	219,618.75	2,369,618.75	2,589,237.50
1/ 1/94			147,056.25	147,056.25	
7/ 1/94	180,000.00	7.750000	147,056.25	327,056.25	474,112.50
1/ 1/95			140,081.25	140,081.25	
7/ 1/95	190,000.00	7.750000	140,081.25	330,081.25	470,162.50
1/ 1/96			132,718.75	132,718.75	
7/ 1/96	205,000.00	7.750000	132,718.75	337,718.75	470,437.50
1/ 1/97			124,775.00	124,775.00	
7/ 1/97	225,000.00	7.750000	124,775.00	349,775.00	474,550.00
1/ 1/98			116,056.25	116,056.25	
7/ 1/98	245,000.00	7.750000	116,056.25	361,056.25	477,112.50
1/ 1/99			106,562.50	106,562.50	
7/ 1/99	260,000.00	7.750000	106,562.50	366,562.50	473,125.00
1/ 1/ 0			96,487.50	96,487.50	
7/ 1/ 0	285,000.00	7.750000	96,487.50	381,487.50	477,975.00
1/ 1/ 1			85,443.75	85,443.75	
7/ 1/ 1	305,000.00	7.750000	85,443.75	390,443.75	475,887.50
1/ 1/ 2			73,625.00	73,625.00	
7/ 1/ 2	330,000.00	7.750000	73,625.00	403,625.00	477,250.00
1/ 1/ 3			60,837.50	60,837.50	
7/ 1/ 3	350,000.00	7.750000	60,837.50	410,837.50	471,675.00
1/ 1/ 4			47,275.00	47,275.00	
7/ 1/ 4	375,000.00	7.750000	47,275.00	422,275.00	469,550.00
1/ 1/ 5			32,743.75	32,743.75	
7/ 1/ 5	405,000.00	7.750000	32,743.75	437,743.75	470,487.50
1/ 1/ 6			17,050.00	17,050.00	
7/ 1/ 6	440,000.00	7.750000	17,050.00	457,050.00	474,100.00
	14,490,000.00		7,619,312.50	22,109,312.50	
ACCRUED			44,624.41	44,624.41	
	14,490,000.00		7,574,688.09	22,064,688.09	
	*****		*****	*****	

DATED 7/ 1/86 WITH DELIVERY OF 7/18/86  
BOND YEARS 107,840.000  
AVERAGE COUPON 7.065  
AVERAGE LIFE 7.442  
N I C % 7.374562 % WITH A BID OF 97.699  
T I C % 7.383803 % WITH A BID OF 97.699



LAW OFFICES  
ORRICK, HERRINGTON & SUTCLIFFE  
600 MONTGOMERY STREET  
SAN FRANCISCO, CALIFORNIA 94111  
TELEPHONE (415) 392-1122  
TELECOPIER (415) 954-3759    TELEX 70-3520

Exhibit B

NEW YORK, NEW YORK 10036  
1211 AVENUE OF THE AMERICAS  
TELEPHONE (212) 704-9660

SAN JOSE, CALIFORNIA 95113  
55 ALMAZEN BOULEVARD  
TELEPHONE (408) 298-8800

SACRAMENTO, CALIFORNIA 95814  
555 CAPITOL MALL  
TELEPHONE (916) 447-9200

LOS ANGELES, CALIFORNIA 90017  
444 SOUTH FLOWER STREET  
TELEPHONE (213) 624-2470

WRITER'S DIRECT DIAL NUMBER

July 18, 1986

City Council  
City of Sacramento  
Sacramento, California

PaineWebber Incorporated  
San Francisco, California

Certificates of Participation in Rental Payments to  
be made under and pursuant to the Project Lease  
for the City of Sacramento 1986 Public Facilities Project  
(Final Opinion)

Ladies and Gentlemen:

We hereby certify that we have examined a certified copy of the record of the proceedings relative to the execution and delivery of \$14,490,000 principal amount of Certificates of Participation in Rental Payments to be made under and pursuant to the Project Lease for the City of Sacramento 1986 Public Facilities Project (the "Certificates"), each evidencing and representing a proportionate interest of the registered owner thereof in the rights to receive certain Rental Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Project Lease (the "Lease") for the City of Sacramento 1986 Public Facilities Project executed and entered into as of July 1, 1986, by and between the Sacramento City Public Facilities Financing Corporation, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), and the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), all of which rights to receive such Rental Payments having been assigned without recourse by the Corporation to

ORRICK, HERRINGTON & SUTCLIFFE

- 2 -

Security Pacific National Bank, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its principal corporate trust office in Los Angeles, California, as trustee (the "Trustee"), or any other bank or trust company at its principal corporate trust office which may at any time be substituted in its place as provided in the Trust Agreement hereinafter mentioned, pursuant to an Assignment Agreement (the "Assignment Agreement") executed and entered into as of July 1, 1986, by and between the Corporation and the Trustee, which Certificates have been executed by the Trustee pursuant to the terms of a Trust Agreement (the "Trust Agreement") executed and entered into as of July 1, 1986, by and among the Trustee, the Corporation and the City.

The Lease has been executed and entered into by the City pursuant to the laws of the State of California for the purpose of leasing the City of Sacramento 1986 Public Facilities Project to the City, which will be acquired and constructed by the Corporation as provided in the Lease.

The Certificates are authorized to be executed and delivered in the form of fully registered certificates in the denomination of five thousand dollars (\$5,000) each or any integral multiple thereof, except that no Certificate shall evidence and represent principal becoming due and payable in more than one year. The Certificates are dated July 1, 1986, and bear interest from the interest payment date next preceding the date of execution thereof by the Trustee, unless such date of execution is an interest payment date, in which case they shall bear interest from such interest payment date, or unless such date of execution is prior to January 1, 1987, in which case they shall bear interest from July 1, 1986. The interest evidenced and represented by the Certificates is payable on January 1 and July 1 in each year. The principal evidenced and represented by the Certificates is payable on July 1 in the years and in the amounts, with an interest component with respect thereto at the rates, as set forth in the following schedule:

ORRICK, HERRINGTON & SUTCLIFFE

- 3 -

<u>Principal Payment Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1988	\$ _____	_____ %
1989	_____	_____
1990	_____	_____
1991	_____	_____
1992	_____	_____
1993	_____	_____
1994	_____	_____
1995	_____	_____
1996	_____	_____
1997	_____	_____
1998	_____	_____
1999	_____	_____
2000	_____	_____
2001	_____	_____
2002	_____	_____
2003	_____	_____
2004	_____	_____
2005	_____	_____
2006	_____	_____

The interest evidenced and represented by the Certificates is payable by check mailed by the Trustee to the registered owners thereof at their addresses shown on the registration books required to be kept by the Trustee pursuant to the Trust Agreement. The principal evidenced and represented by the Certificates is payable on their payment dates or on prepayment prior thereto upon surrender thereof at the principal corporate trust office of the Trustee. All such amounts are payable in lawful money of the United States of America.

The Certificates are subject to prepayment prior to their respective stated payment dates at the times and subject to the conditions and terms set forth in the Certificates and in the Lease and in the Trust Agreement.

The Lease and the rights and obligations of the City and of the Corporation thereunder may be amended or modified in the manner and subject to the conditions and terms set forth therein. The Trust Agreement and the rights and

ORRICK, HERRINGTON & SUTCLIFFE

- 4 -

obligations of the City, of the Corporation, of the Trustee and of the registered owners of the Certificates may be amended or supplemented in the manner and subject to the conditions and terms set forth therein.

In our opinion such proceedings show lawful authority for the execution and delivery by the City of the Lease and the Trust Agreement under the laws of the State of California now in force, and the Lease and the Trust Agreement have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Corporation and the Trustee, as appropriate, are valid and binding obligations of the City, enforceable against the City in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally, and the obligation of the City to make the Rental Payments under the Lease is valid and binding in accordance with the terms of the Lease, subject to the limitations on legal remedies against cities in the State of California, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

We are further of the opinion that, under existing statutes, regulations and court decisions, the portion of each Rental Payment designated as and evidencing and representing interest paid by the City under the Lease and received by the registered owners of the Certificates is exempt from all present federal income taxes and State of California personal income taxes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE

Per

LAW OFFICES  
ORRICK, HERRINGTON & SUTCLIFFE  
600 MONTGOMERY STREET  
SAN FRANCISCO, CALIFORNIA 94111  
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Exhibit C

NEW YORK, NEW YORK 10036  
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LOS ANGELES, CALIFORNIA 90017  
444 SOUTH FLOWER STREET  
TELEPHONE (213) 624-2470

WRITER'S DIRECT DIAL NUMBER

July 18, 1986

City Council  
City of Sacramento  
Sacramento County, California

PaineWebber Incorporated  
San Francisco, California

Certificates of Participation in Rental Payments to  
be made under and pursuant to the Project Lease  
for the City of Sacramento 1986 Public Facilities Project  
(Supplemental Opinion)

Ladies and Gentlemen:

We have on this date delivered our opinion concerning the exemption of interest on the above-captioned issue of certificates of participation from federal income taxes under existing statutes, regulations and court decisions. We express no opinion concerning the effect upon the certificates of participation if H.R. 3838 is enacted into law in the form adopted by the House of Representatives of the United States Congress on December 17, 1985 (the "House Tax Bill"). However, in our opinion, the certificates of participation fall within the terms of a Joint Statement issued on March 14, 1986, on behalf of the Chairmen and Ranking Members of the House Ways and Means Committee and the Senate Finance Committee and the Secretary of the Treasury endorsing a postponement of the effective date of the House Tax Bill for certain state and local government obligations. Accordingly, if the House Tax Bill is enacted by the United States Congress containing the provisions endorsed in the aforesaid Joint Statement, in our opinion, the enactment of the House Tax Bill would not adversely affect the exemption from federal income taxes of interest on the certificates of participation.

We wish to point out, however, that the aforesaid Joint Statement does not appear to provide any postponement of the effective date provisions associated with Sections

ORRICK, HERRINGTON & SUTCLIFFE

1022 and 1023 of the House Tax Bill relating to the treatment of tax-exempt obligations purchased by certain insurance companies, and accordingly we express no opinion regarding the treatment of interest on the certificates of participation held by such insurance companies under Sections 1022 and 1023 of the House Tax Bill.

On June 24, 1986, the Senate of the United States Congress adopted proposed amendments to H.R. 3838 (the "Senate Tax Bill"). The provisions of the Senate Tax Bill pertaining to the tax-exempt status of interest on state and local governmental obligations would apply to obligations issued after the date of enactment. Thus, in our opinion, except as indicated below, enactment of the Senate Tax Bill would not adversely affect the exemption from federal income taxes of interest on the certificates of participation.

We wish to point out, however, that, for taxable years beginning after December 31, 1986, the Senate Tax Bill includes provisions for an alternative minimum tax of 20% on certain corporations' alternative minimum taxable income, which is determined by taking into account certain adjustments and items of tax preference. One such adjustment would be an increase in alternative minimum taxable income by 50% of the excess of a corporation's book income for financial statement purposes over its taxable income, with certain additional adjustments. The Report of the Senate Committee on Finance indicates that financial statement income generally will include the amount of any interest received that otherwise is exempt from taxation, such as interest on the certificates of participation.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE

per

EXHIBIT D

FORM OF TRUSTEE'S COUNSEL'S OPINION

Paine Webber Incorporated  
100 California Street  
12th Floor  
San Francisco, CA 94111

City of Sacramento  
\_\_\_\_\_  
\_\_\_\_\_

Sacramento, CA \_\_\_\_\_

Sacramento City Public  
Facilities Financing Corporation  
\_\_\_\_\_  
\_\_\_\_\_

Sacramento, CA \_\_\_\_\_

Re: City of Sacramento, California  
Certificates of Participation  
(1986 Public Facilities Project)

Ladies and Gentlemen:

We have acted as special counsel to Security Pacific National Bank, as trustee (the "Trustee"), in connection with the execution by the Trustee of that certain Trust Agreement, dated as of July 1, 1986, by and between the City of Sacramento (the "City"), the Sacramento City Public Facilities Financing Corporation (the "Corporation") and the Trustee (the "Trust Agreement"), relating to the referenced Certificates of Participation (the "Certificates").

In that connection we have reviewed: the Trust Agreement; the Contract of Purchase, dated July 8, 1986, by and between the City, the Corporation and PaineWebber Incorporated (the "Contract of Purchase"); the Certificates; the Assignment Agreement, dated as of July 1, 1986, by and between the Corporation and the Trustee (the "Assignment Agreement"); the Charter and Bylaws of Trustee; and all other documents that we deemed necessary for the purpose of rendering the opinions set forth below.

In examining such documents and matters, we have not undertaken to independently verify the accuracy of the

factual matters represented, warranted or certified in such documents. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. In addition, we call attention to the fact that the rights and obligations under the Trust Agreement, the Contract of Purchase and the Assignment Agreement are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases.

Terms used herein which are defined in the Trust Agreement shall have the respective meanings set forth therein.

Based on the foregoing, we are of the opinion that:

1. The Trustee is a national banking association with trust powers, duly organized and validly existing under the laws of the United States, duly qualified to do business and to exercise trust powers in the State of California, and has full power, authority and legal right to execute and deliver the Trust Agreement, the Assignment Agreement and the Certificates and to comply with the terms thereof and perform its obligations thereunder.

2. The Trust Agreement and the Assignment Agreement have been duly authorized by all necessary corporate action on the part of the Trustee, have been duly executed and delivered by the Trustee in its capacity as trustee and, assuming due authorization, execution and delivery thereof by the other parties thereto, are valid and binding instruments enforceable against the Trustee in accordance with their respective terms.

3. The Certificates sold on the date hereof have been duly authorized pursuant to the Trust Agreement and have been duly executed and delivered by the Trustee in its capacity as trustee.

4. No consent, approval, authorization or other action by any government or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery by the Trustee of the Trust Agreement, the Certificates and the Assignment Agreement.

5. The execution and delivery by the Trustee of the Trust Agreement and the Assignment Agreement and compliance with the terms thereof will not conflict with, or result in



a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instruments known to us to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or both having jurisdiction over the Trustee or any of its activities or properties.

We express no opinion as to any matter other than as expressly set forth above, and, in conjunction therewith, we specifically express no opinion as to the status of the Certificates or the interest thereon under (i) any federal securities law, including but not limited to the Securities Act of 1933, as amended, the Trust Indenture Act of 1939, as amended, or any state securities or "Blue Sky" law, or (ii) any federal, state or local tax law. Further, we express no opinion on the laws of any jurisdiction other than the State of California and the United States of America.

This opinion is as of the date hereof, and we undertaken no, and hereby disclaim any, obligation to advise you of any change in any matter set forth herein. Further, this opinion neither implies, nor should it be viewed to imply, an approval or recommendation of any investment in any Certificate. Finally, this opinion is solely for the benefit of the addressees and their counsel, and may not be relied upon in any manner, nor used, by any other person.

Very truly yours,

Purchase Contract shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Contract and regardless of any investigations or statements as to the results thereof made by or on behalf of the Underwriter and regardless of delivery of and payment for the Certificates.

8. Effective.

This Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution and the approval hereof by the duly authorized officials of the City and the Corporation and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

PAINEWEBBER INCORPORATED

By: Ashtford D Wood

APPROVED:

CITY OF SACRAMENTO, CALIFORNIA

By: Walter J Sipe

SACRAMENTO CITY PUBLIC  
FACILITIES FINANCING CORPORATION

By: R. Burnett Miller

Purchase Contract shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Contract and regardless of any investigations or statements as to the results thereof made by or on behalf of the Underwriter and regardless of delivery of and payment for the Certificates.

8. Effective.

This Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution and the approval hereof by the duly authorized officials of the City and the Corporation and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

PAINEWEBBER INCORPORATED

By: Asford O Wood

APPROVED:

CITY OF SACRAMENTO, CALIFORNIA

By: Walter J. Slye

SACRAMENTO CITY PUBLIC  
FACILITIES FINANCING CORPORATION

By: James P. Jackson

APPROVED AS TO FORM:

JAMES P. JACKSON  
City Attorney

57384  
**PROOF OF PUBLICATION**

(2015.5 CCP)

STATE OF CALIFORNIA

S.S.

County of Sacramento

I am the principal clerk of THE DAILY RECORDER, a newspaper of general circulation published in the City of Sacramento, County of Sacramento, and which newspaper has been adjudged a newspaper of general circulation by the Superior Court of the County of Sacramento, State of California, under date of May 2, 1913, Case Number 16,180 that the notice, of which the annexed is a printed copy (set in type not smaller than non-pareil) has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to wit:

06/27

CIT, Ad No. 5966

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

P. Cabano

Signature

Dated JUNE 27, 1986

**THE DAILY RECORDER**

1115 H Street, P.O. Box 1048  
Sacramento, California 95805  
(916) 444-2355

Mail Proof of Publication to:

CITY OF SACRAMENTO  
City Clerk's Office  
915 I Street, #203  
Sacramento

(00299)

CA 95814

This space is for the County Clerk's filing stamp

RECEIVED  
CITY CLERK'S OFFICE  
CITY OF SACRAMENTO

JUL 1 3 46 PM '86

**ORDINANCE NO. 88-081**

ADOPTED BY THE  
SACRAMENTO CITY COUNCIL  
ON DATE OF June 17, 1986

AN ORDINANCE OF THE CITY OF  
SACRAMENTO APPROVING AND  
AUTHORIZING THE EXECUTION OF A  
PROJECT LEASE WITH THE  
SACRAMENTO CITY PUBLIC  
FACILITIES FINANCING CORPORATION

WHEREAS, the Sacramento City  
Public Facilities Financing Corporation  
(the "Corporation") proposes to construct a branch library facility and a fire station facility for the City of Sacramento, including site development, landscaping, utilities and appurtenant and related facilities (the "Facility"); and

WHEREAS, the City of Sacramento (the "City") desires to enter into a lease of the Facility and certain other equipment with the Corporation;

NOW, THEREFORE, BE IT ENACTED  
BY THE COUNCIL OF THE CITY OF  
SACRAMENTO, AS FOLLOWS:

SECTION 1. It is hereby found and determined that it is in the public interest, convenience and welfare and for the common benefit of the inhabitants of the City that the City enter into a lease with the Corporation for the Facility and certain other equipment.

SECTION 2. The act of entering into a lease with the Corporation for the Facility and certain other equipment be and it is hereby approved, and the form of the Project Lease (the "Project Lease") of the Facility and certain other equipment between the Corporation and the City, submitted to the City Council of the City and on file in the office of the City Clerk of the City and available for public inspection, and to which reference is hereby made, and the terms and conditions thereof, are hereby approved, and the Mayor of the City and the City Clerk of the City are authorized and directed to execute and deliver the Project Lease in substantially said form; provided, that the annual base rental payments set forth in the Project Lease shall not exceed one million five hundred thousand dollars (\$1,500,000) per year.

SECTION 3. The Mayor of the City and the City Clerk of the City are hereby authorized to make such changes to the Project Lease prior to the execution thereof as may be required in the interests of the City where such changes do not materially increase the obligation of the City and where such changes are first approved by resolution of the City Council of the City; provided, that the annual base rental payments set forth in the Project lease shall not exceed one million five hundred thousand dollars (\$1,500,000) per year.

SECTION 4. This ordinance is subject to the provisions for referendum prescribed by Section 54242 of the Government Code of the State of California and Sections 4050 through 4061 of the Elections Code of the State of California, and subject to the foregoing this ordinance shall take effect and be in force thirty (30) days from the date of its adoption and approval.

SECTION 5. The City Clerk of the City is hereby directed to cause this ordinance to be published within fifteen (15) days after its adoption in the Daily Recorder, a newspaper of general circulation within the City.

Date Passed For Publication: June 10, 1986  
Date Enacted: June 17, 1986  
Date Effective: July 17, 1986  
Anne Rudin, Mayor of the City of Sacramento  
(Seal)  
Attest: Janice Beaman, Deputy City Clerk of the City of Sacramento  
AD NO: 5966  
57384-June 27, 1986

MINUTES OF A SPECIAL MEETING  
OF BOARD OF DIRECTORS OF  
SACRAMENTO CITY PUBLIC  
FACILITIES FINANCING CORPORATION

July 8, 1986

A special meeting of the Directors of Sacramento  
City Public Facilities Financing Corporation (the  
"Corporation") was held at the time and place hereinafter set  
forth:

Time: \_\_:\_\_ P.M.

Date: Tuesday, July 8, 1986

Place: \_\_\_\_\_  
\_\_\_\_\_

Sacramento, California 95814

Notice of such meeting had been duly given at least  
twenty-four (24) hours prior to said meeting to each Director  
and to the City Clerk of the City of Sacramento and to each  
local newspaper of general circulation, radio station or  
television station requesting notice in writing of special  
meetings of the Corporation.

The following Directors were present:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The following Directors were absent:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Also present were:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ acted as Chairperson of the meeting and \_\_\_\_\_ acted as Secretary thereof.

*Meeting called to order.* ~~not~~ <sup>4</sup> The Chairperson called the roll and \_\_\_\_\_ Directors of the Corporation were present. *as noted above,*

The Chairperson then introduced Mr. Ashford D. Wood, Vice President, PaineWebber Incorporated, and Carlo S. Fowler, Esq., a partner with the law firm of Orrick, Herrington & Sutcliffe, who reviewed the status of the City of Sacramento 1986 Public Facilities Project and the financing thereof through the sale and delivery of certificates of participation evidencing an undivided interest in certain lease payments to be made pursuant to a lease of such project to the City of Sacramento. The \_\_\_\_\_ attention of the Directors was then directed to a copy of a preliminary official statement describing the certificates of participation which had been previously distributed to the Directors. The Directors then discussed in detail the proposed method of financing the transaction. The Directors were advised that copies of the official statement would be widely distributed to prospective purchasers of the certificates of participation. After a review and discussion in detail of the contents of the preliminary official

statement, upon motion duly made, seconded and unanimously carried, the following Resolution was adopted:

Resolution No. 86-006

"RESOLVED, that the official statement, to be dated July 8, 1986, in substantially the form submitted to this meeting, is hereby approved, and the proper officers of this Corporation are hereby authorized to execute and deliver such official statement in the name and on behalf of this Corporation, and PaineWebber Incorporated is hereby authorized to distribute copies of said official statement, as finally executed, to prospective purchasers of the certificates and is hereby directed to deliver copies of said official statement to all actual purchasers of the certificates, and the distribution heretofore by PaineWebber Incorporated of the preliminary official statement, dated June 30, 1986, relating to the certificates, is hereby approved, confirmed and ratified."

*including a  
litigation waiver  
regarding stock  
which is filed separately*

The attention of the Directors was then directed to the draft of a purchase agreement, dated July 8, 1986, providing for the sale of the certificates and proposed to be entered into among the Corporation, the City of Sacramento and PaineWebber Incorporated. After discussion, upon motion duly made, seconded and unanimously carried, the following Resolution was adopted:

Resolution No. 86-007

"RESOLVED, that the form of purchase agreement submitted to this meeting is hereby approved, and the proper officers of this Corporation are hereby authorized to execute and deliver such purchase agreement in the name and on behalf of this Corporation."

There were then submitted to the Directors drafts of (i) a Site Lease, to be executed and entered into as of July 1, 1986, by and between the City of Sacramento and the Corporation; (ii) a Project Lease, to be executed and entered into as of July 1, 1986, by and between the Corporation and the City of Sacramento; (iii) an Assignment Agreement, to be executed and entered into as of July 1, 1986, by and between the Corporation and Security Pacific National Bank, as trustee; (iv) a Trust Agreement, to be executed and entered into as of July 1, 1986, by and among the City of Sacramento, the Corporation and Security Pacific National Bank, as trustee; and (v) an Agency Agreement, to be executed and entered into as of July 1, 1986, by and between the Corporation and the City of Sacramento. After discussion, upon motion duly made, seconded and unanimously carried, the following Resolution was adopted:

Resolution No. 86-008

"RESOLVED, that the form of Site Lease submitted to this meeting is hereby approved, and the proper officers of this Corporation are hereby authorized to execute and deliver such Site Lease in the name and on behalf of this Corporation.

RESOLVED, FURTHER, that the form of Project Lease submitted to this meeting is hereby approved, and the proper officers of this Corporation are hereby authorized to execute and deliver such Project Lease in the name and on behalf of this Corporation.

RESOLVED, FURTHER, that the form of Assignment Agreement submitted to this meeting is hereby approved, and the proper



officers of this Corporation are hereby authorized to execute and deliver such Assignment Agreement in the name and on behalf of this Corporation.

RESOLVED, FURTHER, that the form of Trust Agreement submitted to this meeting is hereby approved, and the proper officers of this Corporation are hereby authorized to execute and deliver such Trust Agreement in the name and on behalf of this Corporation.

RESOLVED, FURTHER, that the form of Agency Agreement submitted to this meeting is hereby approved, and the proper officers of this Corporation are hereby authorized to execute and deliver such Agency Agreement in the name and on behalf of this Corporation.

RESOLVED, FURTHER, that the officers of this Corporation are hereby authorized to execute and deliver all such documents in the name and on behalf of this Corporation in order to effect the financing of the City of Sacramento 1986 Public Facilities Project through the sale and delivery of certificates of participation, as authorized in accordance with the above documents."

The meeting was adjourned at approximately \_\_\_\_ P.M.

---

Secretary

SECRETARY'S CERTIFICATE

I hereby certify that I am the duly elected, qualified and acting Secretary of the Sacramento City Public Facilities Financing Corporation, a nonprofit public benefit corporation organized and existing under the laws of the State of California, and that the foregoing minutes are a true and correct copy of the minutes of a special meeting of the Board of Directors of the Corporation held on the 8th day of July, 1986.

Dated: July \_\_, 1986.

---

Secretary

(SEAL)



## CITY OF SACRAMENTO

### OFFICE OF THE TREASURER

800 - 10TH STREET  
SUITE 1

SACRAMENTO, CA 95814  
TELEPHONE (916) 449-5318

THOMAS P. FRIERY  
TREASURER

DONALD E. SPERLING  
ASST. TREASURER

July 3, 1986  
860207:/TPFlv:86cop2

TO: Sacramento Public Facilities Financing Corporation  
FROM: Thomas P. Friery, City Treasurer  
SUBJECT: Special Meeting - July 8, 1986 regarding 1986 COP

The above described meeting will take place at 4:30 p.m. in the City Hall Conference Room #202.

Enclosed please find the "Notice of Meeting" as well as an outline of the Minutes for this meeting. I recommend you review this outline of minutes to ascertain what will be covered at the meeting. For your information, the following action items will be accomplished at this special meeting:

- 1) Approve the form of the COP Official Statement (OS). (Please note, this OS was sent to you July 1, 1986)
- 2) Approve the form of the COP Purchase Contract (See Attached).
- 3) Execute and approve the form of various legal documents which are a part of the COP financing (See Attached).

If for some reason you have misplaced your COP Official Statement, please call and a copy will be furnished. Thank you for your assistance.

Sincerely,

THOMAS P. FRIERY  
City Treasurer

#### Attachments

cc: Anne Mason w/Attachment  
Diane Balter w/Attachment  
Deborah Carter w/o  
Carlo Fowler w/o

Gerald McGovern w/o  
Christine Crosby w/o  
Dennis Wong w/o  
Ash Wood w/o

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CITY OF SACRAMENTO

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# LITIGATION RIDER

In February 1986 severe flooding occurred in Northern California, including the City and surrounding areas. Property owners alleging losses to their property caused by such flooding have filed approximately 415 claims with the City to recover for those alleged losses. Approximately 245 of the properties affected are located within the City limits. Many of the claims name additional parties and the City anticipates that if lawsuits are filed, nearly all such suits will name additional parties as defendants, including the State of California, Sacramento County, Sutter County and the American River Flood Control District. Approximately 300 of the approximately 415 claims have alleged specific damages which aggregate in excess of \$580 million. The City has no insurance coverage for any damages that may result from the claims filed against it.

To date, no lawsuits have been filed against the City relating to the damages mentioned in the claims. The filing of claims with the City is a prerequisite to commencing litigation against the City. Since the properties allegedly damaged are nearly all residential, the City believes the amounts claimed are grossly inflated. Further, the City considers it unlikely that it will be found liable for the losses alleged in the claims. In the event the City is found liable with respect to any of the claims, it believes it will be able to satisfy all awards against it from funds legally available to it from its drainage fee enterprise fund.

APPROVED BY CITY COUNCIL JULY 8 FOR INCLUSION IN THE OFFICIAL STATEMENTS.

Recording requested by and  
when recorded mail to:  
WESTERN TITLE INSURANCE COMPANY  
SACRAMENTO COUNTY DIVISION  
919 8th STREET  
SACRAMENTO, CALIF. 95814

B. C. PENNINGTON

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RECORDED AT REQUEST OF  
WESTERN TITLE INSURANCE CO.

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*Joyce Russell Smith* 1986  
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SITE LEASE

by and between the  
CITY OF SACRAMENTO

and the

SACRAMENTO CITY PUBLIC FACILITIES FINANCING CORPORATION

Executed and Entered Into as of July 1, 1986

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SITE LEASE

This Site Lease, executed and entered into as of July 1, 1986, by and between the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and the Sacramento City Public Facilities Financing Corporation, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation");

WITNESSETH:

WHEREAS, the Corporation has agreed to assist the City by financing the construction of a branch library facility and a fire station facility for the City, including site development, landscaping, utilities and appurtenant and related facilities (the "Facilities"), and lease the Facilities and certain equipment (the "Equipment") to the City by a lease, entitled "Project Lease," executed and entered into as of July 1, 1986 (the "Project Lease"), and the City proposes to enter into this lease (the "Site Lease") with the Corporation as a material consideration for the Corporation's agreement to construct the Facilities for the City; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of the Site Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the Site Lease;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

SECTION 1. Leased Premises.

The City hereby leases to the Corporation and the Corporation hereby hires from the City, on the terms and conditions hereinafter set forth, those certain parcels of real property situated in the County of Sacramento, State of California, described in Exhibit A attached hereto and made a part hereof (the "Site").

SECTION 2. Term.

The term hereof shall commence on July 1, 1986, or the date the Site Lease is recorded, whichever is later, and shall end on July 1, 2006, unless such term is extended or sooner terminated as hereinafter provided. If on July 1, 2006, the certificates of participation in the base rental payments for the Facilities under the Project Lease issued to obtain funds to finance the construction of the Facilities shall not have been paid, or provision therefor made, or if the rental payable for the Facilities under the Project Lease shall have been abated at any time and for any reason, then the term hereof shall be extended until ten (10) days after all certificates of participation in the base rental payments under the Project Lease issued to obtain funds to finance the construction of the Facilities shall have been paid, or provision therefor made, except that the term of this lease shall in no event be extended beyond July 1, 2011. If prior to July 1, 2006, all certificates of participation in the base rental payments for the Facilities under the Project Lease issued to obtain funds to finance the construction of the Facilities shall have been paid, or provision therefor made, the term hereof shall end ten (10) days thereafter or ten (10) days after written notice by the City to the Corporation in accordance with Section 14 hereof, whichever is earlier.

SECTION 3. Rental.

The Corporation shall pay annually to the City as and for rental hereunder the sum of One Dollar (\$1.00) on or before July 1 in each year, commencing on July 1, 1987, and continuing to and including the date of termination hereof.

SECTION 4. Purpose.

The Corporation shall use the Site solely for the purpose of constructing the Facilities thereon and leasing the Facilities to the City pursuant to the Project Lease; provided, that in the event of default by the City under the Project Lease the Corporation may exercise the remedies provided in the Project Lease.

SECTION 5. Owner in Fee.

The City covenants that it is the owner in fee of the Site.

SECTION 6. Assignments and Subleases.

Unless the City shall be in default under the Project Lease, the Corporation may not assign its rights



hereunder or sublet the Site, except to the trustee that issues and delivers certificates of participation in the base rental payments under the Project Lease to obtain funds to finance the construction of the Facilities and the acquisition of the Equipment, without the written consent of the City.

SECTION 7. Right of Entry.

The City reserves the right for any of its duly authorized representatives to enter upon the Site at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

SECTION 8. Termination.

The Corporation agrees, upon the termination hereof, to quit and surrender the Site in the same good order and condition as the same was in at the time of commencement of the term hereunder, reasonable wear and tear excepted, and agrees that any permanent improvements existing upon the Site at the time of the termination hereof shall remain thereon and title thereto shall vest in the City.

SECTION 9. Default.

In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms hereof, which default continues for thirty (30) days following notice and demand for correction thereof to the Corporation, the City may exercise any and all remedies granted by law, except that no merger of the Site Lease and of the Project Lease shall be deemed to occur as a result thereof; provided, that the City shall have no power to terminate the Site Lease by reason of any default on the part of the Corporation if such termination would affect or impair any assignment of the Project Lease then in effect between the Corporation and the trustee that issues and delivers certificates of participation in the base rental payments under the Project Lease to obtain funds to finance the construction of the Facilities and the acquisition of the Equipment.

SECTION 10. Quiet Enjoyment.

The Corporation at all times during the term hereof shall peaceably and quietly have, hold and enjoy all of the Site.

SECTION 11. Waiver of Personal Liability.

All liabilities hereunder on the part of the Corporation shall be solely corporate liabilities of the Corporation, and the City hereby releases each and every director, officer and employee of the Corporation of and from any personal or individual liability under the Site Lease. No director, officer or employee of the Corporation shall at any time or under any circumstances be individually or personally liable hereunder for anything done or omitted to be done by the Corporation hereunder.

SECTION 12. Eminent Domain.

In the event the whole or any part of the Site or the improvements thereon (including the Facilities) is taken by eminent domain proceedings, the interest of the Corporation shall be recognized and is hereby determined to be the amount of the then unpaid principal components of base rental for the Facilities due under the Project Lease, including all accrued interest thereon, and the amount of the unpaid additional rental due under the Project Lease, and the balance of the award, if any, shall be paid to the City.

SECTION 13. Partial Invalidity.

If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of the Site Lease shall be valid and enforceable to the fullest extent permitted by law.

SECTION 14. Notices.

All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered or certified mail, return receipt requested, postage prepaid, and, if to the City, addressed to City Treasurer, City of Sacramento, 800-10th Street, Sacramento, California 95814, or, if to the Corporation, addressed to the Sacramento City Public Facilities Financing Corporation, c/o City Clerk, City of Sacramento, City Hall, 916 "I" Street, Sacramento, California 95814, with a copy to the trustee that issues and delivers certificates of

participation in the base rental payments under the Project Lease to obtain funds to finance the construction of the Facilities and the acquisition of the Equipment, or to such other addresses as the respective parties may from time to time designate by notice in writing.

SECTION 15. Section Headings.

All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

SECTION 16. Execution.

The Site Lease may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have  
executed and entered into the Site Lease by their officers  
thereunto duly authorized as of the day and year first above  
written.

## CITY OF SACRAMENTO

By Arue Luder  
Mayor

(SEAL)

ATTEST:

Quaine Rogers  
City Clerk

SACRAMENTO CITY PUBLIC FACILITIES  
FINANCING CORPORATION

(SEAL)

By R. Burnett Miller  
President

ATTEST:

Quaine Rogers  
Secretary

EXHIBIT A

Description of Real Property

All that real property situate in the State of California, County of Sacramento, City of Sacramento, described as follows:

PARCEL NO. 1:

All that portion of the West one-half of Section 21, Township 8 North, Range 5 East, M.D.B. & M., described as follows:

Beginning at the Southeast corner of Lot 316X in Block 28 of Colonial Heights, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on May 26, 1910, in Book 10 of Maps, Map No. 37; thence from said point of beginning, curving to the right on the arc of a 905.31 foot radius, said arc being subtended by a chord bearing North 45° 32' 36" West 794.34 feet to a point located on the Easterly right of way line of Stockton Boulevard; thence along said Easterly line South 19° 29' 50" East 695.75 feet; thence South 64° 29' 50" East 32.53 feet; thence North 70° 30' 10" East 90.60 feet; thence curving to the right on the arc of a 538.00 foot radius, said arc being subtended by a chord bearing North 75° 55' 00" East 101.52 feet; thence continuing along said curve to the right on the arc of a 538.00 foot radius, said arc being subtended by a chord bearing North 85° 49' 38" East 84.36 feet; thence South 89° 40' 35" East 16.77 feet; thence curving to the left on the arc of a 20.00 foot radius, said arc being subtended by a chord bearing North 45° 37' 22" East 28.14 feet; thence North 00° 55' 20" East 32.86 feet to the point of beginning.

EXCEPTING THEREFROM all that portion lying North of the South line of 20th Avenue and/or the Westerly production thereof.

PARCEL NO. 2:

Lots 323 and 324 in Block 28 of Colonia Heights, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on May 26, 1910, in Book 10 of Maps, Map No. 37; together with all that portion of 52nd Street, as shown on said plat, lying between the Westerly production of the North line of said Lot 323 and the Northeasterly line of Parcel No. 1 described above.

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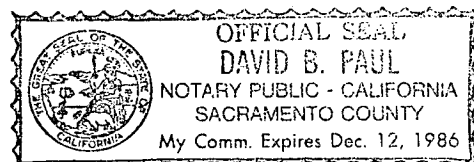
PARCEL NO. 3:

Lot S of Greenhaven Unit No. 13 recorded in Book 118, Map No. 20 as shown in the office of the County Recorder of the County of Sacramento.

EXCEPTING THEREFROM all oil, gas and other hydrocarbons and minerals below a depth of 500 feet, without any right of entry onto the surface or the upper 500 feet of said land, as reserved in Deed recorded December 30, 1942, in Book 989, page 141 of Official Records, and as amended in Deed recorded August 25, 1965 in Book 5314, page 261 of Official Records.

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF SACRAMENTO )

On this 16th day of July in the year 1986, before me David B. Paul, a Notary Public, State of California, personally appeared Anne Rudin, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as Mayor of the City of Sacramento, and Lorraine Magana, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as City Clerk of the City of Sacramento, and acknowledged to me that the City of Sacramento executed it.

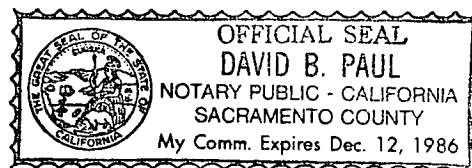


[Notarial Seal]

David B. Paul  
Notary Public,  
State of California

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF SACRAMENTO )

On this 16th day of July in the year 1986, before me David B. Paul, a Notary Public, State of California, personally appeared R. Burnett Miller and Lorraine Magana, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that the corporation executed it.



[Notarial Seal]

David B. Paul  
Notary Public,  
State of California



Recording requested by and  
when recorded mail to:  
WESTERN TITLE INSURANCE COMPANY  
SACRAMENTO COUNTY DIVISION  
919 8th STREET  
SACRAMENTO, CALIF. 95814

B. C. PENNINGTON

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WESTERN TITLE INSURANCE CO.

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*Jose Russell Smith* 1986

SACRAMENTO COUNTY  
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PROJECT LEASE

by and between the

SACRAMENTO CITY PUBLIC FACILITIES FINANCING CORPORATION

and the

CITY OF SACRAMENTO

FOR THE  
CITY OF SACRAMENTO  
1986 PUBLIC FACILITIES PROJECT

Executed and Entered Into as of July 1, 1986

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PROJECT LEASE

This Project Lease (the "Project Lease"), executed and entered into as of July 1, 1986, by and between the Sacramento City Public Facilities Financing Corporation, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), and the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City");

W I T N E S S E T H:

WHEREAS, the City has leased certain parcels of real property to the Corporation and the Corporation has agreed to finance the construction of a branch library facility and a fire station facility for the City, including site development, landscaping, utilities and appurtenant and related facilities (the "Facilities"), on such parcels of real property from certain of the proceeds of the Certificates hereinafter defined and lease the Facilities to the City, as provided herein; and

WHEREAS, the Corporation has agreed to finance the acquisition of certain equipment (the "Equipment") from certain of the proceeds of said Certificates and lease the Equipment to the City, as provided herein; and

WHEREAS, the City is authorized pursuant to the laws of the State of California to lease real property which is necessary and proper for municipal purposes and to lease personal property which is necessary and proper for municipal purposes; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of the Project Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the Project Lease;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 1. Definitions. Unless the context requires, the terms defined in this section shall for all

purposes hereof and of any amendment hereof have the meanings defined herein:

Agency Agreement

"Agency Agreement" means that certain Agency Agreement executed and entered into as of July 1, 1986, by and between the Corporation and the City.

Assignment Agreement

"Assignment Agreement" means that certain Assignment Agreement executed and entered into as of July 1, 1986, by and between the Corporation and the Trustee.

Certificates

"Certificates" means the certificates of participation to be executed and delivered by the Trustee under and pursuant to the Trust Agreement to be used as the source of proceeds for the payment of the costs of the Corporation for the construction of the Facility and the acquisition of the Equipment and the expenses incidental thereto.

City

"City" means the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

Corporation

"Corporation" means the Sacramento City Public Facilities Financing Corporation, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California.

Equipment

"Equipment" means those certain items of equipment described in Exhibit B attached hereto and made a part hereof to be acquired by the Corporation and leased to the City.

Facilities

"Facilities" means the branch library facility and the fire station facility, including site development, landscaping, utilities and appurtenant and related facilities, to be constructed by the Corporation on the Site and leased to the City.

Insurance Consultant

"Insurance Consultant" means an individual or firm employed by the City as an independent contractor, experienced in the field of risk management.

Interest Payment Date

"Interest Payment Date" means January 1 and July 1 of each year, commencing on January 1, 1987.

Project Lease

"Project Lease" means this Project Lease executed and entered into as of July 1, 1986, by and between the Corporation and the City, as originally executed and entered into and as it may from time to time be amended in accordance herewith.

Reserve Fund

"Reserve Fund" means the fund by that name established in Section 5.

Site

"Site" means those certain parcels of real property described in Exhibit A attached hereto and made a part hereof.

Trust Agreement

"Trust Agreement" means that certain Trust Agreement executed and entered into as of July 1, 1986, by and among the Trustee, the Corporation and the City, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance therewith, under and pursuant to which the Trustee will execute and deliver the Certificates.

Trustee

"Trustee" means Security Pacific National Bank, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its principal corporate trust office in San Francisco, California, or any other bank or trust company at its principal corporate trust office which may at any time be substituted in its place as provided in the Trust Agreement.

Section 2. Purpose and Term. The Corporation hereby leases the Facilities and the Equipment to the City

and the City hereby hires the Facilities and the Equipment from the Corporation on the conditions and terms hereinafter set forth, and subject to all easements, encumbrances and restrictions that existed at the time the Corporation obtained title to and a leasehold interest in the Site. The City hereby agrees and covenants during the term hereof that, except as hereinafter provided, it will use the Facilities for municipal purposes as a branch library facility and as a fire station facility and will use the Equipment for municipal purposes so as to afford the public the benefits contemplated hereby and so as to permit the Corporation to carry out its agreements and covenants contained in the Trust Agreement, and the City hereby further agrees and covenants during the term hereof that it will not abandon or vacate the Facilities or the Equipment.

The term hereof shall commence on July 1, 1986, or the date the Project Lease is recorded, whichever is later, and shall end on June 30, 2006, unless such term is extended or sooner terminated as hereinafter provided. If on June 30, 2006, the Certificates shall not have been paid, or provision therefor made, or if the rental payable hereunder shall have been abated at any time and for any reason, then the term hereof shall be extended until ten (10) days after all the Certificates shall have been paid, or provision therefor made, except that the term hereof shall in no event be extended beyond June 30, 2011. If prior to June 30, 2006, the Certificates shall have been paid, or provision therefor made, the term hereof shall end ten (10) days thereafter or ten (10) days after written notice by the Corporation to the City, whichever is earlier.

It is contemplated that the City will have the use and occupancy of the Facilities as a branch library facility and as a fire station facility and for other municipal purposes on the dates, and that it will have the use of the Equipment on the dates, and that the first payment of base rental shall be due on the dates, all as provided in Section 3 hereof and consistent with Exhibit C attached hereto and made a part hereof.

Section 3. Rental. The City agrees to pay to the Corporation, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Facilities and the use of the Equipment, the following amounts at the following times:

(a) Base Rental. The City shall pay to the Corporation as base rental hereunder rental payments with interest and principal components in accordance with the base rental payment schedule set forth in Exhibit C attached

hereto and made a part hereof. Each base rental payment shall be due in each year on January 1 and July 1, beginning on January 1, 1987, and continuing until the end of the term hereof, and shall be payable on the fifteenth (15th) day of the month immediately preceding its due date, and any interest or other income with respect thereto accruing prior to such due date shall belong to the City and shall be returned by the Corporation to the City. The interest components of the base rental payments payable by the City hereunder shall be paid by the City as and shall constitute interest paid on the principal components of the base rental payments payable by the City hereunder. Each payment of base rental shall be for the use and occupancy of the Facilities and the use of the Equipment for the six-month period ending on the last day of the month immediately preceding the day on which such base rental payment is due.

(b) Additional Rental. The City shall pay to the Corporation as additional rental hereunder such amounts in each year as shall be required by the Corporation for the payment in full of all costs and expenses incurred by the Corporation in connection with the execution, performance or enforcement hereof or any assignment hereof, of the Trust Agreement, of the lease of the Site and of the ownership of the Facilities and the Equipment and the lease of the Facilities and the Equipment to the City, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Corporation in connection with the Site, the Facilities, the Equipment, the Project Lease, the Assignment Agreement and the Trust Agreement and all taxes, assessments and governmental charges of any nature whatsoever hereafter levied or imposed by any governmental authority against the Corporation, the Site, the Facilities or the Equipment or the rentals and the other payments required to be made by the City hereunder. Such additional rental shall be billed to the City by the Corporation from time to time, together with a statement certifying that the amount so billed has been paid by the Corporation for one or more of the items above described, or that such amount is then payable by the Corporation for one or more of such items, and all amounts so billed shall be due and payable by the City within thirty (30) days after receipt of the bill by the City.

Each payment of base rental and additional rental for each rental payment period during the term hereof shall constitute the total rental for such rental payment period, and shall be paid by the City in each rental payment period for and in consideration of the right to the use and occupancy, and the continued quiet enjoyment, of the Facilities and the Equipment during the rental payment period

for which such rental is paid. The parties hereto have agreed and determined that such rental represents the fair rental value of the Facilities and the Equipment. In making such determination, consideration has been given to the costs of the construction of the Facilities and the acquisition of the Equipment to be financed by the Corporation with the proceeds of the Certificates, other obligations of the parties hereunder, the uses and purposes which may be served by the Facilities and the Equipment and the benefits therefrom which will accrue to the City, its residents and the general public.

Each installment of base rental payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Corporation or its assignee at the office of the Trustee, and each installment of additional rental payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Corporation at its principal office. Any such installment of base rental or additional rental accruing hereunder which shall not be paid when due shall bear interest at the rate of twelve per cent (12%) per annum from the date when the same is due hereunder until the same shall be paid, and all such delinquent installments of base rental and the interest thereon shall be deposited in the Reserve Fund and all such delinquent installments of additional rental and interest thereon shall be paid to the order of the Corporation. Notwithstanding any dispute between the Corporation and the City, the City shall make all rental payments when due hereunder without deduction or offset of any kind and shall not withhold any rental payments pending the final resolution of such dispute.

The City agrees and covenants to take such action as may be necessary to include all such base and additional rental payments due hereunder in its annual budgets and to make the necessary annual appropriations for all such rental payments, and the City further agrees and covenants to furnish to the Corporation and the Trustee copies of each annual budget of the City within sixty (60) days after the final adoption thereof. The agreements and covenants on the part of the City contained herein shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such actions and do such things as are required by law in the performance of the official duties of such officials to enable the City to carry out and perform the agreements and covenants required to be carried out and performed by it contained herein.



All base rental payments received shall be applied first to the interest components of the base rental due hereunder and then to the principal components of the base rental due hereunder, but no such application of any payments which are less than the total base rental due and owing shall be deemed a waiver of any default hereunder.

Section 4. Rental Abatement. During any period in which, by reason of material damage or destruction (other than by condemnation, which is provided for in Section 14) there is substantial interference with the use and possession by the City of any portion of the Facilities or the Equipment, rental payments due hereunder shall be abated proportionately, and the City waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Project Lease by virtue of any such interference and the Project Lease shall continue in full force and effect; provided, that there shall be no abatement of rental payments due hereunder resulting from design defects in the Equipment. The amount of abatement shall be such that the resulting base rental represents fair consideration for the use and possession of the portions of the Facilities or the Equipment not damaged or destroyed. Such abatement shall continue for the period commencing with the date of such damage or destruction and ending with the substantial completion of the work of repair or replacement of the Facilities or the Equipment so damaged or destroyed.

Section 5. Reserve Fund. The Corporation further agrees to pay the City, from the proceeds of the Certificates, the sum of \$2,121,600 for deposit by the City with the Trustee in a separate fund, to be held by the Trustee for and on behalf of the City, to be known as the "City of Sacramento 1986 Public Facilities Project Lease Payment Reserve Fund". The City agrees that, if ever the Reserve Fund is drawn upon, it may restore the Reserve Fund from lawfully available funds to an amount equal to the lesser of \$2,121,600 or the maximum base rental payments scheduled to be paid by the City hereunder during the current or any future year ending on July 1 (such amount to be known as the "Reserve Fund Requirement"). All money on deposit in the Reserve Fund in excess of the Reserve Fund Requirement shall, prior to the construction of the Facilities and the acquisition of the Equipment, be deposited by the Trustee in the Acquisition and Construction Fund established under the Trust Agreement on July 2 of each year, and thereafter, shall be deposited by the Trustee in the Rental Payment Fund established under the Trust Agreement on July 2 of each year. The City hereby pledges and grants a first and exclusive lien on and a security interest in the Reserve Fund to the Corporation in order to secure the City's obligation to pay the base rental payments scheduled to be paid

hereunder, and the Trustee is authorized to withdraw any money on deposit in the Reserve Fund solely for the payment of base rental payments due and payable by the City hereunder if and when such base rental payments shall be abated in accordance with Section 4 or if and when other money of the City is not available to make such base rental payments. At the termination hereof, any balance of money remaining in the Reserve Fund shall be released from the foregoing pledge, lien and security interest and shall be transferred to such other fund or account of the City or shall be otherwise used by the City for any lawful purposes as the City may direct. Any money held by the Trustee in the Reserve Fund may be invested (and, upon the written request of the City, shall be invested) by the Trustee in Permitted Investments (as that term is defined in the Trust Agreement) which will, as nearly as practicable, mature not later than five (5) years after their purchase, but in no event later than the last scheduled base rental payment date.

The City will not make any use of the proceeds of its obligation provided herein or any other funds of the City which will cause such obligation to be an "arbitrage bond" subject to federal income taxation by reason of Section 103(c) of the Internal Revenue Code of 1954, as amended (the "Code"), or a "federally-guaranteed obligation" under Section 103(h) of the Code, or an obligation described in Section 103(o) of the Code. To that end, so long as any rental payments hereunder are unpaid, the City, with respect to such proceeds and such other funds, will comply with all requirements of such sections of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such requirements are, at the time, applicable and in effect.

Section 6. Construction of the Facilities and Acquisition of the Equipment. The City, consistent with the Agency Agreement, will promptly obtain open competitive bids for the construction of the Facilities, and will enter into construction contracts providing for the construction of the Facilities with the lowest responsible bidders therefor, and will supervise and provide for the complete construction of the Facilities. The City agrees that the Facilities will be constructed in accordance with the plans and specifications approved by it, within the time set forth in such specifications. The City agrees that upon substantial completion of the Facilities it will take possession of and occupy the Facilities under the terms and provisions of this lease. Such substantial completion shall be evidenced either by a certificate of the architects for the Facilities or by the occupancy by the City of the Facilities. The City agrees to transfer the liquidated damages, if any, received from the

construction contractors for the Facilities to the Rental Payment Fund to be applied to the interest and principal components of the Rental Payments in accordance with Section 5.02 of the Trust Agreement. The City may issue change orders altering the construction contract plans and specifications for the Facilities during the course of construction, if such changes do not materially reduce or diminish the capacity, adaptability or usefulness of the Facilities; provided, that before the City shall issue any such change order which, together with all other change orders, would increase the aggregate cost of construction of the Facilities to an amount in excess of the funds of the City then on deposit with the Trustee and available to pay such aggregate cost, the City shall arrange to pay the increased cost resulting from such change order, and, if required by the City by the terms of the Trust Agreement, shall deposit funds sufficient to pay such increased cost with the Trustee. The City shall be solely responsible for payment of any such additional or increased construction costs.

The City, consistent with the Agency Agreement, will promptly obtain open competitive bids for the acquisition of the Equipment, and will enter into purchase orders providing for the acquisition of the Equipment with the lowest responsible bidders therefor, and will provide for the complete acquisition of the Equipment. The City agrees, upon the acquisition of each item of Equipment, that it will take possession thereof and commence the use thereof under the conditions and terms hereof.

Section 7. Maintenance and Utilities. During the term hereof, all maintenance, both ordinary and extraordinary, of the Facilities and the Equipment shall be the sole responsibility of the City, which shall at all times maintain or otherwise arrange for the maintenance of the Facilities and the Equipment for the purposes intended, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Facilities and the Equipment. In exchange for the rentals herein provided, the Corporation agrees only to construct, acquire and provide the Facilities and the Equipment to the City as herein provided. The City hereby agrees to operate, maintain and preserve, or cause to be operated, maintained and preserved, the Facilities and the Equipment in good repair and working order and will operate, or cause the Facilities and the Equipment to be operated, in an efficient and economical manner.

Section 8. Changes to the Facilities or the Equipment. The City shall, at its sole cost, have the right during the term hereof to make improvements to the Facilities

or the Equipment or to attach any fixtures, structures or signs to the Facilities or the Equipment if such improvements, fixtures, structures or signs are necessary or beneficial for the use of the Facilities or the Equipment by the City for municipal purposes; provided, that such actions by the City shall not materially adversely affect the operation of the Facilities or the Equipment for the purpose intended, or subject the Corporation to any increase in liability.

Section 9. Liability Insurance. The City shall procure or cause to be procured, and maintain or cause to be maintained, throughout the term of this lease, liability insurance, or alternatively shall establish a program of self-insurance, against risk or loss from public liability and property damage claims for personal injury, death or property damage occasioned by reason of the use and operation of the Facilities and the Equipment; provided, that such insurance or program of self-insurance shall afford reasonable protection to the City, to the Corporation and its directors, officers and employees and to the Trustee, in light of all circumstances, giving consideration to the availability and cost of other kinds of insurance or programs of self-insurance adopted by California cities other than the City. Annually, the City shall file with the Trustee a certificate of an Insurance Consultant acceptable to the Trustee stating that, in the opinion of the signer, the insurance or program of self-insurance required to be maintained by this section is actuarially sound and affords adequate protection to the City, to the Corporation and its directors, officers and employees and to the Trustee against loss and damage from the hazards and risks required to be covered hereby and, in the case of a program of self-insurance, the City's reserves are adequate for such self-insurance. The Trustee shall have no duty to investigate or make any inquiry as to any statements or representations in any such certificate.

Section 10. Casualty Insurance. After the substantial completion of the Facilities (evidenced as provided in Section 6 hereof) and after the acquisition of the Equipment, the City shall procure or cause to be procured, and maintain or cause to be maintained, throughout the term of this lease, insurance against loss or damage to any structure constituting any part of the Facilities and the Equipment by fire and lightning, with extended coverage and vandalism and malicious mischief insurance and sprinkler system leakage insurance and boiler insurance and earthquake insurance (but as to such earthquake insurance only if such insurance is available on the open market from reputable insurance companies at reasonable cost). Said extended

coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Facilities and of the Equipment, excluding the cost of excavations, of grading and filling, and of the land (except that such earthquake insurance may be subject to a deductible clause of not to exceed ten per cent of said replacement cost for any one loss and except that such other insurance may be subject to deductible clauses of not to exceed \$250,000 for any one loss), but in any event, shall be in an amount and in a form sufficient, in the event of total or partial loss, to enable the Corporation either to retire all Certificates then outstanding or to restore the Facilities or the Equipment to the condition existing before such loss. The net proceeds of such insurance shall be applied as provided in Section 5.03 of the Trust Agreement.

Section 11. Use and Occupancy Insurance. After the substantial completion of the Facilities (evidenced as provided in Section 6 hereof) and after the acquisition of the Equipment, the City shall procure or cause to be procured, and maintain or cause to be maintained, throughout the term of this lease, use and occupancy insurance to cover loss, total or partial, of the use of any structures constituting any part of the Facilities or the Equipment as the result of any of the hazards covered by the insurance required by Section 10 hereof, in an amount sufficient to pay the total rent hereunder for a period of at least the time allowed for reconstruction of such structures by a construction contractor plus three (3) months or the repair of the Equipment, except that such insurance need be maintained as to the peril of earthquake only if such insurance is available on the open market from reputable insurance companies at reasonable cost. The net proceeds of such insurance shall be treated as base and additional rental payments hereunder.

Section 12. Insurance Proceeds; Forms of Policies. All policies of insurance required by Sections 10 and 11 hereof shall provide that all proceeds thereunder shall be payable to the Trustee pursuant to a lender's loss payable endorsement substantially in accordance with the form approved by the Board of Fire Underwriters of the Pacific and the California Bankers Association. All net proceeds of insurance received in respect of destruction of or damage to any portion of the Facilities or the Equipment by fire, earthquake or other casualty or event shall be paid to the Trustee for application in accordance with the provisions of

Section 5.03 of the Trust Agreement. All net proceeds of insurance received in respect of a loss of the use and occupancy of the Facilities or the Equipment shall be paid to the Trustee for application in accordance with the provisions of Section 5.02 of the Trust Agreement.

The City will deliver to the Corporation and the Trustee in the month of January in each year a schedule, in such detail as the Trustee may reasonably request, setting forth the insurance policies then in force described in the first paragraph of this section, listing the names of the insurers which have issued the policies, the policy limits thereof and the hazards and risks covered thereby, together with the certificate of an Insurance Consultant as described in Section 9. Each such insurance policy shall require that the Corporation and the Trustee be given thirty (30) days' notice of any intended cancellation thereof or reduction of the coverage provided thereby.

Section 13. Breach. (a) If default shall be made by the City in the observance or performance of any agreement, condition, covenant or term contained herein required to be observed or performed by it or upon the happening of any of the events specified in subsection (b) of this section (in either case an "Event of Default"), then it shall be lawful for the Corporation or its assignee to exercise any and all remedies available or granted to it pursuant to law or hereunder. Upon the breach of any agreement, condition, covenant or term contained herein required to be observed or performed by the City, the Corporation or its assignee may exercise any and all rights of entry upon or possession of the Facilities or the Equipment, and also, at its option, with or without such entry, may terminate the Project Lease; provided, that no termination shall be effected either by operation of law or acts of the parties hereto except upon express written notice from the Corporation or its assignee to the City terminating the Project Lease, as provided below. In the event of such default and notwithstanding any entry by the Corporation or its assignee, the Corporation or its assignee may at any time thereafter (with or without notice and demand and without limiting any other rights or remedies the Corporation may have):

(1) Maintain the Project Lease in full force and effect and recover rent and other monetary charges as they become due without terminating the City's right to possession, regardless of whether or not the City has abandoned the Facilities or the Equipment. In the event the Corporation or its assignee elects not to terminate the Project Lease, it shall have the right and the City

hereby irrevocably appoints the Corporation or its assignee as its agent and attorney-in-fact for such purpose to attempt to relet the Facilities and the Equipment at such rent, upon such conditions and for such term, so long as the tax-exempt status of the interest components of base rental payments is preserved, and to do all other acts to maintain or preserve the Facilities and the Equipment, including the removal of persons or property therefrom or taking possession thereof, as the Corporation or its assignee deems desirable or necessary, and the City hereby waives any and all claims for any damages that may result to the Facilities and the Equipment thereby; provided, that no such actions shall be deemed to terminate the Project Lease and the City shall continue to remain liable for any deficiency that may arise out of such reletting, payable at the same time and manner as provided for base rental in Section 3.

(2) Terminate the City's right to possession by giving a written notice of termination to the City. On the date specified in such notice (which shall be not less than three (3) days after the giving of such notice) the City's right to possession under the Project Lease shall terminate and the City shall surrender possession of the Facilities and the Equipment to the Corporation, unless on or before such date all arrears of rental and all other sums payable by the City hereunder, and all costs and expenses incurred by or on behalf of the Corporation hereunder, including attorneys' fees incurred in connection with such defaults, shall have been paid by the City and all other defaults or breaches hereunder by the City at the time existing shall have been fully remedied to the satisfaction of the Corporation. Upon such termination, the Corporation may recover, in addition to all other damages available by contract or at law, from the City: (i) the worth at the time of award of the unpaid rental which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rental which would have been earned after termination until the time of award exceeds the amount of such rental loss that the City proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rental for the balance of the term hereof after the time of award exceeds the amount of such rental loss that the City proves could be reasonably avoided; and (iv) any other amount necessary to compensate the Corporation for all the detriment proximately caused by the City's failure to perform its obligations hereunder or which in



the ordinary course of things would be likely to result therefrom. The "worth at the time of award" of the amounts referred to in clauses (i) and (ii) above is computed by allowing interest at the rate of twelve per cent (12%) per annum. The worth at the time of award of the amount referred to in clause (iii) above is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one per cent (1%).

Each and all of the remedies given to the Corporation or its assignee hereunder or by any law now existing or hereafter enacted are cumulative and the exercise of any one remedy shall not impair the right of the Corporation to any or all other remedies.

(b) In addition to any default resulting from breach by the City of any agreement, condition, covenant or term hereof, if (1) the City's interest herein or any part thereof be assigned, sublet or transferred without the written consent of the Corporation, either voluntarily or by operation of law; or (2) the City or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the City shall make a general or any assignment for the benefit of its creditors; or (3) the City shall abandon or vacate the Facilities or the Equipment or any part thereof; then in each and every such case the City shall be deemed to be in default hereunder.

(c) The Corporation shall in no event be in default in the performance of any of its obligations hereunder unless and until it shall have failed to perform such obligation within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the City to it properly specifying wherein it has failed to perform such obligation.

(d) In addition to the remedies set forth in this Section 13, upon the occurrence of an Event of Default as defined herein, the Corporation and its assignee shall be entitled to proceed to protect and enforce the rights vested



in the Corporation and its assignee by the Project Lease by such appropriate judicial proceeding as the Corporation or its assignee shall deem most effectual, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained herein or to enforce any other legal or equitable right vested in the Corporation and its assignee by the Project Lease or by law. The provisions of the Project Lease and the duties of the City and of its councilmembers, officers or employees shall be enforceable by the Corporation or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Corporation and its assignee shall have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the City and its councilmembers, officers and employees and its assigns to account as the trustee of an express trust.

(2) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation or its assignee.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Corporation's or its assignee's rights against the City (and its councilmembers, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the Corporation as provided herein.

Section 14. Eminent Domain. If the Facilities and the Equipment (or portions thereof such that the remainder is not usable for municipal purposes by the City) shall be taken under the power of eminent domain, the term hereof shall cease as of the day that possession shall be so taken. If less than the entire Facilities and the Equipment shall be taken under the power of eminent domain and the remainder is usable for municipal purposes by the City at the time of such taking, then the Project Lease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due hereunder in an amount equivalent to that proportion of the base rental hereunder which the fair market value of the portion taken bears to the fair market value of the Facilities and the Equipment as a whole. So long as any of the Certificates shall be outstanding any award made in eminent domain proceedings for taking the Facilities and the Equipment or

any portion thereof shall be applied to the prepayment of the principal components of base rental payments as provided in Section 15 and any remaining balance of any such award shall be applied to the making of additional rental payments as provided in Section 3. Any such award made after all of the Certificates have been fully paid, or provision therefor made, shall be paid to the Corporation and to the City as their respective interests may appear.

Section 15. Prepayment. The City shall prepay, from eminent domain proceeds received pursuant to Section 14 hereof, the principal components of base rental payments then unpaid, in whole on any date, or in part on any Interest Payment Date in integral multiples of \$5,000 so that the aggregate annual amounts of principal components of base rental payments which shall be payable after such prepayment date shall each be in an integral multiple of \$5,000 and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of base rental payments then unpaid, at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment.

The City may prepay, from net insurance proceeds received pursuant to Section 10 hereof, the principal components of base rental payments then unpaid, in whole on any date, or in part on any Interest Payment Date in integral multiples of \$5,000 so that the aggregate annual amounts of principal components of base rental payments which shall be payable after such prepayment date shall each be in an integral multiple of \$5,000 and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of base rental payments then unpaid, at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment.

The City may prepay, from any source of available funds, all or any portion in inverse order of maturity of the principal components of base rental payments becoming due on or after July 1, 1997, on any Interest Payment Date on or after July 1, 1996, at the following prepayment prices (computed upon the principal amount represented by the

principal components of base rental payments to be prepaid), together with accrued interest to the date of prepayment:

<u>Prepayment Date</u>	<u>Prepayment Price</u>
July 1, 1996 and January 1, 1997	102-1/2%
July 1, 1997 and January 1, 1998	102
July 1, 1998 and January 1, 1999	101-1/2
July 1, 1999 and January 1, 2000	101
July 1, 2000 and January 1, 2001	100-1/2
July 1, 2001 and thereafter	100

Before making any prepayment pursuant to this section, the City shall, within five (5) days following the event creating such right or obligation to prepay, give written notice to the Corporation describing such event and specifying the date on which the prepayment will be made, which date shall be not less than thirty (30) nor more than sixty (60) days from the date such notice is given.

Section 16. Right of Entry and Inspection. The Corporation shall have the right to enter the Facilities during reasonable business hours (and in emergencies at all times) and the right to inspect the Equipment for any purpose connected with the Corporation's rights or obligations hereunder and for all other lawful purposes.

Section 17. Prohibition Against Encumbrance or Sale of Facilities or Equipment. The City shall not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Site or the Facilities or the Equipment or any part thereof, or upon any real or personal property essential to the operation of the Facilities or the Equipment, except as provided in the Trust Agreement. The City shall not sell or otherwise dispose of the Site or the Facilities or the Equipment or any property essential to the proper operation of the Facilities or the Equipment, except as otherwise provided herein.

Section 18. Liens. In the event the City shall at any time during the term hereof cause any improvements to the Facilities or the Equipment to be constructed or materials to be supplied in or upon or attached to the Facilities or the Equipment, the City shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon, about or relating to the Facilities or the Equipment and shall keep the Facilities and the Equipment free of any and all liens against the Facilities and the Equipment or the Corporation's interest therein. In the

event any such lien attaches to or is filed against the Facilities or the Equipment or the Corporation's interest therein, the City shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City shall forthwith pay or cause to be paid and discharged such judgment. The City shall, to the maximum extent permitted by law, indemnify and hold the Corporation and its assignee and its directors, officers and employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Facilities or the Equipment or the Corporation's interest therein.

Section 19. Quiet Enjoyment. The parties hereto mutually covenant that the City, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained herein and is not in default hereunder, shall at all times during the term hereof peaceably and quietly have, hold and enjoy the Facilities and the Equipment without suit, trouble or hindrance from the Corporation.

Section 20. Title to Facilities and Equipment. Title to the Facilities and the Equipment shall remain in the Corporation during the term of this lease, and title to all moveable property that is not part of the Equipment placed in or about the Facilities by the City during the term of this lease shall remain in the City during the term of this lease. The City shall take all necessary actions to execute and deliver or cause to be executed and delivered all such other and further instruments, documents and assurances as may be necessary or reasonably required in order to further and more fully vest in the Corporation the title to the Facilities and the Equipment.

Upon the termination or expiration of this lease (other than as provided in Sections 4 and 13 hereof), title to the Facilities and the Equipment shall vest in the City; provided, that if prior to such termination or expiration the City has fully paid all rental then due and payable pursuant to this lease and is not otherwise in default hereunder, title to specific items of the Equipment shall vest in the City at the times and for those portions of the Equipment specified in Exhibit B attached hereto and made a part hereof. Upon such termination or expiration or vesting in

accordance with said Exhibit B, the Corporation shall execute and deliver such conveyances, deeds, bills of sale, registration documents and other instruments as may be necessary to effect such vesting of record.

Section 21. Corporation Not Liable. The Corporation and its assignee and its directors, officers and employees shall not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on, about or relating to the Site or the Facilities or the Equipment.

Section 22. Disclaimer of Warranties. Neither the Corporation nor its assignee make any agreement, warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for particular purpose or fitness for use of the Facilities or the Equipment, or any other warranty with respect thereto. In no event shall the Corporation or its assignee be liable for any incidental, indirect, special or consequential damage in connection herewith or arising hereunder, or the existence, furnishing or functioning of the Facilities or the Equipment.

Section 23. Indemnification and Expenses. To the extent permitted by law, the City does hereby assume liability for, and agree to defend, indemnify, protect, save and keep harmless the Corporation and its directors, officers and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed on, asserted against or incurred or suffered by the Corporation or its directors, officers or employees or its successors and assigns in any way relating to or arising out of the acquisition or ownership of the Facilities or the Equipment or the City's use thereof, the taking possession of, re-entering or re-letting of the Facilities or the Equipment or the exercise by the Corporation or its assignee of any other remedy provided in Section 13 hereof or the execution and delivery or performance hereof or the assignment hereof or the Trust Agreement or any other agreements relating thereto (including without limitation the lease of the Site or the Agency Agreement executed and entered into as of July 1, 1986, between the City and the Corporation), or the enforcement of any of the terms of any thereof.

Section 24. Law Governing. The Project Lease shall be construed and governed in accordance with the laws of the State of California.

Section 25. Notices. All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States of America registered or certified mail, return receipt requested, postage prepaid, and, if to the Corporation, addressed to the Sacramento City Public Facilities Financing Corporation, c/o City Clerk, City of Sacramento, City Hall, 916 "I" Street, Sacramento, California 95814, or if to the City, addressed to the City Treasurer, City of Sacramento, 800-10th Street, Sacramento, California 95814, with a copy to the Trustee, or to such other addresses as the respective parties may from time to time designate by notice in writing.

Section 26. Validity and Severability. If for any reason the Project Lease or any part thereof shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the Corporation or by the City, all of the remaining terms hereof shall nonetheless continue in full force and effect. If for any reason it is held by such a court that any of the agreements, conditions, covenants or terms required to be observed or performed by the City hereunder, including the covenant to pay rentals hereunder, is unenforceable for the full term hereof, then and in such event the Project Lease is and shall be deemed to be a lease from year to year under which the rentals are to be paid by the City annually in consideration of the right of the City to use and occupancy of the Facilities and the use of the Equipment, and all the other agreements, conditions, covenants and terms hereof, except to the extent that such agreements, conditions, covenants and terms are contrary to or inconsistent with such holding, shall remain in full force and effect.

Section 27. Waiver. The waiver by the Corporation of any breach by the City of any agreement, condition, covenant or term hereof shall not operate as a waiver of any subsequent breach of the same or any other agreement, condition, covenant or term hereof.

Section 28. Net Lease. It is the purpose and intent of the Corporation and the City that lease payments hereunder shall be absolutely net to the Corporation so that the Project Lease shall yield to the Corporation the lease payments, free of any charges, assessments, or impositions of

any kind charged, assessed or imposed on or against the Site or the Facilities or the Equipment, and without counterclaim, deduction, defense, deferment or set-off by the City, except as herein specifically otherwise provided. The Corporation shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability hereunder except as herein expressly set forth, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Site and the Facilities and the Equipment which may arise or become due during the term of the Project Lease shall be paid by the City.

Section 29. Compliance with Project Lease. The City and the Corporation hereby agree to faithfully observe and perform their respective covenants, conditions and requirements herein. The City shall not suffer or permit any default to occur hereunder, nor do or permit to be done in, upon or about the Site or the Facilities or the Equipment or any part thereof, anything that might in any way weaken, diminish or impair the operation of the Facilities or the Equipment. The City shall not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Project Lease.

Section 30. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

Section 31. Execution. The Project Lease may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have  
executed and entered into the Project Lease by their officers  
thereunto duly authorized as of the day and year first above  
written.

SACRAMENTO CITY PUBLIC FACILITIES  
FINANCING CORPORATION

By *Robert Burnett Miller*  
President

(SEAL)

ATTEST:

*Quaine Rogers*  
Secretary

CITY OF SACRAMENTO

By *Quaine Rogers*  
Mayor

(SEAL)

ATTEST:

*Quaine Rogers*  
City Clerk



EXHIBIT A

Description of Real Property

All that real property situate in the State of California, County of Sacramento, City of Sacramento, described as follows:

PARCEL NO. 1:

All that portion of the West one-half of Section 21, Township 8 North, Range 5 East, M.D.B. & M., described as follows:

Beginning at the Southeast corner of Lot 316X in Block 28 of Colonial Heights, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on May 26, 1910, in Book 10 of Maps, Map No. 37; thence from said point of beginning, curving to the right on the arc of a 905.31 foot radius, said arc being subtended by a chord bearing North 45° 32' 36" West 794.34 feet to a point located on the Easterly right of way line of Stockton Boulevard; thence along said Easterly line South 19° 29' 50" East 695.75 feet; thence South 64° 29' 50" East 32.53 feet; thence North 70° 30' 10" East 90.60 feet; thence curving to the right on the arc of a 538.00 foot radius, said arc being subtended by a chord bearing North 75° 55' 00" East 101.52 feet; thence continuing along said curve to the right on the arc of a 538.00 foot radius, said arc being subtended by a chord bearing North 85° 49' 38" East 84.36 feet; thence South 89° 40' 35" East 16.77 feet; thence curving to the left on the arc of a 20.00 foot radius, said arc being subtended by a chord bearing North 45° 37' 22" East 28.14 feet; thence North 00° 55' 20" East 32.86 feet to the point of beginning.

EXCEPTING THEREFROM all that portion lying North of the South line of 20th Avenue and/or the Westerly production thereof.

PARCEL NO. 2:

Lots 323 and 324 in Block 28 of Colonia Heights, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on May 26, 1910, in Book 10 of Maps, Map No. 37; together with all that portion of 52nd Street, as shown on said plat, lying between the Westerly production of the North line of said Lot 323 and the Northeasterly line of Parcel No. 1 described above.

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PARCEL NO. 3:

Lot S of Greenhaven Unit No. 13 recorded in Book 118, Map No. 20 as shown in the office of the County Recorder of the County of Sacramento.

EXCEPTING THEREFROM all oil, gas and other hydrocarbons and minerals below a depth of 500 feet, without any right of entry onto the surface or the upper 500 feet of said land, as reserved in Deed recorded December 30, 1942, in Book 989, page 141 of Official Records, and as amended in Deed recorded August 25, 1965 in Book 5314, page 261 of Official Records.

EXHIBIT B

Description of Equipment

LOCAL GOVERNMENT FINANCIAL SYSTEM

QUANTITY	DESCRIPTION
	<u>HARDWARE</u>
1	4381-P12 Processor - 16 MB
1	3205-100 Color Display Console
2	3380-AD4 Direct Access Storage Device
1	3380-003 Storage Control
2	3420-008 Magnetic Tape Unit (6250/1600)
1	3803-002 Tape Control
1	4245-020 Line Printer
1	3725-002 Communication Controller
1	3727-700 Operator Console
1	3866-002 Multimodem Enclosure with Power
6	5868-051 9600 BPS Modem Pack
1	5869-001 Programmable Keyboard/Display
6	5865-000 Modems (Remote)
4	3274-41C Cluster Controller
1	3274-41A Control Unit
5	3274-61C Control Units
4	3268-002 Printer (320 cps)
2	3299-000 Multiplexors
1	3708-000 Network Conversion Unit
6	5811-000 Limited Distance Modems
1	3262-003 Printers (650 lpm)
8	5841-001 1200 BPS Modems
80	3179-100 Color Display Stations
1	4381-P14 Processor - Upgrade to 32 MB
1	3380-BD4 Direct Access Storage Device
1	3420-008 Magnetic Tape Unit (6250/1600)
1	3820-001 Page Printer
1	3866-002 Multimodem Enclosure with Power
2	5866-051 9600 BPS Modem Pack
2	5865-000 Modems (Remote)
1	3274-41C Cluster Controller
1	3274-61C Control Unit
2	3268-002 Printers (320 cps)
6	3287-002 Printers (Remote)
5	NCR 2157 Programmable Cash Registers
3	ITT 512 K XT Color Microcomputers
4	HX-12 Color Display Unit w/adapters
1	BNC/RG-62 Crimping tool
3	Belden 9032 Cable (1000' Reels)
10	RG-62A Coax Cable (1000' Reels)
400	BNC Male Connectors
22	Irma Interface Boards
1	8-Line Rotary Telephone Service
6	4-Wire Dedicated Data Circuit Lines
10	1200 Baud Hayes Compatible Modems (Internal)
10	1200 Baud Hayes Compatible Modems (External)
5	2400 Baud Dialup Modems
1	Telco Line for 2400 Baud

LOCAL GOVERNMENT FINANCIAL SYSTEM

QUANTITY	DESCRIPTION
	<u>SOFTWARE</u>
1	5655-257 Device Support Facility - MVS/XA
1	5658-260 EREP V3
1	5665-284 Data Facility Product
1	5665-285 TSO Extensions
1	5665-289 ACF/FTAM (MVS/XA) V3 R1.0
1	5665-317 ISPF/PRGM Development Facility V2
1	5665-319 ISPF/Dialog Manager
1	5665-338 ACF/SSP Version 3
1	5667-124 ACF/NCP
1	5665-274 Resource Measurement Facility
1	5665-329 DFHSM
1	5668-920 NPDA
1	5668-947 NCCF
1	5668-949 SMP/E
1	5668-092 OS/Assembler H-V2
1	5734-CB4 Cobol Interactive Debug
1	5740-CB1 OS/VS Cobol Compiler & Library
1	5740-SM1 DFSORT
1	5665-327 Data Facility Dataset Services
1	5740-XC6 MVS/SP JES2 Version 2
1	5740-XX1 CICS/OS/VS
1	5752-VS2 OS/VS2
1	5785-BAB JES2/328X Print Facility
1	PL/1 Transients Library
1	LGFS PLUS - Local Government Financial System Core Module
1	LGFS Investment Management Module
1	LGFS Extended Purchasing Module
1	LGFS Cost Allocation Module
1	LGFS Job Cost Accounting
1	LGFS Advanced Budgeting Module
1	Remittance Control Module
1	Omegamon / CICS Monitor Utility
1	Omegamon / MVS Monitor Utility
1	UCC-ONE, Tape Library Management System
1	UCC-SEVEN BASIC, Compatible Production Control System
1	UCC-ELEVEN, Automated Job Management System
1	Focus Inquiry System

Scheduled Completion of Base Rental Payments and Vesting  
of Title - July 1, 1993.

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COMMUNICATIONS CENTER EQUIPMENT

QUANTITY	DESCRIPTION
1	Uninterruptible Power Supply Equipment 50KVA Input 40 KVA Output
1	Installation and construction of civil disturbance resistant enclosure per Fire Code 1221
	<u>Radio Channel Control Equipment</u>
	<u>Fire Department</u>
1	Centracom T/R module
1	Base Station
1	Standby Base Station
1	Antenna and duplexer
1	Base Station Controller
1	BSC Power Supply
1	Channel Controller
2	Line Switches
	<u>Police Department</u>
1	Centracom T/R module
1	Base Station
1	Standby Base Station
1	Antenna and duplexer
1	Base Station Controller
1	BSC Power Supply
1	Channel Controller
2	Line Switches
	<u>Spare Controllers</u>
1	Centracom R/R module
1	Base Station Controller
1	BSC Power Supply
1	Channel Controller
	<u>System Upgrade DEC VAX Hardware</u>
2	821-BA-DE CPU 4MB / KDB50 Disk Controller / Deuna (Ethernet) / DWBUA (Unibus)
4	MS820-AA (2MB each)
3	RA81 (456MB Disks)
2	TU81-AA Tape drive
2	LP32-AA, 300 LPM Printer
4	DMF32-M Printer Controllers
4	CK-DMF32, Cabinet kits
4	DSRVA-AA, Terminal server
2	DELNI-AA, Etherent MUX
10	BNE3C-05, Ethernet Cable
2	LA100-BA, Consoles
4	DHU11-M, 16 ASYNC MUX
4	CK-DHU11-AD, Cabinet kits
2	DR11-W, Autoswitch Control
2	CK-DR11-LD, Cabinet kits
2	VT220-C2, Amber CRT
2	VT22K-AA, County Kit
7	BC26V-25, Disk Cables

COMMUNICATIONS CENTER EQUIPMENT

QUANTITY	DESCRIPTION
	<u>System Upgrade DEC PDP Hardware</u>
2	DELUA-M, Ethernet
2	CK-DELUA-KM, Cabinet kits
2	11/84 CPU with 1MB
	<u>System Upgrade DEC VAX Software</u>
1	Q5001-HM, VMS Media & Doc.
1	Q5D04-H3, DECNET Media & Doc.
1	Q5099-HM, COBOL Media & Doc.
1	Q5925-HM, DEC SERVER Media & Doc.
	<u>System Upgrade DEC PDP Software</u>
1	QJ765-HM, DECNET Media & Doc.
	<u>System Upgrade VAX PDP Software</u>
1	PDP Support Software
1	VAX Support Software
1	Air Conditioning Equipment
	<u>System Upgrade Fire Department</u>
1	MIS Software
	<u>System Upgrade / Performance Enhancements</u>
1	SNA Protocol Conversion
6	Color dispatch monitors (police)
4	Color dispatch monitors (fire)
2	Color dispatch monitors (spare)
24	3270 CRT's
8	Printers
56	Modems
13,500	Cables (27 x 500')
54	Connectors
	<u>Fire Station MDT Equipment</u>
104	MDT's
104	Mounts
24	Printer Interface
24	800 MHZ control stations with antennas
80	800 MHZ Mobile Radios
21	Control station batteries required by Fire Code 1221
102	Cabling and accessories
	<u>Police (marked) vehicles MDT Equipment</u>
128	MDT's
128	Mounts
124	Cabling and accessories
1	Base station controller
1	BSC Power supply
1	Channel controller
2	Line switches
1	MDT Software

COMMUNICATIONS CENTER EQUIPMENT

QUANTITY	DESCRIPTION
	<u>Police Records Management Hardware (DEC VAX)</u>
5	RA81 (456 MB Disks)
2	KDB50-B (2nd Disk Controller)
1	LN01S-/CA, Laser Printer
1	DSRVA-AA, Terminal Server
27	Motorcycle radio replacements

Scheduled Completion of Base Rental Payments and Vesting  
of Title - July 1, 1993.

SOLID WASTE REMOVAL PROJECT

21,000	Automated 90 gallon wheeled refuse containers issued to residents for refuse collection -- top of each lid marked "City of Sacramento 86-COP"
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Scheduled Completion of Base Rental Payments and Vesting  
of Title - July 1, 1993.

## EXHIBIT C

Base Rental Payment Schedule

<u>Base Rental Payment Date</u>	<u>Interest Component</u>	<u>Principal Component</u>	<u>Total Base Rental Payment</u>
December 15, 1986	\$472,493.75*	\$	\$ 472,493.75*
June 15, 1987	472,493.75*	385,000.00	857,493.75*
December 15, 1987	463,831.25*		463,831.25*
June 15, 1988	463,831.25*	750,000.00	1,213,831.25*
December 15, 1988	445,081.25**		445,081.25**
June 15, 1989	445,081.25**	1,700,000.00	2,145,081.25**
December 15, 1989	398,331.25		398,331.25
June 15, 1990	398,331.25	1,795,000.00	2,193,331.25
December 15, 1990	344,481.25		344,481.25
June 15, 1991	344,481.25	1,900,000.00	2,244,481.25
December 15, 1991	285,106.25		285,106.25
June 15, 1992	285,106.25	2,015,000.00	2,300,106.25
December 15, 1992	219,618.75		219,618.75
June 15, 1993	219,618.75	2,150,000.00	2,369,618.75
December 15, 1993	147,056.25		147,056.25
June 15, 1994	147,056.25	180,000.00	327,056.25
December 15, 1994	140,081.25		140,081.25
June 15, 1995	140,081.25	190,000.00	330,081.25
December 15, 1995	132,718.75		132,718.75
June 15, 1996	132,718.75	205,000.00	337,718.75
December 15, 1996	124,775.00		124,775.00
June 15, 1997	124,775.00	225,000.00	349,775.00
December 15, 1997	116,056.25		116,056.25
June 15, 1998	116,056.25	245,000.00	361,056.25
December 15, 1998	106,562.50		106,562.50
June 15, 1999	106,562.50	260,000.00	366,562.50
December 15, 1999	96,487.50		96,487.50
June 15, 2000	96,487.50	285,000.00	381,487.50
December 15, 2000	85,443.75		85,443.75
June 15, 2001	85,443.75	305,000.00	390,443.75
December 15, 2001	73,625.00		73,625.00
June 15, 2002	73,625.00	330,000.00	403,625.00
December 15, 2002	60,837.50		60,837.50
June 15, 2003	60,837.50	350,000.00	410,837.50
December 15, 2003	47,275.00		47,275.00
June 15, 2004	47,275.00	375,000.00	422,275.00
December 15, 2004	32,743.75		32,743.75
June 15, 2005	32,743.75	405,000.00	437,743.75
December 15, 2005	17,050.00		17,050.00
June 15, 2006	17,050.00	440,000.00	457,050.00

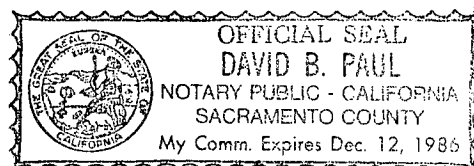
\* This payment to be net of capitalized interest in the amount of \$379,643.75.

\*\* This payment to be net of capitalized interest in the amount of \$255,556.25.



STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF SACRAMENTO )

On this 16th day of July in the year 1986, before me David B. Paul, a Notary Public, State of California, personally appeared R. Burnett Miller and Lorraine Magana, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that the corporation executed it.



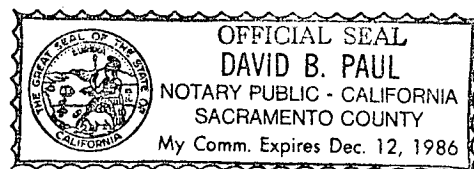
[Notarial Seal]

*David B. Paul*

Notary Public,  
State of California

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF SACRAMENTO )

On this 16th day of July in the year 1986, before me David B. Paul, a Notary Public, State of California, personally appeared Anne Rudin, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as Mayor of the City of Sacramento, and Lorraine Magana, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as City Clerk of the City of Sacramento, and acknowledged to me that the City of Sacramento executed it.



[Notarial Seal]

David B. Paul  
Notary Public,  
State of California

Recording requested by and  
when recorded mail to:  
**WESTERN TITLE INSURANCE COMPANY**  
SACRAMENTO COUNTY DIVISION  
919 8th STREET  
SACRAMENTO, CALIF. 95814

**B. C. PENNINGTON**

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*Jose Russell Smith* 1986  
SACRAMENTO COUNTY  
CLERK-RECORDER

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ASSIGNMENT AGREEMENT

by and between the  
SACRAMENTO CITY PUBLIC FACILITIES FINANCING CORPORATION

and

SECURITY PACIFIC NATIONAL BANK

RELATING TO THE  
PROJECT LEASE FOR THE  
CITY OF SACRAMENTO  
1986 PUBLIC FACILITIES PROJECT

Executed and Entered Into as of July 1, 1986

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ASSIGNMENT AGREEMENT

This Assignment Agreement (the "Assignment Agreement"), executed and entered into as of July 1, 1986, by and between the Sacramento City Public Facilities Financing Corporation, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), and Security Pacific National Bank, a national banking association duly organized and existing under and by virtue of the laws of the United States of America (the "Trustee");

## WITNESSETH:

WHEREAS, the Corporation and the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), have executed and entered into a lease (the "Project Lease") as of July 1, 1986, whereby the Corporation has agreed to finance the construction of a branch library facility and a fire station facility for the City, including site development, landscaping, utilities and appurtenant and related facilities (the "Facilities"), on certain real property leased to it by the City and to finance the acquisition of certain equipment for the City (the "Equipment"), and lease the Facilities and the Equipment to the City, as provided therein; and

WHEREAS, under and pursuant to the Project Lease, the City is obligated to make rental payments to the Corporation for the lease of the Facilities and the Equipment to it; and

WHEREAS, the Corporation desires to assign without recourse all its rights to receive the base rental payments scheduled to be paid by the City under and pursuant to the Project Lease to the Trustee; and

WHEREAS, in consideration of such assignment and the execution and entering into of a Trust Agreement (the "Trust Agreement") as of the July 1, 1986, by and among the Trustee, the Corporation and the City, the Trustee has agreed to execute and deliver certificates of participation (the "Certificates") in an aggregate principal amount equal to the aggregate principal components of such base rental payments, each evidencing and representing a proportionate interest in the principal components of such base rental payments; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of the Assignment Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the Assignment Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

SECTION 1. Assignment. The Corporation, for one dollar (\$1.00) and other good and valuable consideration in hand received, does hereby sell, assign and transfer without recourse all its rights to receive the base rental payments scheduled to be paid by the City under and pursuant to the Project Lease to the Trustee for the benefit of the owners of the Certificates and, effective immediately on default on the part of the City, any and all of the other rights of the Corporation under the Project Lease as may be necessary to enforce payment of such base rental payments when due or otherwise to protect the interests of the owners of the Certificates, including its title to the Facilities and its title to the Equipment leased to the City pursuant to the Project Lease.

SECTION 2. Acceptance. The Trustee hereby accepts the foregoing assignment for the benefit of the owners of the Certificates, subject to the conditions and terms of the Trust Agreement, and all such base rental payments shall be applied and all such rights so assigned shall be exercised by the Trustee under and pursuant to the Trust Agreement.

SECTION 3. Conditions. The Assignment Agreement shall confer no rights and shall impose no obligations upon the Trustee beyond those expressly provided in the Trust Agreement.

IN WITNESS WHEREOF, the parties hereto have executed and entered into the Assignment Agreement by their officers thereunto duly authorized as of the day and year first above written.

SACRAMENTO CITY PUBLIC  
FACILITIES FINANCING CORPORATION

By *R. Burnett Miller*  
President

(SEAL)

ATTEST:

*Louise Mayana*  
Secretary

SECURITY PACIFIC NATIONAL BANK,  
as Trustee

By \_\_\_\_\_  
Vice President

(SEAL)

Attest:

\_\_\_\_\_  
Assistant Secretary

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IN WITNESS WHEREOF, the parties hereto have  
executed and entered into the Assignment Agreement by their  
officers thereunto duly authorized as of the day and year  
first above written.

SACRAMENTO CITY PUBLIC  
FACILITIES FINANCING CORPORATION

By \_\_\_\_\_  
President

(SEAL)

ATTEST:

\_\_\_\_\_  
Secretary

SECURITY PACIFIC NATIONAL BANK,  
as Trustee

By   
Vice President

(SEAL)

Attest:

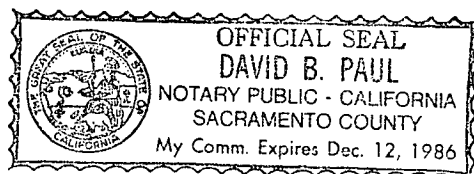
  
Assistant Secretary



STATE OF CALIFORNIA  
COUNTY OF SACRAMENTO

)  
) ss.  
)

On this 16th day of July in the year 1986, before me, David B. Paul, a Notary Public, State of California, personally appeared R. Burnett Miller and Lorraine Magana, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that the corporation executed it.

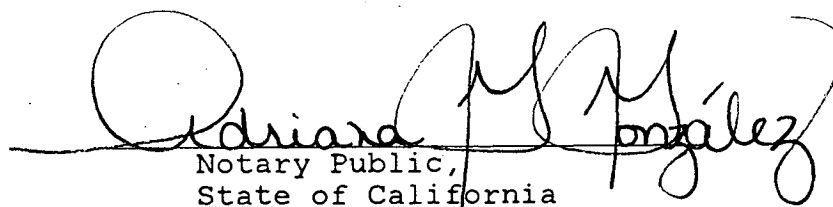


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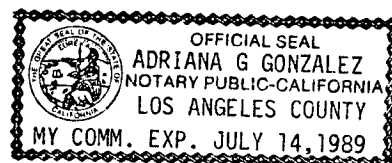
David B. Paul  
Notary Public,  
State of California

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF LOS ANGELES )

On this 11<sup>th</sup> day of July in the year 1986, before  
me, ADRIANA G. GONZALEZ, a Notary Public, State of  
California, personally appeared DENNIS WONG and  
KEITH R. MARSHALL, personally known to me (or proved to me  
on the basis of satisfactory evidence) to be the persons who  
executed the within instrument on behalf of the corporation  
therein named, and acknowledged to me that the corporation  
executed it.

  
Notary Public,  
State of California

[Notarial Seal]



Recording requested by and  
when recorded mail to:

WESTERN TITLE INSURANCE COMPANY  
SACRAMENTO COUNTY DIVISION  
919 8th STREET  
SACRAMENTO, CALIF. 95814

B. B. PENNINGTON

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OFFICIAL RECORDS  
RECORDED AT REQUEST OF  
WESTERN TITLE INSURANCE CO.

JUL 18 8 00 AM

*John Russell Smith* 1986  
SACRAMENTO COUNTY  
CLERK-RECORDER

134475

NO  
FEE  
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TRUST AGREEMENT

by and among

SECURITY PACIFIC NATIONAL BANK

and the

SACRAMENTO CITY PUBLIC FACILITIES FINANCING CORPORATION

and the

CITY OF SACRAMENTO

RELATING TO  
CERTIFICATES OF PARTICIPATION  
IN RENTAL PAYMENTS TO BE MADE  
UNDER AND PURSUANT TO THE  
PROJECT LEASE  
FOR THE  
CITY OF SACRAMENTO  
1986 PUBLIC FACILITIES PROJECT

Executed and Entered Into as of July 1, 1986

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TRUST AGREEMENT

This Trust Agreement (the "Trust Agreement"), executed and entered into as of July 1, 1986, by and among Security Pacific National Bank, a national banking association duly organized and existing under and by virtue of the laws of the United States of America (the "Trustee"), the Sacramento City Public Facilities Financing Corporation, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), and the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City");

W I T N E S S E T H:

WHEREAS, the Corporation and the City have executed and entered into a Project Lease (the "Project Lease") as of July 1, 1986, whereby the Corporation has agreed to finance the construction of a branch library facility and a fire station facility for the City, including site development, landscaping, utilities and appurtenant and related facilities (the "Facilities"), on certain real property leased to it by the City and to finance the acquisition of certain equipment for the City (the "Equipment"), and lease the Facilities and the Equipment to the City, as provided therein; and

WHEREAS, under and pursuant to the Project Lease, the City is obligated to make rental payments to the Corporation for the lease of the Facilities and the Equipment to it; and

WHEREAS, the Corporation has assigned without recourse all its rights to receive the base rental payments scheduled to be paid by the City under and pursuant to the Project Lease to the Trustee pursuant to an Assignment Agreement (the "Assignment Agreement") executed and entered into as of July 1, 1986; and

WHEREAS, in consideration of such assignment and the execution and entering into of the Trust Agreement, the Trustee has agreed to execute and deliver certificates of participation in an aggregate principal amount equal to the aggregate principal components of such base rental payments, each evidencing and representing a proportionate interest in the principal components of such base rental payments; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and



entering into of the Trust Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the Trust Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

## ARTICLE I

### DEFINITIONS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of the Certificates and of any certificate, opinion, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

#### Acquisition and Construction Fund

"Acquisition and Construction Fund" means the fund by that name established in Section 3.02.

#### Assignment Agreement

"Assignment Agreement" means that certain Assignment Agreement executed and entered into as of July 1, 1986, by and between the Corporation and the Trustee.

#### Certificate of the City

"Certificate of the City" means an instrument in writing signed by the Mayor of the City, or by any other officer of the City duly authorized by the City Council of the City for that purpose, and by the City Clerk, with the seal of the City affixed.

#### Certificates

"Certificates" means the \$14,490,000 certificates of participation authorized hereby and at any time Outstanding hereunder that are executed and delivered by the Trustee under and pursuant to Article II.

Certificates of Participation Purchase Contract

"Certificates of Participation Purchase Contract" means that certain Certificates of Participation Purchase Contract by and between the Purchaser and the City relating to the Certificates.

City

"City" means the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

Corporation

"Corporation" means the Sacramento City Public Facilities Financing Corporation, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California.

Equipment

"Equipment" means those certain items of equipment leased by the Corporation to the City under and pursuant to the Project Lease as provided in the Project Lease.

Facilities

"Facilities" means that certain branch library facility and that certain fire station facility, including site development, landscaping, utilities and appurtenant and related facilities, leased by the Corporation to the City under and pursuant to the Project Lease as provided in the Project Lease.

Interest Fund

"Interest Fund" means the fund by that name established in Section 5.02.

Interest Payment Date

"Interest Payment Date" means a date on which interest evidenced and represented by the Certificates becomes due and payable, being January 1 and July 1 of each year to which reference is made (commencing on January 1, 1987).

Opinion of Counsel

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law

relating to municipal bonds, appointed and paid by the City and satisfactory to and approved by the Trustee (who shall be under no liability by reason of such approval).

Outstanding

"Outstanding," when used as of any particular time with reference to Certificates, means (subject to the provisions of Section 9.02) all Certificates except --

- (1) Certificates cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Certificates paid or deemed to have been paid within the meaning of Section 10.01; and
- (3) Certificates in lieu of and in substitution for which other Certificates shall have been executed and delivered by the Trustee hereunder.

Owner

"Owner" means the registered owner of any Outstanding Certificate.

Permitted Investments

"Permitted Investments" means any of the following to the extent then permitted by law:

- (1) United States of America Treasury bills, notes, bonds or certificates of indebtedness, or those for which the full faith and credit of the United States of America are pledged for the payment of interest and principal;
- (2) Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Farm Credit Bank, the Federal Home Loan Bank Board or the Tennessee Valley Authority, or guaranteed portions of Small Business Administration notes, or obligations, participations or other instruments of or issued by a federal agency or a United States of America government-sponsored enterprise;
- (3) Bills of exchange or time drafts drawn on and accepted by a commercial bank (including the Trustee) rated "A" or higher by Moody's Investors Service or Standard & Poor's Corporation, otherwise known as bankers acceptances, which are eligible for purchase by members of the Federal Reserve System; provided, that purchase of eligible bankers acceptances may not exceed two hundred seventy (270) days' maturity;

(4) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Moody's Investors Service or Standard & Poor's Corporation, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and that have an "A" or higher rating for the issuer's debentures, other than commercial paper, as provided by Moody's Investors Service or Standard & Poor's Corporation; provided, that purchases of eligible commercial paper may not exceed one hundred eighty (180) days' maturity nor represent more than ten per cent (10%) of the outstanding commercial paper of an issuing corporation;

(5) Certificates of deposit, whether negotiable or non-negotiable, issued by a state or national bank (including the Trustee) or a state or federal savings and loan association; provided, that such certificates of deposit shall be purchased directly from such bank or savings and loan association and shall be either (A) continuously and fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or (B) continuously and fully secured by such obligations as are described above in clauses (1) through (4), inclusive, which have a market value (exclusive of accrued interest) at all times at least equal to one hundred ten per cent (110%) of the principal amount of such certificates of deposit, or continuously and fully secured by promissory notes secured by first mortgages and first trust deeds upon improved real property located in California which have a market value (exclusive of accrued interest) at all times at least equal to one hundred fifty per cent (150%) of the principal amount of such certificates of deposit, and the bank or savings and loan association issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be in an amount at least equal to one hundred ten per cent (110%) or one hundred fifty per cent (150%), as the case may be, of the principal amount of each such certificate of deposit and that the Trustee shall be entitled to rely on each such undertaking;

(6) Any repurchase agreement with any state or national bank (including the Trustee) rated "A" or higher by Moody's Investors Service or Standard & Poor's Corporation or government bond dealer reporting to, trading with, and recognized as a primary dealer by

the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described above in clauses (1) through (3), inclusive, if the Trustee shall have received a perfected first security interest in such securities securing such agreement and the Trustee or its appointed agent shall hold such obligations free and clear of the claims of third parties; and

(7) Units of a taxable money-market fund portfolio composed of obligations guaranteed by the full faith and credit of the United States of America.

Prepayment Fund

"Prepayment Fund" means the fund by that name established in Section 5.02.

Principal Fund

"Principal Fund" means the fund by that name established in Section 5.02.

Principal Payment Date

"Principal Payment Date" means a date on which principal evidenced and represented by the Certificates becomes due and payable, being July 1 of each year to which reference is made (commencing on July 1, 1987).

Project Lease

"Project Lease" means that certain Project Lease executed and entered into as of July 1, 1986, by and between the Corporation and the City, as originally executed and entered into and as it may from time to time be amended in accordance herewith and therewith.

Purchaser

"Purchaser" means PaineWebber Incorporated, as underwriter and purchaser of the Certificates under and pursuant to the Certificates of Participation Purchase Contract.

Rental Payment Fund

"Rental Payment Fund" means the fund by that name established in Section 5.01.

Rental Payments

"Rental Payments" means the base rental payments with interest components and principal components scheduled to be paid by the City under and pursuant to the Project Lease.

Trust Agreement

"Trust Agreement" means this Trust Agreement executed and entered into as of July 1, 1986, by and among the Trustee, the Corporation and the City, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance herewith.

Trustee

"Trustee" means Security Pacific National Bank, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its principal corporate trust office in San Francisco, California, or any other bank or trust company at its principal corporate trust office which may at any time be substituted in its place as provided in Section 8.02.

Written Request of the City

"Written Request of the City" means an instrument in writing signed by the Mayor of the City, or by any other officer of the City duly authorized by the City Council of the City for that purpose, and by the City Clerk, with the seal of the City affixed.

SECTION 1.02. Equal Security. In consideration of the acceptance of the Certificates by the Owners, the Trust Agreement shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal evidenced and represented by the Certificates, subject to the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

## ARTICLE II

## CONDITIONS AND TERMS OF CERTIFICATES

SECTION 2.01. Preparation of Certificates. The Trustee is hereby authorized and directed to prepare the Certificates in the aggregate principal amount of fourteen million four hundred ninety thousand dollars (\$14,490,000), evidencing and representing the aggregate principal components of the Rental Payments and each evidencing and representing a proportionate interest in the Rental Payments.

SECTION 2.02. Denominations, Medium, Method and Place of Payment and Dating of Certificates. The Certificates shall be prepared in the form of fully registered Certificates in denominations of five thousand dollars (\$5,000) or any integral multiple thereof, except that no Certificate shall evidence and represent principal becoming due and payable in more than one year. The interest and principal evidenced and represented by the Certificates shall be payable in lawful money of the United States of America. The interest evidenced and represented by the Certificates shall be payable on their respective Interest Payment Dates by check mailed by the Trustee to the respective Owners thereof as shown in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07 on the fifteenth (15th) day of the month preceding each Interest Payment Date, and the principal evidenced and represented by the Certificates shall be payable on their respective Principal Payment Dates or on prepayment prior thereto upon surrender thereof by the respective Owners thereof at the principal corporate trust office of the Trustee in San Francisco, California. The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not such Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal evidenced and represented by such Certificate shall be made only to such Owner as above provided, which payments shall be valid and effectual to satisfy and discharge the liability evidenced and represented by such Certificate to the extent of the sum or sums so paid. All Certificates paid pursuant to the provisions of this section shall be cancelled by the Trustee and shall not be redelivered.

The Certificates shall be dated July 1, 1986, and shall bear interest from the Interest Payment Date next preceding the date of execution thereof by the Trustee, unless such date of execution is on or after the sixteenth (16th) day of the month next preceding an Interest Payment

Date, in which case they shall bear interest from such Interest Payment Date, or unless such date of execution is prior to December 16, 1986, in which case they shall bear interest from July 1, 1986.

SECTION 2.03. Payment Dates of Certificates. The principal evidenced and represented by the Certificates shall become due and payable on the Principal Payment Dates in the principal amounts, with interest thereon at the rates, as follows:

<u>Principal Payment Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1987	\$ 385,000	4.50%
1988	750,000	5
1989	1,700,000	5.50
1990	1,795,000	6
1991	1,900,000	6.25
1992	2,015,000	6.50
1993	2,150,000	6.75
2006	3,795,000	7.75

The interest evidenced and represented by the Certificates shall become due and payable on their respective Interest Payment Dates, beginning on the Interest Payment Date following their date and continuing to and including their Principal Payment Dates or on prepayment prior thereto, and shall evidence and represent in sum the portions of the Rental Payments constituting interest components becoming due and payable to but not including the Interest Payment Dates in each year.

The principal evidenced and represented by the Certificates shall become due and payable on their respective Principal Payment Dates or on prepayment prior thereto, and shall evidence and represent in sum the portions of the Rental Payments constituting principal components becoming due and payable on the Principal Payment Dates or on prepayment prior thereto in each year.

SECTION 2.04. Form of Certificates. The Certificates and the assignment to appear thereon shall be in substantially the following forms, respectively, with appropriate or necessary insertions, omissions and variations as permitted or required hereby:



[FORM OF CERTIFICATE OF PARTICIPATION]

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF SACRAMENTO

No. \_\_\_\_\_

\$ \_\_\_\_\_

CERTIFICATE OF PARTICIPATION  
Evidencing and Representing a Proportionate  
Interest of the Owner Hereof  
in Rental Payments to Be Made  
by the  
CITY OF SACRAMENTO

to the

SACRAMENTO CITY PUBLIC FACILITIES FINANCING CORPORATION

Under and Pursuant to the  
Project Lease  
for the  
CITY OF SACRAMENTO  
1986 PUBLIC FACILITIES PROJECT

<u>Interest Rate</u>	<u>Principal Payment Date</u>	<u>Dated as of</u>	<u>CUSIP</u>
_____%	July 1, ____	July 1, 1986	_____

REGISTERED OWNER:

PRINCIPAL SUM:

DOLLARS

THIS IS TO CERTIFY that the registered owner set forth above, the registered owner of this Certificate of Participation (the "Certificate"), is the owner of a proportionate interest in the rights to receive the Rental Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Project Lease (the "Project Lease") for the City of Sacramento 1986 Public Facilities Project executed and entered into as of July 1, 1986, by and between the Sacramento City Public Facilities Financing Corporation (the

"Corporation"), a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California, and the City of Sacramento (the "City"), a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California, all of which rights to receive such Rental Payments have been assigned without recourse by the Corporation to Security Pacific National Bank, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its principal corporate trust office in San Francisco, California, as trustee (the "Trustee"), or any other bank or trust company at its principal corporate trust office which may at any time be substituted in its place as provided in the Trust Agreement hereinafter mentioned.

The registered owner of this Certificate is entitled to receive, subject to the terms of the Project Lease and any right of prepayment prior thereto hereinafter provided for, on the Principal Payment Date (as that term is defined in the Trust Agreement hereinafter mentioned, and herein a "Principal Payment Date") set forth above, upon surrender of this Certificate on the Principal Payment Date or on the date of prepayment prior thereto at the office of the Trustee, the principal sum set forth above, representing the registered owner's proportionate share of the Rental Payments constituting principal components becoming due and payable on the Principal Payment Date or on the date of prepayment prior thereto, and the registered owner of this Certificate as shown in the registration books maintained by the Trustee on the fifteenth (15th) day of the month preceding each Interest Payment Date (as that term is defined in the Trust Agreement hereinafter mentioned, and herein an "Interest Payment Date") is entitled to receive on each Interest Payment Date from the Interest Payment Date next preceding the date of execution hereof by the Trustee (unless such date of execution is on or after the sixteenth (16th) day of the month next preceding an Interest Payment Date, in which case from such Interest Payment Date, or unless such date of execution is prior to December 16, 1986, in which case from July 1, 1986) to and including the Principal Payment Date or the date of prepayment prior thereto, whichever is earlier, by check mailed on such dates to such registered owner, such registered owner's proportionate share of the Rental Payments constituting interest components becoming due and payable to but not including each Interest Payment Date, which such proportionate share is the result of the multiplication of the aforesaid portion of the Rental Payments constituting principal components becoming due and payable on the Principal Payment Date by the interest rate per annum set forth above. All such amounts are payable in lawful money of the United States of America.

This Certificate has been executed by the Trustee under and pursuant to the terms of a Trust Agreement (the "Trust Agreement") executed and entered into as of July 1, 1986, by and among the Trustee, the Corporation and the City. Copies of the Trust Agreement are on file at the office of the Trustee, and reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto for a description of the agreements, conditions, covenants and terms securing the Certificates, for the nature, extent and manner of enforcement of such agreements, conditions, covenants and terms, for the rights and remedies of the registered owners of the Certificates with respect thereto and for the other agreements, conditions, covenants and terms upon which the Certificates are executed and delivered thereunder.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended or supplemented by the parties thereto, but no such amendment or supplement shall (1) reduce the rate of interest evidenced and represented hereby or extend the time of payment thereof or reduce the amount of principal evidenced and represented hereby or extend the Principal Payment Date hereof without the prior written consent of the registered owner hereof, or (2) reduce the percentage of registered owners of Certificates whose consent is required for the execution of any amendment of or supplement to the Trust Agreement, or (3) modify any rights or obligations of the Trustee without its prior written consent thereto.

The Certificates are authorized to be executed and delivered in the form of fully registered Certificates in denominations of five thousand dollars (\$5,000) or any integral multiple thereof, except that no Certificate shall evidence and represent principal becoming due and payable in more than one year.

This Certificate is transferable or exchangeable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender of this Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange, a new Certificate or Certificates of authorized denominations of the same Principal Payment Date equal to the principal amount hereof will be executed and delivered by the Trustee to the registered owner thereof in exchange or transfer herefor. The Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue,

and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal evidenced and represented by this Certificate shall be made only to such registered owner as above provided, which payments shall be valid and effectual to satisfy and discharge the liability evidenced and represented by this Certificate to the extent of the sum or sums so paid.

The Certificates are subject to prepayment prior to their respective Principal Payment Dates, upon notice as hereinafter provided, as a whole on any date, or in part on any Interest Payment Date within each Principal Payment Date in integral multiples of five thousand dollars (\$5,000) so that the aggregate annual amounts of principal evidenced and represented by the Certificates which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of principal evidenced and represented by the then unpaid Certificates, from prepaid Rental Payments made by the City from funds received by the City due to a taking of the Facilities or the Equipment (as those terms are defined in the Trust Agreement) or portions thereof under the power of eminent domain, or from the net proceeds of insurance received for material damage to or destruction of the Facilities or the Equipment or portions thereof, under the circumstances and upon the conditions and terms prescribed in the Trust Agreement and in the Project Lease, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment.

The Certificates with a Principal Payment Date of July 1, 2006, are subject to mandatory prepayment by the City prior to their Principal Payment Date, upon notice as hereinafter provided, in part on any July 1 on or after July 1, 1994, solely from scheduled Rental Payments (as provided in the Project Lease and in the Trust Agreement), at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment.

The Certificates with a Principal Payment Date of July 1, 2006, are subject to optional prepayment by the City prior to their Principal Payment Date, upon notice as hereinafter provided, as a whole or in part on any Interest Payment Date on or after July 1, 1996, from any source of available funds, at the following prepayment prices (computed upon the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid) plus accrued

interest evidenced and represented thereby to the date fixed for prepayment:

<u>Prepayment Date</u>	<u>Prepayment Price</u>
July 1, 1996 and January 1, 1997	102-1/2%
July 1, 1997 and January 1, 1998	102
July 1, 1998 and January 1, 1999	101-1/2
July 1, 1999 and January 1, 2000	101
July 1, 2000 and January 1, 2001	100-1/2
July 1, 2001 and thereafter	100

As provided in the Trust Agreement, notice of prepayment hereof or of any part hereof shall be mailed, first class postage prepaid, not less than thirty (30) nor more than sixty (60) days before the prepayment date, to the registered owner of this Certificate at his address as it appears in the registration books maintained by the Trustee, but failure to receive any such notice shall not affect the validity of the proceedings for the prepayment of this Certificate or such part thereof. If this Certificate or such part thereof is called for prepayment and payment is duly provided therefor as specified in the Trust Agreement, the interest evidenced and represented hereby or by such part shall cease to accrue from and after the date fixed for such prepayment.

The Certificates each evidence and represent a proportionate interest in the Rental Payments and enjoy the benefits of a security interest in the money held in the funds established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein. The obligation of the City to make the Rental Payments is subject to abatement during any period in which, by reason of material damage or destruction, there is substantial interference with the use and occupancy of the Facilities or the Equipment or if the Facilities or the Equipment or portions thereof are taken under the power of eminent domain, all as more particularly provided in the Project Lease to which reference is hereby made; and such obligation does not constitute a debt of the City or the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction, and does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

The Trustee has no obligation or liability to the registered owners of the Certificates for the payment of the

interest or principal evidenced and represented by the Certificates; but rather the Trustee's sole obligation is to administer, for the benefit of the City and the Corporation and the registered owners of the Certificates, the various funds established under the Trust Agreement. The Corporation has no obligation or liability whatsoever to the registered owners of the Certificates.

IN WITNESS WHEREOF, this Certificate has been dated as of July 1, 1986, and has been executed by the manual signature of an authorized officer of the Trustee on

\_\_\_\_\_  
SECURITY PACIFIC NATIONAL BANK,  
as Trustee

By \_\_\_\_\_  
Authorized Officer

[FORM OF ASSIGNMENT]

For value received, the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within Certificate and do(es) hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer such Certificate on the register of the Trustee, with full power of substitution in the premises.

Dated: \_\_\_\_\_:

SIGNATURE GUARANTEED BY:  
\_\_\_\_\_  
\_\_\_\_\_

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular, without alteration or enlargement or any change whatsoever, and the signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

SECTION 2.05. Execution of Certificates. The Certificates shall be executed by the Trustee by the manual signature of an authorized officer of the Trustee.

SECTION 2.06. Transfer and Exchange of Certificates. All Certificates are transferable or exchangeable by the Owner thereof, in person or by his attorney duly authorized in writing, at the office of the Trustee in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07, upon surrender of such Certificates accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Trustee. Whenever any Certificate or Certificates shall be surrendered for transfer or exchange, the Trustee shall execute and deliver a new Certificate or Certificates of authorized denominations of the same Principal Payment Date representing the same aggregate principal amount. The Trustee may charge a sum not exceeding ten dollars (\$10.00) for each new Certificate delivered upon any such transfer or exchange. The Trustee shall also require the payment by any Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. All Certificates surrendered

pursuant to the provisions of this section shall be cancelled by the Trustee and shall not be redelivered.

The Trustee shall not be required to transfer or exchange any Certificate selected for prepayment in whole or in part from and after the date that such Certificate has been selected for prepayment in whole or in part under Article IV.

SECTION 2.07. Certificate Registration Books. The Trustee will keep at its office sufficient books for the registration of the ownership, transfer or exchange of the Certificates, which books shall be available for inspection by the Corporation, the City or any Owner or his agent duly authorized in writing at reasonable hours and under reasonable conditions during regular business hours; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register the ownership, transfer or exchange of the Certificates in such books as hereinabove provided. The ownership of any Certificates may be proved by the books required to be kept by the Trustee pursuant to the provisions of this section.

SECTION 2.08. Temporary Certificates. The Certificates may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery, which temporary Certificate shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Every temporary Certificate shall be executed and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Certificates. If the Trustee executes and delivers temporary Certificates, it will prepare and execute definitive Certificates without delay, and in that case, upon demand of the Owner of any temporary Certificates, such definitive Certificates shall be exchanged without cost to such Owner for temporary Certificates at the office of the Trustee upon surrender of such temporary Certificates, and until so exchanged such temporary Certificates shall be entitled to the same benefit, protection and security hereunder as the definitive Certificates executed and delivered hereunder. All temporary Certificates surrendered pursuant to the provisions of this section shall be cancelled by the Trustee and shall not be redelivered.



SECTION 2.09. Certificates Mutilated, Destroyed, Lost or Stolen. If any Certificate shall become mutilated, the Trustee shall execute and deliver a new Certificate of like tenor, Principal Payment Date and number in lieu of and in substitution for the destroyed, lost or stolen Certificate. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered by it under this section and of the expenses which may be incurred by it under this section. Any replacement Certificate executed and delivered under the provisions of this section in lieu of and in substitution for any mutilated, destroyed, lost or stolen Certificate shall be equally and proportionately entitled to the benefit, protection and security hereof with all other Certificates executed and delivered hereunder; and the Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and the replacement Certificate shall be treated as one and the same. Notwithstanding any other provisions of this section, rather than executing and delivering a new Certificate for a mutilated, destroyed, lost or stolen Certificate which has been called for prepayment or the Principal Payment Date of which has occurred, the Trustee may make payment of the principal evidenced and represented by such mutilated, destroyed, lost or stolen Certificate directly to the Owner thereof under such regulations as the Trustee may prescribe.

### ARTICLE III

#### PROCEEDS OF CERTIFICATES

SECTION 3.01. Delivery of Certificates. The Trustee is hereby authorized to execute and deliver the Certificates to the Purchaser pursuant to the Certificates of Participation Purchase Contract upon receipt of a Written Request of the City and upon receipt of the proceeds of sale thereof.

SECTION 3.02. Deposit of Proceeds of Certificates. The proceeds received from the sale of the Certificates (except for an amount equal to the Reserve Fund Requirement, as that term is defined in Section 5 of the Project Lease, which shall be deposited in the Reserve Fund created under the Project Lease, and except for the sum of \$2,029,687.50, which shall be deposited in the Rental Payment Fund) shall be deposited by the Trustee in the Acquisition and Construction Fund, which fund the Trustee hereby agrees to establish and

maintain until the completion of the construction of the Facilities and the acquisition of the Equipment.

SECTION 3.03. Use of Money in the Acquisition and Construction Fund. All money in the Acquisition and Construction Fund shall be held by the Trustee in trust as stated herein and shall be applied by the Trustee as stated in a Written Request of the City described below for the payment of the cost of the Corporation for the construction of the Facilities and the acquisition of the Equipment and the expenses incidental thereto (including reimbursement to the City for any such cost or expenses paid by it), including the payment of the costs of the execution and delivery of the Certificates and the initial fees and expenses of the Trustee in connection therewith.

Before any payment of money is made from the Acquisition and Construction Fund by the Trustee, the City shall file with the Trustee a Written Request of the City for the account of the Corporation as its agent showing with respect to each payment of money to be made --

- (a) the name and address of the person to whom payment is due;
- (b) the amount of money to be paid; and
- (c) the purpose for which the obligation to be paid was incurred.

Each such Written Request of the City shall state and shall be sufficient evidence to the Trustee --

- (a) that an obligation in the stated amount has been properly incurred under and pursuant to the Project Lease and that such obligation is a proper charge against the Acquisition and Construction Fund;
- (b) that there has not been filed with or served upon the Corporation or the City a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the person named in such Written Request of the City which has not been released or will not be released simultaneously with the payment of such obligation, other than liens accruing by mere operation of law; and
- (c) that there is enough money remaining in the Acquisition and Construction Fund to complete the construction of the Facilities and the acquisition of the Equipment.

Upon receipt of each such Written Request of the City, the Trustee shall, unless it has received notice in writing from either the City or the Corporation of a default under the Project Lease or hereunder, pay the amount set forth therein as directed by the terms thereof, except that the Trustee need not make any such payment if it has received a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money to be so paid which has not been released or will not be released simultaneously with such payment, other than liens accruing by mere operation of law.

When the construction of the Facilities and the acquisition of the Equipment have been completed, the City shall deliver to the Trustee a Certificate of the City stating the fact and date of the completion of such construction and acquisition and stating that all the costs of the construction and acquisition and the expenses incidental thereto have been determined and paid (or that all such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition and Construction Fund is to be maintained in the full amount of such claim until such dispute is resolved). Upon the receipt of such certificate, the Trustee shall transfer any remaining balance of money in the Acquisition and Construction Fund (but less the amount of any such retention) to the City.

#### ARTICLE IV

##### PREPAYMENT OF CERTIFICATES

SECTION 4.01. Terms of Prepayment. The Certificates are subject to prepayment prior to their respective Principal Payment Dates, upon notice as hereinafter provided, as a whole on any date, or in part on any Interest Payment Date within each Principal Payment Date in integral multiples of five thousand dollars (\$5,000) so that the aggregate annual amounts of principal evidenced and represented by the Certificates which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of principal evidenced and represented by the then unpaid Certificates, from prepaid Rental Payments made by the City from funds received by the City due to a taking of the Facilities or the Equipment or portions thereof under the power of eminent domain, or from the net proceeds of insurance received for material damage to or destruction of the Facilities or the Equipment or portions thereof, under the circumstances and upon the conditions and terms prescribed herein and in the Project Lease, at a prepayment price equal to the sum of the

principal amount or such part thereof evidenced and represented by the Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for payment.

The Certificates with a Principal Payment Date of July 1, 2006, are subject to mandatory prepayment by the City prior to their Principal Payment Date in part on any July 1 on or after July 1, 1994, solely from scheduled Rental Payments, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment.

The Certificates with a Principal Payment Date of July 1, 2006, are subject to optional prepayment by the City prior to their Principal Payment Date as a whole or in part on any Interest Payment Date on or after July 1, 1996, from any source of available funds, at the following prepayment prices (computed upon the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid) plus accrued interest evidenced and represented thereby to the date fixed for prepayment:

<u>Prepayment Date</u>	<u>Prepayment Price</u>
July 1, 1996 and January 1, 1997	102-1/2%
July 1, 1997 and January 1, 1998	102
July 1, 1998 and January 1, 1999	101-1/2
July 1, 1999 and January 1, 2000	101
July 1, 2000 and January 1, 2001	100-1/2
July 1, 2001 and thereafter	100

SECTION 4.02. Selection of Certificates for Prepayment. Whenever less than all the Outstanding Certificates of any one Principal Payment Date are to be prepaid on any one date, the Trustee shall select the Certificates of such Principal Payment Date to be prepaid in whole or in part from the Outstanding Certificates of such Principal Payment Date by lot in any manner that the Trustee deems fair, and the Trustee shall promptly notify the Corporation and the City in writing of the numbers of the Certificates so selected for prepayment in whole or in part on such date.

SECTION 4.03. Notice of Prepayment. Notice of prepayment shall be given by mail in accordance with Section 11.07 to the respective Owners of any Certificates designated for prepayment in whole or in part prior to their prepayment date. Each notice of prepayment shall state the prepayment date, the prepayment place and the prepayment price, shall designate the serial numbers of the Certificates to be

prepaid by giving the individual number of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment, shall (in the case of any Certificate called for prepayment in part only) state the part of the principal amount evidenced and represented thereby which is to be prepaid, and shall state that the interest evidenced and represented by the Certificates or parts thereof designated for prepayment shall cease to accrue from and after such prepayment date and that on such prepayment date there will become due and payable on each of the Certificates or parts thereof designated for prepayment the prepayment price evidenced and represented thereby.

In case of the prepayment of all the Certificates then Outstanding, the notice of prepayment need not specify the serial numbers of the Certificates to be prepaid.

The Trustee shall give notice of prepayment of any Certificates or parts thereof to be prepaid upon receipt of a Written Request of the City (which request shall be given to the Trustee at least sixty (60) days prior to the date fixed for prepayment), but only after the City shall have made a Rental Payment to the Trustee and the Trustee shall have determined that such Rental Payment is sufficient to provide for the payment of the prepayment price evidenced and represented by all Certificates or parts thereof to be prepaid (or the Trustee shall have determined that a Rental Payment will be timely made available to it which will be sufficient to provide for such purpose), together with the estimated expense of giving such notice.

SECTION 4.04. Partial Prepayment of Certificates. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Certificate or Certificates representing the unprepaid principal amount of the Certificate so surrendered.

SECTION 4.05. Effect of Prepayment. If notice of prepayment has been duly given as aforesaid and money for the payment of the prepayment price of the Certificates or parts thereof to be prepaid is held by the Trustee, then on the prepayment date designated in such notice the Certificates or such parts thereof so called for prepayment shall become payable at the prepayment price evidenced and represented thereby as specified in such notice; and from and after the date so designated interest evidenced and represented by the Certificates or such parts thereof so called for prepayment shall cease to accrue, such Certificates or such parts thereof shall cease to be entitled to such benefit, protection or security hereunder and the Owners of such

Certificates shall have no rights in respect thereof except to receive payment of the prepayment price evidenced and represented by the Certificates or such parts to be prepaid. The Trustee shall, upon surrender for prepayment of any of the Certificates to be prepaid in whole or in part on their prepayment dates, pay such Certificates or such parts thereof at the prepayment price evidenced and represented thereby.

All Certificates paid pursuant to the provisions of this article shall be cancelled by the Trustee and shall not be redelivered.

## ARTICLE V

### RENTAL PAYMENTS

SECTION 5.01. Pledge of Rental Payments. The Rental Payments are hereby irrevocably pledged to the Trustee for the benefit of the Owners of the Certificates and shall be used for the punctual payment of the interest and principal evidenced and represented by the Certificates, and the Rental Payments shall not be used for any other purpose while any of the Certificates remain Outstanding. This pledge shall constitute a first and exclusive lien on the Rental Payments for the foregoing purpose in accordance with the terms hereof.

All Rental Payments shall be paid directly by the City to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one business day after the receipt thereof. All Rental Payments received by the Trustee shall be held in trust by the Trustee under the terms hereof and shall be deposited by it as and when received in the Rental Payment Fund, which fund the Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding, and all money in such fund shall be held in trust by the Trustee for the benefit of the City until deposited in the funds provided in Section 5.02, whereupon such money shall be held in trust in such funds by the Trustee for the benefit of the Owners.

SECTION 5.02. Deposit of Money in the Rental Payment Fund. The Trustee shall deposit the money contained in the Rental Payment Fund at the following respective times in the following respective funds in the manner hereinafter provided, each of which funds the Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding, and the money in each of such funds shall be disbursed only for the purposes and uses hereinafter authorized:



(a) Interest Fund. The Trustee, on each Interest Payment Date (commencing on January 1, 1987), shall deposit in the Interest Fund that amount of money representing the portion of the Rental Payments constituting the interest component becoming due and payable to but not including such Interest Payment Date. All money in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest evidenced and represented by the Certificates to but not including their respective Interest Payment Dates.

(b) Principal Fund. The Trustee, on each Principal Payment Date (commencing on July 1, 1987), shall deposit in the Principal Fund that amount of money representing the portion of the Rental Payments constituting the principal component becoming due and payable on such Principal Payment Date. All money in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the Certificates on their respective Principal Payment Dates or on prepayment prior thereto.

(c) Prepayment Fund. The Trustee, on the prepayment date specified in the Written Request of the City filed with the Trustee at the time that any prepaid Rental Payment is paid to the Trustee pursuant to the Project Lease, shall deposit in the Prepayment Fund that amount of money representing the portion of the Rental Payments constituting prepaid Rental Payments. All money in the Prepayment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal evidenced and represented by the Certificates to be prepaid on their respective prepayment dates.

SECTION 5.03. Application of Insurance Proceeds. In the event of any damage to or destruction of any part of the Facilities or the Equipment covered by insurance, the City, except as hereinafter provided, shall cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facilities or the Equipment, and the Trustee shall hold said proceeds separate and apart from all other funds, to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Facilities or the Equipment to at least the same good order, repair and condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee shall permit withdrawals of said proceeds from time to time upon receiving the Written Request

of the City, stating that the City has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of the repair, reconstruction or replacement of the Facilities or the Equipment, and specifying the items for which such moneys were expended, or such liabilities were incurred, in such reasonable detail as the Trustee may in its discretion require. Any balance of such proceeds not required for such repair, reconstruction or replacement shall be treated by the Trustee as Rental Payments and applied in the manner provided by Section 5.01. Alternatively, the City, at its option, with the written consent of the Corporation, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities or the Equipment and thereupon shall cause said proceeds to be used for the prepayment of Outstanding Certificates pursuant to the provisions of Section 4.01.

#### ARTICLE VI

##### COVENANTS

###### SECTION 6.01. Compliance with Trust Agreement.

The Trustee will not execute or deliver any Certificates in any manner other than in accordance with the provisions hereof; and the Corporation and the City will not suffer or permit any default by them to occur hereunder, but will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by them.

###### SECTION 6.02. Compliance with Project Lease.

The Corporation and the City will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Project Lease required to be observed and performed by them and will enforce the Project Lease against the other party thereto in accordance with its terms.

The Corporation and the City will not amend the Project Lease without the prior written consent of the Trustee, which consent shall be given only if, in the opinion of the Trustee (which opinion may, in the discretion of the Trustee, be based upon an Opinion of Counsel or a Certificate of the City), such amendment will not result in any material impairment of the security given or intended to be given by the Project Lease for the payment of the Rental Payments.

###### SECTION 6.03. Observance of Laws and Regulations.

The Corporation and the City and the Trustee will faithfully observe and perform all lawful and valid obligations or regulations now or hereafter imposed on them by contract, or



prescribed by any state or national law, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not be abandoned, forfeited or in any manner impaired.

SECTION 6.04. Other Liens. The City will keep the Facilities and the Equipment and all parts thereof free from judgments and liens and free from all claims, demands or encumbrances of whatever nature or character, and free from any claim or liability which, in the judgment of the Trustee (and its determination thereof shall be final), might embarrass or hamper the City in conducting its business or utilizing the Facilities or the Equipment or any portion thereof; provided, that any such determination made by the Trustee shall not cause any liability to the Trustee. The City will notify the Trustee within five (5) days of receipt by the City of notice of any lien, claim or liability encompassed by this section. The Trustee at its option (after first giving the City ten (10) days' written notice to comply therewith and failure of the City to so comply within such period) may defend against any and all actions or proceedings in which the validity hereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, that in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the City from liability for or on account of its failure to observe or perform any of the agreements, conditions, covenants or terms contained herein required to be observed or performed by it, or from its liability hereunder to defend the validity hereof and to observe and perform all such agreements, conditions, covenants and terms.

So long as any Certificates are Outstanding, the City will not create or suffer to be created any pledge of or lien on the Rental Payments other than the pledge and lien hereof.

SECTION 6.05. Prosecution and Defense of Suits. The City will promptly, upon request of the Trustee, the Corporation, or any Owner, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Facilities or the Equipment or any part thereof, whether now existing or hereafter developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and

will indemnify and save the Trustee and every Owner harmless from all cost, damage, expense or loss, including attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

The City will defend against every action, suit or other proceeding at any time brought against the Trustee, the Corporation or any Owner upon any claim arising out of the receipt, deposit or disbursement of any of the Rental Payments or involving any rights or obligations of the Trustee or any Owner hereunder; provided, that the Trustee, the Corporation or any Owner at its or his election may appear in and defend any such action, suit or other proceeding. The City will indemnify and hold harmless the Trustee, the Corporation and the Owners against any and all liability claimed or asserted by any person arising out of any such receipt, deposit or disbursement, and will indemnify and hold harmless the Owners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation or otherwise in connection with the foregoing to which any of them may become a party in order to enforce their rights hereunder or under the Certificates; provided, that such litigation shall be concluded favorably to such Owners' contentions therein.

SECTION 6.06. Accounting Records and Statements.

The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, deposit and disbursement of the Rental Payments, and such accounting records shall be available for inspection by the Corporation or the City or any Owner or his agent duly authorized in writing at reasonable hours and under reasonable conditions. Not later than the fifteenth (15th) day of each July, commencing on July 15, 1988 and continuing so long as any Certificates are Outstanding, the Trustee will furnish to the Corporation, to the City and to any Owner who may so request (at the expense of such Owner) a complete statement covering the receipts, deposits and disbursements of the Rental Payments for the preceding year.

SECTION 6.07. Recordation and Filing. The City will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain at all times a security interest in the Rental Payments under and pursuant to the Trust Agreement, all in such manner, at such times and in such places as may be required in order to fully perfect, preserve and protect the benefit, protection and security of the Owners and the rights of the Trustee hereunder, and the City will do whatever else may be necessary or be reasonably

required in order to perfect and continue the pledge of and lien on the Rental Payments as provided herein.

SECTION 6.08. Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the Corporation and the City will promptly execute and deliver, or cause to be executed and delivered, all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners the benefit, protection and security conferred, or intended to be conferred, upon them hereby.

## ARTICLE VII

### DEFAULT AND LIMITATIONS OF LIABILITY

SECTION 7.01. Action on Default. If any Event of Default (as that term is defined in Section 13 of the Project Lease) shall happen, then such Event of Default shall constitute a default hereunder, and in each and every such case during the continuance of such Event of Default the Trustee or the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Certificates at the time Outstanding shall be entitled, upon notice in writing to the Corporation and to the City, to exercise the remedies provided to the Corporation in the Project Lease; provided, that nothing contained herein shall affect or impair the right of action of any Owner to institute suit directly against the City to enforce payment of the obligation evidenced and represented by such Owner's Certificate.

SECTION 7.02. Other Remedies of the Trustee. The Trustee shall have the right --

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Corporation or the City or any councilmember, officer or employee thereof, and to compel the Corporation or the City or any such councilmember, officer or employee thereof to observe or perform its or his duties under applicable law and the agreements, conditions, covenants and terms contained herein required to be observed or performed by it or him;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default hereunder to require the Corporation and the

City and its councilmembers, officers and employees to account as the trustee of any express trust.

SECTION 7.03. Non-Waiver. A waiver of any default hereunder or breach of any obligation by the Trustee hereunder or by the Corporation under the Project Lease shall not affect any subsequent default hereunder or any subsequent breach of an obligation by the Trustee hereunder or impair any rights or remedies on any such subsequent default hereunder or on any such subsequent breach of an obligation by the Trustee hereunder. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default hereunder shall impair any such right or remedy or shall be construed to be a waiver of any such default hereunder or an acquiescence therein, and every right or remedy conferred upon the Trustee by applicable law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or the Corporation, the Trustee, the Corporation and the City shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

SECTION 7.04. Remedies Not Exclusive. No remedy conferred herein upon or reserved herein to the Trustee is intended to be exclusive and all remedies shall be cumulative and each remedy shall be in addition to every other remedy given hereunder or now or hereafter existing under applicable law or equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other applicable law.

SECTION 7.05. No Liability by the Corporation to the Owners. Except as expressly provided herein, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Rental Payments by the City, or with respect to the observance or performance by the City of the other agreements, conditions, covenants and terms contained in the Project Lease or herein required to be observed or performed by it, or with respect to the performance by the Trustee of any obligation contained herein required to be performed by it.

SECTION 7.06. No Liability by the City to the Owners. Except for the payment when due of the Rental Payments and the observance and performance of the other agreements, conditions, covenants and terms contained in the Project Lease or herein required to be observed or performed

by it, the City shall not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery, transfer, exchange or cancellation of the Certificates or the receipt, deposit or disbursement of the Rental Payments by the Trustee, or with respect to the performance by the Trustee of any obligation contained herein required to be performed by it.

SECTION 7.07. No Liability by the Trustee to the Owners. Except as expressly provided herein, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Rental Payments by the City, or with respect to the observance or performance by the City of the other agreements, conditions, covenants and terms contained in the Project Lease or herein required to be observed and performed by it.

#### ARTICLE VIII

##### THE TRUSTEE

SECTION 8.01. Employment and Duties of the Trustee. The Corporation and the City hereby appoint and employ the Trustee to receive, deposit and disburse the Rental Payments as provided herein, to prepare, execute, deliver, transfer, exchange and cancel the Certificates as provided herein, to pay the interest and principal evidenced and represented by the Certificates to the Owners thereof as provided herein and to perform the other obligations contained herein; all in the manner provided herein and subject to the conditions and terms hereof. By executing and delivering the Trust Agreement, the Trustee undertakes to perform such obligations (and only such obligations) as are specifically set forth herein, and no implied covenants or obligations shall be read herein against the Trustee.

SECTION 8.02. Removal and Resignation of the Trustee. The Corporation and the City may at any time remove the Trustee initially a party hereto and any successor thereto by giving written notice of such removal to the Trustee and by giving notice by mail of such removal to all Owners of Certificates, and the Trustee initially a party hereto and any successor thereto may at any time resign by giving written notice of such resignation to the Corporation and the City and by giving notice by mail of such resignation to all Owners of Certificates. Upon giving any such notice of removal or upon receiving any such notice of resignation, the Corporation and the City shall promptly appoint a successor Trustee by an instrument in writing; provided, that in the event the Corporation and the City do not appoint a

successor Trustee within sixty (60) days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Trustee may petition any appropriate court having jurisdiction to appoint a successor Trustee. Any successor Trustee shall be a bank or trust company doing business and having a principal corporate trust office either in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000) and subject to supervision or examination by state or national authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of the appointment by the successor Trustee.

SECTION 8.03. Compensation and Indemnification of the Trustee. The City shall from time to time, subject to any agreement then in effect with the Trustee, pay the Trustee compensation for its services and reimburse the Trustee for all its advances and expenditures hereunder, including, but not limited to, advances to and fees and expenses of accountants, agents, appraisers, consultants, counsel or other experts employed by it in the observance and performance of its rights and obligations hereunder; provided, that the Trustee shall not have any lien for such compensation or reimbursement against any money held by it in any of the funds established hereunder or under the Project Lease, although the Trustee may take whatever legal actions are available to it directly against the City to recover such compensation or reimbursement.

To the extent permitted by law, the City does hereby assume liability for, and agree to defend, indemnify, protect, save and keep harmless, the Trustee and its directors, officers and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed in, asserted against or incurred or suffered by the Trustee or its directors, officers or employees or its



successors and assigns in any way relating to or arising out of (i) the condition, management, maintenance or use of or from any work done in connection with the Facilities or the Equipment by the City, (ii) any act of negligence of the City or of any of its agents, contractors, councilmembers, employees, invitees, licensees or officers in connection with the Facilities or the Equipment, (iii) the authorization of the payment of any costs or expenses of the construction or acquisition of the Facilities or the Equipment, or (iv) the exercise of any rights or obligations of the Trustee hereunder; provided, that no indemnification will be made for willful misconduct or gross negligence hereunder by the Trustee.

SECTION 8.04. Protection of the Trustee. The Trustee shall be protected and indemnified as stated in this Trust Agreement by the City and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions hereof, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the City, with regard to legal questions arising hereunder, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Project Lease, or of the assignment made to it by the Assignment Agreement of all rights to receive the Rental Payments thereunder, or of the title or value of the Facilities or the Equipment, and shall not be deemed to have knowledge of any Event of Default unless and until it shall have actual knowledge thereof or have received written notice thereof at its principal corporate trust office in San Francisco, California. All recitals, warranties or representations contained therein are statements of the City and the Trustee assumes no responsibility for their correctness, and the Trustee shall not be accountable for the use or application by the City, or any other party, of any funds which the Trustee properly releases to the City or which the City may otherwise receive from time to time. The Trustee makes no representation concerning, and has no responsibility for, the validity, genuineness, sufficiency,

or performance by parties other than the Trustee of the Trust Agreement, any Certificate, or of any other paper or document, or for taking any action on them (except as specifically and expressly stated for the Trustee in the Trust Agreement), or with respect to any obligation of the City or the Corporation.

Whenever in the observance or performance of its rights and obligations hereunder or under the Certificates the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the City, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Certificates and may join in any action which any Owner may be entitled to take with like effect as it were not a party hereto. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Corporation or the City, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Corporation or the City as freely as if it were not the Trustee hereunder.

The Trustee shall not be answerable for the exercise of any of its rights hereunder or for the performance of any of its obligations hereunder or for anything whatsoever in connection with the funds established hereunder, except only for its own willful misconduct or gross negligence.

No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial or other liability or risk in the performance of any of its obligations hereunder, or in the exercise of any of its rights hereunder, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it, and before taking any action hereunder the Trustee may require that indemnity satisfactory to it be furnished for all expenses to which it may be put and to protect it from all liability thereunder.



ARTICLE IX

AMENDMENT OF OR SUPPLEMENT TO THE TRUST AGREEMENT

SECTION 9.01. Amendment or Supplement by Consent of Owners. The Trust Agreement and the rights and obligations of the Corporation and the City and Owners and the Trustee hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 9.02, are filed with the Trustee. No such amendment or supplement shall (1) reduce the rate of interest evidenced and represented by any Certificate or extend the time of payment thereof or reduce the amount of principal evidenced and represented by any Certificate or extend the Principal Payment Date thereof without the prior written consent of the Owner of the Certificate so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment hereof or supplement hereto, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Trust Agreement and the rights and obligations of the Corporation and the City and the Owners and the Trustee hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel and only for any one or more of the following purposes --

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the Corporation or the City other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the City, or to surrender any right reserved herein to or conferred herein on the Corporation or the City, and which in either case shall not adversely affect the interests of the Owners; or

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Corporation or the City may deem desirable or necessary and not inconsistent herewith, and which shall not adversely affect the interests of the Owners.

SECTION 9.02. Disqualified Certificates.

Certificates held for the account of the City (but excluding Certificates held in any pension or retirement fund of the City) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided herein, and shall not be entitled to consent to or take any other action provided herein, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for herein shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in this section.

SECTION 9.03. Endorsement or Replacement of Certificates After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the Trustee may determine that the Certificates may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Certificate and presentation of the Certificate for such purpose at the office of the Trustee a suitable notation as to such action shall be made on such Certificate. If the Trustee shall so determine, new Certificates so modified as in the opinion of the Trustee shall be necessary to conform to such action shall be prepared, and in that case upon demand of the Owner of any Outstanding Certificates such new Certificates shall be exchanged without cost to each Owner for Certificates then Outstanding at the office of the Trustee upon surrender of such Outstanding Certificates. All Certificates surrendered to the Trustee pursuant to the provisions of this section shall be cancelled by the Trustee and shall not be redelivered.

SECTION 9.04. Amendment or Supplement by Mutual Consent. The provisions of this article shall not prevent any Owner from accepting any amendment or supplement as to the particular Certificates owned by him; provided, that due notation thereof is made on such Certificates.

ARTICLE X

DEFEASANCE

SECTION 10.01. Discharge of Certificates and Trust Agreement.

(a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Certificates the interest and principal evidenced and represented thereby at the times and in the manner

provided herein and therein, then such Owners shall cease to be entitled to the pledge of and lien on the Rental Payments as provided herein, and all agreements and covenants of the Corporation and the City to such Owners hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Certificates shall on their Principal Payment Dates or their dates of prepayment prior thereto be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if there shall be on deposit with the Trustee money which is sufficient to pay the interest and principal evidenced and represented by such Certificates payable on and prior to their Principal Payment Dates or their dates of prepayment prior thereto.

(c) Any Outstanding Certificates shall prior to their Principal Payment Dates or their dates of prepayment prior thereto be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such Certificates are to be prepaid on any date prior to their Principal Payment Dates, the City shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice by mail to the Owners of such Certificates of the prepayment of such Certificates on such prepayment dates, (2) there shall have been deposited with the Trustee either money in an amount which shall be sufficient or United States Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of interest and principal, and which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the interest evidenced and represented by such Certificates on and prior to their Principal Payment Dates or their dates of prepayment prior thereto, as the case may be, and the principal evidenced and represented by such Certificates, and (3) in the event such Certificates are not by their terms subject to prepayment within the next succeeding sixty (60) days, the City shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice by mail to the Owners of such Certificates that the deposit required by clause (2) above has been made with the Trustee and that such Certificates are deemed to have been paid in accordance with this section and

stating their Principal Payment Dates or their dates of prepayment prior thereto upon which money is to be available for the payment of the interest and principal evidenced and represented by such Certificates.

(d) After the payment of the interest and principal evidenced and represented by all Outstanding Certificates as provided in this section, the Trustee shall execute and deliver to the Corporation and the City all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Trust Agreement, and the Trustee shall pay over or deliver to the City all money or deposits or investments held by it pursuant hereto which are not required for the payment of the interest and principal evidenced and represented by such Certificates.

SECTION 10.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal evidenced and represented by any Certificates which remains unclaimed for six (6) years after the date when the payments evidenced and represented by such Certificates have become payable, if such money was held by the Trustee on such date, or for six (6) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal evidenced and represented by such Certificates have become payable, shall at the Written Request of the City be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the City for the payment of the interest and principal evidenced and represented by such Certificates; provided, that before being required to make any such payment to the City, the Trustee shall, at the expense of the City, give notice by mail to all Owners of Certificates that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the City.

## ARTICLE XI

### MISCELLANEOUS

SECTION 11.01. Benefits of the Trust Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Corporation, the City, the Trustee and the Owners any claim, remedy or right under or pursuant hereto, and any agreement,

condition, covenant or term contained herein required to be observed or performed by or on behalf of the Corporation or the City shall be for the sole and exclusive benefit of the Trustee and the Owners.

SECTION 11.02. Successor Deemed Included in All References to Predecessor. Whenever either the Corporation or the City or the Trustee or any officer thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Corporation, the City or the Trustee or such officer, and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Corporation, the City or the Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 11.03. Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

Any declaration, request or other instrument in writing of the Owner of any Certificate shall bind all future Owners of such Certificate with respect to anything done or suffered to be done by the Corporation or the City or the Trustee in good faith and in accordance therewith.

SECTION 11.04. Waiver of Personal Liability. No councilmember, officer or employee of the City shall be individually or personally liable for the payment of the interest or principal evidenced and represented by the Certificates, but nothing contained herein shall relieve any council-member, officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or by the Project Lease or by the Assignment Agreement or hereby.

SECTION 11.05. Acquisition of Certificates by City. All Certificates acquired by the City, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

SECTION 11.06. Content of Certificates. Every Certificate of the City with respect to compliance with any agreement, condition, covenant or term contained herein shall include (a) a statement that the person or persons executing such certificate have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any Certificate of the City may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person or persons executing such certificate know that the Opinion of Counsel with respect to the matters upon which his or their certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters and information with respect to which is in the possession of the City, upon a representation by an officer or officers of the City unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

SECTION 11.07. Notice by Mail. Any notice required to be given hereunder by mail to any Owners of Certificates shall be given by mailing a copy of such notice, first class postage prepaid, to the Owners of such Certificates at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07 not less than thirty (30) days nor more than sixty (60) days following the action or prior to the event concerning which notice thereof is required to be given; provided, that receipt of any such notice shall not be a condition precedent to the effect of such notice and failure to receive any such notice shall not affect the validity of



the proceedings taken in connection with the action or the event concerning which such notice was given.

SECTION 11.08. Funds. Any fund required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Certificates and the rights of the Owners.

SECTION 11.09. Investments. Any money held by the Trustee in the Rental Payment Fund or in the Acquisition and Construction Fund shall be held in demand or time deposits (including certificates of deposit) of any bank (including the Trustee) authorized to accept deposits of public funds, and shall be secured at all times by such obligations as are required by law and to the fullest extent required by law, except that such money may be invested (and, upon the Written Request of the City, shall be invested) by the Trustee in Permitted Investments which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder. The Trustee may act as principal or agent in the acquisition or disposition of any such deposit or investment and may, for the purpose of any such deposit or investment, commingle any of the money held by it hereunder. The Trustee shall not be liable or responsible for any loss suffered in connection with any such deposit or investment made by it under the terms of and in accordance with this section. The Trustee may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee shall not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any interest or profits on such deposits and investments received by the Trustee shall be paid to the City semiannually on January 2 and July 2 of each year.

SECTION 11.10. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference

and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to the Trust Agreement as a whole and not to any particular article, section, subdivision or clause thereof.

SECTION 11.11. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms contained herein required to be observed or performed by or on the part of the Corporation, the City or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Certificates, and the Owners shall retain all the benefit, protection and security afforded to them hereunder and under all provisions of applicable law. The Corporation, the City and the Trustee hereby declare that they would have executed and entered into the Trust Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Certificates pursuant hereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 11.12. California Law. The Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 11.13. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Trustee:

Security Pacific National Bank  
Corporate Trust Division  
One Embarcadero Center, Fifth Floor  
San Francisco, California 94111



If to the Corporation:

Sacramento City Public Facilities Financing  
Corporation  
c/o City Clerk  
City of Sacramento  
City Hall  
916 "I" Street  
Sacramento, California 95814

If to the City:

City Treasurer  
City of Sacramento  
800-10th Street  
Sacramento, California 95814

SECTION 11.14. Effective Date. The Trust Agreement shall become effective upon its execution and delivery.

SECTION 11.15. Execution in Counterparts. The Trust Agreement may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

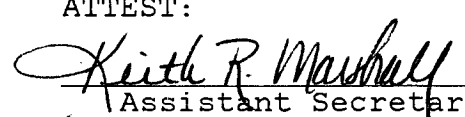
IN WITNESS WHEREOF, the parties hereto have  
executed and entered into the Trust Agreement by their  
officers thereunto duly authorized as of the day and year  
first above written.

SECURITY PACIFIC NATIONAL BANK,  
as Trustee

By   
Vice President

(SEAL)

ATTEST:

  
Assistant Secretary

SACRAMENTO CITY PUBLIC  
FACILITIES FINANCING CORPORATION

By \_\_\_\_\_  
President

(SEAL)

ATTEST:

\_\_\_\_\_  
Secretary

CITY OF SACRAMENTO

By \_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

06 07 18 0103

IN WITNESS WHEREOF, the parties hereto have  
executed and entered into the Trust Agreement by their  
officers thereunto duly authorized as of the day and year  
first above written.

SECURITY PACIFIC NATIONAL BANK,  
as Trustee

By \_\_\_\_\_  
Vice President

(SEAL)

ATTEST:

\_\_\_\_\_  
Assistant Secretary

SACRAMENTO CITY PUBLIC  
FACILITIES FINANCING CORPORATION

By *R. Burnett Miller*  
President

(SEAL)

ATTEST:

*Guinevere Rogers*  
Secretary

CITY OF SACRAMENTO

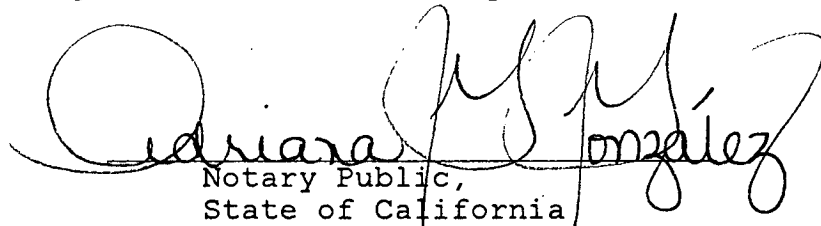
By *Quinn Riden*  
Mayor

Attest:

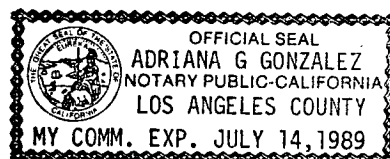
*Guinevere Rogers*  
City Clerk

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF LOS ANGELES )

On this 11 day of July, in the year 1986, before  
me, ADRIANA G. GONZALEZ, a Notary Public, State of  
California, personally appeared DENNIS WONG and  
KEITH R. MARSHALL, personally known to me (or proved to me  
on the basis of satisfactory evidence) to be the persons who  
executed the within instrument on behalf of the corporation  
therein named, and acknowledged to me that the corporation  
executed it.

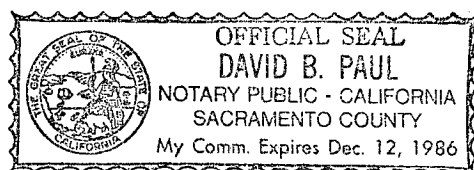
  
Notary Public,  
State of California

[Notarial Seal]



STATE OF CALIFORNIA )  
COUNTY OF SACRAMENTO ) ss.

On this 16 day of July, in the year 1986, before me, David B. Paul, a Notary Public, State of California, personally appeared R. Burnett Miller and Lorraine Magana, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that the corporation executed it.

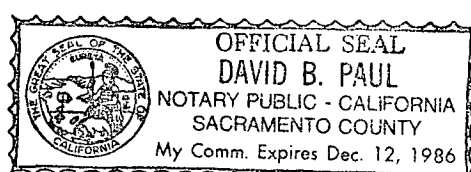


David B. Paul  
Notary Public,  
State of California

[Notarial Seal]

STATE OF CALIFORNIA )  
COUNTY OF SACRAMENTO ) ss.

On this 16 day of July, in the year 1986, before me,  
David B. Paul, a Notary Public, State of California,  
personally appeared Anne Rudin, personally known to  
me (or proved to me on the basis of satisfactory evidence) to  
be the person who executed the within instrument as Mayor of  
the City of Sacramento, and Lorraine Magana, personally  
known to me (or proved to me on the basis of satisfactory  
evidence) to be the person who executed the within instrument  
as City Clerk of the City of Sacramento, and acknowledged to me  
that the City of Sacramento executed it.



[Notarial Seal]

David B. Paul  
Notary Public,  
State of California

[Draft of 24 June 1986]

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AGENCY AGREEMENT

by and between the

SACRAMENTO CITY PUBLIC FACILITIES FINANCING CORPORATION

and the

CITY OF SACRAMENTO

RELATING TO THE  
CITY OF SACRAMENTO  
1986 PUBLIC FACILITIES PROJECT

Executed and Entered Into as of July 1, 1986

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#### AGENCY AGREEMENT

This Agency Agreement (the "Agency Agreement"), executed and entered into as of July 1, 1986, by and between the Sacramento City Public Facilities Financing Corporation, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), and the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City");

#### W I T N E S S E T H :

WHEREAS, the Corporation and the City have executed and entered into a lease (the "Project Lease") as of July 1, 1986, whereby the Corporation has agreed to finance the construction of a branch library facility and a fire station facility for the City, including site development, landscaping, utilities and appurtenant and related facilities (the "Facilities") on certain real property leased to it by the City and to acquire certain equipment for the City (the "Equipment") and lease the Facilities and the Equipment to the City, as provided therein; and

WHEREAS, under and pursuant to the Project Lease, the City is obligated to make rental payments to the Corporation for the lease of the Facilities and the Equipment; and

WHEREAS, the Corporation, under and pursuant to an assignment agreement (the "Assignment Agreement") executed and entered into as of July 1, 1986, by and between the Corporation and Security Pacific National Bank, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the "Trustee"), has assigned without recourse all its rights to receive the base rental payments scheduled to be paid by the City under and pursuant to the Project Lease to the Trustee for the benefit of the owners of certificates of participation (the "Certificates") to be executed and delivered under a trust agreement (the "Trust Agreement") to be executed and entered into as of July 1, 1986, by and among the Trustee, the Corporation and the City; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of the Agency Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now

duly authorized to execute and enter into the Agency Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

SECTION 1. City to Act as Agent for the Corporation.

The Corporation hereby irrevocably appoints the City as its agent in connection with the construction of the Facilities and the acquisition of the Equipment as provided under the Project Lease in accordance with such plans and specifications, bid documents and other purchase agreements as shall be approved and entered into by the City. The City, as the agent of the Corporation for the foregoing purpose, shall cause the construction of the Facilities and the acquisition of the Equipment to be completed as soon as is reasonably practicable and in accordance with the Project Lease and the Trust Agreement and any applicable requirements of governmental authorities and law.

The City acknowledges and agrees that the City as agent hereunder accepts all responsibility for preparing and filing with the Trustee Written Requests of the City pursuant to Section 3.03 of the Trust Agreement, and the Corporation makes no express or implied warranty or representation of any kind whatsoever (and disclaims any and all liability) with respect to the preparation, filing, completeness or accuracy of such written requests, and the benefits of any and all implied warranties and representations of the Corporation with respect to such written requests are hereby waived by the City.

SECTION 2. Acceptance.

The City, for one dollar (\$1.00) and other good and valuable consideration in hand received, does hereby accept the foregoing appointment as agent of the Corporation for the purposes set forth in Section 1 hereof.

SECTION 3. Disclaimers of the Corporation.

The City acknowledges and agrees that the design of the Facilities or the Equipment has not been made by the Corporation, that the Corporation has not supplied any plans or specifications with respect thereto and that the Corporation (a) is not a manufacturer of, nor a dealer in, any of the component parts of the Facilities or the Equipment

or similar projects, (b) has not made any recommendation, given any advice nor taken any other action with respect to (1) the choice of any supplier, vendor or designer of, or any other contractor with respect to, the construction of the Facilities or the Equipment or any component part thereof or any property or rights relating thereto, or (2) any action taken or to be taken with respect to the construction of the Facilities or the acquisition of the Equipment or any component part thereof or any property or rights relating thereto at any stage of the construction or acquisition thereof, (c) has not at any time had physical possession of any component part or made any inspection thereof or any property or rights relating thereto, and (d) has not made any warranty or other representation, express or implied, that the Facilities or the Equipment or any component part thereof or any property or rights relating thereto (1) will not result in or cause injury or damage to persons or property, (2) has been or will be properly designed or constructed or will accomplish the results which the City intends therefor, or (3) is safe in any manner or respect.

The Corporation makes no express or implied warranty or representation of any kind whatsoever with respect to the Facilities or the Equipment or any component part thereof in connection with the lease of the Facilities or the Equipment to the City or any other circumstance whatsoever with respect thereto, including but not limited to any warranty or representation with respect to: the merchantability or the fitness or suitability thereof for any purpose; the design or condition thereof; the safety, workmanship, quality or capacity thereof; compliance thereof with the requirements of any law, rule, specification or contract pertaining thereto; any latent defect; the title to or interest of the Corporation thereof beyond that title or interest which the Corporation obtains for the City pursuant hereto; the ability thereof to perform any function; and that the proceeds derived from the sale of the Certificates will be sufficient (together with other available funds of the City) to pay the cost of constructing the Facilities and acquiring the Equipment; it being agreed that all risks relating to the Facilities or the Equipment or the transactions contemplated hereby or by the Project Lease, the Assignment Agreement or the Trust Agreement are to be borne by the City, and the benefits of any and all implied warranties and representations of the Corporation are hereby waived by the City.

SECTION 4. Indemnification of the Corporation. To the extent permitted by law, the City does hereby assume liability for, and agree to defend, indemnify, protect, save and keep harmless the Corporation and its directors, officers

and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed on, asserted against or incurred or suffered by the Corporation or its directors, officers or employees or its successors and assigns by the City or any third party, which in any way relate to or arise from the City's activities as agent pursuant to the Agency Agreement and any act, transaction, occurrence, certification, representation, error or omission of the City alleged in connection therewith.

IN WITNESS WHEREOF, the parties hereto have  
executed and attested the Agency Agreement by their officers  
thereunto duly authorized as of the day and year first  
written above.

SACRAMENTO CITY PUBLIC FACILITIES  
FINANCING CORPORATION

By \_\_\_\_\_  
President.

(SEAL)

ATTEST:

\_\_\_\_\_  
Secretary

CITY OF SACRAMENTO

By \_\_\_\_\_  
Mayor

(SEAL)

ATTEST:

\_\_\_\_\_  
City Clerk

[Draft of 24 June 1986]

LAW OFFICES  
ORRICK, HERRINGTON & SUTCLIFFE  
600 MONTGOMERY STREET  
SAN FRANCISCO, CALIFORNIA 94111  
TELEPHONE (415) 392-1122  
TELECOPIER (415) 954-3759 TELEX 70-3520

NEW YORK, NEW YORK 10036  
1211 AVENUE OF THE AMERICAS  
TELEPHONE (212) 704-9660

SAN JOSE, CALIFORNIA 95113  
55 ALMADEN BOULEVARD  
TELEPHONE (408) 298-8800

SACRAMENTO, CALIFORNIA 95814  
555 CAPITOL MALL  
TELEPHONE (916) 447-8200

LOS ANGELES, CALIFORNIA 90017  
444 SOUTH FLOWER STREET  
TELEPHONE (213) 624-2470

WRITER'S DIRECT DIAL NUMBER

July \_\_, 1986

City Council  
City of Sacramento  
Sacramento, California

Certificates of Participation in Rental Payments to  
be made under and pursuant to the Project Lease  
for the City of Sacramento 1986 Public Facilities Project  
(Final Opinion)

Dear Councilmembers:

We hereby certify that we have examined a certified copy of the record of the proceedings relative to the execution and delivery of \$0,000,000 principal amount of Certificates of Participation in Rental Payments to be made under and pursuant to the Project Lease for the City of Sacramento 1986 Public Facilities Project (the "Certificates"), each evidencing and representing a proportionate interest of the registered owner thereof in the rights to receive certain Rental Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Project Lease (the "Lease") for the City of Sacramento 1986 Public Facilities Project executed and entered into as of July 1, 1986, by and between the Sacramento City Public Facilities Financing Corporation, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), and the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), all of which rights to receive such Rental Payments having been assigned without recourse by the Corporation to

ORRICK, HERRINGTON & SUTCLIFFE

City Council  
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Security Pacific National Bank, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its principal corporate trust office in Los Angeles, California, as trustee (the "Trustee"), or any other bank or trust company at its principal corporate trust office which may at any time be substituted in its place as provided in the Trust Agreement hereinafter mentioned, pursuant to an Assignment Agreement (the "Assignment Agreement") executed and entered into as of July 1, 1986, by and between the Corporation and the Trustee, which Certificates have been executed by the Trustee pursuant to the terms of a Trust Agreement (the "Trust Agreement") executed and entered into as of July 1, 1986, by and among the Trustee, the Corporation and the City.

The Lease has been executed and entered into by the City pursuant to the laws of the State of California for the purpose of leasing the City of Sacramento 1986 Public Facilities Project to the City, which will be acquired and constructed by the Corporation as provided in the Lease.

The Certificates are authorized to be executed and delivered in the form of fully registered certificates in the denomination of five thousand dollars (\$5,000) each or any integral multiple thereof, except that no Certificate shall evidence and represent principal becoming due and payable in more than one year. The Certificates are dated July 1, 1986, and bear interest from the interest payment date next preceding the date of execution thereof by the Trustee, unless such date of execution is an interest payment date, in which case they shall bear interest from such interest payment date, or unless such date of execution is prior to January 1, 1987, in which case they shall bear interest from July 1, 1986. The interest evidenced and represented by the Certificates is payable on January 1 and July 1 in each year. The principal evidenced and represented by the Certificates is payable on July 1 in the years and in the amounts, with an interest component with respect thereto at the rates, as set forth in the following schedule:

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<u>Principal Payment Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1988	\$ _____	_____ %
1989	_____	_____
1990	_____	_____
1991	_____	_____
1992	_____	_____
1993	_____	_____
1994	_____	_____
1995	_____	_____
1996	_____	_____
1997	_____	_____
1998	_____	_____
1999	_____	_____
2000	_____	_____
2001	_____	_____
2002	_____	_____
2003	_____	_____
2004	_____	_____
2005	_____	_____
2006	_____	_____

The interest evidenced and represented by the Certificates is payable by check mailed by the Trustee to the registered owners thereof at their addresses shown on the registration books required to be kept by the Trustee pursuant to the Trust Agreement. The principal evidenced and represented by the Certificates is payable on their payment dates or on prepayment prior thereto upon surrender thereof at the principal corporate trust office of the Trustee. All such amounts are payable in lawful money of the United States of America.

The Certificates are subject to prepayment prior to their respective stated payment dates at the times and subject to the conditions and terms set forth in the Certificates and in the Lease and in the Trust Agreement.

The Lease and the rights and obligations of the City and of the Corporation thereunder may be amended or modified in the manner and subject to the conditions and terms set forth therein. The Trust Agreement and the rights and



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obligations of the City, of the Corporation, of the Trustee and of the registered owners of the Certificates may be amended or supplemented in the manner and subject to the conditions and terms set forth therein.

In our opinion such proceedings show lawful authority for the execution and delivery by the City of the Lease and the Trust Agreement under the laws of the State of California now in force, and the Lease and the Trust Agreement have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Corporation and the Trustee, as appropriate, are valid and binding obligations of the City, enforceable against the City in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally, and the obligation of the City to make the Rental Payments under the Lease is valid and binding in accordance with the terms of the Lease, subject to the limitations on legal remedies against cities in the State of California, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

We are further of the opinion that, under existing statutes, regulations and court decisions, the portion of each Rental Payment designated as and evidencing and representing interest paid by the City under the Lease and received by the registered owners of the Certificates is exempt from all present federal income taxes and State of California personal income taxes.

We remain, dear councilmembers,

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE

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