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MASTER PROJECT LEASE

by and between the

SACRAMENTO CITY FINANCING AUTHORITY

and the

CITY OF SACRAMENTO

RELATING TO THE  
CITY OF SACRAMENTO  
1999 IMPROVEMENTS

Executed and Entered Into as of December 1, 1999

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## MASTER PROJECT LEASE

This Master Project Lease (the "Project Lease"), executed and entered into as of December 1, 1999, by and between the Sacramento City Financing Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), 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");

WITNESSETH:

WHEREAS, the City and the Authority have determined that it is in the best interests of the City and the residents of the City and the Redevelopment Agency of the City of Sacramento (the "Agency") for the Authority to assist the City and the Agency by financing and refinancing the acquisition and construction of improvements for the City and by financing the acquisition of loan obligations of the Agency so that the Agency can undertake redevelopment activities for the benefit of the City; and

WHEREAS, in order to finance the acquisition of those certain loan obligations of the Agency comprising Advance Repayment Agreements for the redevelopment projects of the Agency located in the City constituting the Del Paso Heights Redevelopment Project (Project No. 5), the Oak Park Redevelopment Project (Project No. 7), the Richards Boulevard Redevelopment Project and the North Sacramento Redevelopment Project (the "1999 Improvements") so that the Agency can undertake redevelopment activities for the benefit of the City, (A) the City and the Authority have agreed to execute and enter into a Master Site Lease (the "Site Lease") as of December 1, 1999, whereby the City will lease those certain parcels of real property described therein (the "1999 Site") to the Authority, and (B) the Authority and the City have agreed to execute and enter into the Project Lease whereby the Authority will lease the 1999 Site, together with the improvements located thereon (collectively with the 1999 Site, the "1999 Project") to the City as provided herein, and the City will lease the 1999 Project from the Authority; and

WHEREAS, the City and the Authority contemplate that from time to time the Authority may finance or refinance the acquisition and construction of additional improvements for the City and may finance the acquisition of additional loan obligations of the Agency so that the Agency can undertake additional redevelopment activities for the benefit of the City (the "Additional Improvements") by (A) the City leasing additional parcels of real property (the "Additional Sites," and together with the 1999 Site, the "Site") to the Authority as provided in the Site Lease, and (B) the Authority leasing such additional parcels of real property, together with the improvements thereon (the "Additional Projects," and together with the 1999 Project, the "Project") to the City as provided herein, and the City leasing the Additional Projects from the Authority; and

WHEREAS, pursuant to the Project Lease, the City is obligated hereunder to make scheduled base rental payments (the "1999 Base Rental Payments") and additional rental

payments (the "1999 Additional Rental Payments") to the Authority for the lease of the 1999 Project by the Authority to the City; and

WHEREAS, pursuant to the Project Lease, the City may become obligated hereunder to make additional base rental payments (which, together with the 1999 Base Rental Payments, constitute the "Base Rental Payments") and additional additional rental payments (which, together with the 1999 Additional Rental Payments, constitute the "Additional Rental Payments") to the Authority for the lease of the Project to the City; and

WHEREAS, the Authority and the City hereby certify that 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:

## ARTICLE I

### DEFINITIONS

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 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:

#### Additional Bonds

"Additional Bonds" means any additional revenue bonds issued by the Authority, the proceeds of which are to be used as the source of funds for financing and refinancing the acquisition and construction of Additional Improvements.

#### Additional Improvements

"Additional Improvements" means any additional improvements for the City or any additional loan obligations of the Agency so that the Agency can undertake redevelopment activities for the benefit of the City that will be financed pursuant to an amendment hereof.

#### Additional Project

"Additional Project" means any Additional Site, together with the improvements located thereon, that will be leased by the Authority to the City pursuant to an amendment hereof.

### Additional Rental Payments

“Additional Rental Payments” means the Additional Rental Payments (including the 1999 Additional Rental Payments) due hereunder and under any amendment hereof.

### 1999 Additional Rental Payments

“1999 Additional Rental Payments” means the payments payable by the City as Additional Rental Payments pursuant to Section 6.01(b) hereof.

### Additional Site

“Additional Site” means any additional real property that will be leased by the City to the Authority pursuant to an amendment of the Site Lease.

### Agency

“Agency” means the Redevelopment Agency of the City of Sacramento, a redevelopment agency duly organized and existing under and by virtue of the laws of the State of California.

### Applicable Environmental Laws

“Applicable Environmental Laws” means and shall include, but shall not be limited to, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 USC Section 9601 et seq., the Resource Conservation and Recovery Act (“RCRA”), 42 USC Section 6901 et seq., the Federal Water Pollution Control Act (“WPCA”), 33 USC Section 1251 et seq., the Clean Air Act (“CAA”), 42 USC Section 7401 et seq., the California Hazardous Waste Control Law (“HWCL”), California Health and Safety Code Section 25100 et seq., the Hazardous Substance Account Act (“HSAA”), California Health and Safety Code Section 25300 et seq., the Porter-Cologne Water Quality Control Act (the “Porter-Cologne Act”), California Water Code Section 1300 et seq., the Air Resources Act (“ARA”), California Health and Safety Code Section 3900 et seq., and the Safe Drinking Water & Toxic Enforcement Act (“SDW & TEA”), California Health and Safety Code Section 25249.5 et seq., together with the regulations thereunder, and any other local, state and/or federal laws or regulations, whether currently in existence or hereafter enacted, that govern:

- (i) the existence, cleanup and/or remedy of contamination on property;
- (ii) the protection of the environment from spilled, deposited or otherwise emplaced contamination;
- (iii) the control of hazardous wastes; or
- (iv) the use, generation, transport, treatment, removal or recovery of Hazardous Substances, including building materials.

Authority

“Authority” means the Sacramento City Financing Authority, a joint exercise of powers authority duly organized and existing under and pursuant to the laws of the State of California.

Base Rental Payment Date

“Base Rental Payment Date” means any date on which Base Rental Payments are scheduled to be paid hereunder and under any amendment hereof, being June 1 and December 1 of each year, commencing on June 1, 2000.

Base Rental Payments

“Base Rental Payments” means the Base Rental Payments (including the 1999 Base Rental Payments) due hereunder and under any amendment hereof.

1999 Base Rental Payments

“1999 Base Rental Payments” means the scheduled payments payable by the City as 1999 Base Rental Payments pursuant to Section 6.01(a) hereof.

Bonds

“Bonds” means the 1999 Bonds and all Additional Bonds.

1999 Bonds

“1999 Bonds” means the Sacramento City Financing Authority 1999 Capital Improvement Revenue Bonds (Solid Waste and Redevelopment Projects) issued by the Authority under and pursuant to the Indenture, a portion of the proceeds of which are to be used by the Authority as the source of funds for the payment of the purchase price of the Site Lease and used by the City as the source of funds for financing the acquisition of the 1999 Improvements.

Bond Insurer

“Bond Insurer” means the 1999 Bond Insurer and any municipal bond insurance company providing insurance for any Additional Bonds.

1999 Bond Insurer

“1999 Bond Insurer” means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, as issuer of the municipal bond insurance policy on the 1999 Bonds.

Business Day

“Business Day” means any day (other than a Saturday, a Sunday or a legal holiday) on which banks in New York, New York, and in Los Angeles and San Francisco,

California, are open for business and on which the Trustee is open for business at its Principal Corporate Trust Office.

#### Certificate

"Certificate," when used with respect to the City, means an instrument in writing signed on behalf of the City by the City Manager of the City or the City Treasurer of the City, or by any other officer of the City duly authorized by the City Council of the City for the purpose of signing documents on its behalf hereunder, and by the City Clerk of the City, with the seal of the City affixed thereto; and when used with respect to the Authority, means an instrument in writing signed on behalf of the Authority by the Chairman of the Authority or the Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Board of Directors of the Authority for the purpose of signing documents on its behalf hereunder, and by the Secretary of the Authority, with the seal of the Authority affixed 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.

#### Code

"Code" means the Internal Revenue Code of 1986 and all regulations of the United States Department of the Treasury issued thereunder from time to time to the extent that such regulations are, at the time, applicable and in effect, and reference to any particular section of the Code shall include reference to all successor sections of the Code.

#### Essential Assets

"Essential Assets" means assets necessary to provide municipal services related to the health, safety and welfare of the citizens of the City, including, but not limited to, the following types of assets of the City: animal control, communication, infrastructure, transportation, police, solid waste, city cemetery, fire protection, parking, tree maintenance, support and administrative facilities and utilities, but does not include assets used for leisure or cultural activities, including, but not limited to, the following types of assets of the City: community centers, library, zoo, golf, open space, parks, museums and learning centers.

#### Event of Default

"Event of Default" means an event described as such in Section 12.01 hereof.

#### Fiscal Year

"Fiscal Year" means the twelve-month period terminating on June 30 of each year, or any other annual accordance period hereafter selected and designated by the City as its Fiscal Year in accordance with applicable law.

### Hazardous Substance

"Hazardous Substance" means any substance which shall, at any time, be listed as "hazardous" or "toxic" under CERCLA, RCRA, CAA, WPCA, HWCL, HSAA, the Porter-Cologne Act, ARA or SDW & TEA or in the regulations thereunder, or which has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance regulated under Applicable Environmental Laws; and also means, without limitation, raw materials, building components, the products of any manufacturing or other activities on the property, wastes, petroleum, and source, special nuclear or by-product material as defined by the Atomic Energy Act of 1954, as amended (42 USC Section 3011 et seq.).

### Holder

"Holder" means any person who shall be the registered owner of any outstanding 1999 Bond, as shown on the registration books maintained by the Trustee pursuant to Section 2.08 of the Indenture

### 1999 Improvements Fund

"1999 Improvements Fund" means the City of Sacramento 1999 Improvements Fund established pursuant to Section 4.01 hereof and maintained by the Treasurer of the City.

### Improvements

"Improvements" means the 1999 Improvements and all Additional Improvements.

### 1999 Improvements

"1999 Improvements" means those certain loan obligations of the Agency comprising Advance Repayment Agreements for the projects of the Agency constituting the Del Paso Heights Redevelopment Project (Project No. 5), the Oak Park Redevelopment Project (Project No. 7), the Richards Boulevard Redevelopment Project and the North Sacramento Redevelopment Project that will be acquired by the City pursuant hereto.

### Indenture

"Indenture" means that certain Indenture dated as of December 1, 1999, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented as provided therein, pursuant to which the Authority will execute and deliver the 1999 Bonds.

### Interest Payment Date

"Interest Payment Date" means June 1 and December 1 of each year, commencing on June 1, 2000.

## Lien

"Lien" means any mortgage, pledge, security interest, lien, judgment lien, easement or other encumbrance on title, including, but not limited to, any mortgage or pledge of, any security interest in or any lien or encumbrance on the Project.

## Opinion of Counsel

"Opinion of Counsel" means a written opinion of a law firm of recognized national standing relating to municipal bonds, retained by the City.

## Permitted Encumbrances

"Permitted Encumbrances" means, as of any particular time: (i) the Site Lease; (ii) the Project Lease; (iii) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to Section 8.02 hereof, make payment in installments over a period of years; (iv) any right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law for work or services performed or materials furnished in connection with the Project which are not due and payable or which are not delinquent or the amount or validity of which is being contested in good faith and the collection of which is stayed; and (v) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which take effect after the date of the original execution and delivery of the 1999 Bonds and which an independent architect or engineer (or other professional) certifies in writing will not materially impair the use of the Project for the purpose intended by the City and to which the Authority and the City consent in writing, and as to which each Bond Insurer and the Rating Agencies shall have been given written notice.

## Principal Corporate Trust Office

"Principal Corporate Trust Office" means the principal corporate trust office of the Trustee in San Francisco, California, at which at any particular time its corporate trust business is being administered, except that with respect to the presentation of 1999 Bonds for registration, transfer, exchange, payment or redemption, such term shall mean such other office or agency of the Trustee designated in writing from time to time by the Trustee to the Authority as its Principal Corporate Trust Office.

## Principal Payment Date

"Principal Payment Date" means December 1 of each year, commencing on December 1, 2000, and ending with the last principal payment date of the Bonds.

## Project

"Project" means the 1999 Project and all Additional Projects.

1999 Project

"1999 Project" means the 1999 Site, together with the improvements located thereon, that have been leased by the Authority to the City pursuant hereto.

Project Lease

"Project Lease" means this Master Project Lease executed and entered into as of December 1, 1999, by and between the Authority and the City, as originally executed and entered into and as it may from time to time be amended or supplemented as provided herein.

Rating Agencies

"Rating Agencies" means Moody's Investors Service and Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and any other nationally recognized rating agency selected by the City, to the extent that any of them (at the request of the City) is then rating any of the Bonds.

Rental Payments

"Rental Payments" means the Base Rental Payments and the Additional Rental Payments.

Reserve Fund

"Reserve Fund" means the City of Sacramento 1999 Improvements Reserve Fund established pursuant of Section 6.08 hereof and maintained by the Treasurer of the City. .

Reserve Requirement

"Reserve Requirement" means \$1,113,780.02.

Site

"Site" means the 1999 Site and all Additional Sites.

1999 Site

"1999 Site" means those certain parcels of real property that have been initially leased to the Authority by the City pursuant to the Site Lease, as more particularly described in Exhibit A attached hereto and incorporated herein and made a part hereof.

Site Lease

"Site Lease" means that certain Master Site Lease executed and entered into as of December 1, 1999, by and between the City and the Authority, as originally executed and entered into and as it may from time to time be amended or supplemented as provided therein.

## Supplemental Indenture

"Supplemental Indenture" means any indenture under which Additional Bonds are issued.

## Trustee

"Trustee" means BNY Western Trust Company, a banking corporation duly organized and existing under and by virtue of the laws of the State of California and authorized to accept and execute trusts of the character herein set forth, at its Principal Corporate Trust Office, and its successors or assigns, or any other bank or trust company having a corporate trust office in Los Angeles or San Francisco, California, which may at any time be substituted in its place as provided in Section 5.01 of the Indenture.

## ARTICLE II

### THE PROJECT

SECTION 2.01. Lease of the Project. The Authority hereby leases the Project to the City, and the City hereby hires and rents the Project from the Authority, on the conditions and terms hereinafter set forth. The City hereby agrees and covenants that during the term hereof, except as hereinafter provided, it will use the Project for public purposes, subject to and consistent with all agreements with respect thereto theretofore entered into by it, so as to afford the public the benefits contemplated hereby and so as to permit the Authority to carry out its agreements and covenants contained herein and therein and in the Indenture and in any Supplemental Indenture, and the City hereby further agrees and covenants that during the term hereof that it will not abandon or vacate the Project.

SECTION 2.02. Quiet Enjoyment. So long as the City 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, the City shall at all times during the term hereof peaceably and quietly have, hold and enjoy the Project without suit, trouble or hindrance from the Authority.

SECTION 2.03. Right of Entry and Inspection. The Authority shall have the right to enter the Project and inspect the Project during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations hereunder and for all other lawful purposes.

SECTION 2.04. Prohibition Against Encumbrance or Sale. The Authority and the City will not sell or otherwise dispose of the Project or any property essential to the proper operation of the Project, except as otherwise provided herein, and will not create or suffer to be created any Lien upon the Project, or upon any real or personal property essential to the operation of the Project, except Permitted Encumbrances.

SECTION 2.05. Liens. In the event the City shall at any time during the term hereof cause any improvements to be constructed to the Project or cause any materials to be

supplied in or upon or attached to the Project, the City shall pay or cause to be paid when due all sums of money that may become due for any labor, services, materials, supplies or equipment furnished to or for the City in, upon, about or relating to the Project and shall keep the Project free of any and all mechanics' and materialmen's liens against the Project, and in the event any such lien attaches to or is filed against the Project, 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; provided, 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 and discharge such judgment. The City shall, to the maximum extent permitted by law, indemnify and hold the Authority and its officers and the Trustee 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 Project.

SECTION 2.06. Addition or Deletion of Portions of the Project.

(a) The City and the Authority may amend the Project Lease to (1) add any Additional Project to the Project, and/or (2) delete any real property and/or improvements thereon from the Project, upon compliance with all of the conditions set forth in this section; and after any such addition, the portion of the Project for which the addition has been effected shall be added to the leasehold created hereunder; and after any such deletion, the portion of the Project for which the deletion has been effected shall be released from the leasehold created hereunder; provided, that no addition or deletion shall take place hereunder until the City first delivers to each Bond Insurer, the Rating Agencies and the Trustee all of the following documents:

(1) A Certificate of the City containing a description of the real property and/or improvements constituting the Additional Project to be added to the Project, or a description of the real property and/or improvements to be deleted from the Project;

(2) Executed copies of the amendment to the Site Lease containing the amended description of the Site and the amendment to the Project Lease containing the amended description of the Project, together with a Certificate of the City stating that such amendments have been duly recorded in the official records of the Sacramento County Recorder;

(3) A Certificate of the City evidencing (A) that the annual fair rental value of the Project after such amendment will be at least equal to one hundred twenty-five per cent (125%) of the maximum amount of Base Rental Payments becoming due in the then current or in any subsequent year ending on December 1 in which Base Rental Payments become due hereunder; provided, that the annual fair rental value of any portion of the Project which has heretofore been made subject to the lien hereof shall not be increased in excess of the value that was established at the time such portion of the Project first became subject to the lien hereof, (B) that the Project is composed of at least fifty per cent (50%) Essential Assets after such amendment, (C) that such amendment

does not adversely affect the City's use and occupancy of the Project for the purposes intended, and (D) that the useful life of the Project after any such amendment equals or exceeds the remaining term of the Bonds;

(4) A California Land Title Association leasehold owner's policy or policies or an amendment or endorsement to an existing policy or policies resulting in title insurance with respect to the Project after such amendment in an amount at least equal to the principal amount of the Bonds then outstanding (including any Additional Bonds to be issued in connection with such amendment), each of which such insurance instruments, when issued, shall name the Trustee as the insured, and shall insure the leasehold estate of the Authority under the Site Lease as amended and the City under the Project Lease as amended in the Project subject only to such exceptions as do not substantially interfere with the City's right to use and occupy the Project and as will not result in an abatement of Base Rental Payments payable by the City hereunder;

(5) An opinion of the City Attorney of the City to the effect that the exceptions, if any contained in the title insurance policy referred to in (4) above do not interfere with the beneficial use and occupancy of the Project described in such policy by the City for the purposes of leasing or using the Project; and

(6) An Opinion of Counsel or an opinion of the City Attorney of the City, as applicable, stating that such amendments to the Site Lease and the Project Lease (i) are authorized or permitted by the Constitution and laws of the State of California and the Site Lease, the Project Lease, the Indenture and any Supplemental Indenture; (ii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the City in accordance with their respective terms; and (iii) will not cause the interest on any Bonds to be included in gross income for federal income tax purposes or not to be excluded from State of California personal income taxes.

(b) If any Additional Bonds are to be issued with respect to any related Additional Improvements, the amendment to the Project Lease shall also contain the following:

(1) An exhibit which sets forth the schedule of the additional Base Rental Payments relating to such Additional Bonds;

(2) The payment dates for such additional Base Rental Payments, which shall be the Interest Payment Dates;

(3) The prepayment premiums, if any, and the prepayment provisions of such additional Base Rental Payments;

(4) The establishment of a reserve account by the City, which account the Treasurer of the City shall maintain in trust for the benefit of the Authority for the registered owners of such Additional Bonds, with provisions governing such account similar to those provisions governing the Reserve Fund in Section 6.08 hereof, and the amount to be deposited from the proceeds of the Additional Bonds into such reserve account, which amount shall be sufficient to cause the amount on deposit in such reserve

account to be equal to the maximum annual additional Base Rental Payments relating to such Additional Bonds;

(5) The amount, if any, to be deposited from the proceeds of such Additional Bonds in an improvement fund established to finance the acquisition of the Additional Improvements from the City or the Agency;

(6) The trustee for the Additional Bonds is the Trustee;

(7) The extension of the term of the Project Lease, if necessary; and

(8) Such other provisions as are necessary or appropriate and not inconsistent herewith.

(c) If any Additional Bonds are to be issued with respect to any related Additional Improvements, the City shall also deliver a Certificate of the City stating that the City has complied with the covenants contained in clauses (1) and (2) of Section 8.03 hereof.

SECTION 2.07. Substitution of Portions of the Project. In the event that, pursuant to Section 6.04 hereof, the Base Rental Payments due for any portion of the Project are abated, the City and the Authority agree to use their best efforts (to the extent then permitted by law) to remove the real property on which such portion of the Project is located from the Site Lease and to remove the improvements constituting such portion of the Project from the Project Lease in accordance with Section 2.06 hereof, and to substitute therefor other real property and other improvements of the City in accordance with Section 2.06 hereof.

### ARTICLE III

#### TERM OF THE PROJECT LEASE

SECTION 3.01. Term of the Project Lease. The Project Lease shall commence on December 1, 1999, or the date the Project Lease is recorded, whichever date is later, and shall (subject to Section 14.06 hereof) terminate on November 30, 2029; provided, that if prior to November 30, 2029, all Base Rental Payments and the interest accrued thereon and all Additional Rental Payments and the interest accrued thereon and all fees and expenses of the Trustee shall have been paid or deemed paid as provided herein, the term hereof shall (subject to Section 14.06 hereof) end on the date of such payment or deemed payment.

### ARTICLE IV

#### USE OF PROCEEDS

SECTION 4.01. Use of Proceeds. The parties hereto agree that the proceeds paid to the City under the Site Lease, which constitutes the payment of the purchase price of the Site Lease, shall (except for the portion of such proceeds required to be deposited in the Reserve Fund and used to fund the Reserve Fund as provided in Section 6.08 hereof) be deposited by the

City in the "City of Sacramento 1999 Improvements Fund," which fund is hereby established and which fund the City agrees and covenants to maintain with the Treasurer of the City, and all proceeds in the 1999 Improvements Fund shall be used by the City to finance the acquisition of the 1999 Improvements from the Agency and (as determined by the City) to pay any of the interest components of 1999 Base Rental Payments due hereunder through December 1, 2001.

SECTION 4.02. Use of Proceeds of Additional Bonds. The use of proceeds of Additional Bonds shall be applied in accordance with the applicable Supplemental Indenture.

## ARTICLE V

### TAX COVENANTS

SECTION 5.01. Tax Covenants. The City covenants and agrees that it will at all times do and perform all acts and things permitted by law and hereby which are necessary in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being excluded from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the City agrees to comply with the provisions of the Tax Certificate (as that term is defined in the Indenture) and any tax certificate delivered in connection with the issuance of Additional Bonds. This covenant shall survive payment in full or defeasance of the Bonds.

## ARTICLE VI

### RENTAL PAYMENTS

SECTION 6.01. Payment of Rental Payments. The City agrees to pay to the Authority, its successor or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the 1999 Project the following amounts at the following times:

(a) 1999 Base Rental Payments. The City shall pay to the Authority the 1999 Base Rental Payments which shall be due in the amounts and at the times set forth in the 1999 Base Rental Payment Schedule contained in Exhibit B attached hereto and made a part hereof, which 1999 Base Rental Payments shall be payable by the City for the lease of the 1999 Project to it. Each Base Rental Payment shall be payable to the Trustee (as assignee of the Authority pursuant to the Indenture) in immediately available funds on the Business Day immediately preceding such Base Rental Payment Date (the "Due Date"), and any payments remitted to the Trustee prior to any Due Date shall be invested for the credit of the City as instructed by the City, and any interest or other income with respect thereto accruing prior to each such Due Date shall belong to the City and shall be returned by the Trustee, on behalf of the Authority, to the City on June 1 and December 1 of each year or shall be transferred as directed by the City. The City shall provide written notice to the Trustee at least thirty (30) Business Days prior to any Interest Payment Date upon which it expects to be unable to pay the Base Rental Payment due on such Interest Payment Date, informing the Trustee of its expected inability to pay the Base Rental Payment due on such Interest Payment Date.

(b) 1999 Additional Rental Payments. The City shall pay to the Authority or the Trustee, as the case may be, as 1999 Additional Rental Payments hereunder (in addition to the foregoing 1999 Base Rental Payments) all such amounts in each year as shall be required by the Authority or the Trustee for the payment of all costs and expenses incurred by the Authority or the Trustee in connection with the performance, enforcement or amendment of the Project Lease, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority or the Trustee in connection with the 1999 Project, together with all salaries and wages of employees, all expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, insurance premiums, taxes and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or the Indenture or hereof. Such Additional Rental Payments shall be billed to the City by the Authority or by the Trustee from time to time, and all amounts so billed shall be due and payable by the City to the Authority or the Trustee, as designated in the bill to the City, within thirty (30) days after receipt of the bill by the City. The City reserves the right to audit billings for Additional Rental Payments although exercise of such right shall in no way affect the duty of the City to make full and timely payment for all Additional Rental Payments.

All Rental Payments for each rental payment period during the term of the Project Lease shall constitute the total payments 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 Project during the rental payment period for which such rental is paid. The parties hereto have agreed and determined that the fair rental value of the Project is at least equal to the Base Rental Payments due hereunder, and in making such determination, consideration has been given to the costs of the acquisition and construction of the Project, the other obligations of the parties hereunder, the uses and purposes which may be served by the Project and the benefits therefrom which will accrue to the City, its residents and the general public.

Each Rental Payment payable hereunder shall be paid in lawful money of the United States of America, and any such Base Rental Payment which shall not be paid when due shall bear interest at the rate of twelve per cent (12%) per annum from the date when it became due hereunder until it shall be paid.

The Authority and the City understand and intend that the obligation of the City to pay the Rental Payments hereunder as consideration for the use and occupancy of the Project constitutes a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor shall anything contained herein constitute a pledge of the general tax revenues of the City. The Rental Payments due hereunder shall be payable only, firstly, from legally available funds in the General Fund of the City which are budgeted and appropriated by the City for such purpose pursuant to Section 6.02 hereof, and secondly, from money then on deposit in the Reserve Fund (with respect to the 1999 Base Rental Payments) and from money then on deposit in the reserve account established pursuant to an amendment hereof (with respect to the additional Base Rental Payments specified in such amendment). The Authority and the City further understand that the Project Lease shall not create an immediate indebtedness for the aggregate payments which may become due hereunder

in the event that the term hereof is extended, and the City has not pledged the full faith and credit of the City, the State of California or any agency or department thereof to the payment of the Rental Payments due hereunder.

SECTION 6.02. Annual Budgets: Reporting Requirements. The City covenants (subject to Section 6.04 hereof) to take such action as may be necessary to include all Rental Payments due hereunder in its annual budgets and to make the necessary annual appropriations for all such Rental Payments, and the City will furnish to the Trustee, within ninety (90) days after the final adoption of each annual budget of the City, a certificate that the annual budget of the City contains an appropriation sufficient for all such Rental Payments required to be made hereunder in such Fiscal Year.

SECTION 6.03. Application of Payments. All payments received by the Trustee hereunder shall be applied first to the payment of the Base Rental Payments due hereunder, and then to the payment of the Additional Rental Payments due hereunder, but no such application of any payments which are less than the total payment due and owing shall be deemed a waiver of any default hereunder.

SECTION 6.04. Rental Abatement. During any period in which, by reason of material damage or destruction or condemnation (as provided in Section 9.01 hereof) there is substantial interference with the use and possession by the City of any portion of the Project, any such interference shall first be allocated to that portion (if any) of the Project usable by the City that was not financed or refinanced with the proceeds of the Bonds, and thereafter the Base Rental Payments due hereunder with respect to each portion of the Project financed or refinanced with the proceeds of the Bonds shall be abated proportionately by the fractional amount that the cost of the portion of the Project financed or refinanced with the proceeds of the Bonds so damaged or destroyed or condemned bears to the entire cost of the Project financed or refinanced with the proceeds of the Bonds, as calculated by the City and set forth in writing to the Authority, the Trustee, each Bond Insurer and the Rating Agencies; 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. Any abatement of Base Rental Payments pursuant to this section shall not be considered an Event of Default hereunder. Such abatement shall continue for the period commencing with the date of such damage or destruction or condemnation of such portion of the Project and ending with the substantial completion of the work of repair or replacement of the portion of the Project financed or refinanced with the proceeds of the Bonds so damaged or destroyed or condemned.

SECTION 6.05. Payments to Be Unconditional. The obligations of the City to make the Rental Payments required hereunder and to perform and observe the other agreements and covenants contained herein shall be absolute and unconditional, subject to the provisions of Section 6.04 hereof, and notwithstanding any dispute between or among the City, the Authority and any other person, the City shall make all Rental Payments when due without deduction or offset of any kind, and the City shall not withhold any such payments pending final resolution of such dispute nor shall it assert any right of set-off or counterclaim against its obligation to make such payments required hereunder. In the event of a determination that the City was not liable for any Rental Payments or any portion thereof, such payments or excess of

payments, as the case may be, shall, at the option of the City, be credited against any subsequent Rental Payments that may become due hereunder or shall be refunded at the time of such determination.

SECTION 6.06. Prepayment of Base Rental Payments.

(a) The City may prepay, from eminent domain proceeds or net insurance proceeds received by it pursuant to Section 9.01 hereof, all or any portion of the principal components of 1999 Base Rental Payments then unpaid, as a whole on any date or in part on any date in integral multiples of five thousand dollars (\$5,000) so that the aggregate annual amounts of principal components of 1999 Base Rental Payments which shall be payable after such prepayment date shall each be in an integral multiple of five thousand dollars (\$5,000) and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of 1999 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, without a prepayment premium.

(b) The City may prepay, from any source of available funds, all or any portion of the principal components of 1999 Base Rental Payments due on the Principal Payment Dates on or after December 1, 2010, as a whole on any date on or after December 1, 2009, or in part in such amounts in integral multiples of five thousand dollars (\$5,000) and from such maturities as are selected by the City (or if the City fails to select such maturities, in inverse order of maturity) on any June 1 or December 1 on or after December 1, 2009, at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment plus a prepayment premium equal to a percentage of the principal amount thereof, in accordance with the following schedule:

| Prepayment Period<br>(Dates Inclusive)      | Prepayment Price |
|---|------------------|
| December 1, 2009, through November 30, 2010 | 102%             |
| December 1, 2010, through November 30, 2011 | 101              |
| December 1, 2011, and thereafter            | 100              |

Before making any prepayment pursuant to this section, the City shall, within five (5) Business Days following the event creating such right or obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be made, which date shall be not less than seventy-five (75) days from the date such notice is given.

SECTION 6.07. Obligation to Make Rental Payments. 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 action and do such things as are required by law in the performance of the official

duty of such officials to enable the City to carry out and perform the agreements and covenants contained herein agreed to be carried out and performed by the City and to make the Rental Payments as provided herein.

SECTION 6.08. Reserve Fund. The City agrees on the date the term hereof commences to deposit the sum of the Reserve Requirement in the "City of Sacramento 1999 Improvements Reserve Fund," which fund is hereby established and which fund the City agrees and covenants to maintain with the Treasurer of the City in trust for the benefit of the Authority for the Holders of the 1999 Bonds. The amounts on deposit in the Reserve Fund shall be maintained at the Reserve Requirement at all times while the 1999 Bonds are outstanding, except to the extent required for the purposes set forth in this section. All amounts in the Reserve Fund shall be invested by the City in Legal Investments (as that term is defined in the Indenture) and be used and withdrawn by the Treasurer of the City solely for the purpose of paying the 1999 Base Rental Payments in the event of delinquency of any of such payments or (together with any other moneys available therefor) for the payment or prepayment of all then unpaid 1999 Base Rental Payments. The City agrees that, if ever the Reserve Fund is drawn upon, the first payments of 1999 Base Rental thereafter payable shall be used to restore the Reserve Fund to an amount equal to the Reserve Requirement. All money on deposit in the Reserve Fund in excess of the Reserve Requirement shall be deposited by the City in the Revenue Fund established under the Indenture on or before December 1 of each year. When the 1999 Bonds are no longer outstanding under the Indenture, any balance of money remaining in the Reserve Fund shall be transferred to such other fund or account of the City or shall be otherwise used by the City for any lawful purpose as the City may direct.

## ARTICLE VII

### TITLE TO THE PROJECT; SECURITY INTEREST

SECTION 7.01. Title to the Project. Title to the Project shall (except as hereinafter provided) remain in the Authority during the term hereof, and title to all moveable property that is placed in or about the Project by the City during the term hereof shall remain in the City during the term hereof. 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 the title to the Project in the Authority.

The Authority's interest in and title to the Project shall be transferred, conveyed and assigned to and become vested in the City and the Project Lease shall terminate with respect thereto at the end of the term hereof, and the Authority will 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 7.02. Security Interest. To secure the payment of all of the City's obligations hereunder, in the event that it is determined that the Project Lease is intended as security, which determination shall not be affected by this section, the City hereby grants to the Authority a security interest constituting a first lien on the Project and on all repairs,

replacements or modifications thereto, and on any proceeds therefrom, except for those additions to the Project made by the City that may be removed without damaging the Project. The City agrees to execute such additional documents, including financing statements, affidavits, notices and similar instruments, in form satisfactory to the Authority that are necessary or appropriate to establish and maintain such security interest and the security interest of any Holder or any other assignees of the Authority in the Project.

## ARTICLE VIII

### GENERAL COVENANTS

SECTION 8.01. Maintenance of the Project by the City. The City agrees that, at all times during the term hereof, it will, at its own cost and expense, maintain, preserve and keep the Project and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals, and will pay all maintenance, operation and repair costs of the Project as they become due from all legally available money.

SECTION 8.02. Taxes, Other Governmental Charges and Utility Charges. The parties hereto contemplate that the Project will be used for public purposes by the City and, therefore, that the Project will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use or possession by the Authority or the City of the Project is found to be subject to taxation in any form, the City will pay during the term hereof, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project and any other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the Project, as well as all gas, water, electricity, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project; provided, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as the Project Lease is in effect.

SECTION 8.03. Insurance. The City shall procure or cause to be procured and maintain or cause to be maintained throughout the term hereof with reputable commercial insurers insurance against the following risks in the following respective amounts:

(1) insurance against loss or damage to each portion of the Project by fire and lightning, with an extended coverage endorsement and vandalism and malicious mischief insurance and sprinkler system leakage insurance and boiler insurance, which such 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, and which such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of such portion of the Project, excluding the cost of excavations, of grading and filling and of the land (except that such insurance may be subject to deductible clauses of not to exceed one hundred thousand dollars (\$100,000) for any one loss); provided, that such insurance shall in any event be in an amount sufficient, in the event of total

or partial loss, to enable the City either to retire the Bonds attributable to such portion of the Project or to restore such portion of the Project to the condition existing before such loss;

(2) use and occupancy insurance against loss, total or partial, of the use and occupancy of each portion of the Project as a result of any of the hazards covered by the insurance required by paragraph (1) hereof, in an amount sufficient to pay the proportionate share of the Base Rental Payments attributable to such portion of the Project for the succeeding twenty-four (24) month period;

(3) workers' compensation insurance covering all employees working in or on the Project, in the same amount and type as other workers' compensation insurance maintained by the City for similar employees doing similar work (and the City shall also require any other person or entity working in or on the Project to carry the foregoing amount of workers' compensation insurance); and

(4) a standard comprehensive public entity liability insurance policy or policies in protection of the City, the Authority and its officers and the Trustee and its directors, officers and employees, indemnifying and defending such parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the possession, operation or use of the Project, with minimum liability limits of one million dollars (\$1,000,000) for personal injury or death of each person and three million dollars (\$3,000,000) for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of two hundred thousand dollars (\$200,000) (subject to a deductible clause of not to exceed one hundred thousand dollars (\$100,000)) for damage to property resulting from each accident or event; provided, that such public liability and property damage insurance may be in the form of a single limit policy in the amount of three million dollars (\$3,000,000) covering all such risks and may be maintained as part of or in conjunction with any other liability insurance carried by the City.

Notwithstanding the above provisions, as an alternative to providing the insurance required by paragraphs (1), (3) and (4) above, the City may provide a self-insurance method or plan of protection, which such self-insurance maintained by the City pursuant to the foregoing sections shall comply with the following terms:

- (i) the self-insurance program shall be approved by the City's Risk Manager;
- (ii) the self-insurance program shall include an actuarially sound claims reserve fund out of which each self-insured claim shall be paid, the adequacy of each such fund shall be evaluated on an annual basis by the City's Risk Manager, and any deficiencies in any self-insurance claims fund shall be remedied in accordance with the recommendation of the City's Risk Manager;
- (iii) the self-insurance claims fund shall be held in a separate fund by an independent trustee or such other entity as may be approved by each Bond Insurer;

- (iv) in the event the self-insurance program shall be discontinued, the actuarial soundness of its claim reserve fund, as determined by the City's Risk Manager, shall be maintained; and
- (v) the self-insurance program shall be acceptable to the Bond Insurer (with copies of any such acceptance sent to the Rating Agencies).

Any insurance policy issued pursuant to this section shall be so written or endorsed as to make losses, if any, payable to the City, the Authority and the Trustee as their respective interests may appear, except that the net proceeds, if any, of the insurance policy described in paragraph (2) of this section shall be deposited in the Revenue Fund established under the Indenture, and each insurance policy provided for in this section shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Authority or the Trustee without first giving written notice thereof to the Authority and the Trustee at least sixty (60) days in advance of such intended cancellation or modification; provided, that the Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustments, compromise or settlement of any loss agreed to by it.

The City shall file a certificate with the Trustee and each Bond Insurer not later than July 1 of each year certifying that the insurance required by this section is in full force and effect and that the Trustee is named as a loss payee on each insurance policy which the Project Lease requires to be so endorsed.

SECTION 8.04. Advances. In the event the City shall fail to maintain the full insurance coverage required hereby or shall fail to keep the Project in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority shall become Additional Rental Payments, which amounts the City agrees to pay within thirty (30) days of a written request therefor, together with interest thereon at the rate of twelve per cent (12%) per annum.

SECTION 8.05. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, dated the date of the initial execution and delivery of the 1999 Bonds, executed by the City (the "Continuing Disclosure Agreement"). Notwithstanding any other provision of the Project Lease, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default hereunder; provided, that the Trustee may and, at the request of the Authority or Holders of at least twenty-five per cent (25%) in aggregate principal amount of outstanding 1999 Bonds, shall, or any Holder of the 1999 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this section. The City covenants and agrees to comply with any continuing disclosure agreement delivered in connection with the issuance of any Additional Bonds.

## ARTICLE IX

### DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 9.01. Damage, Destruction or Condemnation; Use of Net Proceeds. If prior to the termination of the term hereof (a) any portion of the Project is destroyed or is damaged by fire or other casualty, or (b) title to, or the temporary use of, any portion of the Project or the estate of the Authority or the City in such portion of the Project shall be condemned by any governmental body or by any person or firm or corporation acting under governmental authority, then the Authority and the City will cause the net proceeds of any insurance payment or any condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of such damaged, destroyed or condemned portion of the Project, and any balance of the net proceeds remaining after such work has been completed shall be paid to the City; provided, that the City, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay that portion of the principal components of the Base Rental Payments due hereunder that has been abated as provided in Section 6.04 hereof, may elect (not later than forty-five (45) days after such damage, destruction or condemnation) not to repair, restore, modify, improve or replace such destroyed, damaged or condemned portion of the Project and thereupon shall cause said proceeds to be used for the prepayment of such portion of the unpaid principal components of Base Rental Payments pursuant to Section 6.06(a) hereof.

## ARTICLE X

### DISCLAIMER OF WARRANTIES; USE OF THE PROJECT

SECTION 10.01. Disclaimer of Warranties. THE AUTHORITY MAKES NO 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 PROJECT, OR WARRANTY WITH RESPECT THERETO. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE PROJECT OR A DEALER THEREIN AND THAT THE CITY LEASES THE PROJECT AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. In no event shall the Authority be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Project Lease or the existence, furnishing, functioning or the City's use of the Project as provided hereby.

SECTION 10.02. Use of the Project. The City will not use, operate or maintain the Project improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated hereby. The City shall provide all permits and licenses, if any, necessary for the use of the Project. In addition, the City agrees to comply in all respects with all laws of the jurisdictions in which its operations involving any portion of the Project may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Project; provided, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of

the Trustee, adversely affect the estate of the Authority in and to the Project or its interest or rights hereunder.

SECTION 10.03. Environmental Matters.

(a) The City will comply with all Applicable Environmental Laws and will not use, store, generate, treat, transport or dispose of any Hazardous Substance in and for the Project.

(b) The City will transmit copies of all records concerning the contact with any local, state or federal agency concerning any violation of any Applicable Environmental Laws involving the Project, and all notices, orders or statements received from any governmental entity concerning violations of Applicable Environmental Laws with respect to the Project and any operations conducted thereon or any conditions existing thereon to the Trustee. The City will notify the Trustee in writing immediately of any release, discharge, spill, or deposit of any Hazardous Substance that has occurred or is occurring which in any way affects or threatens to affect the Project, or the people, structures, or other property thereon; provided, that no such notification shall create any liability or obligation on the part of the Trustee.

(c) The City will permit the Trustee, its agents or any experts designated by the Trustee to have full access to the Project during reasonable business hours for purposes of such independent investigation of compliance with all Applicable Environmental Laws; provided, that the Trustee has no obligation to do so, or any liability for any failure to do so, or any liability should it do so.

ARTICLE XI

ACQUISITION BY TRUSTEE

SECTION 11.01. Acquisition by Trustee. The parties understand that the rights of the Authority to the receipt of 1999 Base Rental Payments hereunder (and the enforcement provisions hereof) will be acquired by the Trustee pursuant to the Indenture with respect to the 1999 Bonds, and pursuant to any Supplemental Indenture with respect to any Additional Bonds, and accordingly the City agrees to make all Base Rental Payments due hereunder directly to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach hereof or otherwise) that the City may from time to time have against the Authority. The City agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements which may be reasonably requested by the Authority or the Trustee or any Holder to protect their interests in the Project during the term hereof.

ARTICLE XII

DEFAULT AND REMEDIES

SECTION 12.01. Default and Remedies. (a) If the City shall fail to pay any Base Rental Payment hereunder when the same becomes due and payable, time being expressly declared to be of the essence hereof, or the City shall fail to keep, observe or perform any other

term, covenant or condition contained herein required to be kept or performed by the City for a period of thirty (30) days after notice of the same has been given to the City by the Authority or the Trustee or for such additional time as is reasonably required, in the sole discretion of the Trustee, to correct the same, or upon the happening of any of the events specified in subsection (b) of this section (any such case above being an "Event of Default"), the City shall be deemed to be in default hereunder and it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant hereto, and upon any such default, the Authority, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following, but only subject to the direction of the Bond Insurer insuring the greatest amount of then outstanding Bonds:

(1) To terminate the Project Lease in the manner hereinafter provided on account of default by the City (to the extent then permitted by law), notwithstanding any re-entry or re-letting of the Site and the improvements thereon as hereinafter provided for in subparagraph (2) hereof, and to re-enter the Site and the improvements thereon and remove all persons in possession thereof and all personal property whatsoever situated upon the Site and the improvements thereon and place such personal property in storage in any warehouse or other suitable place located within the City of Sacramento, California. In the event of such termination, the City agrees to surrender immediately possession of the Site and the improvements thereon, without delay or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Site and the improvements thereon and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions herein contained. Notwithstanding anything contained herein, neither notice to pay rent or to deliver up possession of the Site or the improvements thereon given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Site and the improvements thereon nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest hereunder shall of itself operate to terminate the Project Lease, and no termination hereof on account of default by the City shall be or become effective by operation of law or acts of the parties hereto, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate the Project Lease. The City covenants and agrees that no surrender of the Site and the improvements thereon or of the remainder of the term hereof or any termination hereof shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

(2) Without terminating the Project Lease, (i) to collect each Base Rental Payment as it becomes due and enforce any other terms or provision hereof to be kept or performed by the City, regardless of whether or not the City has abandoned any portion of the Project, or (ii) to exercise any and all rights of re-entry upon the Site and the improvements thereon. In the event the Authority does not elect to terminate the Project Lease in the manner provided for in subparagraph (1) hereof, the City shall remain liable and agrees to keep or perform all covenants and conditions herein contained to be kept or

performed by the City and, if the Site and the improvements thereon are not re-let, to pay the full amount of the rent to the end of the term hereof, or, in the event that the Site and the improvements therein are re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay such rent and/or rent deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of rent hereunder (without acceleration), notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental herein specified, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such entry or re-entry or obtaining possession of the Site and the improvements thereon. Should the Authority elect to enter or re-enter as herein provided, the City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Site and the Project, or any portion thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable, and to remove all persons in possession thereof and all personal property whatsoever situated upon the Site and the improvements thereon and to place such personal property in storage in any warehouse or other suitable place located in the City of Sacramento, California, for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Site and the improvements thereon and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions herein contained. The City agrees that the terms hereof constitute full and sufficient notice of the right of the Authority to re-let the Site and the improvements thereon and to do all other acts to maintain or preserve the Site and the improvements thereon as the Authority deems necessary or desirable in the event of such re-entry without effecting a surrender hereof, and further agrees that no acts of the Authority in effecting such re-letting shall constitute a surrender or termination hereof irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate the Project Lease shall vest in the Authority to be effected in the sole and exclusive manner provided for in subparagraph (1) hereof. The City further waives the right to any rental obtained by the Authority in excess of the Base Rental Payments herein specified and hereby conveys and releases such excess to the Authority as compensation to the Authority for its services in re-letting the Site and the improvements thereon. The City further agrees to pay the Authority the cost of any alterations or additions to the Site and the improvements thereon necessary to place the Site and the improvements thereon in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations.

The City hereby waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Site and the improvements thereon as herein provided and all claims for damages that may result from the destruction of the Site and the improvements thereon and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Site and the Project.

(b) If (1) the City's interest in the Project Lease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority, as hereinafter provided for, or (2) the City or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects 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 the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City shall make a general or any assignment for the benefit of the City's creditors, or if (3) the City shall abandon or vacate the Site and the Project, then the City shall be deemed to be in default hereunder.

(c) The Authority shall in no event be in default in the performance of any of its obligations hereunder or imposed by any statute or rule of law unless and until the Authority shall have failed to perform such obligations within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the City to the Authority properly specifying wherein the Authority has failed to perform any such obligation. In the event of default by the Authority, the City shall be entitled to pursue any remedy provided by law.

(d) In addition to the other remedies set forth in this section, upon the occurrence of an event of default as described in this section, the Authority, subject to the direction of the Bond Insurer insuring the greatest amount of then outstanding Bonds, shall be entitled to proceed to protect and enforce the rights vested in the Authority hereby or by law. The provisions hereof and the duties of the City and of its trustees, officers or employees shall be enforceable by the Authority by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority shall have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the City and its trustees, 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 Authority.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's rights against the City (and the members of its City Council and its 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 City as provided herein.

The exercise of any rights or remedies under the Indenture, any Supplemental Indenture or hereunder shall not permit acceleration of payment dates as to any Bonds then insured by any Bond Insurer.

Each and all of the remedies given to the Authority hereunder or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power or privilege hereunder shall not impair the right of the Authority to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in this section shall include, but not be limited to, re-letting by means of the operation by the Authority of the Site and the improvements thereon. If any statute or rule of law validly shall limit the remedies given to the Authority hereunder, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Authority shall prevail in any action brought to enforce any of the terms and provisions hereof, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority hereunder, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

SECTION 12.02. Waiver. Failure of the Authority to take advantage of any default on the part of the City shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition hereof, or to exercise any rights given the Authority on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent hereunder shall not be, or be construed to be, a waiver of any term, covenant or condition hereof.

## ARTICLE XIII

### DISCHARGE OF OBLIGATIONS

#### SECTION 13.01. Discharge of Obligations.

(a) If the City shall pay or cause to be paid all the Additional Rental Payments and Base Rental Payments at the times and in the manner provided herein, the right, title and interest of the Authority herein and the obligations of the City hereunder shall thereupon cease, terminate, become void and be completely discharged and satisfied, except only as provided in subsection (d).

(b) Any unpaid principal component of a Base Rental Payment shall on its scheduled payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if the City makes payment of such Base Rental Payment in the manner provided herein, and money for the purpose of such payment or prepayment is then held by the Trustee.

(c) All or any portion of any unpaid principal component of a Base Rental Payment shall, prior to its scheduled payment date or date of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section (except that the City shall remain liable for such Base Rental Payment, but only out of such money or securities deposited with the Trustee as herein described for such payment) if (i) notice is provided to the Trustee as required by the Indenture or any Supplemental Indenture, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or securities defined in paragraphs (1) and (2) of the definition of Legal Investments (as that term is defined in the Indenture) which are not subject to redemption prior to maturity except by the holder thereof (including any such securities issued or held in book entry form) the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee at the same time, shall be sufficient, as stated in a report of a nationally recognized independent certified public accountant addressed to the City and the Trustee verifying such sufficiency in full, to pay when due such principal component of the Base Rental Payment or such portion thereof on and prior to its payment date or its date of prepayment, as the case may be, and the prepayment premium, if any, thereon, and (iii) an Opinion of Counsel addressed to the City and the Trustee is filed to the effect that the action taken pursuant to this subsection will not cause the interest components of the Base Rental Payments to be includable in gross income under the Code for federal income tax purposes.

(d) After the payment of all Base Rental Payments and any applicable prepayment premiums as provided in this section, and payment of the fees and expenses of the Trustee, the Trustee, upon request of the City, shall cause an accounting to be made in accordance with standard corporate trust industry procedures and filed with the City and the Authority and shall execute and deliver to the City and the Authority all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over and deliver to the City, after payment of all fees, expenses and other amounts owed to the Trustee, as an overpayment of Base Rental Payments, all such money or investments held by it pursuant to the Project Lease other than such money and such investments as are required for the payment or prepayment of the Base Rental Payments, which money and investments shall continue to be held by the Trustee in trust for the payment of the Base Rental Payments and shall be applied by the Trustee pursuant to the Project Lease.

#### ARTICLE XIV

#### MISCELLANEOUS

SECTION 14.01. Indemnification. The City shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and its officers and the Trustee and its directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of the Project Lease, the payment of the costs of the acquisition of the Improvements or any accident in connection with the operation, use, condition or possession of the Project or any portion thereof resulting in

damage to property or injury to or death to any person, including without limitation any claim alleging latent and other defects, whether or not discoverable by the Authority or the City; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The City agrees not to withhold or abate any portion of the payments required pursuant hereto by reason of any defects, malfunctions, breakdowns or infirmities of the Project. The Authority and the City mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof.

SECTION 14.02. Notices. All written notices to be given hereunder shall be given by first class 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 Authority:

Sacramento City Financing Attorney  
c/o City Attorney  
City of Sacramento  
980 Ninth Street, 10<sup>th</sup> Floor  
Sacramento, California 95814

If to the City:

City of Sacramento  
c/o City Treasurer  
City of Sacramento  
926 J Street, Suite 300  
Sacramento, California 95814

If to the Trustee:

BNY Western Trust Company  
550 Kearny Street, Suite 600  
San Francisco, California 94108  
Attention: Corporate Trust Department  
FAX: 415/399-1647

If to the 1999 Bond Insurer:

Ambac Assurance Corporation  
One State Street Plaza  
New York, New York 10004  
Attention: Surveillance Department

SECTION 14.03. Binding Effect. The Project Lease shall inure to the benefit of and shall be binding upon the Authority and the City and their respective successors and assigns.

SECTION 14.04. Trustee and Each Bond Insurer Third Party Beneficiaries.

The Trustee and each Bond Insurer are hereby designated third party beneficiaries hereunder for the purpose of enforcing any of the rights hereunder of the Authority assigned to the Trustee under the Indenture or under any Supplemental Indenture.

SECTION 14.05. Net Lease. It is the purpose and intent of the Authority and the City that lease payments hereunder shall be absolutely net to the Authority so that the Project Lease shall yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Project, and without counterclaim, deduction, defense, deferment or set-off by the City except as herein specifically otherwise provided. The Authority 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 Project which may arise or become due during the term of the Project Lease shall be paid by the City.

SECTION 14.06. Amendments. The Project Lease may be amended in writing as may be mutually agreed by the Authority and the City, subject to the written approval of the Trustee; provided, that no such amendment other than amendments for the purposes contained in the succeeding paragraph shall be effective unless it shall have been consented to by the Holders of a majority of then outstanding Bonds and by each Bond Insurer; and provided further, that no such amendment shall (a) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Holder of each Bond so affected, or (b) reduce the percentage of Bonds the consent of the Holders of which is required for the execution of any amendment hereof.

The Project Lease and the rights and obligations of the Authority and the City 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 Holders or the written approval of the Trustee or each Bond Insurer, but only to the extent permitted by law and only for any one or more of the following purposes --

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

(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 Authority or the City may deem desirable or necessary and not inconsistent herewith, and which shall not adversely affect the interests of the Holders;

(c) to amend or supplement the Project Lease in such manner as to preserve the exemption of the Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect;

(d) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion from gross income for federal income tax purposes under the Code of the interest on the Bonds;

(e) to make such amendments or supplements as may be necessary or appropriate to maintain any then current rating by any of the Rating Agencies on the Bonds; or

(f) to add to or delete portions from the Project pursuant to Section 2.06 and to extend or terminate the term hereof with respect to such additions to or deletions from the Project.

SECTION 14.07. 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 Project Lease shall be valid and enforceable to the fullest extent permitted by law.

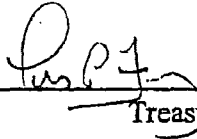
SECTION 14.08. California Law. The Project Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

SECTION 14.09. 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 14.10. 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.

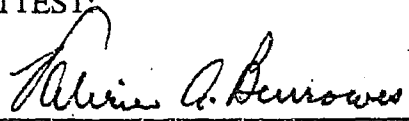
IN WITNESS WHEREOF, the parties hereto have executed and entered into the Project Lease by their officers thereunto duly authorized as of the day and year first written above.

SACRAMENTO CITY FINANCING  
AUTHORITY

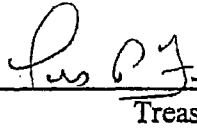
By   
Treasurer

(SEAL)

ATTEST:

  
Secretary

CITY OF SACRAMENTO

By   
Treasurer

(SEAL)

ATTEST:

  
City Clerk

APPROVED AS TO FORM:

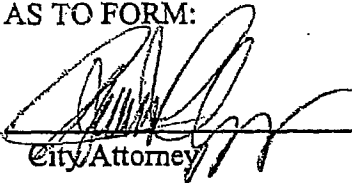
  
City Attorney

EXHIBIT A

Description of the 1999 Site

All those certain parcels of real property in the City of Sacramento, the County of Sacramento, the State of California, described as follows:

Parcel 1 (Curtis Park):

All that portion of the West one-half of Section 18, Township 8 North, Range 5 East, M. D. B. & M., described as follows:

Beginning at the intersection of the South line of Donner Way, formerly 3rd Avenue, with the East line of 26th Street, formerly Curtis Avenue, as the same is shown and delineated on the official map of Curtis Oaks, filed in the office of the Recorder of Sacramento County, California, on January 19, 1907, in Book 7 of Maps, Map No. 49, and which point of intersection is due South 58.00 feet from the Southwest corner of Lot 184 of said Curtis Oaks; thence from said point of beginning, along the South line of said Donner Way parallel to and distant 58.00 feet Southerly, at right angles, from the North line of said Donner Way, East 180.00 feet; thence along a line which is parallel to and distant 180.00 feet Easterly, measured at right angles, from the division line common to the lands owned by George H. Cutter and Carrie M. Cutter, his wife, on the East, and the land of Hickman Investment Company, a corporation, on the West, South  $00^{\circ} 02'$  East 2696.56 feet to a point on the Northerly line of Sutterville Road, formerly known as 12th Avenue and as Palmetto Avenue; thence along the Northerly line of said Sutterville Road South  $78^{\circ} 07'$  West 367.84 feet; thence along a line which is parallel to and distant 180.00 feet Westerly, measured at right angles, from the division line common to the said lands of George H. Cutter and Carrie M. Cutter, his wife, on the West, and the land of Hickman Investment Company, a corporation, on the West, North  $00^{\circ} 02'$  West 2772.22 feet to the South line of said Donner Way; thence along the South line of said Donner way, parallel to and distant 58.00 feet Southerly, at right angles, from the North line of said Donner Way, East 180.00 feet to the point of beginning.

Parcel 2 (Fire Station #1):

Lots 3 and 4 in the block bounded by 6th and 7th, "Q" and "R" Streets of the City of Sacramento, according to the official plat thereof.

Parcel 3 (Fire Station #10):

All that portion of the West one-half of the Northwest one-quarter of the Northwest one-quarter of Section 27, Township 8 North, Range 5 East, M.D.B.&M., described as follows:

Beginning at a point on the East line of the West one-half of the Northwest one-quarter of the Northwest one-quarter of Section 27, said East line also being the center line of 66th Street, from which point of beginning the Northwest corner of said Section 27 (said Northwest corner being located on the center line of Fruitridge Road) bears North  $00^{\circ}13'$  West 319.47 feet and North  $89^{\circ}53'45''$  West 664.50 feet; thence from said point of beginning along the East line of the West one-half on the Northwest one-quarter of the Northwest one-quarter of said Section 27, and the center line of said 66th Street, South  $00^{\circ}13'$  East 200.00 feet; thence parallel to the North line of said Section 27, North  $89^{\circ}53'45''$  West 425.06 feet to a point located East 239.25 feet from the West line of said Section 27; thence parallel to the West line of said Section 27, North  $00^{\circ}14'20''$  West 200.00 feet; thence parallel to the North line of said Section 27, South  $89^{\circ}53'45''$  East 425.13 feet to the point of beginning.

Parcel 4 (Fire Station #14):

Beginning at a point which is located North  $19^{\circ}30'$  East 421.40 feet along the center line of 16th Street of the City of Sacramento, produced Northerly, and North  $70^{\circ}30'$  West 832.05 feet and North  $19^{\circ}30'$  East 160.30 feet from the intersection of the center lines of 16th and North B Streets of said city; thence from said point of beginning North  $70^{\circ}30'$  West 40.10 feet; thence South  $19^{\circ}30'$  West 120.30 feet; thence South  $70^{\circ}30'$  East 40.10 feet; thence North  $19^{\circ}30'$  East 120.30 feet to the place of beginning.

Parcel 5 (Fire Station #15):

All that portion of Parcel No. 7, as shown on Parcel Map entitled "Lots 119, 121, 123 and a portion of Lots 125 and 126 of Natomas Eastside Subdivision", recorded in the office of the County Recorder of Sacramento County on September 3, 1976, in Book 28 of Parcel Maps, at Page 15, described as follows:

Beginning at the Southwest corner of said Parcel No. 7, said corner also lying on the center line of Truxel Road; thence from said point of beginning along the center line of Truxel Road North  $00^{\circ}09'00''$  West 165.00 feet; thence leaving said center line North  $89^{\circ}49'44''$  East 277.00 feet; thence South  $00^{\circ}09'00''$  East 165.00 feet to the Northerly line of Newborough Drive; thence along said Northerly line South  $89^{\circ}49'44''$  West 277.00 feet, more or less to the point of beginning.

Parcel 6 (Fire Station #16):

The South 257.5 feet of Lot 5 of Garden Dale, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on April 28, 1910, in Book 10 of Maps, Map No. 23.

Excepting therefrom the North 65 feet of the East 150 feet of the West 190 feet.

The subdivision of said Lot 5 being made on the basis that the lot are includes one-half of the adjoining roads as shown on said plat.

Parcel 7 (Fire Station #17):

All that portion of the West 30 acres of the South one-half of the Northwest one-quarter of Section 18 as shown on the "Map of Survey and Subdivision of Rancho Del Paso", recorded in the office of the County Recorder of Sacramento County, March 5, 1911, in Book A of Surveys, Map No. 94, described as follows:

Commencing at a point on the quarter section line located North  $89^{\circ} 02' 1/2''$  East 730 feet from the section corner common to Sections 11 and 18 of said Rancho Del Paso; thence from said point, and along the one-quarter section line, North  $89^{\circ} 02' 1/2''$  East 260 feet; thence North  $1^{\circ} 46' 1/2''$  West 76.6 feet to the center line of a road known as Marysville Road, North  $35^{\circ} 26'$  West 183.5 feet; thence South  $89^{\circ} 2' 1/2''$  West 158.3 feet; thence South  $1^{\circ} 46' 1/2''$  East 227.8 feet to the point of commencement.

Parcel 8 (Fire Station #19):

"Parcel K" as shown on the official plat of Point West, recorded in the office of the Recorder of Sacramento County in Book 82 of Maps, Map No. 17.

Parcel 9 (Fire Station #7):

All that portion of the certain "384.987 Acres" Tract of land designated "Western Enterprises 384.987 Acres" on the Record of Survey entitled, "Portion of Sections 10 and 15, T. 7 N., R. 5 E., M.D.B.&M.", filed in the office of the Recorder of Sacramento County, California, on June 30, 1959, in Book 14 of Surveys, Map No. 24, described as follows:

Beginning at a point on the West line of said 384.987 acre tract of land, said point of beginning is further described as being located on the West line of said Section 10 and on the center line of Valley Hi Drive, from which point of beginning the Southwest corner of said Section 10 bears South 02°04'02" East 490.00 feet; thence from said point of beginning North 89°44'55" East 50.00 feet; the Northeasterly curving to the right on an arc of 25.00 feet radius, said arc being subtended by a chord bearing North 44°44'54" East 35.36 feet to a point on the South line of Windham Way; thence along the South line of said Windham Way North 89°44'55" East 100.00 feet; thence South 00°5'05" East 240.99 feet; thence South 89°44'55" West 175.00 feet to a point on the West line of said 384.987 acre tract of land and on the center line of said Valley Drive; thence along said West line and the center line North 00°15'05" West 215.99 feet to the point of beginning.

Parcel 10 (Lawrence Park):

Lots A and B as shown on the Plat of "Fruitridge Oaks Unit No. 3", recorded in the office of the County Recorder of Sacramento County, January 7, 1953, in Book 34 of Maps, Map No. 3.

Parcel 11 (Rooney Police Garage and Station):

Parcels A, B, and D of that certain Parcel Map entitled "portion of S.E. 1/4 of Section 19, T. 8 N., R. 5 E. M.D.B. & M", filed in the office of the Recorder of Sacramento County, California, on October 31, 1979, in Book 53 of Parcel Maps, Map No. 5.

Parcel 12 (Stanford Park):

The entire block bounded by 27th and 28th, "B" and "C" Streets of the City of Sacramento, according to the official plat thereof; together with South one-half of abandoned "B" Street adjacent said block lying between 27th and 28th Streets, excepting the West 60.00 feet of said abandoned "B" Street.

EXHIBIT B

1999 Base Rental Payment Schedule

| <u>1999 Base Rental<br/>Payment Date</u> | <u>Principal<br/>Component</u> | <u>Interest<br/>Component</u> | <u>Total 1999 Base<br/>Rental Payment</u> |
|--|--------------------------------|-------------------------------|---|
| June 1, 2000                             |                                | \$390,632.59                  | \$390,632.59                              |
| December 1, 2000                         | \$225,000.00                   | 423,577.51                    | 648,577.51                                |
| June 1, 2001                             |                                | 418,515.01                    | 418,515.01                                |
| December 1, 2001                         | 220,000.00                     | 418,515.01                    | 638,515.01                                |
| June 1, 2002                             |                                | 414,115.01                    | 414,115.01                                |
| December 1, 2002                         | 325,000.00                     | 414,115.01                    | 739,115.01                                |
| June 1, 2003                             |                                | 407,452.51                    | 407,452.51                                |
| December 1, 2003                         | 340,000.00                     | 407,452.51                    | 747,452.51                                |
| June 1, 2004                             |                                | 400,227.51                    | 400,227.51                                |
| December 1, 2004                         | 355,000.00                     | 400,227.51                    | 755,227.51                                |
| June 1, 2005                             |                                | 392,595.01                    | 392,595.01                                |
| December 1, 2005                         | 370,000.00                     | 392,595.01                    | 762,595.01                                |
| June 1, 2006                             |                                | 384,455.01                    | 384,455.01                                |
| December 1, 2006                         | 385,000.00                     | 384,455.01                    | 769,455.01                                |
| June 1, 2007                             |                                | 375,792.51                    | 375,792.51                                |
| December 1, 2007                         | 400,000.00                     | 375,792.51                    | 775,792.51                                |
| June 1, 2008                             |                                | 366,592.51                    | 366,592.51                                |
| December 1, 2008                         | 420,000.00                     | 366,592.51                    | 786,592.51                                |
| June 1, 2009                             |                                | 356,617.51                    | 356,617.51                                |
| December 1, 2009                         | 440,000.00                     | 356,617.51                    | 796,617.51                                |
| June 1, 2010                             |                                | 346,057.51                    | 346,057.51                                |
| December 1, 2010                         | 455,000.00                     | 346,057.51                    | 801,057.51                                |
| June 1, 2011                             |                                | 334,682.51                    | 334,682.51                                |
| December 1, 2011                         | 490,000.00                     | 334,682.51                    | 824,682.51                                |
| June 1, 2012                             |                                | 322,187.51                    | 322,187.51                                |
| December 1, 2012                         | 510,000.00                     | 322,187.51                    | 832,187.51                                |
| June 1, 2013                             |                                | 308,927.51                    | 308,927.51                                |
| December 1, 2013                         | 530,000.00                     | 308,927.51                    | 838,927.51                                |
| June 1, 2014                             |                                | 295,015.01                    | 295,015.01                                |
| December 1, 2014                         | 565,000.00                     | 295,015.01                    | 860,015.01                                |
| June 1, 2015                             |                                | 279,760.01                    | 279,760.01                                |
| December 1, 2015                         | 595,000.00                     | 279,760.01                    | 874,760.01                                |
| June 1, 2016                             |                                | 262,505.01                    | 262,505.01                                |
| December 1, 2016                         | 630,000.00                     | 262,505.01                    | 892,505.01                                |
| June 1, 2017                             |                                | 244,235.01                    | 244,235.01                                |
| December 1, 2017                         | 665,000.00                     | 244,235.01                    | 909,235.01                                |
| June 1, 2018                             |                                | 224,950.01                    | 224,950.01                                |
| December 1, 2018                         | 705,000.00                     | 224,950.01                    | 929,950.01                                |

| <u>1999 Base Rental<br/>Payment Date</u> | <u>Principal<br/>Component</u> | <u>Interest<br/>Component</u> | <u>Total 1999 Base<br/>Rental Payment</u> |
|--|--------------------------------|-------------------------------|---|
| June 1, 2019                             |                                | \$204,505.01                  | \$204,505.01                              |
| December 1, 2019                         | \$745,000.00                   | 204,505.01                    | 949,505.01                                |
| June 1, 2020                             |                                | 182,900.01                    | 182,900.01                                |
| December 1, 2020                         | 575,000.00                     | 182,900.01                    | 757,900.01                                |
| June 1, 2021                             |                                | 166,368.76                    | 166,368.76                                |
| December 1, 2021                         | 600,000.00                     | 166,368.76                    | 766,368.76                                |
| June 1, 2022                             |                                | 149,118.76                    | 149,118.76                                |
| December 1, 2022                         | 640,000.00                     | 149,118.76                    | 789,118.76                                |
| June 1, 2023                             |                                | 130,718.76                    | 130,718.76                                |
| December 1, 2023                         | 530,000.00                     | 130,718.76                    | 660,718.76                                |
| June 1, 2024                             |                                | 115,150.00                    | 115,150.00                                |
| December 1, 2024                         | 565,000.00                     | 115,150.00                    | 680,150.00                                |
| June 1, 2025                             |                                | 98,553.13                     | 98,553.13                                 |
| December 1, 2025                         | 595,000.00                     | 98,553.13                     | 693,553.13                                |
| June 1, 2026                             |                                | 81,075.01                     | 81,075.01                                 |
| December 1, 2026                         | 630,000.00                     | 81,075.01                     | 711,075.01                                |
| June 1, 2027                             |                                | 62,568.76                     | 62,568.76                                 |
| December 1, 2027                         | 670,000.00                     | 62,568.76                     | 732,568.76                                |
| June 1, 2028                             |                                | 42,887.51                     | 42,887.51                                 |
| December 1, 2028                         | 710,000.00                     | 42,887.51                     | 752,887.51                                |
| June 1, 2029                             |                                | 22,031.26                     | 22,031.26                                 |
| December 1, 2029                         | 750,000.00                     | 22,031.26                     | 772,031.26                                |

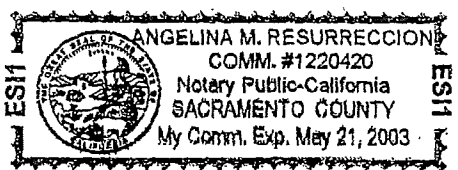
**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

State of California }  
 County of Sacramento } ss.

On 12-10-99, before me, Angelina M. Resurreccion a Notary,  
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")  
 personally appeared Valerie Burrows, Tom Freiny  
Name(s) of Signer(s)

personally known to me  
 proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



Place Notary Seal Above

WITNESS my hand and official seal.  
Angelina M. Resurreccion  
Signature of Notary Public

**OPTIONAL**

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

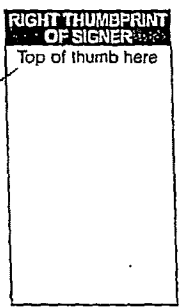
**Description of Attached Document**

Title or Type of Document: Master Property Lease re: City of Sacramento  
1999 Improvements  
 Document Date: 12-1-99 Number of Pages: 98 inc. att.

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer**

- Signer's Name: \_\_\_\_\_
- Individual
  - Corporate Officer — Title(s): City Clerk & City Treasurer
  - Partner —  Limited  General
  - Attorney in Fact
  - Trustee
  - Guardian or Conservator
  - Other: \_\_\_\_\_



Signer Is Representing: \_\_\_\_\_