

CLOSING MEMORANDUM

\$65,170,000 original aggregate principal amount of
MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

EXTENSION OF LETTER OF CREDIT

This memorandum will summarize the procedures to be followed in satisfying the conditions precedent to the extension of a letter of credit for the Modesto Public Financing Authority (the “Authority”) of its Lease Revenue Refunding Bonds Series 2008 (the “Bonds”).

CLOSING SCHEDULE

Monday, February 24, 2014	Via Sidley Austin’s Firmex Virtual Closing Site	Pre-Closing
Tuesday, February 25, 2014	Via Sidley Austin’s Firmex Virtual Closing Site	Closing

\$65,170,000 original aggregate principal amount of
MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

MEMORANDUM OF LEGAL PAPERS

to be included in transcripts
relating to the above-mentioned Bonds

Closing: Tuesday, February 25, 2014

Complete transcripts are to be prepared for distribution to the following parties:

Modesto Public Financing Authority (the “Authority”)

*City of Modesto (the “City”)

City-County Capital Improvements and Financing Agency (the “Financing Agency”)

Adam Lindgren, Esq., Interim City Attorney and General Counsel for the Authority
 (“City Attorney”)

*Sidley Austin LLP (“Bond Counsel” or “BC”)

*Bank of America, N.A. (the “Bank”)

Hawkins Delafield & Wood LLP (“Bank Counsel”)

Public Financial Management, Inc. (“PFM”)

* We will be preparing transcripts on CD-ROM for all parties. In addition to CD-ROM copies, parties indicated above with an asterisk (*) will be receiving one paper copy of the transcript.

Pre-Closing

The Pre-Closing will be held on Monday, February 24, 2014, via Sidley's Virtual Closing Site.

The parties indicated below will deliver five (5) originals of each of the respective documents so indicated below. The documents will be executed in advance of the Closing by the respective parties thereto and delivered no later than the Pre-Closing. Unless otherwise indicated, the documents will be dated as of the date of Closing. All such deliveries will be deemed to have been made in escrow until final delivery at the Closing has been made.

Responsibility for preparing or assembling the documents is indicated in parentheses.

Closing

In connection with the extension of the letter of credit for the Bonds, a closing email will be distributed to the financing team by Sidley indicating the transaction is closed.

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MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

DOCUMENTS AND INSTRUMENTS

The following documents and instruments are to be delivered to the appropriate party or parties at the Pre-Closing.

	<u>Index Number</u>
I. <u>BASIC DOCUMENTS</u>	
1. (a) Certified copy of the LEASE AGREEMENT, dated as of August 1, 2008, by and between the Authority and the City. (BC)	1
(b) Certified copy of the AMENDMENT NO. 1 TO LEASE AGREEMENT, dated as of August 1, 2011, executed by the City and the Authority. (BC)	
2. ESTOPPEL CERTIFICATES executed by	2
(a) the City, as successor agency to the Redevelopment Agency and	
(b) the Financing Authority. (BC)	
3. (a) Certified copy of the AMENDED AND RESTATED REIMBURSEMENT AGREEMENT, dated as of August 16, 2011, by and among the City, the Authority and the Bank. (BC)	3
(b) Certified copy of the AMENDMENT NO. 1 TO AMENDED AND RESTATED REIMBURSEMENT AGREEMENT, dated August 29, 2012, by and among the City, the Authority and the Bank. (BC)	
4. Executed counterparts of AMENDMENT NO. 2 TO AMENDED AND RESTATED REIMBURSEMENT AGREEMENT, dated February 25, 2014, by and among the City, the Authority and the Bank. (Bank Counsel)	4
5. (a) Certified copy of FEE LETTER, dated as of August 16, 2011, by and among the City, the Authority and the Bank. (BC)	5
(b) Certified copy of AMENDMENT NO. 1 TO FEE LETTER, dated August 29, 2012, by and among the City, the Authority and the Bank. (BC)	

	<u>Index Number</u>
6. Executed counterparts of AMENDMENT NO. 2 TO FEE LETTER, dated February 25, 2014, by and among the City, the Authority and the Bank. (Bank Counsel)	6
7. SPECIMEN COPY OF AMENDMENT NO. 6 TO LETTER OF CREDIT. (Bank Counsel)	7
8. SUPPLEMENT, dated February 25, 2014, to OFFICIAL STATEMENT, dated August 26, 2008. (BC)	8
II. <u>AUTHORIZATION OF THE FINANCING</u>	
A. <u>By the City</u>	
1. Certified copy of Resolution No. 2014-49 of the City Council of the City, adopted February 11, 2014, entitled RESOLUTION APPROVING AMENDMENT NO. 2 TO AMENDED AND RESTATED REIMBURSEMENT AGREEMENT AMONG BANK OF AMERICA, THE CITY OF MODESTO AND MODESTO PUBLIC FINANCING AUTHORITY; AMENDMENT NO. 2 TO FEE LETTER; AND A SUPPLEMENT TO OFFICIAL STATEMENT; AND AUTHORIZING CERTAIN OTHER RELATED ACTIONS.” (BC)	9
B. <u>By the Authority</u>	
1. Certified copy of Resolution No. 02-2014 of the Commission of the Authority, adopted February 11, 2014, entitled “A RESOLUTION OF THE MODESTO PUBLIC FINANCING AUTHORITY RELATING TO MODESTO PUBLIC FINANCING AUTHORITY LEASE REVENUE REFUNDING BONDS SERIES 2008 APPROVING THE EXTENSION OF A CREDIT FACILITY AND APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN AMENDMENT NO. 2 TO AMENDED AND RESTATED REIMBURSEMENT AGREEMENT, AMENDMENT NO. 2 TO FEE LETTER AND A SUPPLEMENT TO OFFICIAL STATEMENT; AND AUTHORIZING CERTAIN OTHER RELATED ACTIONS.” (BC)	10
III. <u>CLOSING DOCUMENTS</u>	
A. <u>Documents Relating to the City</u>	
1. CLOSING CERTIFICATE OF THE CITY, pursuant to Sections 3(c) and 3(e) of Amendment No. 2 to the Reimbursement Agreement. (BC)	11

	<u>Index Number</u>
2. CLOSING, SIGNATURE AND INCUMBENCY CERTIFICATE OF THE CITY. (BC)	12
3. DISCLOSURE REGARDING REDEVELOPMENT AGENCY DISSOLUTION. (City)	13
B. <u>Documents Relating to the Authority</u>	
1. CLOSING CERTIFICATE OF THE AUTHORITY, pursuant to Sections 3(c) and 3(e) of Amendment No. 2 to the Reimbursement Agreement. (BC)	14
2. CLOSING, SIGNATURE AND INCUMBENCY CERTIFICATE OF THE AUTHORITY. (BC)	15
IV. <u>NOTICE</u>	
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MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

CERTIFIED COPY OF LEASE AGREEMENT

The undersigned authorized representative of Modesto Public Financing Authority (the "Authority"), in connection with the Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the "Bonds") DOES HEREBY CERTIFY that attached hereto is a full, true and correct copy of the LEASE AGREEMENT, dated as of August 1, 2008, as amended and supplemented by that certain AMENDMENT NO. 1 TO LEASE AGREEMENT, dated as of August 1, 2011, each by and between the Authority and the City of Modesto (the "City") relating to the Bonds, and does hereby further certify that such agreement has not been further amended, modified or rescinded since August 1, 2011, and as so amended, is now in full force and effect.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of February, 2014.

MODESTO PUBLIC FINANCING AUTHORITY

By: Stephanie Lopez
Stephanie Lopez
Secretary

Stanislaus, County Recorder
Lee Lundrigan Co Recorder Office
DOC- 2008-0094326-00

Acct 501-Chicago Title
Thursday, AUG 28, 2008 08:00:00
Ttl Pd \$0.00 Nbr-0002596342
OMK/R3/1-47

Recording requested by
and return to:

CITY OF MODESTO
c/o Sidley Austin LLP
555 California Street, Suite 2000
San Francisco, California 94104

Attention: Ty H. Conner, Esq.

LEASE AGREEMENT

between the

MODESTO PUBLIC FINANCING AUTHORITY,
as lessor

and the

CITY OF MODESTO
as lessee

Dated as of August 1, 2008

THIS TRANSACTION IS EXEMPT FROM FILING FEES PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 6103 AND
TRANSFER TAXES PURSUANT TO CALIFORNIA REVENUE AND TAXATION CODE SECTION 11928

4707
[Signature]

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LEASE AGREEMENT

THIS LEASE AGREEMENT, dated as of August 1, 2008, by and between the MODESTO PUBLIC FINANCING AUTHORITY, a joint powers agency duly organized and existing under the laws of the State of California, as lessor (the "Authority"), and the CITY OF MODESTO, California, a charter city and a municipal corporation duly organized and existing under the laws of the State of California, as lessee (the "City");

WITNESSETH:

WHEREAS, the Authority is authorized to issue its obligation pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the California Government Code, as amended (the "Act"), for its purposes, including providing funds under a program to finance or refinance the "Cost" of various "Public Capital Improvements" (within the respective meanings of such terms in Sections 6585(d) and (g) of the Act); and

WHEREAS, the City is a "local agency" (within the meaning of such term in Section 6585(f) of the Act, a "Local Agency") and intends to, in conjunction with the City-County Capital Improvements and Financing Agency (the "Financing Agency") and the Redevelopment Agency of the City of Modesto (the "Redevelopment Agency"), refinance various "Public Capital Improvements" as defined under the Act; and

WHEREAS, in conjunction with the refinancing, the City has determined to refund the Authority's Lease Revenue Bonds, Series 1998 (Capital Improvements and Refinancing Project) (the "1998 Bonds") and Lease Revenue Refunding and Capital Improvements Bonds, Series 2007 (the "2007 Bonds") and, together with the 1998 Bonds, the "Prior Bonds"); and

WHEREAS, in furtherance of the refunding of the Prior Bonds, the Redevelopment Agency has entered into a Facilities Lease (Parking Garage) (recorded concurrently herewith), dated the date hereof, with the Authority (the "Parking Garage Facilities Lease") wherein the Redevelopment Agency will lease to the Authority certain real property and improvements (the "Parking Garage Facilities"); and

WHEREAS, in furtherance of the refunding of the Prior Bonds, the City has entered into a Facilities Lease (City Police Facilities and Miscellaneous Facilities) (recorded concurrently herewith), dated the date hereof, with the Authority (the "Police Facilities and Miscellaneous Facilities Lease") wherein the City will lease to the Authority certain real property and improvements (the "Police Facilities" and the "Miscellaneous Facilities"); and

WHEREAS, in furtherance of the refunding of the Prior Bonds, the Financing Agency has entered into a Facilities Lease (City-County Administration Building) (recorded concurrently herewith), dated the date hereof, with the Authority (the "City-County Administration Facilities Lease"), wherein the Financing Agency will lease to the Authority certain real property and improvements (the "City-County Administration Facility"); and

WHEREAS, in furtherance of the refunding of the Prior Bonds, the City has entered into a Facilities Lease (Communications Dispatch Center) (recorded concurrently herewith), dated the date hereof, with the Authority (the "City Communications Facilities Lease") and, together with the Parking Garage Facilities Lease, Police Facilities and Miscellaneous Facilities Lease and City-County Administration Facilities Lease, the "Facilities Leases") wherein the City will lease to the Authority certain real property and improvements (the "City Communications Facility," and together with the Parking Garage Facilities, Police Facilities, Miscellaneous Facilities and City-County Administration Facility, the "Facilities"); and

WHEREAS, the Authority proposes to lease the Facilities together with certain other real property and improvements, as more particularly described on Exhibit C hereto (the "Leased Property"), to the City and the City proposes to lease the Leased Property from the Authority, pursuant to and in accordance with the terms of this Lease Agreement; and

WHEREAS, in order to provide funds to finance the refunding of the Prior Bonds, the Authority has authorized the issuance of its Lease Revenue Refunding Bonds, Series 2008, in one or more series of bonds (the "Series 2008 Bonds") in an aggregate principal amount not to exceed \$75,000,000; and

WHEREAS, the Bonds will be issued and secured under a certain Indenture, dated as of August 1, 2008 (the "Indenture") by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"); and

WHEREAS, the City has found and determined that the Leased Property, as of the date hereof, has fair value sufficient to make certain Base Rental Payments (as hereinafter defined) as set forth in Section 3.01 hereof;

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

WHEREAS, the Authority has assigned all of its rights, title and interest under this Lease Agreement to the Trustee under the Indenture as security for the Bonds;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.01. Definitions and Rules of Construction. Unless defined herein, or the context otherwise requires, the capitalized terms used herein shall for all purposes of this Lease Agreement, have the meanings herein specified, which meanings shall be equally applicable to both the singular and plural forms of any of the terms herein defined. Capitalized terms not

otherwise defined herein shall have the meanings assigned to such terms in the Indenture. The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Lease Agreement, refer to this Lease Agreement as a whole.

"Additional Payments" means all amounts payable to the Authority or the Trustee or any other person from the City as Additional Payments pursuant to Section 3.02 hereof.

"Authority" means (i) Modesto Public Financing Authority, acting as lessor hereunder; (ii) any surviving, resulting or transferee entity; and (iii) except where the context requires otherwise, any assignee of the Authority.

"Base Rental Payment" means any payment due from the City to the Authority under Section 3.01 hereof.

"Base Rental Payment Schedule" means the schedule of Base Rental Payments payable to the Authority from the City pursuant to Section 3.01 hereof and attached hereto as Exhibit A, as it may from time to time be supplemented, modified or amended pursuant Section 11.06 hereof.

"Bonds" means, collectively, the Series 2008 Bonds and any Additional Bonds issued, and at any time Outstanding, pursuant to the Indenture.

"City" means the City of Modesto, a charter city and a municipal corporation duly organized and existing under the laws of the State, and a Local Agency under the Act, its successors and assigns.

"City-County Administration Building" means the one-half interest in the City-County Administration Building constituting a Leased Unit of the Leased Property, as more fully described in Exhibits B and C hereto.

"Communication Dispatch Center" means the communication dispatch center constituting a Leased Unit of the Leased Property, as more fully described in Exhibits B and C hereto.

"County" means the County of Stanislaus, California, a political subdivision organized and existing by virtue of the laws of the State of California.

"Deferred Rental" shall have the meaning specified in Section 3.04 hereof.

"Event of Default" shall have the meaning specified in Section 6.01 hereof.

"Facilities Leases" means collectively the (i) Parking Garage Facilities Lease, (ii) City Communications Facilities Lease, (iii) Police Facilities and Miscellaneous Facilities Lease and (iv) City-County Administration Facilities Lease.

"Financing Agency" means the City-County Capital Improvements and Financing Agency, duly organized and existing under a Joint Exercise of Powers Agreement, dated December 17, 1996, by and between the County of Stanislaus and the City.

"Indenture" means the bond indenture, dated as of August 1, 2008, by and among the Trustee and the Authority and acknowledged by the City, pursuant to which the Trustee will execute and deliver the Series 2008 Bonds, as originally executed or as it may from time to time be supplemented, modified or amended by a Supplemental Indenture entered into pursuant to the provisions of the Indenture.

"Insurance Consultant" means any independent, qualified person or firm reasonably believed by the City to be knowledgeable with respect to insurance carried by, required for and available to the City of Modesto, including a pooled self-insurance program in which premiums are established on the basis of the recommendation of an actuary of national reputation.

"Lease Agreement" means this Lease Agreement, including all Exhibits hereto, and any duly authorized and executed amendment or supplement hereto.

"Leased Unit(s)" means (i) the Public Parking Garage and related improvements, including the Site thereof, (ii) the City's interest in the City-County Administration Building, including the Site upon which such facility is constructed, including the rights and interests of the City to the use of common areas located on the City-County Administration Site, (iii) the City's undivided one-half interest in and to the Communications Dispatch Center, including the City's undivided one-half interest in the Site thereof, (iv) the City's interest in and to the Police Facilities, including the Site thereof, and (v) the City's interest in and to the Miscellaneous Facilities, all as set forth in Exhibit B and C hereto, together with any additional real property added or substituted thereto by any supplement or amendment hereto, as provided in Section 2.03 hereto.

"Leased Property" means, collectively, all of the Leased Units, each situated in the City, described in Exhibits B and C attached hereto and made a part hereof, together with any additional real property added or substituted thereto by any supplement or amendment hereto, as provided in Section 2.03 hereof.

"Master Agreement" means that certain Master Agreement, dated as of July 27, 1997, by and among the County, the City, the Redevelopment Agency, and the Financing Agency.

"Maximum Annual Base Rental Payment" means \$6,500,000 being the maximum annual amount (exclusive of Deferred Rental) payable to the Authority from the City as Base Rental Payment for any Rental Payment Period.

"Miscellaneous Facilities" means the miscellaneous facilities, collectively constituting a Leased Unit of the Leased Property, as more fully described in Exhibits B and C hereto.

"Permitted Encumbrances" shall have the meaning specified in the Indenture.

"Police Facilities" means the police headquarters building and police operations building constituting a Leased Unit of the Leased Property, as more fully described in Exhibits B and C hereto.

"Project" has the meaning set forth in the Indenture.

"Public Parking Garage" means the public parking garage constituting a Leased Unit of the Leased Property, as more fully described in Exhibits B and C hereto.

"Redevelopment Agency" means the Redevelopment Agency of the City.

"Reimbursement Agreement" means the Reimbursement Agreement, originally dated as of March 1, 1998, as amended through the date hereof, by and between the City and the Redevelopment Agency.

"Related Obligations" means the obligations of the Authority under any hedge agreement (including without limitation, any Swap), credit agreement, liquidity agreement or similar agreement or, State vehicle license intercept program, or tax increment reimbursement agreement, entered into in connection with or related to any Series of Bonds, including the Series 2008 Interest Rate Swap Agreement (as defined in the Indenture) and the Initial Credit Facility Reimbursement Agreement (as defined in the Indenture).

"Rental Payment Period" means the twelve month period commencing August 15 of each year and ending the following August 14, and the initial period commencing on the effective date hereof and ending the following August 14, 2009.

"State" means the State of California.

"Series 2008 Bonds" means the Bonds designated "Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008" issued by the Authority under and pursuant to Section 2.01 of the Indenture.

"Series 2008 Project" means the refunding of all of the 1998 Bonds and the 2007 Bonds and payment of any costs associated with financing of said project, as the same may be amended from time to time as provided herein.

"Site" means, as applicable, (i) the Communications Building Site (Parcel No. 1 as described on Exhibit C hereto), (ii) the Police Facilities and the Miscellaneous Facilities Site (Parcels Nos. 2 and 5 through 14, inclusive and Parcel 16 as described on Exhibit C hereto), (iii) City-County Administration Building Site (Parcel No. 3 as described on Exhibit C hereto), and (iv) the Public Parking Garage Site (Parcel Nos. 4 and 15 as described on Exhibit C hereto).

"Trustee" means the Trustee appointed under the terms of the Indenture.

"Underwriter" means, collectively, Banc of America Securities LLC, as the original purchasers of the Bonds.

Section 1.02. Exhibits. The following Exhibits are attached to, and by reference made a part of, this Lease Agreement:

Exhibit A: Description of Estimated Annual Base Rental Payments to be paid by the City to the Trustee, as assignee of the Authority.

Exhibit B: General Description of the Leased Property.

Exhibit C: Legal description of the Sites.

Exhibit D: Addresses for Notices.

ARTICLE II

LEASE OF LEASED PROPERTY; TERM; REMOVAL OR SUBSTITUTION

Section 2.01. Lease of Leased Property. The Authority hereby leases to the City and the City hereby leases from the Authority the Leased Property, subject, however, to all easements, encumbrances, and restrictions that exist at the time of the commencement of the term of this Lease Agreement. The Leased Property shall consist of the real properties described in Exhibits B and C, as the same may be amended from time to time, pursuant to Section 2.03 herein.

Section 2.02. Term; Occupancy. The term of this Lease Agreement shall commence on the date of recordation of this Lease Agreement in the office of the County Recorder of Stanislaus County, State of California, or on August 28, 2008, whichever is earlier, and shall end on September 1, 2033, unless such term is extended or sooner terminated as hereinafter provided. If on such termination date, the Series of Bonds corresponding to the Base Rental Payments attributable to the Leased Property, or if applicable, the related Leased Unit, and all other amounts then due hereunder with respect to such Leased Property or Leased Unit (as the case may be), including any Reserve Facility Costs and amounts due under any Related Obligations, shall not be fully paid, or if the rental payable hereunder with respect to such Leased Property or Leased Unit (as the case may be) shall have been abated at any time and for any reason, then the term of this Lease Agreement with respect to such Leased Property or Leased Unit (as the case may be) shall be extended until all Bonds and Related Obligations of such Series corresponding to the Base Rental Payments attributable to such Leased Property or Leased Unit (as the case may be) and all other amounts then due hereunder with respect to such Leased Property or Leased Unit (as the case may be), including any Reserve Facility Costs and amounts due under any Related Obligations, shall be fully paid, except that the term of this Lease Agreement as to such Leased Property or Leased Unit (as the case may be) shall in no event be extended beyond ten (10) years after such date. If prior to such date, all Bonds of a Series corresponding to the Base Rental Payments attributable to the Leased Property, or if applicable, the related Leased Unit and all other amounts then due hereunder with respect to such Leased Property or Leased Unit (as the case may be), including any Reserve Facility Costs and amounts due under any Related Obligations, shall be fully paid, or provision therefor made, the term of this Lease Agreement with respect to such Leased Property or Leased Unit (as the case may be) shall end ten (10) days thereafter or upon written notice by the City to the Authority, whichever is earlier.

Section 2.03. Removal or Substitution of Leased Property. Pursuant to Section 6.08 of the Indenture, the City may remove or substitute real property as part of the Leased Property for purposes of the Lease Agreement, but only after the City shall have filed with the Authority and the Trustee, with copies to each rating agency then providing a rating for the Bonds, all of the following:

(i) Executed copies of the Lease Agreement or amendments thereto containing the amended description of the Leased Property, including the legal description of the Leased Property as modified if necessary;

(ii) A Certificate of the City with copies of the Lease Agreement or a site lease, if needed, or amendments thereto containing the amended description of the Leased Property stating that such documents have been duly recorded in the official records of the County Recorder of Stanislaus County, State of California;

(iii) A Certificate of the City evidencing that the annual fair rental value of the Leased Property which will constitute the Leased Property after such removal or substitution will be at least equal to 100% of the maximum amount of Base Rental Payments for all Series of Bonds becoming due in the then current year ending August 14 through and including each year during which any Series of Bonds would be Outstanding or in any subsequent year ending August 14 through and including each year during which any Series of Bonds would be Outstanding;

(iv) A Certificate of the City stating that, based upon review of such instruments, certificates or any other matters described in such Certificate of the City, the City has good merchantable title to the Leased Property which will constitute the Leased Property after such substitution. The term "good merchantable title" shall mean such title as is satisfactory and sufficient for the needs and operations of the City;

(v) A Certificate of the City stating that such removal or substitution does not adversely affect the City's use and occupancy of the Leased Property;

(vi) An Opinion of Counsel (as such term is defined in the Indenture) stating that such amendment or modification (i) is authorized or permitted by the Constitution and laws of the State and the Indenture; (ii) complies with the terms of the Constitution and laws of the State and of this Indenture; (iii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the City; and (iv) will not cause the interest on the Bonds to be included in gross income for federal income tax purposes;

(vii) An ALTA Leasehold Title Insurance Policy meeting the requirements of Section 5.05; and

(viii) Written Consent of the applicable Bond Insurer, Credit Facility Provider, or Liquidity Facility Provider.

ARTICLE III

RENTAL PAYMENTS; USE OF PROCEEDS

Section 3.01. Base Rental Payments. The City agrees to pay to the Authority, as Base Rental Payments for the use and occupancy of each Leased Unit of the Leased Property (subject

to the provisions of Sections 3.04, 3.06 and 7.01 of this Lease Agreement) annual rental payments, in accordance with the Base Rental Payment Schedule attached hereto as Exhibit A and made a part hereof. Base Rental Payments shall be calculated on an annual basis, for the twelve-month periods commencing on August 15 and ending on August 14, except that the first Rental Payment Period shall commence on the date of recordation of this Lease Agreement or a memorandum thereof in the office of the County Recorder of the County of Stanislaus, State of California and shall end on August 14, 2009. Thereafter, Base Rental Payments shall be made in twelve (12) monthly installments, payable on the fifteenth (15th) day of each calendar month (each, together with the prior referenced semi-annual payment dates a "Base Rental Payment Date"). Base Rental Payments for each annual period shall be based upon the estimated Base Rental Payments as set forth in the Base Rental Payment Schedule in Exhibit A, provided that in the event that the amount required by the Authority to pay the principal of and interest on the Bonds and any Related Obligations varies from such Base Rental Payment Schedule, the City shall be obligated to increase the payment in any Rental Payment Period to an amount equal to the Maximum Annual Base Rental Payment, plus any Deferred Rental as described in Section 3.04 below; and provided further that to the extent the Authority has received revenues available to pay debt service on the Bonds and any amounts due with respect to the Related Obligations and the Authority has deposited such revenues with the Trustee by the business day preceding the fifteenth (15th) day of any month in which a Base Rental Payment is due, the City shall receive a credit to the extent of such revenues on the installment of the Base Rental Payment for said month.

Each annual payment of Base Rental Payments (to be payable in installments as aforesaid) shall be for the use of the Leased Property for the twelve (12) month period commencing on August 15 of the period in which such installments are payable.

For the purpose of calculating the amount of Base Rental Payments relating to additional Series of Bonds and Related Obligations bearing interest at a variable rate, the Authority shall assume an interest rate of twelve percent (12%) per annum or such lower rate as shall be agreed to by the City and Authority and evidenced in a schedule attached hereto. If a Series of Bonds are in the Fixed Rate Mode or are converted to the Fixed Rate Mode, the Base Rental Payments may be made on a semiannual basis pursuant to a schedule prepared by the Authority and agreed to by the City.

If the term of this Lease Agreement shall have been extended pursuant to Section 2.02 hereof, Base Rental Payment installments shall continue to be due on the fifteenth (15th) day of each calendar month in each year, and payable prior thereto as hereinabove described, continuing to and including the date of termination of this Lease Agreement. Upon such extension of this Lease Agreement, the City shall deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule shall establish the Base Rental Payments at Maximum Annual Base Rental Payment or such lesser amount sufficient to pay all unpaid principal and interest on any Series of Bonds and Related Obligations plus interest and to pay any Reserve Facility Costs.

The City and the Authority hereby agree that on each day on which Base Rental Payments are payable during the term of the lease of the Leased Property, there shall be applied as a credit against the Base Rental Payments payable on such date for the Leased Property the

amounts by which such Base Rental Payments for the Leased Property when added to the funds held pursuant to the Indenture (other than the Reserve Fund) and available to pay debt service on the Bonds and any Related Obligations exceeds such payment obligations due and payable on or before the fifteenth day of the immediately succeeding month.

Section 3.02. Additional Payments. The City shall also pay such amounts (herein called the "Additional Payments") as shall be required by the Authority for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of this Lease Agreement or any pledge of Base Rental Payments payable hereunder, the Indenture, the Reserve Facility, its interest and the lease of the Leased Property to the City, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority related to the Bonds, the Related Obligations, the Leased Property and the Project, including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees and expenses of the Credit Facility Provider, including without limitation all fees payable pursuant to the Credit Facility Reimbursement Agreement, fees of auditors, accountants, auction agents, broker-dealers or attorneys, and fees and expenses payable to any applicable Bond Insurer, Credit Facility Provider or Liquidity Facility Provider, 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 of the Indenture; but not including in Additional Payments amounts required to pay the principal of or interest on the Bonds or the portion of the Reserve Facility Costs related thereto or payments on Related Obligations or the payment of any Regular Swap Payments or Extraordinary Swap Payments.

Such Additional Payments shall be billed to the City by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been paid by the Authority or by the Trustee on behalf of the Authority, for one or more of the items above described, or that such amount is then payable by the Authority or the Trustee for such items. Amounts so billed shall be paid by the City to the billing party within 30 days after receipt of the bill by the City. The City reserves the right to audit billings for Additional 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 Payments.

The Authority has issued and may in the future issue bonds and has entered into and may in the future enter into leases to finance facilities other than the Leased Property and the Project. The administrative costs of the Authority shall be allocated among said facilities and the Leased Property, as hereinafter in this paragraph provided. The fees of the Trustee under the Indenture, and any other expenses directly attributable to the Leased Property shall be included in the Additional Payments payable hereunder. The fees of any trustee or paying agent under any indenture securing any additional Series of Bonds of the Authority, and any other expenses directly attributable to any facilities other than the Leased Property, shall not be included in the administrative costs of the Leased Property and shall not be paid from the Additional Payments payable hereunder. Any expenses of the Authority not directly attributable to any particular leased property or project of the Authority shall be equitably allocated among all such leased property or projects, including the Project, in accordance with sound accounting practice. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the Authority to consider the question and render an

opinion thereon, shall be a final and conclusive determination as to such allocation. The Trustee may conclusively rely upon the Written Request of the Authority, with the approval of a duly authorized representative of the City, endorsed thereon, in making any determination that costs are payable as Additional Payments hereunder, and shall not be required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Leased Property.

Section 3.03. Fair Rental Value. The payment of up to the Maximum Annual Base Rental Payment and Additional Payments for each rental period during the term of this Lease Agreement shall constitute the total rental for said rental period and shall be paid by the City in each Rental Payment Period for and in consideration of the right of use and occupancy of, and continued quiet use and enjoyment of, the Leased Property during each such period for which said rental is to be paid. The parties hereto have agreed and determined that such total rental payable for each Rental Payment Period, up to the Maximum Annual Base Rental Payment, as such amount may be adjusted for Deferred Rental, represents the fair rental value of the Leased Property for each such period. In making such determination, consideration has been given to the appraised value of the Leased Property, costs of acquisition, demolition, site preparation, design, construction and financing of the Leased Property, other obligations of the parties under this Lease Agreement, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

Section 3.04. Payment Provisions; Deferred Rental. At the request of the City, the Authority is issuing the Series 2008 Bonds as variable rate bonds, and entering into an interest rate swap transaction in an effort to provide a lower cost to the City for the lease of the Leased Property. It is contemplated by the parties hereto that the amount of Base Rental Payments to be payable by the City to the Authority during each Rental Payment Period will be equal to the estimated Base Rental Payments shown in Exhibit A. In the event that the amount needed in such Rental Payment Period by the Authority to pay the principal of and interest on the Bonds and any Related Obligations is more than the estimated Base Rental Payments for such Rental Payment Period, the City will be obligated to pay up to the Maximum Annual Base Rental Payment for such Rental Payment Period. Further, the City agrees that if in any year the Maximum Annual Base Rental Payment exceeds the amount needed by the Authority to pay the principal of and interest on the Bonds and any Related Obligations coming due on or before September 1 following the end of such Rental Payment Period, the excess amount may be deferred by the Authority, at its sole option, on such terms and conditions as it shall determine are necessary to protect the interests of the owners of the Bonds and the Providers of any Related Obligations, and thereupon such excess amount (the "Deferred Rental") need not be paid by the City to the Authority at that time, but instead shall be deferred until such subsequent time as the Authority shall have need for such payment; provided, however, however, that notwithstanding anything herein to the contrary, that the Deferred Rental shall not cause the Base Rental Payment in any Rental Payment Period to exceed the lesser of (i) 150% of the estimated Base Rental Payment for such Rental Payment Period as shown in Exhibit A or (ii) the Maximum Annual Base Rental Payment, as adjusted for Deferred Rental for such Rental Payment Period.

Each installment of Base Rental Payments and Additional Payments payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Authority at the corporate trust office of the Trustee, or such other place as the Authority shall

designate. Any such installment of rental accruing hereunder which shall not be paid when due and payable under the terms of this Lease Agreement shall bear interest at the rate of twelve percent (12%) per annum, or such lesser rate of interest as may be permitted by law, from the date when the same is due hereunder until the same shall be paid. Notwithstanding any dispute between the Authority and the City, the City shall make all Base Rental Payments and Additional Payments when due without deduction or offset of any kind and shall not withhold any Base Rental Payments or Additional Payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said Base Rental Payments or Additional Payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent Base Rental Payments or Additional Payments due hereunder or refunded at the time of such determination. Amounts required to be deposited by the City with the Trustee pursuant to this Section on any date shall be reduced to the extent of amounts on deposit in the Revenue Fund and available therefor.

All payments received shall be applied first to the Base Rental Payments due hereunder and thereafter to all Additional Payments due hereunder, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default hereunder.

Nothing contained in this Lease Agreement shall prevent the City from making from time to time contributions or advances to the Authority for any purpose now or hereafter authorized by law, including the making of repairs to, or the restoration of, the Leased Property in the event of damage to or the destruction of the Leased Property.

Section 3.05. Appropriations Covenant. The City covenants to take such action as may be necessary to include all estimated Base Rental Payments and Additional Payments due hereunder in its annual budgets, and to make necessary annual appropriations for such payments, and for such additional amounts as required below. The City will deliver to the Authority and the Trustee within ninety (90) days of adoption of the City budget copies of the portion of each annual City budget relating to the payment of estimated Base Rental Payments and Additional Payments hereunder as so calculated. If in any fiscal year, the amount initially budgeted is insufficient to pay actual Debt Service on the Bonds and payments with respect to Related Obligations, the City shall, by supplemental budget in such fiscal year, appropriate and pay such additional amounts until the total amount appropriated for Base Rental Payments equals Maximum Annual Base Rental Payments for such year. The covenants on the part of the City herein contained 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 covenants and agreements in this Lease Agreement agreed to be carried out and performed by the City.

The Authority and the City understand and intend that the obligation of the City to pay Base Rental Payments and Additional Payments hereunder shall constitute 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, funds or moneys of the City. Base Rental Payments and Additional Payments due

hereunder shall be payable only from current funds which are budgeted and appropriated or otherwise legally available for the purpose of paying Base Rental Payments and Additional Payments or other payments due hereunder as consideration for use of the Leased Property. This Lease Agreement shall not create an immediate indebtedness for any aggregate payments which may become due hereunder in the event that the term of this Lease Agreement is continued. 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 Base Rental Payments and Additional Payments or any other payments due hereunder.

Section 3.06. Rental Abatement. The Base Rental Payments and Additional Payments shall be abated proportionately during any period in which by reason of any damage or destruction (other than by condemnation, which is hereinafter provided for, or planned demolition as part of the Project) there is substantial interference with the use and occupancy of the Leased Property by the City, in the proportion in which the initial cost of that portion of the Leased Property rendered unusable bears to the initial cost of the whole of the Leased Property. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, this Lease Agreement shall continue in full force and effect and the City waives the benefits of California Civil Code Section 1932(2) and 1933(4) and of Title 11 of the United States Code, Section 365(h) and any and all other rights to terminate this Lease Agreement by virtue of any such damage or destruction.

Notwithstanding the foregoing, such abatement shall not result to the extent of moneys held by the Trustee under the Indenture (including, particularly, without limitation, the Reserve Fund, Principal Account and Interest Account), or to the extent such Base Rental Payments are made from proceeds of insurance and rental interruption insurance as provided in Section 5.01 and 5.03 herein.

Section 3.07. Use of Bond Proceeds. The parties hereto agree that the proceeds of the Series 2008 Bonds, together with amounts provided with respect to the Prior Bonds, will be used to finance the Series 2008 Project, to establish the Reserve Fund with respect to the Series 2008 Bonds, and to pay the costs of issuing the Series 2008 Bonds and incidental and related expenses. The City agrees to act as agent of the Authority and use the proceeds to implement the Series 2008 Project with due diligence.

Section 3.08. No Withholding. Notwithstanding any dispute between the Authority and the City, including a dispute as to the failure of any portion of the Leased Property in use by or possession of the City to perform the task for which it is leased, the City shall make all Base Rental Payments when due and shall not withhold any Base Rental Payments pending the final resolution of such dispute.

ARTICLE IV

MAINTENANCE; ALTERATIONS AND ADDITIONS

Section 4.01. Maintenance and Utilities. During such time as the City is in possession of the Leased Property, all maintenance and repair, both ordinary and extraordinary, of the Leased Property shall be the responsibility of the City, which shall at all times maintain or otherwise

arrange for the maintenance of the Leased Property in first class condition, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof or any other cause and shall pay for or otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Leased Property. In exchange for the rental herein provided, the Authority agrees to provide only the Leased Property.

Section 4.02. Changes to the Leased Property. Subject to Section 8.02 hereof, the City, at its own expense, shall have the right to remodel the Leased Property or to make additions, modifications and improvements to the Leased Property. All such additions, modifications and improvements shall thereafter comprise part of the Leased Property and be subject to the provisions of this Lease Agreement. Such additions, modifications and improvements shall not damage the Leased Property or cause them to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made pursuant to this Section, shall be of a value which is at least equal to the value of the Leased Property immediately prior to the making of such additions, modifications and improvements.

Section 4.03. Installation of City's Equipment. The City and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items shall remain the sole property of such party, in which neither the Authority nor the Trustee shall have any interest, and may be modified or removed by such party at any time provided that such party shall repair and restore any and all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement shall prevent the City from purchasing items to be installed pursuant to this Section under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Leased Property.

ARTICLE V

INSURANCE

Section 5.01. Fire and Extended Coverage Insurance. The City shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of this Lease Agreement, insurance against loss or damage to any structures constituting any part of the Leased Property by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Leased Property, excluding the cost of excavations, of grading and filling, and of the land (except that such insurance may be subject

to deductible clauses for any one loss of not to exceed \$500,000 or comparable amount adjusted for inflation), or, in the alternative, shall be in an amount and in a form sufficient (together with moneys held under the Indenture), in the event of total or partial loss, to enable all outstanding Bonds to be redeemed.

In the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by such insurance, the Authority, except as hereinafter provided, shall cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property, and the Trustee shall hold said proceeds separate and apart from all other funds, in a special fund to be designated the "Insurance and Condemnation Fund," to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee shall permit withdrawals of said proceeds from time to time upon receiving the Written Request of the Authority, stating that the Authority has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended, or such liabilities were incurred. Any balance of said proceeds not required for such repair, reconstruction or replacement shall be treated by the Trustee as Base Rental Payments and applied in the manner provided by Section 5.02 of the Indenture. Alternatively, the Authority, at its option, with the written consent of the City, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to redeem an aggregate principal amount of outstanding Bonds, equal to the amount of Base Rental Payment attributable to the portion of the Leased Property so destroyed or damaged (determined by reference to the proportion which the cost of such portion of the Leased Property bears to the cost of the Leased Property), may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and, thereupon shall cause said proceeds to be used for the redemption of outstanding Bonds pursuant to Section 4.01 of the Indenture.

As an alternative to providing the insurance required by the first paragraph of this Section, or any portion thereof, the City may provide a self insurance method or plan of protection if and to the extent such self insurance method or plan of protection shall afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State of California other than the City. So long as such method or plan is being provided to satisfy the requirements of this Lease Agreement, there shall be filed annually with the Trustee a statement of an actuary, an Insurance Consultant or other qualified person (which may be the Risk Manager of the City), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of this Section and, when effective, would afford reasonable coverage for the risks required to be insured against. There shall also be filed a Certificate of the City setting forth the details of such substitute method or plan. In the event of loss covered by any such self insurance method, the liability of the City hereunder shall be limited to the amounts in the self insurance reserve fund or funds created under such method.

Section 5.02. Liability Insurance. Except as hereinafter provided, the City shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of this Lease Agreement, a standard comprehensive general liability insurance policy or policies in protection of the Authority and the City and their respective members, directors, officers, agents and employees, and the Trustee, indemnifying said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Leased Property, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$500,000 for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City.

As an alternative to providing the insurance required by the first paragraph of this Section, or any portion thereof, the City may provide a self insurance method or plan of protection if and to the extent such self insurance method or plan of protection shall afford reasonable protection to the Authority and the City and their respective members, directors, officers, agents and employees, and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State of California other than the City. So long as such method or plan is being provided to satisfy the requirements of this Lease Agreement, there shall be filed annually with the Trustee a statement of an actuary, an Insurance Consultant or other qualified person (which may be the Risk Manager of the City), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of this Section and, when effective, would afford reasonable protection to the Authority and the City and their respective members, directors, officers, agents and employees, and the Trustee against loss and damage from the hazards and risks covered thereby. There shall also be filed a Certificate of the City setting forth the details of such substitute method or plan.

Section 5.03. Rental Interruption or Use and Occupancy Insurance. The City shall procure or cause to be procured and maintain or cause to be maintained, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Leased Property as the result of any of the hazards covered by the insurance required by Section 5.01 hereof, in an amount sufficient to pay the part of the total rent hereunder attributable to the portion of the Leased Property rendered unusable (determined by reference to the proportion which the cost of such portion bears to the cost of the Leased Property) for a period of at least two years, except that such insurance may be subject to a deductible clause of not to exceed two hundred fifty thousand dollars (\$250,000) or a comparable amount adjusted for inflation. Any proceeds of such insurance shall be used by the Trustee to reimburse to the City any rental theretofore paid by the City under this Lease Agreement attributable to such structure for a period of time during which the payment of rental under this Lease Agreement is abated, and any proceeds of such insurance not so used shall be applied as provided in Section 3.01 (to the extent required for the payment of Base Rental Payments) and in Section 3.02 (to the extent required for the payment of Additional Payments) and any remainder shall be treated as Revenue under the Indenture.

Section 5.04. Worker's Compensation. The City shall also maintain worker's compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure its employees against liability for compensation under the Worker's Compensation Insurance and Safety Act now in force in California, or any act hereafter enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the City. Such insurance may be maintained by the City in the form of self-insurance.

Section 5.05. Title Insurance. The City shall obtain, for the benefit of the Authority and the Trustee, upon the execution and delivery of this Lease Agreement, title insurance on the Leased Property in an amount not less than \$65,170,000, subject only to Permitted Encumbrances.

Section 5.06. Insurance Proceeds; Form of Policies. All policies of insurance required by Sections 5.01 and 5.03 hereof shall name the City, the Authority and the Trustee as insured and shall contain a lender's loss payable endorsement in favor of the Trustee. Unless otherwise consented to by the applicable Bond Insurer, Credit Facility Provider or Liquidity Facility Provider, required insurance policies, other than self-insurance, must be provided by a commercial insurer rated A or better by A.M. Best. The Trustee (i) shall, to the extent practicable, collect, adjust and receive all moneys which may become due and payable under any such policies, (ii) may compromise any and all claims thereunder and (iii) shall apply the proceeds of such insurance as provided in Sections 5.01 and 5.03 hereof. All policies of insurance required by this Lease Agreement shall provide that the Trustee shall be given thirty (30) days notice of each expiration thereof or any intended cancellation thereof or reduction of the coverage provided thereby. 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 adjustment, compromise or settlement of any loss agreed to by the City. The City shall pay when due the premiums for all insurance policies required by this Lease Agreement, and shall promptly furnish evidence of such payments to the Authority.

The City shall deliver to the Authority and the Trustee on an annual basis a written Certificate of an officer of the City stating whether such policies satisfy the requirements of this Lease Agreement, setting forth the insurance policies then in force pursuant to this Article, the names of the insurers which have issued the policies, the amounts thereof and the property and risks covered thereby, and, if any self-insurance program is being provided, the annual report of an actuary, an Insurance Consultant or other qualified person containing the information required for such self-insurance program and described in Sections 5.01, 5.02 and 5.04 hereof. Delivery to the Trustee of the certificate, under the provisions of this Section shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies. If so requested in writing by the Trustee, the City shall also deliver to the Trustee certificates or duplicate originals or certified copies of each insurance policy described in such schedule.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.01. Events of Default. Each of the following shall be an "event of default" under this Lease Agreement and the terms "events of default" and "default" shall mean, whenever they are used in this Lease Agreement, any one or more of the following events:

(a) failure by the City to pay any Base Rental Payment or Additional Payments payable hereunder when the same becomes due, time being expressly declared to be of the essence of this Lease Agreement;

(b) failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed herein or in any Facilities Lease, other than as referred to in clause (a) of this Section, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority, the Trustee or the Owners of not less than twenty five percent (25%) in aggregate principal amount of Bonds then outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority, the Trustee and such Owners will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected; or

(c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or the filing of an involuntary petition in bankruptcy against the City which petition shall not have been withdrawn within sixty (60) days, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the federal bankruptcy law or under any similar acts which may hereafter be enacted.

Section 6.02. Remedies on Default. Whenever any event of default referred to in Section 6.01 hereof shall have happened and be continuing, it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement; provided, however, that notwithstanding anything herein or in the Indenture to the contrary, **THERE SHALL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE LEASE PAYMENTS OR OTHERWISE DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE.** Subject to the receipt of the opinions set forth in subparagraph (c) below, after the occurrence of an event of default hereunder, the City will surrender possession of the Leased Property to the Authority, if requested to do so by the Authority, or by the Trustee or the Owners in accordance with the provisions of the Indenture.

(a) No Termination: Repossession and Re-Lease on Behalf of City. In the event the Authority does not elect to terminate this Lease Agreement in the manner hereinafter provided for in subparagraph hereof, the Authority, to the extent permitted by law (subject to the receipt of

the opinions set forth in subparagraph (e) below) may, with the consent of the City, which consent is hereby irrevocably given, repossess the Leased Property and re-lease it for the account of the City, in which event the City's obligation will accrue from year to year in accordance with this Lease Agreement and the City will continue to receive the value of the use of the Leased Property from year to year in the form of credits against its obligation to pay Base Rental Payments. The obligations of the City shall remain the same as prior to such default, to pay Base Rental Payments whether the Authority re enters or not. The City agrees to and shall remain liable for the payment of all Base Rental Payments and the performance of all conditions contained herein and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Leased Property, or, in the event the Authority is unable to re-lease the Leased Property, then for the full amount of all Base Rental Payments to the end of the Term of this Lease Agreement, but said Base Rental Payments and/or deficiency shall be payable only at the same time and in the same manner as provided above for the payment of Base Rental Payments hereunder, notwithstanding such repossession by the Authority or any suit, brought by the Authority for the purpose of effecting such repossession of the Leased Property or the exercise of any other remedy by the Authority.

The City hereby irrevocably appoints the Authority as the agent and attorney in fact of the City to repossess and re-lease the Leased Property, subject to the receipt of the opinions set forth in subparagraph (e) below, in the event of default by the City in the performance of any covenants contained herein to be performed by the City and to remove all personal property whatsoever situated upon the Leased Property, to place such property in storage or other suitable place in the County in which the City is located, 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 or occasioned by any such repossession and re-leasing of the Leased Property. The City hereby waives any and all claims for damage caused or which may be caused by the Authority in repossessing the Leased Property as provided herein and all claims for damages that may result from the destruction of or the injury to the Leased Property and all claims for damages to or loss of any property belonging to the City that may be in or upon the Leased Property.

(b) Repossession Without Effecting Surrender. The City agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Authority to re-lease the Leased Property in the event of such repossession without effecting a surrender of this Lease Agreement (subject in such event to the receipt by the Authority of the opinions set forth in subparagraph (e) below), and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Lease Agreement shall vest in the Authority to be effected in the sole and exclusive manner provided for in subparagraph below. The City further waives the right to any rental obtained by the Authority in excess of the Base Rental Payments and, to the extent permitted by law, hereby conveys and releases such excess to the Authority as compensation to the Authority for its services in re-leasing the Leased Property.

(c) Termination: Repossession and Re-Lease. In the event of the termination of this Lease Agreement by the Authority at its option and in the manner hereinafter provided on

account of default by the City (and notwithstanding any repossession of the Leased Property by the Authority in any manner whatsoever or the re-leasing of the Leased Property in accordance with the terms hereof), the City nevertheless agrees to pay to the Authority all costs, losses or damages howsoever arising or occurring payable at the same time and in the same manner as is provided herein in the case of payment of Base Rental Payments. Any proceeds of the re-lease or other disposition of the Leased Property by the Authority shall be delivered to the Trustee for deposit first into the Interest Payment Account, and to the extent such account is funded to the extent then required under the Indenture, in the Principal Payment Account and shall be applied in accordance with the provisions of Article V of the Indenture. Neither notice to pay rent or to deliver up possession of the Leased Property given pursuant to law nor any proceeding taken by the Authority to recover possession of the Leased Property shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of default by the City shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have obtained the opinions set forth in subparagraph (e) below and given written notice to the City of the election on the part of the Authority to terminate this Lease Agreement. The City covenants and agrees that no surrender of the Leased Property for the remainder of the Term hereof or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice. No such termination shall be effected either by operation of law or act of the parties hereto, except only in the manner herein expressly provided.

The Authority and City hereby agree that Section 1951.2 of the California Civil Code shall apply to this Lease Agreement and that upon such termination, the Authority may recover, in addition to all other damages available by contract or at law, from the City: (i) the worth at the time of award of the unpaid rental which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rental which would have been earned after termination until the time of award exceeds the amount of such rental loss that the City proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rental for the balance of the term after the time of the award exceeds the amount of such rental loss that the City proves could have been reasonably avoided; and (iv) any other amount necessary to compensate the Authority for all the detriment proximately caused by the City's failure to perform its obligations under this Lease Agreement or which in the ordinary course of things would be likely to result therefrom. The "worth at the time of award" of the amounts referred to in clauses (i), (ii) and (iii) above is computed by allowing interest at the legal rate of interest per annum at which judgments for money in the State of California bear interest.

(d) Exceptions: City-County Administration Building, Parking Garage and Communications Center. Notwithstanding the foregoing, the Authority, or the Trustee acting on behalf of the Authority, shall have no right to repossess or reenter the Leased Unit comprising the City-County Administration Building until the Authority, or the Trustee acting on behalf of the Authority, has first offered to the County in writing notice that the County is entitled to assume the City's obligations hereunder with respect to the City-County Administration Building, including but not limited to the obligation of the City to pay Base Rental Payments with respect thereto. The County shall respond in writing to the Authority, or the Trustee, as applicable, no later than thirty (30) days following the receipt of such notice. In the event the County determines not to assume City's obligations hereunder with respect to the City-County

Administration Building, the Authority or the Trustee, as applicable, may thereupon proceed to repossess or reenter such facility or pursue any other remedy provided herein. The parties hereto acknowledge that the provisions set forth this paragraph are intended to permit the County to protect its interests in and to the City-County Administration Building and as such the parties hereto acknowledge that the County is a third-party beneficiary of this Agreement insofar as the County would be entitled to assume the City's obligations with respect to the City-County Administration Building.

Notwithstanding the foregoing, in accordance with Section 6.7 of the Master Agreement the Financing Agency shall be entitled, upon the occurrence of an Event of Default hereunder and a decision by the Trustee to terminate this Lease Agreement in accordance with Section 6.02(b) above, to exercise its "right of first refusal" with respect to the purchase of the Parking Garage, and the Authority, or the Trustee acting on behalf of the Authority, shall cause to be delivered to the Financing Agency notice of the occurrence of an Event of Default hereunder. The purchase price for the Parking Garage shall be the principal amount of the Base Rental Payments due and owing with respect to the Parking Garage, together with interest due on said principal amounts to the date such purchase is exercised. The Financing Agency shall within thirty (30) days of the receipt of said notice respond to the Authority, or the Trustee acting on behalf of the Authority, whether the Financing Agency intends to purchase the Parking Garage. If the Financing Authority elects to purchase the Parking Garage, the proceeds of sale shall be delivered to the Trustee and applied first to delinquent Lease Payments and then to Lease Payments as they come due. In the event the Financing Agency determines not to exercise its right to purchase the Parking Garage, the Authority or the Trustee, as applicable, may thereupon proceed to exercise its remedies as provided herein. The parties hereto acknowledge that the provisions set forth in this paragraph are intended to permit the Financing Agency to protect its interests in and to the Parking Garage and as such the parties hereto acknowledge that the Financing Agency is a third-party beneficiary of this Agreement insofar as the Financing Agency would be entitled to exercise the "right of first refusal" with respect to the purchase of the Parking Garage from the Authority, or the Trustee acting on behalf of the Authority.

In the event the County or the Financing Agency, as the case may be, determines to exercise their respective rights as set forth above, the applicable Bond Insurer, Credit Facility Provider or Liquidity Facility Provider shall be immediately notified; provided however, that no action by the County or the Financing Agency to exercise any rights hereunder shall limit the rights and remedies of the applicable Bond Insurer, Credit Facility Provider or Liquidity Facility Provider under this Agreement.

In addition, the Authority, or the Trustee acting on behalf of the Authority, shall have no right to repossess or reenter Communications Dispatch Center, the sole remedy of the Authority or the Trustee, as applicable, being to seek payment of Base Rental Payments therefor as and when the same become due.

(e) Opinion of Bond Counsel. The repossession and/or re-leasing of the Leased Property, or the termination of this Lease Agreement as provided in subparagraph (b) above, shall be subject to the written consent of the Authority (which consent shall not be unreasonably withheld) and the opinion of Bond Counsel addressed to the Authority that such repossession and/or re-leasing, or termination of the Lease, as applicable, will not adversely affect the

exclusion of interest on the Bonds from gross income for Federal income tax purposes and the exemption of interest on the Bonds from State of California personal income taxes; provided however, the Trustee shall not be required to obtain such opinions provided it has received the consent of a majority in aggregate principal amounts of Bonds outstanding.

Section 6.03. No Remedy Exclusive. No remedy conferred herein upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity. Without limiting the generality of the foregoing, the Authority may bring an action or suit in equity (i) to require the City and its trustees, officers and employees to account as trustee of an express trust, (ii) to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority, or (iii) by mandamus to enforce the Authority's rights against the City (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 Authority as provided herein. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

Section 6.04. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease Agreement should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained herein, the defaulting party agrees that it will pay on demand to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

Section 6.05. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 6.06. Application of the Proceeds from the Re-Lease of the Leased Property. All amounts received by the Authority under this Article VI shall be credited towards the Base Rental Payments in order of Lease Payment Date.

Section 6.07. Trustee and Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article VI have been assigned by the Authority to the Trustee under the Indenture, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners as provided in the Indenture. The Trustee's rights to immunities and protection from liability under Section 10.03 and its rights to payment of its fees and expenses hereto shall survive its resignation or removal and the final payment or the defeasance of the Bonds (or the discharge of the Bonds or the defeasance of the lien of the Indenture).

ARTICLE VII

EMINENT DOMAIN; PREPAYMENT

Section 7.01. Eminent Domain. If the whole of the Leased Property or so much thereof as to render the remainder unusable for the purposes for which it was used by the City shall be taken under the power of eminent domain, the term of this Lease Agreement shall cease as of the day that possession shall be so taken. If less than the whole of the Leased Property shall be taken under the power of eminent domain and the remainder of the Leased Units is usable for the purposes for which it was used by the City at the time of such taking, then this Lease Agreement shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the Base Rental Payments due hereunder in an amount equivalent to the amount by which the annual payments of principal and interest on the Outstanding Bonds will be reduced by the application of the award in eminent domain to the redemption of outstanding Bonds. So long as any of the Bonds shall be outstanding, any award made in eminent domain proceedings for taking the Leased Property or any of the Leased Units thereof shall be paid to the Trustee and applied to the prepayment of the Base Rental Payments as provided in Section 7.02. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, shall be paid to the to the City.

Section 7.02. Prepayment.

(a) The City shall prepay on any date from insurance (including proceeds of title insurance) and eminent domain proceeds, to the extent provided in Sections 5.01 and 7.01 hereof (provided, however, that in the event of partial damage to or destruction of the Leased Property caused by perils covered by insurance, if in the judgment of the Authority the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed Leased Unit of the Leased Property, such proceeds shall be held by the Trustee and used to repair, reconstruct or replace the damaged or destroyed Leased Unit of the Leased Property, pursuant to the procedure set forth in Section 5.01 for proceeds of insurance), all or any part of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date (taking into account the reduction in Base Rental Payments allocable to future interest on the Bonds that are redeemed), at a prepayment amount equal to the redemption payment of the maximum amount of Bonds, including the principal thereof and the interest thereon to the date of redemption, plus any applicable premium redeemable from such proceeds.

(b) The City may prepay, from any source of available funds, all or any portion of Base Rental Payments by depositing with the Trustee moneys or securities as provided in Article X of the Indenture sufficient to defease or redeem all or a portion of a Series of Bonds corresponding to such Base Rental Payments when due; provided that the City furnishes the Trustee with an Opinion of Counsel that such deposit will not cause interest on such Series of Bonds to be includable in gross income for federal income tax purposes. The City agrees that if following such prepayment the Leased Property are damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such

prepaid Base Rental Payments and shall not be entitled to any reimbursement of such Base Rental Payments.

(c) Before making any prepayment pursuant to this Section, the City shall, within five (5) days following the event creating such right or obligation to prepay, give written notice to the 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 forty-five (45) days from the date such notice is given.

(d) When (i) there shall have been deposited with the Trustee at or prior to the due dates of the Base Rental Payments or the date when the City may exercise its option to purchase the Leased Property or any of the Leased Unit thereof, in trust for the benefit of the Owners of the Bonds and irrevocably appropriated and set aside to the payment of the Base Rental Payments or option price, sufficient moneys and Permitted Investments described in subsection (1) of the definition thereof in the Indenture, not redeemable prior to maturity, the principal of and interest on which when due will provide money sufficient to pay all principal, premium, if any, and interest on the Bonds to the due date of the Bonds or date when the City may exercise its option to purchase the Leased Property, as the case may be; (ii) all requirements of Section 10.01 of the Indenture have been satisfied; and (iii) an agreement shall have been entered into with the Trustee for the payment of its fees and expenses so long as any of the Bonds shall remain unpaid, then and in that event 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 for the right of the Authority and the obligation of the City to have such moneys and such Permitted Investments applied to the payment of the Base Rental Payments or option price) and the Authority's interest in and title to the Project or applicable portion or item thereof shall be transferred and conveyed to the City. In such event, the Authority shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the Authority and evidence such discharge and satisfaction, and the Authority shall pay over to the City as an overpayment of Base Rental Payments all such moneys or Permitted Investments held by it pursuant hereto other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Base Rental Payments or the option price and the fees and expenses of the Trustee, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of Base Rental Payments or the option price and the fees and expenses of the Trustee, and shall be applied by the Authority to the payment of the Base Rental Payments or the option price and the fees and expenses of the Trustee.

ARTICLE VIII

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 8.01. Right of Entry. The Authority and its assignees shall have the right to enter upon and to examine and inspect the Leased Property during reasonable business hours (and in emergencies at all times) (a) to inspect the same, (b) for any purpose connected with the Authority's or the City's rights or obligations under this Lease Agreement, and (c) for all other lawful purposes.

Section 8.02. Liens. In the event the City shall at any time during the term of this Lease Agreement cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Leased Property, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the Leased Property and shall keep the Leased Property free of any and all mechanics' or materialmen's liens or other liens against the Leased Property or the Authority's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, the City shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment. The City agrees to and shall, to the maximum extent permitted by law, indemnify and hold the Authority and the Trustee and their respective members, directors, agents, successors and assigns, harmless from and against, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorney's fees) as a result of any such lien or claim of lien against the Leased Property or the Authority's interest therein.

Section 8.03. Quiet Enjoyment. The parties hereto mutually covenant that the City, by keeping and performing the covenants and agreements herein contained and not in default hereunder, shall at all times during the term of this Lease Agreement peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Section 8.04. Authority Not Liable. The Authority and its members, directors, officers, agents and employees shall not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Leased Property. The City, to the extent permitted by law, shall indemnify and hold the Authority and its members, directors, officers, agents and employees, harmless from, and defend each of them against, any and all claims, liens and judgments arising from the construction or operation of the Leased Property, including, without limitation, death of or injury to any person or damage to property whatsoever occurring in, on or about the Leased Property regardless of responsibility for negligence, but excepting the active negligence of the person or entity seeking indemnity.

Section 8.05. [Reserved.]

Section 8.06. Title to Leased Property; No Merger of Interests. During the term of this Lease Agreement, the Authority shall hold a leasehold estate to the Leased Property and any and all additions which comprise fixtures, repairs, replacement or modifications thereof, except for those fixtures, repairs, replacements or modifications which are added thereto by the City and which may be removed without damaging the Leased Property, and except for any items added to the Leased Property by the City pursuant to Section 4.02 hereof. This provision shall not operate to the benefit of any insurance company if there is a rental interruption covered by insurance pursuant to Section 5.03 hereof.

The leasing by the Authority to the City of the Leased Property pursuant hereto or the leasing by the City to the Authority of a portion of the Leased Property pursuant to the City Communications Facilities Lease or the Police Facilities and Miscellaneous Facilities Lease shall not effect or result in a merger of the City's leasehold estate pursuant to this Lease Agreement, and the Authority shall continue to have and hold a leasehold estate in the Leased Property pursuant to the Facilities Leases throughout the term thereof. As to the Leased Property, this Lease Agreement shall be deemed and constitute a sublease.

Section 8.07. Tax Covenants. The City and the Authority will not make any use of the proceeds of the obligations provided herein or any other funds of the City or the Authority which will cause such obligations to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code. The City and the Authority will not make any use of the proceeds of the obligations provided herein or any other funds of the City or the Authority which will cause such obligations to be "federally guaranteed" and subject to inclusion in gross income for federal income tax purposes by reason of Section 149(b) of the Code. To that end, so long as any rental payments are unpaid, the City and the Authority, with respect to such proceeds and such other funds, will comply with all requirements of such Sections 148 and 149(b) and all regulations of the United States Department of the Treasury issued thereunder to the extent that such requirements are, at the time, applicable and in effect.

The City further covenants that it will not use or permit the use of the facilities financed or refinanced by the proceeds of the Bonds by any person not an "exempt person" within the meaning of Section 141(a) of the Code or by an "exempt person" (including the City) in an "unrelated trade or business," in such manner or to such extent as would result in the inclusion of interest received hereunder in gross income for federal income tax purposes under Section 103 of the Code.

If at any time the City is of the opinion that for purposes of this Section it is necessary to restrict or limit the yield on or change in any way the investment of any moneys held by the Trustee or the City or the Authority under this Lease Agreement or the Indenture, the City shall so instruct the Trustee or the appropriate officials of the City in writing, and the Trustee or the appropriate officials of the City, as the case may be, shall take such actions as may be necessary in accordance with such instructions.

In furtherance of the covenants of the City set forth above, the City will comply with the Tax Certificate and will instruct the Trustee in writing as necessary to comply with the Tax Certificate. The Trustee and the Authority may conclusively rely on any such written instructions, and the City hereby agrees to hold harmless the Trustee and the Authority for any loss, claim, damage, liability or expense incurred by the Authority for any actions taken by the Authority in accordance with such instructions.

The City and the Authority shall at all times do and perform all acts and things permitted by law which are necessary or desirable in order to assure that the interest on the Bonds will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes.

Section 8.08. Continuing Disclosure. Any Series of Bonds is exempt from the requirements of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission, including the continuing disclosure requirements of paragraph (b)(5) of the Rule, so long as such Series of Bonds bear interest at the Daily Rate or Weekly Rate. If a New Mode is established for a Series of Bonds, such Series may become subject to the continuing disclosure requirements of the Rule and, in such event, the City covenants to comply with the applicable requirements of the Rule which include, among other things, entering into an undertaking to provide, for the benefit of the holders of such Series of Bonds, certain continuing disclosure information as required by the Rule. Notwithstanding any other provision of this Lease Agreement, failure of the City to comply with the Rule shall not be considered an event of default hereunder; however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Rule) or the Holders of at least 25% aggregate principal amount of such Series of Bonds Outstanding and provided satisfactory indemnification is provided to the Trustee, shall) or any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to compel the City to comply with its obligations under this Section 8.08.

Section 8.09. Taxes. The City shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the term of this Lease Agreement as and when the same become due.

The City shall also pay directly such amounts, if any, in each year as shall be required by the Authority for the payment of all license and registration fees and all taxes (including, without limitation, income, excise, license, franchise, capital stock, recording, sales, use, value-added, property, occupational, excess profits and stamp taxes), levies, imposts, duties, charges, withholdings, assessments and governmental charges of any nature whatsoever, together with any additions to tax, penalties, fines or interest thereon, including, without limitation, penalties, fines or interest arising out of any delay or failure by the City to pay any of the foregoing or failure to file or furnish to the Authority or the Trustee for filing in a timely manner any returns, hereinafter levied or imposed against the Authority or the Leased Property, the rentals and other payments required hereunder or any parts thereof or interests of the City or the Authority or the Trustee therein by any governmental authority.

The City may, at the City's expense and in its name, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the City that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Leased Property will be materially endangered or the Leased Property, or any part thereof, will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

Section 8.10. Authority's Purpose. The Authority covenants that, prior to the discharge of this Lease Agreement, it will not engage in any activities inconsistent with the purposes for which the Authority is organized.

Section 8.11. Purpose of this Lease Agreement. The City covenants that during the term of this Lease Agreement, except as hereinafter provided, (a) it will use, or cause the use of, the Leased Property for public purposes and for the purposes for which the Leased Property are customarily used, (b) it will not vacate or abandon the Leased Property or any part thereof, and (c) it will not make any use of the Leased Property which would jeopardize in any way the insurance coverage required to be maintained pursuant to Article V hereof.

Section 8.12. Additional Representations, Covenants and Warranties of the City. The City represents, covenants and warrants to the Authority as follows:

(a) Due Organization and Existence. The City is a charter city and municipal corporation, duly organized and existing under the Constitution and laws of the State, and is a Local Agency with the meaning of Section 6585(f) of the Act.

(b) Authorization; Enforceability. The Constitution and laws of the State, including the Charter of the City, authorize the City to enter into this Lease Agreement and to enter into the transactions contemplated by and to carry out its obligations hereunder, and the City has duly authorized and executed this Lease Agreement. This Lease Agreement constitutes the legal, valid and binding obligations of the City enforceable in accordance with its terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the rights of creditors generally.

(c) No Conflicts or Default; No Liens or Encumbrances. Neither the execution and delivery of this Lease Agreement nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the City, or upon the Leased Property except for the pledges contained in the Indenture and except for Permitted Encumbrances.

(d) Essential Governmental Function. The City hereby certifies that the lease by the City of the Leased Property pursuant to this Agreement serves an essential governmental function of the City, and shall be used for the benefit of the general public.

(e) Execution and Delivery. The City has duly authorized and executed this Lease Agreement in accordance with its Charter and the Constitution and laws of the State.

(f) No Default. The City is not in default under any provisions of the laws of the State which would adversely affect its existence or its powers referred to in this Section 8.12.

(g) No Litigation. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the best of its knowledge, threatened against the City in any way contesting or affecting the validity or enforceability of this Lease Agreement or contesting the powers of the City to execute and deliver this Lease Agreement or to consummate the transactions contemplated hereby or thereby.

Section 8.13. Additional Representations, Covenants and Warranties of the Authority. The Authority represents, covenants and warrants to the City as follows:

(a) Due Organization and Existence; Enforceability. The Authority is a joint powers agency duly organized, existing and in good standing under and by virtue of the laws of the State, including, particularly, without limitation, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the California Government Code, as amended, has the power to enter into this Lease Agreement and the Facilities Leases, is possessed of full power to own and hold real and personal property, and to lease and sell the same; and has duly authorized the execution and delivery of this Lease Agreement and the Facilities Leases. This Lease Agreement and the Facilities Leases constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the rights of creditors generally.

(b) No Conflicts or Defaults; No Liens or Encumbrances. Neither the execution and delivery of this Lease Agreement and the Facilities Leases, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of the agreement pursuant to which the Authority was formed or any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Authority, or upon the Leased Property except by the pledge contained in the Indenture and except for Permitted Encumbrances.

(c) No Litigation. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the best of its knowledge, threatened against the Authority in any way contesting or affecting the validity or enforceability of this Lease Agreement or the Facilities Leases or contesting the powers of the Authority to execute and deliver this Lease Agreement or the Facilities Leases or to consummate the transactions contemplated hereby or thereby.

(d) Permitted Encumbrances. The Authority covenants that the Permitted Encumbrances do not and will not interfere with the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property during each such period for which said Leased Property is to be leased by the City.

(e) Execution and Delivery. The Authority has duly authorized and executed this Lease Agreement and the Facilities Leases in accordance with the Constitution and laws of the State.

ARTICLE IX

DISCLAIMER OF WARRANTIES; VENDOR'S WARRANTIES; USE OF THE FACILITIES

Section 9.01. Disclaimer of Warranties. THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE FACILITIES OR THE PROJECT, OR WARRANTY WITH RESPECT THERETO. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF THE FACILITIES OR THE PROJECT OR A DEALER THEREIN, THAT THE CITY LEASES THE FACILITIES 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 this Lease Agreement or the existence, furnishing, functioning or the City's use of any item or products or services provided for in this Lease Agreement.

Section 9.02. Vendor's Warranties. The Authority hereby irrevocably appoints the City its agent and attorney-in-fact during the term of this Lease Agreement, so long as the City shall not be in default hereunder, to assert from time to time whatever claims and rights, including warranties of the Leased Property or the Project, which the Authority may have against the manufacturers, vendors and contractors of the Leased Property or the Project. The City's sole remedy for the breach of such warranty, indemnification or representation shall be against the manufacturer or vendor or contractor of the Leased Property or of the Project, and not against the Authority, nor shall such matter have any effect whatsoever on the rights and obligations of the Authority with respect to this Lease Agreement, including the right to receive full and timely payments hereunder. The City expressly acknowledges that the Authority makes, and has made, no representation or warranties whatsoever as to the existence or availability of such warranties of the manufacturer, vendor or contractor.

Section 9.03. Use of the Leased Property. The City will not install, use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Lease Agreement. The City shall provide all permits and licenses, if any, necessary for the installation and operation of the Leased Property. In addition, the City agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Leased Property) with all laws of the jurisdictions in

which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; provided, however, 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 Authority, adversely affect the estate of the Authority in and to the Leased Property or its interest or rights under this Lease Agreement.

ARTICLE X

ASSIGNMENT, SUBLEASING AND INDEMNIFICATION

Section 10.01. Assignment by Authority. The City and the Authority acknowledge that this Lease Agreement, including the rights to receive the Base Rental Payments hereunder, and the rights of the City to receive payments from the Agency under the Reimbursement Agreement and the rights to enforce the covenants, agreements, representations and warranties of the City hereunder and all other rights and remedies of the Authority hereunder (except the rights to expenses, fees and indemnification of the Authority provided herein), have been pledged and assigned by the Authority to the Trustee under the Indenture as security for the repayment of the Bonds. Base Rental Payments, including payments made by the Redevelopment Agency to the City under the Reimbursement Agreement, shall be paid directly to the Trustee. The Trustee may exercise any of the rights and remedies assigned to it hereunder directly against the City. It is expressly agreed that, notwithstanding such pledge and assignment, the Authority shall retain all duties and obligations of the Authority hereunder.

Section 10.02. Assignment and Subleasing by the City. This Lease Agreement may be assigned or the Leased Property or any Leased Unit or portion thereof may be subleased by the City, provided, that any such assignment or sublease shall be subject to all of the following conditions:

- (a) This Lease Agreement and the obligation of the City to make Base Rental Payments under this Lease Agreement shall remain obligations of the City; and
- (b) The sublessee or assignee shall become primarily liable on the obligations of the City under this Lease Agreement to the extent of the interest subleased or assigned; and
- (c) The City shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease or assignment; and
- (d) No such sublease or assignment by the City shall cause the Leased Property to be used for a purpose other than a governmental function authorized under the provisions of the Constitution and laws of the State; and
- (e) The City shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such sublease or assignment shall not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes and the exemption of interest on the Bonds from State of California personal income taxes.

Section 10.03. Release and Indemnification Covenants. The City shall and hereby agrees to the extent permitted by law to indemnify and save the Authority, the members of the Authority, and the Trustee and the members, officers and employees of each of the foregoing harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Property by the City or at its direction or request, (b) any breach or default on the part of the City in the performance of any of its obligations under this Lease Agreement, (c) any act or negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property, (d) any act or negligence of any assignee or sublessee of the City, or of any agents, contractors, servants, employees or licensees of any assignee or sublessee of the City with respect to the Leased Property, (e) the authorization of payment of costs of repairs to the Leased Property, (f) the Trustee's acceptance or administration of the trust, or performance of its duties under the Indenture, (g) the sale of any Bonds and the carrying out of any of the transactions contemplated by the Bonds, or (h) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other disclosure document utilized in connection with the sale of the Bonds. No indemnification to the Authority or the Trustee is required to be made by the City under this Section 10.03 or elsewhere in this Lease Agreement for willful misconduct or negligence under this Lease Agreement by the Authority, the Trustee, their officers, agents, employees, successors or assigns.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Law Governing. This Lease Agreement shall be governed exclusively by the provisions hereof and by the laws of the State of California as the same from time to time exist.

Section 11.02. Notices. All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests, agreements or promises or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered mail, return receipt requested, postage prepaid when sent to the addresses shown on Exhibit D hereto or to such other addresses as the respective parties may from time to time designate by notice in writing. A copy of any such notice or other document herein referred to shall also be delivered to the Trustee.

Section 11.03. Validity and Severability. If for any reason this Lease Agreement shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the Authority or by the City, or if for any reason it is held by such a court that any of the covenants and conditions of the City hereunder, including the covenant to pay rentals hereunder, is unenforceable for the full term hereof, then and in such event this Lease Agreement is and shall be deemed to be a lease under which the rentals are to be paid by the City annually in consideration of the right of the City to possess, occupy and use the Leased Property, and all of the rental and other terms, provisions and conditions of this Lease Agreement, except to the

extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

Section 11.04. Net-Net-Net Lease. This Lease Agreement shall be deemed and construed to be a "net-net-net lease," and the City hereby agrees that the payments provided for herein shall be an absolute net return to the Authority or its successors or assigns, free and clear of any expenses, charges or set offs whatsoever.

Section 11.05. 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 of this Lease Agreement.

Section 11.06. Amendment or Termination. The Authority and the City may at any time amend, modify or terminate this Lease Agreement in accordance with the terms hereof and of the Indenture, or provide for the amendment of this Lease Agreement to remove or substitute the Leased Property pursuant to Section 2.03 hereof, or to provide for the issuance of Additional Bonds pursuant to Section 3.07 of the Indenture.

Section 11.07. Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.08. Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon the Authority and the City and their respective successors and assigns, and the Trustee shall be deemed a third party beneficiary of this Lease Agreement.


Section 11.09. Further Assurances and Corrective Instruments. The Authority and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property (or any portion thereof) hereby leased or intended so to be or for carrying out the expressed intention of this Lease Agreement.

Section 11.10. Authority and City Representatives. Whenever under the provisions of this Lease Agreement the approval of the Authority or the City is required, or the Authority or the City is required to take some action at the request of the other, such approval or such request shall be given by an Authorized Officer or Authorized Representative, as each is defined in the Indenture, of the applicable party, and any party hereto shall be authorized to rely upon any such approval or request.

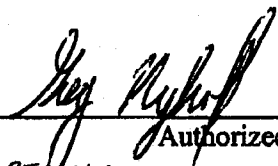
[Signature Page to Follow]

IN WITNESS WHEREOF, the Authority has caused this Lease Agreement to be executed in its name by its duly authorized representative; and the City has caused this Lease Agreement to be executed in its name by its duly authorized officer, all as of August 1, 2008.

MODESTO PUBLIC FINANCING AUTHORITY,
as lessor

By: 
Authorized Officer
- JIM RIDEAUX -

CITY OF MODESTO,
as lessee

By: 
Authorized Officer
GREG NYHOFF

ACKNOWLEDGMENT

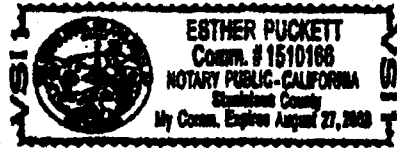
State of California)
County of Stanislaus)

On **AUGUST 20, 2008** before me, ESTHER PUCKETT, Notary Public, personally appeared **GREG NYHOFF**, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature *Esther Puckett*



(Seal)

Government Code 27361.7: I certify under penalty of perjury that the notary Seal on the document to which this statement is attached reads as follows:

Name of Notary *Esther Puckett*
County / State STANISLAUS / CALIFORNIA
Commission No. 1510168 Expiration Date 8/27/10
Date: 8/27/08 Signature *[Signature]*
Print Name: M. Kurler

ACKNOWLEDGMENT

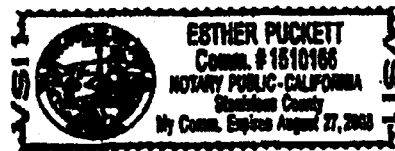
State of California)
County of Stanislaus)

On **AUGUST 20, 2008** before me, ESTHER PUCKETT, Notary Public, personally appeared **JIM RIDENOUR**, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature *Esther Puckett*



(Seal)

Exhibit A

Rental Payment Period Ending August 14	Estimated Annual Base Rental Payments		
	All the Facilities, excluding the Parking Garage and 1 st Floor Retail of Admin Building	Parking Garage and 1 st Floor Retail of Admin Building	Total Estimated Annual Base Rental Payments
2009	\$ 2,400,496.02	\$ 869,374.85	\$ 3,269,870.87
2010	2,457,529.59	885,368.97	3,342,898.56
2011	2,502,483.76	908,552.00	3,411,035.76
2012	2,574,462.28	930,915.92	3,505,378.20
2013	2,634,018.88	960,822.92	3,594,841.80
2014	2,672,874.52	981,552.04	3,654,426.56
2015	2,752,521.21	1,007,514.63	3,760,035.84
2016	2,834,840.06	1,035,022.62	3,869,862.68
2017	2,592,631.30	1,070,914.46	3,663,545.76
2018	2,663,640.81	1,103,647.71	3,767,288.52
2019	2,713,198.09	1,126,870.03	3,840,068.12
2020	2,780,054.82	1,157,733.34	3,937,788.16
2021	2,886,122.94	1,193,241.38	4,079,364.32
2022	2,960,341.88	1,227,647.88	4,187,989.76
2023	3,033,142.08	1,261,425.76	4,294,567.84
2024	3,104,399.49	1,294,518.47	4,398,917.96
2025	3,210,569.30	1,330,289.98	4,540,859.28
2026	3,287,584.08	1,366,181.60	4,653,765.68
2027	3,379,230.02	1,409,129.90	4,788,359.92
2028	3,283,015.81	1,455,541.87	4,738,557.68
2029	3,294,881.14	1,460,802.42	4,755,683.56
2030	3,323,650.41	1,473,557.43	4,797,207.84
2031	3,347,787.40	1,484,258.68	4,832,046.08
2032	3,370,756.41	1,494,442.11	4,865,198.52
2033	3,406,288.76	1,510,195.56	4,916,484.32
Total	\$ 73,466,521.04	\$ 29,999,522.55	\$ 103,466,043.59

Exhibit B

GENERAL DESCRIPTION OF THE LEASED PROPERTY

1. The City's one-half undivided interest in and to portions of the City-County Administrative Building, including the City's one-half undivided interest in the Site upon which such facility will be constructed, together with the City's rights and interests in the use of common areas, but excluding that certain airspace subdivision on the first floor of the City-County Administrative building.
2. The Public Parking Garage containing approximately 700 spaces to be used by the general public, including the Site upon which such facility is located.
3. The City's undivided fifty percent (50%) interest in and to the use of facilities constituting the Communications Dispatch Center, including its undivided fifty percent (50%) interest in and to the Site, and interests in the use of common areas.
4. The Police Facilities, including the Site upon which such facilities are located.
5. The Miscellaneous Facilities, such properties being located within the City and more commonly referred to as Fire Stations #3, #5, #6, #7, #9 and #11; the Senior Citizen Center; McHenry Mansion, Parking Lot No. 25 and the Corporation Yard, all inclusive of the Sites upon which such facilities are located.

Exhibit C

LEGAL DESCRIPTION OF THE SITES

THE LAND REFERRED TO HEREIN BELOW IS SITUATED THE CITY OF MODESTO, COUNTY OF STANISLAUS, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

Parcel No. One: Communication Facility

Parcel Two as per Parcel Map filed September 24, 1979, in Volume 29 of Parcel Maps, Page 100, Stanislaus County Records.

Parcel No. Two: Police Facility

Lots 1 thru 32, inclusive, in Block 71 of the City of Modesto, as per Map filed December 21, 1942, in Volume 15 of Maps, Stanislaus County Recorder.

Together With:

All that real property in the State of California, County of Stanislaus, City of Modesto, being a portion of the Northeast quarter of Section 32, Township 3 South, Range 9 East, Mount Diablo Base and Meridian, described as follows:

That portion of the 20 foot alley in Block 71 as delineated on the Official Map of the City of Modesto, as per map filed December 21, 1942, in Volume 15 of Maps, Stanislaus County Records, described as follows:

Beginning at the most Southerly corner of Lot 16 in said Block 71, said point being on the Northeastern line of said 20.00 foot alley in Block 71; thence along said Northeastern line of said alley, North 43° 29' 30" West, 150.00 feet, to the most Southerly corner of Lot 10 in Block 71; thence South 46° 30' 30" West, 20.00 feet, to the most Northerly corner of Lot 22 in Block 71, said point being on the Southwestern line of the 20.00 foot alley in Block 71; thence along said Southwestern line of said alley, South 43° 29' 30" East, 150.00 feet, to the most Easterly corner of Lot 17 in Block 71, said point being on the Northwestern line of 80.00 foot "F" Street; thence along said Northwestern line of "F" Street, North 46° 30' 30" East, 20.00 feet, to the point of beginning.

Parcel No. Three: a portion of 10th Street Admin.

Lot A:

Parcel One of Parcel Map filed June 15, 2000 in Book 50 of Parcel Maps, Page 25, Stanislaus County Records.

Excepting therefrom that portion thereof conveyed to Civic Partners Modesto, Inc. by Corporation Grant Deed recorded June 29, 2001, Instrument No. 2001-0072135, Stanislaus County Records.

Lot B:

That portion of Parcel Three of Parcel Map filed June 15, 2000, in Book 50 of Parcel Maps, Page 25, Stanislaus County Records, being more particularly described as follows:

Beginning at the most Easterly corner of the above mentioned Parcel 3; thence South 46° 50' 12" West along the line common to said Parcels 1 and 3, a distance of 15.83 feet; thence leaving last said line and proceeding North 43° 09' 48" West, a distance of 16.00 feet to a point on the above mentioned line common to said Parcels 1 and 3; thence along last said line, the following two (2) courses: 1) North 46° 50' 12" East, a distance of 15.83 feet; 2) South 43° 09' 48" East, a distance of 16.00 feet to the point of beginning.

Parcel No. Four: A portion of 10th Street Admin.

Parcel B of Record of Survey filed August 24, 2001 in Book 26 of Record of Surveys, Page 29, Stanislaus County Records.

Parcel No. Five: Senior Citizens Center

Lots 18 through 31 in Block 590 of the City of Modesto as per Map filed December 21, 1942 in Volume 15 of Maps, Stanislaus County Records.

Parcel No. Six: Parking Structure

Lots 5 through 12 in Block 68 of the City of Modesto as per Map filed December 21, 1942 in Volume 15 of Maps, Stanislaus County Records.

Parcel No. Seven: Parking Lot #25

Lots 28 through 32 in Block 55 of the City of Modesto as per Map filed December 21, 1942 in Volume 15 of Maps, Stanislaus County Records.

Parcel No. Eight: Fire Station #3

Lots 1 and 2 in Block 2283 of Dry Creek Estates No. 1 as per Map filed December 13, 1966 in Volume 21 of Maps, Page 55, Stanislaus County Records.

Parcel No. Nine: Fire Station #6

Parcel No. C as per Parcel Map filed August 17, 1977 in Book 25 of Parcel Maps, Page 83, Stanislaus County Records.

Parcel No. Ten: Fire Station #7

Parcel A as per Parcel Map filed June 27, 1974 in Volume 19 of Maps, Page 51, Stanislaus County Records.

Parcel No. Eleven: Fire Station #5

Parcel 11-1

All that portion of Lot 2 of the Fresno Tract, as per Map filed March 4, 1903 in Volume 1 of Maps, Page 76, Stanislaus County Records, described as follows:

Beginning at a point on the East line of said Lot 2 located on the centerline of a 50 foot public road designated as Oakdale Road on said map, which point is located North 0° 30' West 396 feet from the Southeast corner of said Lot 2; thence from said point of beginning parallel to the South line of said Lot 2, North 88° 30' West 660 feet to a point on the West line of said Lot 2; thence North 0° 30' West along said West line of said Lot 2 a distance of 153.73 feet; thence East parallel with the South line of said Lot 2, a distance of 660 feet to a point on the East line of said Lot 2, located on the center line of said Oakdale Road; thence along the East line of said Lot 2 and the centerline of said Oakdale Road, South 0° 30' East 174.24 feet to the point of beginning.

Excepting therefrom all that portion thereof lying Northerly of the North line of Burchell Court (formerly Northern Boulevard) extending Westerly to the West line of Lot 2.

Also excepting therefrom all that portion thereof lying within Briggsmore Avenue, Burchell Court and McHenry Avenue.

Also excepting therefrom all that certain property described in Deed to Chester D. Chambers, recorded March 10, 1964 in Book 1929 at Page 641, and in Deed to S.W.A.P., a Joint Venture, recorded July 10, 1962 in Book 1780 at Page 145, Stanislaus County Records.

Parcel 11-2

All that portion of Lot 2 of the Fresno Tract, as per Map filed March 4, 1903 in Volume 1 of Maps, Page 76, Stanislaus County Records, described as follows:

Commencing at a point on the Southerly line of the property conveyed to Chester D. Chambers by Deed recorded May 7, 1959 in Volume 1545 of Official Records at Page 321, as Instrument No. 13137, Stanislaus County Records, said point being the Northeastern corner of Parcel "E" on the Western line of Timothy Avenue as shown on the Map entitled "Survey of a portion of Lot 2 of the Fresno Tract, filed April 16, 1954 in Volume 6, Record of Surveys, Page 53, Stanislaus County Records; thence along a line at right angles to the Western line of Timothy Avenue, North 89° 30' East, 30.00 feet to a point on the Northerly extension of the centerline of Timothy Avenue; thence along said Northerly extension, North 00° 30' West, 46.90 feet to the true point of beginning; thence North 7° 52' 29" East, 84.51 feet to a point on the Northern line of said Chambers property, which is also the Southern line of the property conveyed to the City of Modesto by Deed recorded October 11, 1957, as Instrument No. 26217, Stanislaus County Records, said line also being the Southern line of Parcel "A" as per Map of Record of Survey filed July 6, 1962 in Volume 9 of Surveys, Page 25, Stanislaus County Records; thence along said line, South 88° 32' 30" East, 142.76 feet to a 3/4 inch iron pipe at the Southeastern corner of said Parcel "A", said corner being the Northeast corner of said Chambers property which is also a point on the Western line of a 20 foot alley conveyed to the City of Modesto by Deed recorded October 19, 1960 in Volume 1639 of Official Records, at page 695, as Instrument No. 29947,

Stanislaus County Records; thence along said Western line, South 00° 30' East, 60.58 feet; thence South 82° 47' 55" West, 155.59 feet to the point of beginning.

Parcel 11-3

All that portion of Lot 2 of the Fresno Tract, as per Map filed March 4, 1903 in Volume 1 of Maps, Page 76, Stanislaus County Records.

Beginning at the Northeast corner of Parcel A, as shown on a Record of Survey Map of a portion of Lot 2 of the Fresno Tract, filed July 6, 1962 in Volume 9 of Record of Surveys, Page 25, Stanislaus County Records; thence along the North line of Parcel "A", South 89° 46' 50" West 135.63 feet to the true point of beginning; thence continuing along said North line South 89° 46' 50" West 120.54 feet; thence South 37° 57' 43" East 166.35 feet to the Southwest corner of property conveyed to the City of Modesto by Deed recorded March 10, 1964 in Volume 1929 of Official Records, page 643, as Instrument No. 9843, Stanislaus County Records; thence along the West line of the City of Modesto property as conveyed by Deed above referred to and the Northerly extension of said Westerly line North 7° 52' 29" East 132.90 feet, more or less, to the true point of beginning.

Parcel 11-4

All that portion of Lot 2 of the Fresno Tract, as per Map filed March 4, 1903 in Volume 1 of Maps, Page 76, Stanislaus County Records, described as follows:

Beginning at the Northeast corner of Parcel D, as shown on a Record of Survey Map of a portion of Lot 2 of the Fresno Tract, filed April 16, 1954 in Volume 6 of Record of Surveys, Page 53, Stanislaus County Records; thence North 83° 31' 30" West along the North line of said Parcel D and its Westerly extension, a distance of 155.02 feet, more or less, to the centerline of Timothy Avenue, as shown on the Record of Survey above referred to; thence North 0° 30' West, along the Northerly extension of said centerline of Timothy Avenue to the Southwest corner of the property conveyed to the City of Modesto by Deed recorded March 10, 1964, in Volume 1929 of Official Records, Page 643, as Instrument No. 9843, Stanislaus County Records; thence North 82° 47' 55" East along the South line of the City of Modesto property, as conveyed by Deed above referred to, to the Southeast corner thereof, said point being on the West line of the property conveyed to the City of Modesto by Deed recorded October 19, 1960 in Volume 1639 of Official Records, Page 695, as Instrument No. 29947, Stanislaus County Records; thence South along the West line of the City of Modesto property as conveyed by Deed last above referred to, 71.83 feet, more or less, to the point of beginning.

Parcel 11-5

All that portion of Lot 2 of the Fresno Tract, as per Map filed March 4, 1903 in Volume 1 of Maps, Page 76, Stanislaus County Records, described as follows:

Commencing at the 3/4 inch iron pipe set for the Northeastern corner of Parcel "A", as per Map of Record of Survey filed July 26, 1962 in Volume 9 of Record of Surveys, Page 25, Stanislaus County Records; thence along the Northern line of said Parcel "A", South 89° 46' 50" West, 135.63 feet to the Northeastern corner of the property conveyed to Chester D. Chambers by Deed

recorded March 10, 1964 in Volume 1929 of Official Records, Page 641, as Instrument No. 9844, Stanislaus County Records; thence along the Eastern line of the Chambers property and the Western line of the property conveyed to the City of Modesto by Deed recorded March 10, 1964 in Volume 1929 of Official Records, Page 643, as Instrument No. 9843, Stanislaus County Records, South 07° 52' 29" West, 132.90 feet to the Southwestern corner of the City property as conveyed by Deed above referred to, and the true point of beginning; thence South 00° 30' 00" East, 48.44 feet, more or less, to a point on the Southern line of property conveyed to Chester D. Chambers by Deed recorded May 7, 1959, as Instrument No. 13137, Stanislaus County Records, said point being on the centerline of the 60.00 foot Timothy Avenue, as shown on a Record of Survey filed April 16, 1954 in Volume 6 of Record of Surveys, Page 53, Stanislaus County Records; thence along said Southern line of the property conveyed to Chambers by Deed last above referred to and the North line of Timothy Avenue as shown on a Record of Survey filed April 16, 1954 in Volume 6 of Record of Surveys, page 53, Stanislaus County Records, North 88° 30' West, 30.02 feet to a point on the Western line of Timothy Avenue, as shown on said Record of Surveys; thence along said Western line, North 00° 30' 00" West, 0.52 feet; thence along a tangent curve concave to the Southwest having a radius of 15.00 feet, a central angle of 46° 11' 13" and an arc length of 12.09 feet to a point of reverse curvature from which a radial line bears North 43° 18' 47" East; thence along said reverse curve concave to the East, having a radius of 50.00 feet, a central angle of 98° 43' 30" and an arc length of 86.15 feet; thence along a radial line, South 37° 57' 43" East, 50.00 feet to the Southwest corner of the property conveyed to the City of Modesto by the Deed referred to and the true point of beginning.

Parcel No. Twelve: Corporation Yard

All that portion of Section 29 Township 3 South Range 9 East MDB&M described as All of Block 434 and all of Lots 11 to 21 inclusive of Block 433 of City of Modesto. Except that portion of Lots 19, 20 and 21 in Block 433 described as beginning at the Southwest corner of Lot 21; then along the West line of Lots 21 and 20, North 20° 19' 36" E., 68.5 feet to a point on a non tangent curve; thence along said curve concave to the Northeast with the long chord bearing South 31° 08' 27" East from said point, having a radius of 787 feet, a central angle of 5° 34' 11", an arc length of 76.5 feet, to the South line of Block 433; then along the South line of Block 433, North 88° 53' 48" West, 63.35 feet to point of origin.

Parcel No. Thirteen: Fire Station No. 11

All that portion of the Southwest quarter of Section 6, Township 3 South, Range 9 East, M.D.B.&M., described as follows:

Parcel 1B, as per Parcel Map filed July 25, 1967 in Book 3 of Parcel Maps, Page 120, Stanislaus County Records.

Parcel No. Fourteen: Fire Station No. 9

Lots 14 and 15 in Block 1850 of Fara Estates, as per Map filed October 17, 1979 in Volume 28 of Maps, Page 68, Stanislaus County Records

Parcel No. Fifteen: a portion of 10th Street Admin.

1. Parcel A-1 of Record of Survey filed August 24, 2001 in Book 26 of Record of Surveys, Page 29, Stanislaus County Records.
2. Parcel A-2 of Record of Survey filed August 24, 2001 in Book 26 of Record of Surveys, Page 29, Stanislaus County Records.

Parcel No. Sixteen: McHenry Mansion

Lots 17 through 24 in Block 122 of the City of Modesto, as per map filed December 21, 1942 in Volume 15 of Maps, Stanislaus County Records.

Exhibit D

ADDRESSES FOR NOTICES

- If to the City:** City of Modesto
P.O. Box 642
1010 Tenth Street, Suite 5200
Modesto, California 95353
Attention: Director of Finance
- If to the Authority:** Modesto Public Financing Authority
c/o City of Modesto
P.O. Box 642
1010 Tenth Street, Suite 5200
Modesto, California 95353
Attention: Chairman
- If to the Financing Agency:** City-County Capital Improvements and Financing Agency
(c/o Stanislaus County)
1010 Tenth Street, Sixth Floor
Modesto, California 95353
Attention: Chief Executive Officer
- If to the County:** County of Stanislaus
1010 Tenth Street, Sixth Floor
Modesto, California 96354
Attention: Chief Executive Officer
- If to the Trustee:** The Bank of New York Mellon Trust Company, N.A.
550 Kearny Street, Suite 600
San Francisco, CA 94108-2527
Facsimile No.: (415) 399-1647



Stanislaus, County Recorder
Lee Lundrigan Co Recorder Office

DOC- 2011-0067561-00

Tuesday, AUG 16, 2011 09:13:14

Ttl Pd \$0.00

Nbr-0003094787

OVP/R2/1-6

RECORDING REQUESTED BY:

City of Modesto, California

WHEN RECORDED MAIL TO:

Sidley Austin LLP

555 California Street

20th Floor

San Francisco, California 94104

Attention: Eric D. Tashman, Esq.

This document is recorded for the benefit of the City of Modesto and recording is fee-exempt under Section 27383 of the Government Code.

AMENDMENT NO. 1 TO LEASE AGREEMENT

Dated as of August 1, 2011

by and between the

MODESTO PUBLIC FINANCING AUTHORITY,
as lessor

and the

CITY OF MODESTO,
as lessee

*VP
C/M*

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AMENDMENT NO. 1 TO LEASE AGREEMENT

THIS AMENDMENT NO. 1 TO LEASE AGREEMENT (this "Amendment No. 1"), is made and entered into as of August 1, 2011, between MODESTO PUBLIC FINANCING AUTHORITY (the "Authority") and CITY OF MODESTO (the "City").

WITNESSETH:

WHEREAS, the Authority previously issued its \$65,170,00 Lease Revenue Refunding Bonds, Series 2008 (the "Bonds") pursuant to a certain Indenture, dated as of August 1, 2008 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee");

WHEREAS, the Authority and the City entered into a Lease Agreement, dated as of August 1, 2008 (the "Lease"), to provide for payment of the Bonds from Base Rental Payments to be made by the City under the Lease and certain funds held by the Trustee under the Indenture;

WHEREAS, the Bonds are supported by a irrevocable direct-pay letter of credit (the "Letter of Credit"), dated August 28, 2008, issued by Bank of America, N.A. (the "Bank") pursuant to a Reimbursement Agreement, dated as of August 1, 2008;

WHEREAS, the current Stated Expiration Date of the Letter of Credit is September 30, 2011 and the City has requested the Bank to extend the Stated Expiration Date of the Letter of Credit. The Bank has agreed to extend the Stated Expiration Date of the Letter of Credit to September 30, 2012 pursuant to the Letter of Credit Amendment subject to amendment of certain provisions of the First Amended Reimbursement Agreement as reflected in the Amended and Restated Reimbursement Agreement, dated as of August 16, 2011, by and among the City, the Authority and the Bank (the "Amended and Restated Reimbursement Agreement").

* recording
Reference
8/28/2008 -
08-
94321

WHEREAS, the Authority and the City desire to amend the Lease to accommodate the terms of the Amended and Restated Reimbursement Agreement; and

WHEREAS, Section 11.06 of the Lease provides for the amendment of the Lease under certain conditions described therein;

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. Definitions. Unless changed by this Amendment No. 1, all terms used herein which are defined in the Lease, Amended and Restated Reimbursement Agreement or the Indenture shall have the meanings assigned to them therein.

2. Amendment. Section 6.01 of the Lease is hereby amended by adding new subparagraph (d) to the end of Section 6.01 as follows:

The Trustee shall receive notice from the Credit Facility Provider that an Event of Default has occurred under the Credit Facility Reimbursement Agreement.

3. Consent Required by Section 6.08 of the Indenture. Pursuant to Section 6.08 of the Indenture, by its execution of the Amended and Restated Reimbursement Agreement, the Bank consents to this Amendment No. 1.

4. Full Force and Effect. All other provisions of the Lease shall remain in full force and effect.

5. Effective Date. This Amendment No. 1 shall become effective on August 16, 2011.

6. Governing Law. The laws of the State of California shall govern this Amendment No. 1.

7. Severability. In case any one or more of the provisions contained in this Amendment No. 1 should be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any of the provisions contained in this Amendment No. 1 and, to the extent and only to the extent that any such provision is invalid, illegal or unenforceable, this Amendment No. 1 shall be construed as if such provision had never been contained herein.

8. Execution of Several Counterparts. This Amendment No. 1 may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and any and all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Authority and the City have each caused this Amendment No. 1 to be executed in their respective names by their respective duly authorized officers, as of the date first above written.

MODESTO PUBLIC FINANCING
AUTHORITY

By: *Gloriette Beck*
Authorized Officer
Gloriette Beck

CITY OF MODESTO

By: *Gloriette Beck*
Authorized officer
Gloriette Beck

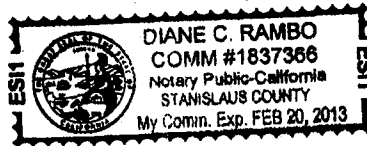
State of California)
) SS
County of Stanislaus)

On August 8, 2011 before me, Diane C. Rambo,
Notary Public, personally appeared Gloriette Beck

_____, who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Diane C. Rambo
Signature

[Seal]

LEASE ESTOPPEL CERTIFICATE

The undersigned City of Modesto, as successor agency to the Redevelopment Agency of the City of Modesto (the “**Redevelopment Agency**”) pursuant to Part 1.85 of Division 24 of the California Health and Safety Code (the “**Successor Agency**”), is a party to that certain Facilities Lease (Parking Garage), dated as of August 1, 2008 (the “**Lease**”), by and between the Redevelopment Agency and the Modesto Public Financing Authority (the “**Authority**”), pursuant to which the Successor Agency leases certain real property and improvements (the “**Leased Property**”) to the Authority.

The Lease was executed in connection with the issuance by the Authority of \$65,170,000 original aggregate principal amount of Modesto Public Financing Authority Lease Revenue Refunding Bonds Series 2008 (the “**Bonds**”). In order to support payment of principal and interest with respect to the Bonds, Bank of America, N.A. (the “**Bank**”) issued a letter of credit (the “**Letter of Credit**”) pursuant to a Reimbursement Agreement, dated as of August 1, 2008, as amended pursuant to an Amended and Restated Reimbursement Agreement, dated as of August 16, 2011, and as further amended pursuant to an Amendment No. 1 to Amended and Restated Reimbursement Agreement, dated August 29, 2012, each by and among the Bank, the Authority and the City of Modesto (the “**City**”), as so amended, the “**2012 Amended and Restated Reimbursement Agreement.**” The current Stated Expiration Date of the Letter of Credit is March 31, 2014. The City has requested the Bank to extend the Stated Expiration Date of the Letter of Credit. The Bank has agreed to extend the Stated Expiration Date of the Letter of Credit to March 31, 2017 pursuant to a letter of credit amendment (the “**Letter of Credit Amendment No. 6**”), subject to amendment of certain provisions of the 2012 Amended and Restated Reimbursement Agreement, as reflected in an Amendment No. 2 to Amended and Restated Reimbursement Agreement dated February 25, 2014, by and among the Bank, the Authority and the City (the “**Amendment No. 2 to Reimbursement Agreement**” and, together with the 2012 Amended and Restated Reimbursement Agreement, the “**2014 Reimbursement Agreement**”).

Capitalized terms used herein but not otherwise defined shall have the meanings ascribed thereto in the 2014 Reimbursement Agreement.

The Successor Agency, with full knowledge that the Bank, in issuing Letter of Credit Amendment No. 6 on the Extension Closing Date, is relying upon the truth, accuracy and completeness of the statements made by the Successor Agency herein, hereby certifies, represents and warrants to the Bank that:

1. The Lease was duly authorized, executed and delivered by the Redevelopment Agency, and is in full force and effect and has not been modified, amended, added onto, extended or renewed and is binding upon, and enforceable against, the Successor Agency in accordance with its terms.
2. Neither the Successor Agency nor the Authority is in breach of or in default under the Lease and no event or condition which, with the passage of time or the giving of notice or both, would constitute such a breach or default by the Successor Agency or the Authority under the

Lease has occurred or is continuing. There are no claims by third parties against the Successor Agency or the Authority relating to the Leased Property subject to the Lease, or their respective uses.

3. The Successor Agency is the fee owner of the Leased Property subject to the Lease and of the lessor's interest in the Lease. Neither the fee interest in such Leased Property or the lessor's interest in the Lease has been transferred or encumbered.

4. There are no actions, whether voluntary or otherwise, pending against the Successor Agency pursuant to the bankruptcy or insolvency laws of the United States or any state thereof and, to the best knowledge of the Successor Agency, none have been threatened.

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IN WITNESS WHEREOF, the Successor Agency has duly executed, acknowledged and delivered this Certificate as of the 25th of February, 2014.

CITY OF MODESTO

By: _____



Authorized Signatory

LEASE ESTOPPEL CERTIFICATE

The undersigned Modesto Public Financing Authority (the “**Authority**”), is a party to that certain Facilities Lease (Parking Garage), dated as of August 1, 2008 (the “**Lease**”), by and between the City of Modesto, as successor agency to the Redevelopment Agency of the City of Modesto (the “**Redevelopment Agency**”) pursuant to Part 1.85 of Division 24 of the California Health and Safety Code (the “**Successor Agency**”) and the Authority, pursuant to which the Successor Agency leases certain real property and improvements (the “**Leased Property**”) to the Authority.

The Lease was executed in connection with the issuance by the Authority of \$65,170,000 original aggregate principal amount of Modesto Public Financing Authority Lease Revenue Refunding Bonds Series 2008 (the “**Bonds**”). In order to support payment of principal and interest with respect to the Bonds, Bank of America, N.A. (the “**Bank**”) issued a letter of credit (the “**Letter of Credit**”) pursuant to a Reimbursement Agreement, dated as of August 1, 2008, as amended pursuant to an Amended and Restated Reimbursement Agreement, dated as of August 16, 2011, and as further amended pursuant to an Amendment No. 1 to Amended and Restated Reimbursement Agreement, dated August 29, 2012, each by and among the Bank, the Authority and the City of Modesto (the “**City**”), as so amended, the “**2012 Amended and Restated Reimbursement Agreement.**” The current Stated Expiration Date of the Letter of Credit is March 31, 2014. The City has requested the Bank to extend the Stated Expiration Date of the Letter of Credit. The Bank has agreed to extend the Stated Expiration Date of the Letter of Credit to March 31, 2017 pursuant to a letter of credit amendment (the “**Letter of Credit Amendment No. 6**”), subject to amendment of certain provisions of the 2012 Amended and Restated Reimbursement Agreement, as reflected in an Amendment No. 2 to Amended and Restated Reimbursement Agreement dated February 25, 2014, by and among the Bank, the Authority and the City (the “**Amendment No. 2 to Reimbursement Agreement**” and, together with the 2012 Amended and Restated Reimbursement Agreement, the “**2014 Reimbursement Agreement**”).

Capitalized terms used herein but not otherwise defined shall have the meanings ascribed thereto in the 2014 Reimbursement Agreement.

The Authority, with full knowledge that the Bank, in issuing Letter of Credit Amendment No. 6 on the Extension Closing Date, is relying upon the truth, accuracy and completeness of the statements made by the Authority herein, hereby certifies, represents and warrants to the Bank that:

1. The Lease has been duly authorized, executed and delivered by the Authority, and is in full force and effect and has not been modified, amended, added onto, extended or renewed and is binding upon, and enforceable against, the Authority in accordance with its terms.
2. Neither the Successor Agency nor the Authority is in breach of or in default under the Lease and no event or condition which, with the passage of time or the giving of notice or both, would constitute such a breach or default by the Successor Agency or the Authority under the Lease has occurred or is continuing. There are no claims by third parties against the Successor

Agency or the Authority relating to the Leased Property subject to the Lease, or their respective uses.

3. The Successor Agency is the fee owner of the Leased Property subject to the Lease and of the lessor's interest in the Lease. Neither the fee interest in such Leased Property or the lessor's interest in the Lease has been transferred or encumbered.

4. There are no actions, whether voluntary or otherwise, pending against the Authority pursuant to the bankruptcy or insolvency laws of the United States or any state thereof and, to the best knowledge of the Authority, none have been threatened.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the Authority has duly executed, acknowledged and delivered this Certificate as of the 25th of February, 2014.

**MODESTO PUBLIC FINANCING
AUTHORITY**

By: *Glennette Jeneaux*
Authorized Signatory

\$65,170,000 original aggregate principal amount of
MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

CERTIFIED COPIES OF AMENDED AND RESTATED REIMBURSEMENT AGREEMENT
AND AMENDMENT NO. 1 TO AMENDED AND RESTATED
REIMBURSEMENT AGREEMENT

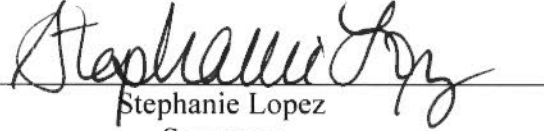
The undersigned authorized representative of the Modesto Public Financing Authority (the "Authority"), in connection with the Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the "Bonds") DOES HEREBY CERTIFY that attached hereto are full, true and correct copies of the AMENDED AND RESTATED REIMBURSEMENT AGREEMENT, dated as of August 16, 2011, and AMENDMENT NO. 1 TO AMENDED AND RESTATED REIMBURSEMENT AGREEMENT, dated August 29, 2012, each by and among the Authority, the City of Modesto and Bank of America, N.A., with respect to the Bonds, and does hereby further certify that such agreement and amendment have not been further amended, modified or rescinded, and are now in full force and effect.

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IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of February, 2014.

MODESTO PUBLIC FINANCING AUTHORITY

By:

A handwritten signature in cursive script, appearing to read "Stephanie Lopez", is written over a horizontal line.

Stephanie Lopez
Secretary

AMENDED AND RESTATED REIMBURSEMENT AGREEMENT

among

BANK OF AMERICA, N.A.

and

CITY OF MODESTO

and

MODESTO PUBLIC FINANCING AUTHORITY

Dated as of August 16, 2011

Relating to the

\$65,170,000 original aggregate principal amount of
MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

Amending and Restating that certain Reimbursement Agreement, dated as of August 1, 2008, as amended by that certain Amendment No. 1 to Reimbursement Agreement, dated June 29, 2011, each by and among Bank of America, N.A., City of Modesto and Modesto Public Financing Authority.

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AMENDED AND RESTATED REIMBURSEMENT AGREEMENT

This AMENDED AND RESTATED REIMBURSEMENT AGREEMENT (this "Agreement") is made as of August 16, 2011 by and among BANK OF AMERICA, N.A., a national banking association (the "Bank"), the MODESTO PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority") and the CITY OF MODESTO, a charter city and municipal corporation duly organized and existing under laws of the State of California (the "City"), amending and restating that certain Reimbursement Agreement, dated as of August 1, 2008, by and among the Bank, the Authority and the City (the "Original Reimbursement Agreement"), as amended by that certain Amendment No. 1 to Reimbursement Agreement, dated June 29, 2011, by and among the Bank, the Authority and the City (as so amended, the "First Amended Reimbursement Agreement").

RECITALS

- A. The Authority previously issued its Lease Revenue Refunding and Capital Improvement Bonds, Series 2007 and its Lease Revenue Bonds, Series 1998 (collectively, the "Prior Bonds") to assist the financing of certain public capital improvements in the City.
- B. Pursuant to an Indenture dated as of August 1, 2008 (as amended or supplemented from time to time, the "Indenture") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the Authority issued its Lease Revenue Refunding Bonds, Series 2008 (the "Bonds") in the original aggregate principal amount of \$65,170,000 and currently outstanding in the aggregate principal amount of \$63,255,000, for the purposes, among other things, of refunding all of the Prior Bonds. The Bonds are secured by a pledge of Revenues (as such term is defined in the Indenture), which Revenues include base rental payments to be made by the City pursuant to the terms of a Lease Agreement dated as of August 1, 2008, as amended by an Amendment No. 1 to Lease Agreement, dated as of August 1, 2011 (as so amended and as it may be further amended or supplemented from time to time, the "Lease Agreement") each between the City and the Authority.
- C. In order to support payment of principal and interest with respect to the Bonds, the Bank issued the Letter of Credit (as more particularly defined herein) pursuant to the Original Reimbursement Agreement to the Trustee for the account of the City upon the terms and conditions herein set forth.
- D. The current Stated Expiration Date of the Letter of Credit is September 30, 2011 and the City has requested the Bank to extend the Stated Expiration Date of the Letter of Credit. The Bank has agreed to extend the Stated Expiration Date of the Letter of Credit to September 30, 2012 pursuant to the Letter of Credit Amendment (as more particularly defined herein) subject to amendment of certain

provisions of the First Amended Reimbursement Agreement as reflected in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants contained herein, and in order to induce the Bank to issue the Letter of Credit on the Closing Date and to issue the Letter of Credit Amendment on the Extension Closing Date, the Authority, the City and the Bank hereby agree as follows (capitalized terms used herein and not otherwise defined have the meaning set forth in Section 1 hereof):

ARTICLE ONE

DEFINITIONS

Section 1.1. Definitions. Capitalized terms not defined in this Agreement shall have the meanings assigned to them in the Indenture. In addition to terms defined elsewhere in this Agreement, as used herein the following terms shall have the following meanings unless the context otherwise requires, and such meanings shall be equally applicable to both singular and plural forms of the terms herein defined:

“Additional Payments” shall mean the payments so designated and required to be made by the City pursuant to Section 3.02 of the Lease Agreement.

“Agreement” shall mean this Amended and Restated Reimbursement Agreement, as the same may from time to time be amended, supplemented or otherwise modified in accordance with its terms.

“Amortization Period” means, with respect to any Tender Draw, the period commencing on the Term Loan Conversion Date and ending on the earliest of (a) the third anniversary of the Term Loan Conversion Date, and (b) the third anniversary of the Stated Expiration Date as in effect on the Term Loan Conversion Date.

“Authority” shall mean the Modesto Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California, and its successors and assigns.

“Authorized Representative” shall mean such Person at the time and from time to time authorized by resolution to act on behalf of the City or the Authority by written certificate furnished to the Bank.

“Bank” shall mean Bank of America, N.A., and its successors and assigns.

“Bank Bonds” shall mean the Bonds held by the Tender Agent for the benefit of the Bank as provided in Section 4.13 of the Indenture.

“Bank Rate” means on any day, (a) if such day occurs prior to the Term Loan Conversion Date, a rate per annum equal to the Base Rate; and (b) if such day occurs after the ninetieth day following the date on which the Bank honored a Tender Draw, a rate per annum equal to the Base Rate plus 1.00%; provided, that in no event shall the Bank Rate be less than the

rate on the Bonds that are not Bank Bonds; and provided, further that in the event the Maximum Annual Base Rental Payment for any Rental Payment Period is not sufficient to pay the principal of and interest on the Bonds and any Related Obligations coming due in any Rental Payment Period, the Bank Rate shall equal the Default Rate so long as any resulting deficiency remains unpaid.

“Bankruptcy Law” shall mean Title 11, U.S. Code, as amended or supplemented, any successor statute thereto, or any similar Federal, state, or foreign law for the relief of debtors.

“Base Rate” means, for any day, the highest of (a) the Prime Rate if the Bank establishes a Prime Rate or otherwise the Bank’s “base rate” for such date plus 1.50% per annum, (b) the Federal Funds Rate plus 3.00% per annum or (c) 7.50% per annum.

“Base Rental Payment” shall mean all amounts payable to the Authority from the City as Base Rental Payments pursuant to Section 3.01 of the Lease Agreement.

“Bond Purchase Fund” shall have the meaning set forth in the Indenture.

“Bonds” shall mean the Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 issued in the original aggregate principal amount of \$65,170,000 and currently outstanding in the aggregate principal amount of \$63,255,000.

“Business Day” shall mean a day on which banks located in New York, New York, San Francisco, California, the city in which the principal office of the Trustee is located and the state where the Bank’s lending office is located are not required or authorized to be closed and on which the New York Stock Exchange is open.

“Change of Law” shall mean occurrence of any of the following: (a) the adoption or taking effect of any law, rule, regulation, statute, treaty, regulation, policy, guideline or directive, (b) any change in any law, rule, regulation, statute, treaty, regulation, policy, guideline or directive or in the interpretation, promulgation, implementation, administration or enforcement thereof by any governmental authority, court, central bank or comparable agency charged with the interpretation or administration thereof, (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) of any such authority, court, central bank or comparable agency, or (d) compliance by the Bank with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, court, central bank or comparable agency; provided that notwithstanding anything in this Agreement to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or the United States financial regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change of Law,” regardless of the date adopted, issued, promulgated, enacted or implemented.

“City” shall mean the City of Modesto, a charter city and municipal corporation duly organized and existing under and by virtue of the laws of the State of California, and its successors and assigns.

“Closing Date” shall mean the date on which the Bank delivers the Letter of Credit pursuant to this Agreement.

“Collateral” shall have the meaning set forth in Section 2.5(a) hereof.

“Credit Facility Provider” shall have the meaning set forth in the Indenture.

“Default Rate” shall mean a rate per annum equal to the Base Rate plus 3.0%.

“Deferred Rental” shall have the meaning set forth in the Lease Agreement.

“Drawing” shall mean a drawing under the Letter of Credit resulting from the presentation to the Bank by the Trustee of a certificate in the form of Annex A, B, C or D to the Letter of Credit.

“Drawing Date” shall mean the date on which the Bank pays a Drawing on the Letter of Credit.

“DTC” shall have the meaning set forth in the Indenture.

“Environmental Claims” means any and all administrative, regulatory or judicial actions, suits, demand letters, claims, Liens, notices of noncompliance or violation, investigations, or proceedings relating in any way to any Environmental Law (“claims”) or any permit issued under any such Environmental Law, including (a) any and all claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law and (b) any and all claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

“Environmental Law” means any federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to health, safety or the environment or to Hazardous Materials.

“Event of Default” shall mean any event specified in Section 6.1 of this Agreement, provided that any requirement for notice, lapse of time, or both, or any other condition has been satisfied.

“Expiration Date” shall mean the date the Letter of Credit shall automatically terminate as described in paragraph 10 of the Letter of Credit.

“Extension Closing Date” shall mean the date on which the Bank delivers the Letter of Credit Amendment.

“Facilities Leases” shall have the meaning set forth in the Lease Agreement (which includes the Parking Garage Facilities Lease, the Police Facilities and Miscellaneous

Facilities Lease, the City-County Administration Facilities Lease and the City Communications Facilities Lease, as such terms are defined in the Lease Agreement).

“Fee Letter” shall mean the Fee Letter dated August 16, 2011 among the City, the Authority and the Bank, as the same may be amended or supplemented from time to time.

“Financing Agency” shall mean the City-County Capital Improvements and Financing Agency, duly organized and existing under a Joint Exercise of Powers Agreement, dated December 17, 1996, by and between the County of Stanislaus and the City.

“First Amended Reimbursement Agreement” has the meaning assigned to such term in the preamble hereto.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Bank on such day on such transactions as determined by the Bank.

“Hazardous Materials” means (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contains dielectric fluid containing polychlorinated biphenyls and radon gas; (b) any chemicals, materials or substances defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous wastes,” “restricted wastes,” “toxic substances,” “toxic pollutants,” “contaminants,” “special wastes” or “pollutants,” or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority.

“Indenture” has the meaning assigned to such term in Recital B.

“Lease Agreement” has the meaning assigned to such term in Recital B.

“Leased Property” shall mean the real and personal property subject to the Lease Agreement.

“Letter of Credit” shall mean the irrevocable direct pay letter of credit to be issued by the Bank pursuant hereto for the account of the City in favor of the Trustee to support payment of the Bonds, in substantially the form of Exhibit A to this Agreement with appropriate insertions, as it may be amended or supplemented from time to time, including without limitation by the Letter of Credit Amendment.

"Letter of Credit Amendment" shall mean the letter of credit amendment dated August 16, 2011 in substantially the form of Exhibit B to this Agreement.

"Letter of Credit Commitment" shall mean U.S. \$63,962,070, which is comprised of a principal component of \$63,255,000 and an interest component of \$707,070.

"Letter of Credit Fee Rate" shall have the meaning set forth in Section 1.1 of the Fee Letter.

"Maximum Annual Base Rental Payment" means \$6,500,000 being the maximum annual amount (exclusive of Deferred Rental) payable to the Authority from the City as a Base Rental Payment for any Rental Payment Period, as such amount may be amended upon redetermination as described in Section 2.2(i) hereof.

"Obligations" shall mean the fees relating to the Letter of Credit, any and all obligations of the Authority and the City to reimburse the Bank for a Drawing under the Letter of Credit, and all other obligations of the Authority and the City to the Bank arising under or in relation to this Agreement.

"Official Statement" shall mean the Official Statement of the Authority with respect to the Bonds, and any similar statement prepared in connection with the Bonds.

"Original Reimbursement Agreement" has the meaning assigned to such term in the preamble hereto.

"Payment Office" shall mean with respect to the Bank, the office of the Bank located at the address set forth in Section 7.2 hereof or such other office as the Bank may from time to time designate.

"Permitted Encumbrances" shall have the meaning set forth in the Indenture.

"Person" means a natural person, a firm, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

"Prime Rate" shall mean the rate of interest publicly announced from time to time by the Bank as its Prime Rate. The Prime Rate is set by the Bank based on various factors, including the Bank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans. The Bank may price loans to its customers at, above, or below the Prime Rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Bank's Prime Rate.

"Provider" shall have the meaning set forth in the Indenture.

"Rebate Fund" shall have the meaning set forth in the Indenture.

“Redevelopment Agency” shall mean the Redevelopment Agency of the City, and its successors and assigns; provided, however, that from and after any dissolution of the Redevelopment Agency pursuant to Section 34170 et seq. of the California Health & Safety Code, the “Redevelopment Agency” shall refer to the successor agency for the Redevelopment Agency of the City as designated under Section 34173 of the California Health & Safety Code, and its successors and assigns, but only if the Parking Garage Facilities Lease is binding on such successor agency.

“Related Documents” shall mean this Agreement, the Fee Letter, the Letter of Credit, the Bonds, the Indenture, the Lease Agreement, the Facilities Leases, the Remarketing Agreement, the Official Statement and the other documents, certificates and opinions executed and delivered in connection with issuance of the Bonds.

“Related Obligation” shall have the meaning set forth in the Indenture.

“Release” shall mean disposing, discharging, injecting, spilling, leaking, dumping, emitting, escaping, emptying, seeping, placing, and the like, into or upon any land or water or air, or otherwise entering into the environment.

“Remarketing Agent” shall mean Merrill Lynch, Pierce, Fenner & Smith Incorporated, as successor Remarketing Agent, or any other firm which may at any time be substituted in its place as Remarketing Agent under the Indenture.

“Remarketing Agreement” shall mean the Remarketing and Interest Services Agreement, dated as of August 1, 2008, by and between the Authority and the Remarketing Agent, with respect to the Bonds, as the same may be amended or supplemented from time to time, or any similar agreement between the Authority and any successor Remarketing Agent.

“Rental Payment Period” shall have the meaning set forth in the Lease Agreement.

“Revenue Fund” shall have the meaning set forth in the Indenture.

“Revenues” shall have the meaning set forth in the Indenture.

“Series 2008 Interest Rate Swap Agreement” shall have the meaning set forth in the Indenture.

“Stated Amount” shall have the meaning set forth in the Letter of Credit.

“Stated Expiration Date” shall have the meaning set forth in the Letter of Credit.

“Swap” shall have the meaning set forth in the Indenture.

“Swap Revenues” shall have the meaning set forth in the Indenture.

“Tender Agent” shall mean The Bank of New York Mellon Trust Company, N.A., or any successor thereto acting as Tender Agent pursuant to the Indenture.

“Tender Draw” shall mean a Drawing on the Letter of Credit resulting from the presentation to the Bank by the Trustee of a certificate in the form of Annex B to the Letter of Credit.

“Term Loan Conversion Date” shall have the meaning set forth in Section 2.2(d) hereof.

“Termination Fee” shall have the meaning set forth in Section 1.6 of the Fee Letter.

“Trustee” shall mean The Bank of New York Mellon Trust Company, N.A., or any successor thereto acting as Trustee pursuant to the Indenture.

ARTICLE TWO

LETTER OF CREDIT

Section 2.1. Issuance of Letter of Credit; Extension of Letter of Credit.

(a) Extension of Credit. The Bank hereby agrees, on the terms and subject to the conditions hereinafter set forth, to issue the Letter of Credit to the Trustee, in accordance with the terms of this Section 2.1. The Letter of Credit shall be issued by the Bank upon satisfaction by the City of all conditions precedent set forth in Section 3.1 hereof, and for a stated term from the date of the Letter of Credit to the initial Stated Expiration Date.

(b) Extension of Stated Expiration Date. The current Stated Expiration Date for the Letter of Credit is September 30, 2012; provided that the Stated Expiration Date may be extended for an additional period up to three (3) years upon the request by the Authority and the City and approval by the Bank in its sole discretion. Any request for an extension of the Letter of Credit must be in writing and accompanied by such information as the Bank may reasonably request and such request must be received by the Bank no earlier than 120 days and no less than sixty (60) days prior to the Stated Expiration Date then in effect. The Bank, in its sole and absolute discretion, may elect not to extend the term of the Letter of Credit. If the Bank has not agreed to the request for extension in writing within thirty (30) days after the Bank received the Authority's and the City's written request and the other information requested by the Bank, the Authority's and the City's request shall be deemed to be denied. Each such extension shall be made on such terms and conditions as the Bank, the Authority and the City may mutually agree upon after analysis and due diligence as the Bank may require.

(c) Drawing on the Letter of Credit. Drawings to be made under the Letter of Credit shall be made by presentation by facsimile, in the form of a sight draft, accompanied by the appropriate annex submitted by the Trustee and no further presentation of documentation, including the original Letter of Credit, need be made; it being understood that the facsimile shall in all events be considered to be the sole operative instrument of drawing. The Bank may rely upon any such facsimile Drawing that the Bank, in good faith, believes to have been dispatched by the Trustee.

(d) Reduction and Reinstatement. The Stated Amount of the Letter of Credit shall be reduced by the amount of each Drawing, and shall be reinstated following certain Drawings, all as provided in the Letter of Credit.

Section 2.2. Reimbursement of Drawings. Subject to Section 2.5, the Authority and the City (by payment of Base Rental Payments in accordance with the terms of the Lease Agreement) hereby agree to reimburse to the Bank for any Drawing under the Letter of Credit as follows:

(a) on the same day the Bank honors a Drawing under the Letter of Credit, the full amount drawn except as provided in clause (d) below;

(b) upon demand, upon the occurrence of an Event of Default, interest on all Obligations, including all outstanding Drawings, at the Default Rate;

(c) subject to clause (iii) below, on the Term Loan Conversion Date, the amount if such Tender Draw;

(d) If on the earlier of (i) the ninety-first day following the Drawing Date of any Tender Draw and (ii) the Expiration Date (the "Term Loan Conversion Date"), no Event of Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default, shall have occurred and be continuing and the representations and warranties of the City and the Authority hereunder are true and correct on and as of such Term Loan Conversion Date, the Authority and the City shall not be required to reimburse the Bank for such Tender Draw on the Term Loan Conversion Date but rather shall be required to pay such amount to the Bank in equal quarterly installments of principal due on the first Business Day of each calendar quarter occurring during the Amortization Period for such Tender Draw, together with interest thereon at the Bank Rate payable on the first day of each month following the Drawing Date of such Tender Draw, with the entire balance of such Tender Draw due on the last day of the Amortization Period; provided, however, that upon the remarketing of all or any portion of the applicable Bank Bonds purchased with amounts drawn under the Letter of Credit pursuant to such Tender Draw, the amount such Tender Draw shall be immediately due and owing to the Bank, together with interest thereon at the Bank Rate; and provided further, that all amounts owed to the Bank pursuant to this Section 2.2 shall be immediately due and payable in full (i) on the date of delivery to the Trustee of any Alternate Credit Facility (as provided in the Indenture) as a substitution for the Letter of Credit, (ii) on the date of remarketing of such Bank Bonds, (iii) at such time as the Bonds are no longer Outstanding, (iv) on the date the interest rate on the Bonds to maturity has been converted to a rate that does not require credit enhancement or (v) on the date that the amount of the Letter of Credit is reduced to zero or the Letter of Credit is otherwise terminated prior to the Stated Expiration Date, including upon the occurrence of an Event of Default.

(e) The Authority and the City (by prepayment of Base Rental Payments in accordance with the terms of the Lease Agreement) may, on not less than one day's notice, prepay in whole or part the amount of any Tender Draw, together with the interest accrued with respect to such amount, to the date of prepayment, by prepaying or arranging for the purchase of the related Bank Bonds. Any prepayment of less than all outstanding Tender Draws will be

applied to the outstanding Tender Draws in inverse order of maturity, and prepayment of less than all of the outstanding amount of an Tender Draw will be applied to the Bank Bonds purchased with such Tender Draw in inverse order of maturity.

(f) The Bonds purchased with the proceeds of any Tender Draft shall thereupon become Bank Bonds and shall be registered as directed by the Bank pursuant to the Indenture and shall be held by the Trustee on behalf of the Bank or as otherwise directed by the Bank. The Authority and the City shall cause the Remarketing Agent to have a CUSIP number assigned to any such Bank Bonds within one (1) Business Day of any such purchase (such CUSIP number to be distinct from the CUSIP number assigned to the Bonds). If requested by the Bank, the Authority and the City shall apply for within ten (10) Business Days of such request, and utilize its best efforts to obtain as soon as practicable, at its sole cost and expense, a long-term unenhanced rating on the Bank Bonds from at least one nationally recognized securities rating agency of at least investment grade (i.e. "Baa3" or "BBB-" or its equivalent) and as otherwise required for the Bank to assign and pledge such Bank Bonds to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. Bank Bonds shall be entitled to all rights and privileges of Bonds set forth in the Indenture except that the principal component represented by such Bank Bonds shall mature, and the interest with respect to such Bank Bonds shall accrue at the Bank Rate and shall be payable, as set forth in this Section 2.2.

(g) Interest shall accrue on each advance made pursuant to the principal component of an Tender Draw and the corresponding Bank Bonds, from the Drawing Date of the applicable Tender Draw until the date due hereunder at the Bank Rate and shall be payable monthly in arrears on the first Business Day of each calendar month following the Drawing Date of such Tender Draw, and on the last day of the Amortization Period and on the date any Tender Draw shall otherwise become due and payable in full pursuant to Section 2.2(c) or 2.2(d) hereof. Interest shall accrue on all amounts due hereunder and on the corresponding Bank Bonds, if any, if not paid when due, at the Default Rate.

(h) If Bank Bonds are not assigned a separate CUSIP but remain in book-entry form held by DTC, the Authority and the City (by payment of the interest component of Base Rental Payments under the Lease Agreement) shall pay the difference between the Bank Rate and the interest rate then borne by the Bonds to the Bank as provided in this Section 2.2 and shall pay interest on the principal amount of all outstanding Bonds, including Bank Bonds, at the interest rate then borne by the Bonds other than Bank Bonds, to the Trustee for payment to the holders and the Bank through the normal DTC payment procedures.

(i) In the event that the amount needed to pay the principal of and interest on the Bonds and any Related Obligations coming due in any Rental Payment Period is more than the estimated Base Rental Payment for such Rental Payment Period, the City will be obligated to pay up to the Maximum Annual Base Rental Payment for such Rental Payment Period. To the extent the Maximum Annual Base Rental Payment for such Rental Payment Period is not sufficient to pay the principal of and interest on the Bonds and any Related Obligations coming due in any Rental Payment Period, (1) such deficiency shall continue to be an obligation of the City pursuant to the Lease Agreement and the City will be obligated to pay the Base Rental

Payment up to the Maximum Annual Base Rental Payment in each Rental Payment Period until such deficiency is paid in full, (2) the City shall, subject to compliance with applicable debt limitations, use its best efforts to utilize additional sources of funds and properties legally available to it in order to pay such deficiency; (3) any unpaid Tender Draw shall thereafter bear interest at the Default Rate; (4) the City shall increase the Base Rental Payment for any Rental Payment Period if and to the extent that the Maximum Annual Base Rental Payment exceeds the amount needed to pay the amount needed by the Authority to pay the principal of and interest on the Bonds and any Related Obligations coming due on or before September 1 following the end of such Rental Payment Period; (5) the Authority and the City shall, solely at the Bank's request, redetermine or cause to be redetermined the fair rental value of the Leased Property and the Maximum Annual Base Rental Payment as of the date of any such event and will otherwise, not challenge or redetermine the fair rental value of the Leased Property or the Maximum Annual Base Rental Payment and shall increase the Maximum Annual Base Rental Payment only to the extent any such increase is supported by the newly determined fair rental value of the Leased Property, taking into consideration the then current appraised value of the Leased Property; and (6) the Authority and the City shall, subject to the terms of the Lease Agreement, extend the term of the Lease Agreement if, on September 1, 2033, any amounts remain owing to the Bank. If any Tender Draw is not paid by the last day of the Amortization Period or on the date any Tender Draw shall otherwise become due and payable in full pursuant to Section 2.2(c) or 2.2(d) hereof, the Authority and the City shall use its best efforts to convert the interest rate on the Bonds to maturity at a rate that does not require credit enhancement.

The Authority and the City shall increase the Base Rental Payment for any Rental Payment Period following an abatement of Base Rental Payments pursuant to Section 3.06 of the Lease Agreement as set forth in Section 5.1(aa) hereof.

Further, the Authority and the City agree that if in any year the Maximum Annual Base Rental Payment exceeds the amount needed to pay the amount needed by the Authority to pay the principal of and interest on the Bonds and any Related Obligations coming due on or before September 1 following the end of such Rental Payment Period, the Authority and the City shall defer the Deferred Rental pursuant to Section 3.04 of the Lease Agreement and thereupon the Deferred Rental need not be paid by the City to the Authority at that time, but instead shall be deferred until such subsequent time as the Authority shall have need for such payment; provided, however, that notwithstanding anything herein or in the Lease Agreement to the contrary, that the Deferred Rental shall not cause the Base Rental Payment in any Rental Payment Period to exceed the lesser of (x) 150% of the estimated Base Rental Payment for such Rental Payment Period as shown in Exhibit A to the Lease Agreement or (ii) the Maximum Annual Base Rental Payment, as adjusted for Deferred Rental for such Rental Payment Period.

Section 2.3. Letter of Credit Fees and Other Payments.

(a). Letter of Credit Fee. The Authority and the City (by payment of Additional Payments under the Lease Agreement) shall pay to Bank a nonrefundable Letter of Credit Fee as set forth in Section 1.1 of the Fee Letter, the terms of which are incorporated herein by this reference as if fully set forth herein.

(b) Payment Dates. The Letter of Credit Fee shall be due and payable as set forth in Section 1.2 of the Fee Letter, the terms of which are incorporated herein by this reference as if fully set forth herein.

(c) Other Fees. In addition, the Authority and the City (by payment of Additional Payments under the Lease Agreement) shall pay to Bank upon the amendment or transfer of the Letter of Credit and upon the negotiation of each draft drawn under the Letter of Credit, fees and charges as set forth in Section 1.3 of the Fee Letter, the terms of which are incorporated herein by this reference as if fully set forth herein.

(d) Calculation of Fees and Interest. All fees and interest payable under this Agreement shall be calculated as set forth in Section 1.4 of the Fee Letter, the terms of which are incorporated herein by this reference as if fully set forth herein.

(e) Initial Costs and Expenses. The Authority and the City (by payment of Additional Payments under the Lease Agreement) shall pay to the Bank any and all fees, charges and expenses as set forth in Section 1.5 of the Fee Letter, the terms of which are incorporated herein by this reference as if fully set forth herein. The obligations and liabilities under this Section 2.3(e) shall survive the termination of this Agreement, the Fee Letter and the Lease Agreement and the Authority's and the City's Obligations hereunder and thereunder and the payment in full of all Base Rental Payments and Additional Payments.

(f) Increased Costs; Capital Adequacy.

(i) If the Bank shall have determined that any Change of Law regarding capital adequacy shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank allocates capital resources to its commitments), affects or would affect the amount of capital to be maintained by the Bank or has or would have the effect of reducing the rate of return on the capital of the Bank (or its parent) as a consequence of the Bank's obligations hereunder, including issuing, participating in or maintaining the Letter of Credit, purchasing, owning, holding or remarketing Bank Bonds or any participation therein or any collateral therefor, to a level below that which the Bank would have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to capital adequacy), then from time to time, within fifteen (15) days after written demand by the Bank made through the Bank, the Authority and the City (by payment of Additional Payments under the Lease Agreement) shall pay to the Bank such additional amount or amounts as will compensate the Bank for such event.

(ii) If the Bank shall have determined that any Change of Law:

(A) shall subject the Bank to any tax, duty or other charge with respect to its obligations under the Letter of Credit or this Agreement, or shall change the basis of taxation of payments to the Bank of the Bank Bonds or in respect of any amounts due under this Agreement (except for changes in the rate of tax on the

overall net income of the Bank imposed by any taxing jurisdiction in which the Bank's principal executive office is located and other than by reason of any amount hereunder not being tax-exempt income to the recipient); or

(B) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), against assets of, deposits with or for the account of, or credit extended by, the Bank;

and the result of any of the foregoing is to increase the cost to the Bank of issuing the Letter of Credit, honoring any Drawing or holding any Bank Bonds, or to reduce the amount of any sum received or receivable by the Bank under this Agreement, by an amount deemed by the Bank to be material, then, within fifteen (15) days after written demand by the Bank made through the Bank, the Authority and the City (by payment of Additional Payments under the Lease Agreement) agrees to pay or cause to be paid to the Bank such additional amount or amounts as will compensate the Bank for such increased cost or reduction.

(iii) A certificate of the Bank claiming compensation under this Section 2.3(f) and setting forth the additional amount or amounts to be paid to it hereunder (accompanied by a statement specifying the reasons therefor) shall be conclusive in the absence of manifest error. In determining such amount, the Bank may use any reasonable averaging and attribution methods.

(iv) The obligations and liabilities under this Section 2.3(f) shall survive the termination of this Agreement and the Lease Agreement and the Authority's and the City's Obligations hereunder and thereunder and the payment in full of all Base Rental Payments and Additional Payments.

(g) Taxes. If any taxes are imposed on any payments made by the Authority or the City (including payments under this paragraph) other than ordinary income taxes payable by the Bank, the Authority or the City (by payment of Additional Payments under the Lease Agreement), as applicable, shall pay the taxes and shall also pay to the Bank, at the time interest is paid, any additional amount which the Bank specifies as necessary to preserve the after-tax yield the Bank would have received if such taxes had not been imposed. The Authority or the City shall confirm that it has paid the taxes by giving the Bank official tax receipts (or notarized copies) within thirty (30) days after the due date.

(h) Payment Office. All payments to be made by the Authority or the City to the Bank hereunder or in connection herewith, shall be made at the address of the Bank set forth on the signature page hereof not later than 1:00 p.m., New York time, on the date due and shall be made in lawful money of the United States of America and in immediately available funds. Any amount not received by the Bank by such time shall be deemed to have been received on the next succeeding Business Day. All such payments not received on the date due shall bear interest until payment in full at the Default Rate and shall be payable on demand, or if no demand is made, on the first day of each calendar month thereafter. Notwithstanding anything herein to the contrary, following the occurrence and during the continuance of an Event of

Default, interest shall accrue on all amounts owing hereunder and on the corresponding Bank Bonds at the Default Rate and shall be payable on demand, or if no demand is made, on the first day of each calendar month following the occurrence of such Event of Default.

(i) Obligations Absolute. Subject to Section 2.5, the Obligations of the Authority and the City under this Agreement shall be absolute, unconditional and irrevocable, and shall be paid or performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(i) the existence of any claim, set-off, defense or other rights which the Authority or the City may have at any time against the Trustee, the Tender Agent, any beneficiary or any transferee of the Letter of Credit (or any Person for whom the Trustee, the Tender Agent, any such beneficiary or any such transferee may be acting) or the Bank, whether in connection with the transactions contemplated by this Agreement or any related or unrelated transactions;

(ii) any breach of contract or other dispute between the City, the Authority, the Trustee, the Tender Agent, any beneficiary or any transferee of the Letter of Credit (or any Person for whom the Trustee, any such beneficiary or any such transferee may be acting), the Bank or any other Person;

(iii) any delay, extension of time, renewal, compromise or other indulgence or modification granted or agreed to by the Bank, with or without notice to or approval by the Authority or the City, in respect of any of the Obligations of the Authority or the City (as the case may be) to the Bank under this Agreement;

(iv) any certificate, statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect, provided that payment by the Bank under the Letter of Credit against presentation of any such certificate, statement or document shall not have constituted gross negligence or willful misconduct of the Bank;

(v) any non-application or misapplication by the Trustee of the proceeds of any Drawing under the Letter of Credit;

(vi) payment by the Bank under the Letter of Credit against presentation of a certificate which does not comply with the terms of the Letter of Credit, provided that such payment by the Bank shall not have constituted gross negligence or willful misconduct of the Bank; and

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

(j) Non-Business Days. If any sum becomes payable pursuant to this Agreement on a day which is not a Business Day, the date for payment thereof shall be extended,

without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

(k) Taxes. All payments made by the Authority hereunder or by the City (as Additional Payments under the Lease Agreement) shall be made free and clear of and without deduction for any present or future income, stamp or other taxes, levies, imposts, deductions, charges, fees, withholdings, restrictions or conditions of any nature now or hereafter imposed, levied, collected, withheld or assessed by any jurisdiction or by any political subdivision or taxing authority thereof or therein (whether pursuant to United States Federal, state or local law or foreign law) and all interest, penalties or similar liabilities, excluding taxes on the overall net income of the Bank (such non-excluded taxes are hereinafter collectively referred to as the "Taxes"). If the Authority or the City shall be required by law to deduct or to withhold any Taxes from or in respect of any amount payable hereunder, (i) the amount so payable shall be increased to the extent necessary so that after making all required deductions and withholdings (including Taxes on amounts payable to the Bank pursuant to this sentence) and decreased to give effect to any refunds or credits received by the Bank so that the Bank receives an amount equal to the sum it would have received had no such deductions or withholdings been made (ii) the Authority or the City, as applicable, shall make such deductions or withholdings and (iii) the Authority or the City, as applicable, shall pay the full amount deducted or withheld to the relevant taxation authority in accordance with applicable law. Whenever any Taxes are payable by the Authority or the City, as promptly as possible thereafter the Authority or the City, as applicable, shall send the Bank an official receipt or other documentation satisfactory to the Bank evidencing payment to such taxation authority.

(l) Maximum Rate. To the extent permitted by law, in the event that a rate of interest required to be paid by the Authority under this Agreement or by the City (by payment of the interest component of Base Rental Payments under the Lease Agreement) shall exceed a maximum rate established by law for any Rental Payment Period, then interest accrued at such maximum rate shall be paid by Authority and the City (by payment of the interest component of Base Rental Payments under the Lease Agreement) with respect to such Rental Payment Period and the differential between the amount of interest which would have accrued if the rate of interest required hereunder (without giving effect to this paragraph) had at all times been in effect and the amount of interest accrued at such maximum rate (the "Excess Interest") shall be deferred until such date as the rate of interest required to be paid by the Authority or the City hereunder ceases to exceed the maximum rate established by law and any subsequent reduction in the rate of interest required to be paid by the Authority or the City hereunder will not reduce the rate of interest below the maximum rate established by law until the total amount of interest accrued equals the amount of interest which would have accrued if the rate of interest required hereunder (without giving effect to this paragraph) had at all times been in effect. Upon the termination of this Agreement, in consideration for any limitation of the rate of interest which may otherwise be payable hereunder, the Authority and the City (by payment of Additional Payments under the Lease Agreement) shall pay or cause to be paid to the Bank a fee equal to the amount of all such unpaid deferred Excess Interest, but only as and to the extent that the Maximum Annual Base Rental Payment for such Rental Payment Period exceeds the amount needed to pay the amount needed by the Authority to pay the principal of and interest on the Bonds and any Related Obligations coming due in such Rental Payment Period.

Section 2.4. Liability of Bank. Neither the Bank nor any of its officers or directors shall be liable or responsible for (a) the use which may be made of the Letter of Credit or for any acts or omissions of the Trustee and any transfer in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by the Bank against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit, except to the extent of any damages suffered by the Authority or the City by (i) the Bank's willful misconduct or gross negligence in determining whether documents presented under the Letter of Credit comply with the terms of the Letter of Credit or (ii) the Bank's willful failure or gross negligence in failing to pay under the Letter of Credit after the presentation to it by the Trustee of a sight draft and certificate strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary; provided, that if the Bank shall receive written notification from the Trustee and either the Authority or the City that sufficiently identified (in the opinion of the Bank) documents to be presented to the Bank are not to be honored, the Bank agrees that it will not honor such documents.

The Authority and the City assume all risks of the acts or omissions of the Trustee, the Tender Agent and the Remarketing Agent with respect to the Bonds. Neither the Bank, nor any of its officers, directors, employees or agents, shall be liable or responsible for (i) the use which may be made of the proceeds of the Bonds or of any acts or omissions of the Trustee or any transferee of the Letter of Credit in connection therewith, (ii) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon (other than the validity as against the Bank of any agreement to which the Bank is a party (including the Letter of Credit)), even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged, (iii) the lack of validity or enforceability of this Agreement, the Bonds, the other Related Documents or any other agreement or instrument relating thereto (other than the validity or enforceability as against the Bank of any agreement to which the Bank is a party (including the Letter of Credit)), or (iv) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit, other than any direct, as opposed to consequential, special, punitive, exemplary or indirect damages suffered by the Authority or the City which the Authority and the City proves were caused by (i) the Bank's willful misconduct or gross negligence in determining whether a draw presented under the Letter of Credit complied with the terms thereof, or (ii) the Bank's willful failure or gross negligence in failing to make a payment under the Letter of Credit required to be made by it thereunder after the presentation to it by the Trustee of a certificate strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, the may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information (other than actual knowledge to the contrary) to the contrary.

Section 2.5. Security; Nature of Obligations of the Authority and the City.

(a) Notwithstanding any provisions herein to the contrary, unless otherwise permitted by law, the Bank acknowledges and agrees that all Obligations of the Authority and the City hereunder are secured by and payable solely from the following (together, the "Collateral"): (a) the proceeds from the sale of bonds or other obligations authorized to be issued by the Authority or the City specifically for the purpose of paying amounts due hereunder, (b) the Revenues (including without limitation (i) all Base Rental Payments and other payments paid by the City and received by the Authority pursuant to the Lease Agreement (but not Additional Payments), (ii) any other amounts held in any fund or account (including the Revenue Fund) established pursuant to the Indenture (other than the Bond Purchase Fund and the Rebate Fund) or the Lease Agreement and all interest or other income from any investment of any money in such fund or account, and (iii) the Swap Revenues, if any), and (c) any Additional Payments payable to the Bank under the Lease Agreement. The Authority hereby pledges, places a Lien upon and assigns the Collateral to secure the Obligations to the Bank under this Agreement. The Authority has transferred in trust, granted a security interest in and assigned to the Trustee, for the benefit of the Holders from time to time of the Bonds and any Providers (including the Bank), all of the Revenues and other assets pledged in Section 5.01(A) of the Indenture and all of the rights of the Authority under the Lease Agreement to receive and collect Base Rental Payments and other amounts (except for (i) the right to receive any Additional Payments to the extent payable to the Authority and (ii) any rights of the Authority to indemnification), and the right to enforce, whether by action at law or in equity or by other means, all provisions, covenants and agreements of the Lease Agreement with respect to the payment of Base Rental Payments.

(b) Subject to the provisions of Section 2.5(a), the Obligations of the Authority and the City under this Agreement to reimburse the Bank for Drawings shall be paid and performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of this Agreement, the Letter of Credit or any of the Related Documents;

(ii) any amendment or waiver of, or any consent to or departure from this Agreement or any Related Documents;

(iii) the existence of any claim, set-off, defense or other rights which the Authority or the City may have at any time against the Trustee, the Tender Agent, any beneficiary or any transferee of the Letter of Credit (or any Person for whom the Trustee, the Tender Agent, any such beneficiary or any such transferee may be acting), the Bank or any other Person, whether in connection with this Agreement, the Letter of Credit, the Related Documents or any unrelated transaction;

(iv) any statement in any certificate or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient

in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(v) payment by the Bank under the Letter of Credit against presentation of a draft or certificate which does not comply with the terms of the Letter of Credit;

unless any of the foregoing results from the gross negligence or willful misconduct of the Bank.

Section 2.6. Termination. The Letter of Credit may be terminated or permanently reduced at any time by the Authority or the City upon thirty (30) days written notice to the Bank and payment of the Termination Fee, if any, described below and any other amounts owed to the Bank hereunder, including without limitation following the imposition of any costs and expenses pursuant to Sections 2.3(f) or (g). In the event the Authority or the City terminates or permanently reduces the Letter of Credit (other than a permanent reduction solely as a result of the mandatory sinking fund redemption on September 1, 2011) for any reason prior to September 30, 2012, the Authority and the City (by payment of Additional Payments under the Lease Agreement) shall pay the Bank the Termination Fee, if any. Notwithstanding the foregoing, no Termination Fee shall be payable in the event this Agreement is terminated due to (i) a downgrading of the Bank's short-term ratings to below "P-1" or "A-1" or "F-1" by Moody's Investors Service, Inc., Standard & Poor's Ratings Service or Fitch, Inc. or (ii) the imposition by the Bank of any increased costs pursuant to Section 2.3(f) or (g) hereof.

ARTICLE THREE

CONDITIONS PRECEDENT

Section 3.1. Conditions Precedent to Issuance of Letter of Credit. The obligation of the Bank to issue the Letter of Credit shall be subject to the fulfillment of the following conditions precedent on or before the Closing Date thereof, in a manner satisfactory to the Bank and its counsel:

(a) The Bank shall have received an opinion of Sidley Austin LLP, as special counsel, in form and substance satisfactory to the Bank and its counsel, dated the Closing Date.

(b) The Bank shall have received an opinion of Bank counsel, in form and substance satisfactory to the Bank dated the Closing Date.

(c) The Bank shall have received an opinion of the City Attorney, in form and substance satisfactory to the Bank and its counsel dated the Closing Date;

(d) The Bank shall have received an opinion of the counsel to the Authority, in form and substance satisfactory to the Bank and its counsel dated the Closing Date;

(e) The Bank shall have received on the Closing Date certified copies or executed originals, as the Bank may request, of this Agreement, the Indenture, the Lease Agreement and the Facilities Leases, and the other documents, certificates and opinions executed and delivered in connection with issuance of the Bonds and any other documents which the Bank

may reasonably request evidencing that all necessary action (including, without limitation, adoption of resolutions) required to be taken by the Authority and the City in connection with the authorization, execution, issuance, delivery and performance of such documents and any other document required to be delivered by the City pursuant to or in connection with this Agreement or the transactions contemplated hereby, has been taken.

(f) The Bank shall have received a certificate signed by an Authorized Representative of the City dated the Closing Date stating that on such date:

(i) the representations and warranties set forth in this Agreement and in any other certificate, letter, writing or instrument delivered by the City to the Bank pursuant hereto or in connection herewith, shall be true and correct as of the Closing Date;

(ii) no material adverse change shall have occurred in the condition (financial or otherwise) of the City prior to the Closing Date;

(iii) on the Closing Date no Event of Default or no event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default, shall have occurred and be continuing; and

(iv) there is no lawsuit, tax claim or other dispute pending or threatened against the City which, if lost, would impair the City's financial condition or ability to repay the unreimbursed Drawings, except as have been disclosed in writing to the Bank.

(g) The Bank shall have received copies of resolutions of the City Council of the City, certified as of the Closing Date by the City Clerk, authorizing, among other things, the issuance of the Bonds and the execution, delivery and performance by the City of this Agreement.

(h) The Bank shall have received a certificate of an Authorized Representative of the City dated the Closing Date certifying as to the authority, incumbency and specimen signatures of the Authorized Representative of the City authorized to sign this Agreement and any other documents to be delivered by it hereunder and who will be authorized to represent the City in connection with this Agreement, upon which the Bank may rely until it receives a new such certificate.

(i) The Bank shall have received a certificate signed by an Authorized Representative of the Authority dated the Closing Date stating that on such date:

(i) the representations and warranties set forth in this Agreement and in any other certificate, letter, writing or instrument delivered by the Authority to the Bank pursuant hereto or in connection herewith, shall be true and correct as of the Closing Date;

(ii) no material adverse change shall have occurred in the condition (financial or otherwise) of the Authority prior to the Closing Date;

(iii) on the Closing Date no Event of Default or no event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default, shall have occurred and be continuing; and

(iv) there is no lawsuit, tax claim or other dispute pending or threatened against the Authority which, if lost, would impair the Authority's financial condition or ability to repay the unreimbursed Drawings, except as have been disclosed in writing to the Bank.

(j) The Bank shall have received copies of resolutions of the governing board of the Authority, certified as of the Closing Date by the secretary of such governing board, authorizing, among other things, the issuance of the Bonds and the execution, delivery and performance by the Authority of this Agreement.

(k) The Bank shall have received a certificate of an Authorized Representative of the Authority dated the Closing Date certifying as to the authority, incumbency and specimen signatures of the Authorized Representative of the Authority authorized to sign this Agreement and any other documents to be delivered by it hereunder and who will be authorized to represent the Authority in connection with this Agreement, upon which the Bank may rely until it receives a new such certificate.

(l) Except for state "blue sky" laws, the Bank shall have received true and correct copies of any and all governmental approvals necessary for the City and the Authority to enter into this Agreement and such approvals necessary at the Closing Date for the transactions contemplated thereby and hereby, or if no governmental approvals are required, a certificate of an Authorized Representative of the City to the effect that no such approvals are necessary.

(m) The Bank shall have received copies of the audited financial statements of the City for the three most recent years for which such statements are available, unaudited financial statements of the City for any fiscal year for which audited financial statements are unavailable, a copy of the City's 2008-2009 adopted budget, financial projections and any other information reasonably requested by the Bank.

(n) The Bank shall have received a copy of the City investment policy as well as other information with respect to the City Investment Pool, City investment strategies and related information as the Bank may request.

(o) Evidence of use and occupancy insurance, general liability and property damage insurance required to be carried by the City pursuant to the Lease Agreement satisfactory to the Bank.

(p) All other legal matters pertaining to the execution and delivery of this Agreement, the issuance of the Letter of Credit and the other Related Documents shall be reasonably satisfactory to the Bank and their counsel.

(q) Appointment of a remarketing agent approved by the Bank.

(r) Payment of fees and expenses of the Bank and its counsel.

Section 3.2. Conditions Precedent to Issuance of Letter of Credit Amendment.

The obligation of the Bank to issue the Letter of Credit Amendment shall be subject to the fulfillment of the following conditions precedent on or before the Extension Closing Date thereof, in a manner satisfactory to the Bank and its counsel:

(a) The Bank shall have received an executed original of this Agreement and any other documents which the Bank may reasonably request, including an amendment to the Lease Agreement to incorporate certain amendments to the Lease Agreement (including without limitation a cross-default to this Agreement and by this Agreement the Bank hereby consents to such amendment to the Lease Agreement as required by Section 6.08 of the Indenture) and such other amendments to the Related Documents as may be reasonably requested by the Bank, all in form and substance satisfactory to the Bank and its counsel;

(b) The Bank shall have received an opinion of Sidley Austin LLP, as special counsel, as to the validity of the Facilities Leases and the Lease Agreement (as amended), in form and substance satisfactory to the Bank and its counsel, dated the Extension Closing Date;

(c) The Bank shall have received an opinion of the City Attorney and an opinion of the counsel to the Authority, each in form and substance satisfactory to the Bank and its counsel and each dated the Extension Closing Date;

(d) The Bank shall have received a certificate signed by an Authorized Representative of the City and a certificate signed by an Authorized Representative of the Authority each dated the Extension Closing Date stating that on such date:

(i) the representations and warranties set forth in this Agreement and in any other certificate, letter, writing or instrument delivered by the City or the Authority to the Bank pursuant hereto or in connection herewith, are true and correct on and as of the Extension Closing Date;

(ii) no material adverse change in the financial condition, operations or prospects of the City or laws, rules or regulations (or their interpretation or administration) shall have occurred as of the Extension Closing Date that, in any case, may adversely affect the consummation of the transaction, as determined in the sole discretion of the Bank;

(iii) on the Extension Closing Date no Event of Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default, shall have occurred and be continuing and no default has occurred and is continuing under any of the Related Documents;

(iv) there is no lawsuit, tax claim or other dispute pending or threatened against the City which, if lost, would impair the City's financial condition or ability to repay the unreimbursed Drawings, except as have been disclosed in writing to the Bank;

(v) the City and the Authority are each in compliance with the terms and conditions of this Agreement and has performed or complied with all of its

Obligations, agreements and covenants to be performed or complied with pursuant to this Agreement on or prior to the Extension Closing Date;

(vi) all information, documents, statements and certificates provided to the Bank by or on behalf of the City and the Authority in connection with the Letter of Credit Amendment are true and correct on and as of the date hereof and were provided in expectation of the Bank's reliance thereon in issuing the Letter of Credit Amendment; and

(vii) the City and the Authority have delivered to the Bank true, correct and complete copies of the Related Documents and such documents were duly issued, adopted or executed and delivered, have not been modified, amended or rescinded and are in full force and effect on and as of the Extension Closing Date;

(e) The Bank shall have received copies of resolutions of the City Council of the City, certified as of the Extension Closing Date by the City Clerk, authorizing, among other things, the execution, delivery and performance by the City of this Agreement and any other documents to be delivered by it hereunder (including an amendment to the Lease Agreement) and copies of resolutions of the Commission of the Authority, certified as of the Extension Closing Date by the Authority Secretary, authorizing, among other things, the execution, delivery and performance by the Authority of this Agreement and any other documents to be delivered by it hereunder (including an amendment to the Lease Agreement);

(f) The Bank shall have received a certificate of an Authorized Representative of the City dated the Extension Closing Date certifying as to the authority, incumbency and specimen signatures of the Authorized Representative of the City authorized to sign this Agreement and any other documents to be delivered by it hereunder (including an amendment to the Lease Agreement) and who will be authorized to represent the City in connection with this Agreement, upon which the Bank may rely until it receives a new such certificate and a certificate of an Authorized Representative of the Authority dated the Extension Closing Date certifying as to the authority, incumbency and specimen signatures of the Authorized Representative of the Authority authorized to sign this Agreement and any other documents to be delivered by it hereunder (including an amendment to the Lease Agreement) and who will be authorized to represent the Authority in connection with this Agreement, upon which the Bank may rely until it receives a new such certificate;

(g) The Bank shall have received estoppel certificates executed by the Redevelopment Agency and the Financing Agency, as lessors under the Facilities Leases to which they are a party, in form and substance satisfactory to the Bank, and an opinion of the City Attorney, as special counsel on behalf of the Redevelopment Agency, in form and substance satisfactory to the Bank;

(h) The Bank shall have received such financial information, budgets, projections, etc. as the Bank may request, in form and substance satisfactory to the Bank;

(i) The Bank shall have received a copy of the current City investment policy as well as other information with respect to the City Investment Pool, City investment strategies and related information as the Bank may request, in form and substance satisfactory to the Bank;

(j) The Bank shall have received evidence of title insurance, casualty insurance and rental interruption insurance coverage for the Leased Property, in form and substance satisfactory to the Bank, and the Leased Property shall be satisfactory to the Bank on the basis of essentiality, fair rental value and insurance coverage and the existence of any mortgage, pledge, lien, charge, encumbrance or claim thereon or with respect thereto;

(k) The Bank shall have received written evidence satisfactory to the Bank that a separate CUSIP number has been obtained and reserved from Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. for Bank Bonds;

(l) The Bank shall have received an opinion of Bank counsel, in form and substance satisfactory to the Bank dated the Extension Closing Date;

(m) No material adverse change in the financial condition, operations or prospects of the City or laws, rules or regulations (or their interpretation or administration) shall have occurred as of the Extension Closing Date that, in any case, may adversely affect the consummation of the transaction, as determined in the sole discretion of the Bank;

(n) All other legal matters pertaining to the execution and delivery of this Agreement and the Letter of Credit Amendment shall be reasonably satisfactory to the Bank and its counsel; and

(o) Payment of (or the Bank shall be reasonably satisfied that payment will be made promptly after demand therefor after the Extension Closing Date of) fees and expenses of the Bank and its counsel.

ARTICLE FOUR

REPRESENTATIONS AND WARRANTIES

Section 4.1. Representations and Warranties of City. In order to induce the Bank to enter into this Agreement and to issue the Letter of Credit provided for in this Agreement, the City represents and as of the Closing Date and the Extension Closing Date and as of each Drawing Date, warrants and covenants with respect to itself, this Agreement and certain matters:

(a) Valid Existence. The City is a charter city and municipal corporation, duly organized and validly existing under its charter and the Constitution of the State and has the necessary power and authority to execute and deliver this Agreement and the Related Documents to which the City is a party and to perform its obligations hereunder and thereunder.

(b) Authorization and Validity. The execution, delivery and performance by the City of this Agreement and the Related Documents to which the City is a party have been duly authorized by all proper proceedings of the City, and no further approval, authorization or

consents are required by law or otherwise. This Agreement and such Related Documents constitute the legal, valid and binding obligations of the City enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, moratorium and other laws affecting creditors' rights generally and principles of equity and public policy.

(c) Compliance with Laws and Contracts. Neither the execution and delivery by the City of this Agreement and the Related Documents to which the City is a party, nor the consummation of the transactions herein and therein contemplated, nor compliance with the provisions hereof or thereof will (i) violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the City or the City's charter (including but not limited to the Occupational Safety and Health Act of 1970, the Americans with Disabilities Act of 1990 and all Environmental Laws), (ii) result in any material breach of, or default under the provisions of any material indenture, instrument or agreement to which the City is a party or is subject, or by which it or its property is bound, or (iii) conflict with or result in the creation or imposition of any lien pursuant to the terms of any such indenture, instrument or agreement.

(d) Litigation. Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending with service of process accomplished or, to the knowledge of the City after due inquiry, threatened against or affecting the City or the Leased Property (i) wherein an unfavorable decision, ruling or finding would adversely affect (A) the City's ability to perform its obligations under this Agreement and the other Related Documents to which the City is a party or (B) the validity of this Agreement, any of the Related Documents to which the City is a party or any other agreement or instrument to which the City is a party; or (ii) which in any way contests the existence, organization or powers of the City or the titles of the officers of the City to their respective offices.

(e) No Event of Default. No Event of Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default has occurred and is continuing.

(f) Financial Statements. The audited statements of revenues, expenses and changes in fund balances and changes in financial position of the City for the most recently completed fiscal year as heretofore delivered to the Bank pursuant to Section 5.1(i)(i)(A) hereof, including balance sheets as of June 30 of such fiscal year, and statements of revenue and expense as of June 30 of such fiscal year, all examined and reported on by independent public accountants, prepared by the City, correctly and fairly present the financial condition of the City as of said date and the results of the operations of the City for such period, respectively, and have been prepared in accordance with generally accepted accounting principles consistently applied except as stated in the notes thereto. Since June 30 of such fiscal year, there has been no material adverse change in the financial condition, operations or prospects of the City or its ability to perform its obligations under this Agreement or any Related Document.

(g) Lease Agreement and Facilities Leases. The Lease Agreement and Facilities Leases are in full force and effect. The City has not been granted any waiver, indulgence or postponement of any of the City's obligations under the Lease Agreement or the Facilities Leases. There exists no event of default or event, occurrence, condition or act that,

with the giving of notice, the lapse of time or the happening of any further event or condition, would become a default under the Lease Agreement or the Facilities Leases. The Maximum Annual Base Rental Payment and Additional Payments for each Rental Payment Period does not exceed the fair rental value of the Leased Property for such Rental Payment Period. The Base Rental Payments for each Rental Payment Period, up to the Maximum Annual Base Rental Payment, as such amount may be adjusted for Deferred Rental, plus Additional Payments for such Rental Payment Period, represents the fair rental value of the Leased Property for such Rental Payment Period. In making such determination, consideration has been given to the appraised value of the Leased Property, costs of acquisition, demolition, site preparation, design, construction and financing of the Leased Property, other obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public. The Leased Property is an essential asset of the City necessary to serve the needs of the residents of the City. The City believes that at all times while any Base Rental Payments or any Obligations of the City or the Authority hereunder remain unpaid, the Leased Property will remain an essential asset of the City. The City has a valid and enforceable fee simple interest in the Leased Property (other than the Leased Property subject to the Facilities Leases with the Redevelopment Agency and the Financing Agency), subject only to Permitted Encumbrances. The Redevelopment Agency has a valid and enforceable fee simple interest in the Leased Property subject to the Facilities Lease with the Redevelopment Agency, subject only to Permitted Encumbrances. The Financing Agency has a valid and enforceable fee simple interest in the Leased Property subject to the Facilities Lease with the Financing Agency, subject only to Permitted Encumbrances. The City currently has the use and occupancy of the Leased Property and the City has the legal authority to pay the Base Rental Payments and Additional Payments pursuant to the Lease Agreement for the use and occupancy of the Leased Property.

(h) Accurate and Complete Disclosure. All factual information certified by the City in writing to the Bank (including without limitation all information contained in, or made pursuant to, this Agreement and the Related Documents to which the City is a party) is, and all other such factual information hereafter certified by the City in writing to the Bank will be, to the knowledge of the authorized Person making such certification after reasonable inquiry, accurate and complete in all material respects on the date as of which such information is certified. The Official Statement, true copies of which have heretofore been delivered to the Bank, and each official statement pertaining to the Bonds (including any amendments or supplements) prepared subsequent to the Closing Date (a true copy of which shall be furnished to the Bank prior to the distribution thereof) do not and will not contain any untrue statement of a material fact and do not and will not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which made, not misleading, except no representation is made as to any information concerning the Trustee, DTC or the Bank.

(i) Regulatory Approvals. Each authorization, consent, approval, license or formal exemption from or filing, declaration or registration with, any court governmental agency or regulatory authority (federal, state or local), required in connection with the City's execution and delivery of, and performance under, this Agreement and each of the Related Documents to which the City is a party has been obtained or made and is in full force and effect; provided, however, that no representation is made as to State blue sky laws.

(j) Other Documents. Each of the Related Documents to which the City is a party is in full force and effect, and the City hereby makes to the Bank each of the representations and warranties made by the City therein as if set forth at length herein. None of the Related Documents has been amended or supplemented except by such amendments or supplements as have previously been delivered to the Bank.

(k) Prospective Change in Law. To the best knowledge of the City (after due inquiry), except as otherwise disclosed in the Official Statement, there is no amendment, or proposed amendment certified for placement on a statewide ballot, to the Constitution of the State or any published administrative interpretation of the Constitution of the State or any State law, or any legislation which has passed either house of the State legislature or is under consideration by any conference or similar committee, or any published judicial decision interpreting any of the foregoing, the effect of which is to materially adversely affect the ability of the Authority or the City, as the case may be, to perform their respective obligations under this Agreement or any of the Related Documents to which each is a party.

(l) Tax-Exempt Status. Neither the City nor the Authority has taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes or the exemption of such interest from the State's personal income tax.

(m) No Other Defaults. The City is not in default on any debt to any Person or entity in excess of \$500,000 (measured in the case of any Swap, by the amount of any settlement amount that would be payable by the City if such Swap were terminated as of such date).

(n) No Immunity. The City is subject to liability for damages in contract and in tort in the manner and to the extent provided by the laws of the State. The City is subject to claims and to suit for money or damages in connection with or under this Agreement or any Related Document pursuant to and in accordance with the laws of the State applicable to public entities, including, but not limited to Part 3 of Division 3.6 of Title 1 of the Government Code of the State of California. The City is a "local public entity" as defined in Section 900.4 of the Government Code of the State of California. To the extent the City has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings on the grounds of sovereignty, the City hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising with or under this Agreement or any Related Document.

(o) Environmental Matters. Except as otherwise disclosed in the Official Statement:

(i) Hazardous Materials have not at any time been generated, used, treated or stored on, or transported to or from, the Leased Property or any property adjoining or in the vicinity of the Leased Property.

(ii) Hazardous Materials have not at any time been Released or disposed of on the Leased Property or any property adjoining or in the vicinity of the Leased Property.

(iii) The City is in compliance with all applicable Environmental Laws and directives of governmental agencies thereunder with respect to the Leased Property and the requirements of any permits issued under such Laws with respect to the Leased Property.

(iv) There are no past, pending or threatened Environmental Claims against the City or any of the Leased Property.

(v) There is no condition or occurrence on the Leased Property or any property adjoining or in the vicinity of the Leased Property that could be anticipated (x) to form the basis of an Environmental Claim against the City or the Leased Property or (y) to cause the Leased Property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(vi) There are not now and never have been any underground storage tanks located on the Leased Property or any property adjoining or in the vicinity of the Leased Property.

(p) Incorporation by Reference. The City hereby makes to the Bank the same representations and warranties made by the City in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are incorporated herein by this reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to or waiver of such representations, warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

(q) Usury; Maximum Rate. The terms of this Agreement, the Fee Letter and the Related Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws. The City is authorized by Section 5922 of the California Government Code to enter into this Agreement and the Fee Letter and the transactions contemplated hereby and thereby. The obligations of the City hereunder and under the Fee Letter and the Lease Agreement are not subject to any maximum interest rate imposed by law.

(r) Security. The payment of the Bonds and any Related Obligations (including without limitation the Obligations of the Authority and the City hereunder) are secured by a valid pledge of and first lien on and security interest in all of the Revenues and any other amounts held in any fund or account established pursuant to the Indenture (other than the Bond Purchase Fund and the Rebate Fund), as well as all other Collateral pledged by the Authority hereunder. The Obligations of the Authority and the City hereunder constitute a Related Obligation under the Indenture. The Bank is a Credit Facility Provider and a Provider under the Indenture. There are no Providers under the Indenture other than the Bank and Bank of America, N.A., as provider of the Series 2008 Interest Rate Swap Agreement.

(s) Insurance. The City currently maintains insurance of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, businesses of like type, size and character to the City and of such type and in such amounts required by the Lease Agreement.

Section 4.2. Representations and Warranties of Authority. In order to induce the Bank to enter into this Agreement and to issue the Letter of Credit provided for in this Agreement, the Authority represents and as of the Closing Date and the Extension Closing Date and as of each Drawing Date, warrants and covenants with respect to itself, this Agreement and certain matters:

(a) Valid Existence. The Authority is a joint exercise of powers authority, duly organized and validly existing under its charter and the Constitution of the State and has the necessary power and authority to execute and deliver this Agreement and the Related Documents to which the Authority is a party and to perform its obligations hereunder and thereunder.

(b) Authorization and Validity. The execution, delivery and performance by the Authority of this Agreement and the Related Documents to which the Authority is a party have been duly authorized by all proper proceedings of the Authority, and no further approval, authorization or consents are required by law or otherwise. This Agreement and such Related Documents constitute the legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, moratorium and other laws affecting creditors' rights generally and principles of equity and public policy.

(c) Compliance with Laws and Contracts. Neither the execution and delivery by the Authority of this Agreement and the Related Documents to which the Authority is a party, nor the consummation of the transactions herein and therein contemplated, nor compliance with the provisions hereof or thereof will (i) violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Authority or the Authority's organizational documents (including but not limited to the Occupational Safety and Health Act of 1970, the Americans with Disabilities Act of 1990 and all Environmental Laws), (ii) result in any material breach of, or default under the provisions of any material indenture, instrument or agreement to which the Authority is a party or is subject, or by which it or its property is bound, or (iii) conflict with or result in the creation or imposition of any lien pursuant to the terms of any such indenture, instrument or agreement.

(d) Litigation. Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending with service of process accomplished or, to the knowledge of the Authority after due inquiry, threatened against or affecting the Authority or the Leased Property (i) wherein an unfavorable decision, ruling or finding would adversely affect (A) the Authority's ability to perform its obligations under this Agreement and the other Related Documents to which the Authority is a party or (B) the validity of this Agreement, any of the Related Documents to which the Authority is a party or any other agreement or instrument to which the Authority is a party; or (ii) which in any way contests the existence, organization or powers of the Authority or the titles of the officers of the Authority to their respective offices.

(e) No Event of Default. No Event of Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default has occurred and is continuing.

(f) Lease Agreement and Facilities Leases. The Lease Agreement and Facilities Leases are in full force and effect. The Authority has not been granted any waiver, indulgence or postponement of any of the Authority's obligations under the Lease Agreement or the Facilities Leases. There exists no event of default or event, occurrence, condition or act that, with the giving of notice, the lapse of time or the happening of any further event or condition, would become a default under the Lease Agreement or the Facilities Leases.

(g) Accurate and Complete Disclosure. All factual information certified by the Authority in writing to the Bank (including without limitation all information contained in, or made pursuant to, this Agreement and the Related Documents to which the Authority is a party) is, and all other such factual information hereafter certified by the Authority in writing to the Bank will be, to the knowledge of the authorized Person making such certification after reasonable inquiry, accurate and complete in all material respects on the date as of which such information is certified. The Official Statement, true copies of which have heretofore been delivered to the Bank, and each official statement pertaining to the Bonds (including any amendments or supplements) prepared subsequent to the Closing Date (a true copy of which shall be furnished to the Bank prior to the distribution thereof) do not and will not contain any untrue statement of a material fact and do not and will not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which made, not misleading, except no representation is made as to any information concerning the Trustee, DTC or the Bank.

(h) Regulatory Approvals. Each authorization, consent, approval, license or formal exemption from or filing, declaration or registration with, any court governmental agency or regulatory authority (federal, state or local), required in connection with the Authority's execution and delivery of, and performance under, this Agreement and each of the Related Documents to which the Authority is a party has been obtained or made and is in full force and effect; provided, however, that no representation is made as to State blue sky laws.

(i) Other Documents. Each of the Related Documents to which the Authority is a party is in full force and effect, and the Authority hereby makes to the Bank each of the representations and warranties made by the Authority therein as if set forth at length herein. None of the Related Documents has been amended or supplemented except by such amendments or supplements as have previously been delivered to the Bank.

(j) Prospective Change in Law. To the best knowledge of the Authority (after due inquiry), except as otherwise disclosed in the Official Statement, there is no amendment, or proposed amendment certified for placement on a statewide ballot, to the Constitution of the State or any published administrative interpretation of the Constitution of the State or any State law, or any legislation which has passed either house of the State legislature or is under consideration by any conference or similar committee, or any published judicial decision interpreting any of the foregoing, the effect of which is to materially adversely affect the ability

of the Authority to perform its obligations under this Agreement or any of the Related Documents to which it is a party.

(k) Tax-Exempt Status. The Authority has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes or the exemption of such interest from the State's personal income tax.

(l) No Immunity. The Authority is subject to liability for damages in contract and in tort in the manner and to the extent provided by the laws of the State. The Authority is subject to claims and to suit for money or damages in connection with or under this Agreement pursuant to and in accordance with the laws of the State applicable to public entities, including, but not limited to Part 3 of Division 3.6 of Title 1 of the Government Code of the State of California. The Authority is a "local public entity" as defined in Section 900.4 of the Government Code of the State of California. To the extent the Authority has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings on the grounds of sovereignty, the Authority hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising with or under this Agreement or any Related Document.

(m) Incorporation by Reference. The Authority hereby makes to the Bank the same representations and warranties made by the Authority in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are incorporated herein by this reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to or waiver of such representations, warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

(n) Usury; Maximum Rate. The terms of this Agreement and the Related Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws. The Authority is authorized by Section 5922 of the California Government Code to enter into this Agreement and the transactions contemplated hereby and thereby. The obligations of the Authority hereunder and under the Lease Agreement are not subject to any maximum interest rate imposed by law.

(o) Security. The payment of the Bonds and any Related Obligations (including without limitation the Obligations of the Authority and the City hereunder) are secured by a valid pledge of and first lien on and security interest in all of the Revenues and any other amounts held in any fund or account established pursuant to the Indenture (other than the Bond Purchase Fund and the Rebate Fund), as well as all other Collateral pledged by the Authority hereunder. The Obligations of the Authority and the City hereunder constitute a Related Obligation under the Indenture. The Bank is a Credit Facility Provider and a Provider under the Indenture. There are no Providers under the Indenture other than the Bank and Bank of America, N.A., as provider of the Series 2008 Interest Rate Swap Agreement.

ARTICLE FIVE

COVENANTS

Section 5.1. Affirmative Covenants. So long as the Expiration Date has not occurred or any Obligation is owed to the Bank hereunder, the Authority and the City covenant and agree with the Bank as follows, unless the Bank shall otherwise consent in writing:

(a) Reimbursement. Subject to Section 2.5(a), the Authority and the City shall reimburse the Bank for any unreimbursed Drawings under the Letter of Credit as required by Section 2.2.

(b) Notice of Default. As soon as practicable but in any event not more than five (5) Business Days after an Authorized Representative of the City or the Authority shall have obtained knowledge of the occurrence of an Event of Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default, provide to the Bank the written statement of an Authorized City Representative setting forth the details of each such Event of Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default and the action, if any, which the City and the Authority propose to take with respect thereto.

(c) Compliance With Laws. The City and the Authority shall comply with all laws, rules and regulations, and with all final orders, writs, judgments, injunctions, decrees or awards to which it may be subject; provided, however, that the City or the Authority, as applicable, may contest the validity or application thereof and appeal or otherwise seek relief therefrom, and exercise any and all of the rights and remedies which it may have with regard thereto, so long as such acts do not affect the power and authority of the City or the Authority to execute and deliver this Agreement, to perform their respective Obligations and pay all amounts payable by them hereunder, or to execute and deliver the Related Documents to which each of them is a party and to perform their respective obligations thereunder. The City shall not deviate from its investment policy in effect from time to time.

(d) Related Obligations. The City and the Authority shall duly perform each of their respective obligations under this Agreement and the other Related Documents to which they are a party. The City and the Authority shall use their best efforts to cause the Trustee, the Tender Agent and the Remarketing Agent at all times to comply with the terms of the Related Documents to which they are a party.

(e) Inspection Rights. At any reasonable time and from time to time upon two (2) days prior written notice, the City shall permit the Bank or any agents or representatives thereof to examine and make copies of the records and books of account related to the transactions contemplated by this Agreement and the Related Documents, to visit its properties and to discuss its affairs, finances and accounts with any of its officers and independent accountants.

(f) Amendments. Neither the City nor the Authority shall amend, modify, terminate or grant, or permit the amendment, modification, termination or grant of, any waiver

under, or consent to, or permit or suffer to occur any action or omission which results in, or is equivalent to, an amendment, termination, modification, or grant of a waiver under any Related Document (including without limitation any amendment of the definition of Maximum Annual Base Rental Payment contained in the Lease Agreement) without the prior written consent of the Bank; provided that such consent shall not be required if the Bank notifies the City in writing that the Bank, in its sole discretion, has determined that any such amendment, modification or waiver does not affect its rights, duties or obligations.

(g) Official Statement. Neither the City nor the Authority shall refer to the Bank in any official statement (including the Official Statement) or make any changes in reference to the Bank in any official statement (including the Official Statement) without the Bank's prior written consent thereto, which the Bank shall not unreasonably withhold or delay based upon customary business practices at the time such consent is requested.

(h) Voluntary Prepayment. Without the prior written consent of the Bank, neither the City nor the Authority shall permit the optional redemption, defeasance or other prepayment pursuant to the Indenture of any Bonds (other than Bank Bonds) prior to prepaying the Bank Bonds in full.

(i) Certain Notices; Financial Statements. The City shall provide or cause to be provided to the Bank copies of:

(i) Financial Statements. The City shall provide the following financial information and statements in form and content acceptable to the Bank, and such additional information as requested by the Bank from time to time:

(A) Within 270 days of the City's fiscal year end, the City's annual financial statements as of June 30 of each year, certified and dated by an authorized financial officer of the City. These financial statements must be audited (with an unqualified opinion, using the accounting standards then applicable to the City) by a Certified Public Accountant.

(B) The City shall, promptly upon its approval and upon publication of the annual budget of the City each year, such budget and promptly after the adoption thereof.

(C) Promptly, upon sending or receipt, copies of any management letters and correspondence relating to management letters, sent or received by the City to or from the City's auditor, or, if no management letter is prepared, a letter from such auditor stating that no deficiencies were noted that would otherwise be addressed in a management letter.

(D) Together with the annual financial statements of the City delivered pursuant to Section 5.02(i)(A), a certificate as to whether there existed as of the date of such financial statements and whether there exists as of the date of the certificate, any default under this Agreement and, if any such default exists, specifying the nature thereof and the action the City is taking and proposes to take with respect thereto.

(E) The annual report of the City, if any, which is delivered in accordance with the City's "continuing disclosure certificate" related to the any lease obligations or general fund obligations at the time it is delivered thereunder.

(ii) Promptly, notice of any action, suit or proceeding known to it at law or in equity or by or before any governmental instrumentality, entity or other agency for any uninsured claim which, if adversely determined, could result in a judgment against the City of \$500,000 or more, or would materially and adversely affect the City's ability to pay its Obligations under this Agreement.

(iii) Promptly, notice of (A) any material dispute which may exist between the City or the Authority on the one hand and the Remarketing Agent, the Trustee or the Trustee on the other hand or any dispute in connection with any transaction contemplated under this Agreement or any Related Document, (B) any matter or event which may result in a material adverse change in the financial condition, operations or prospects of the City or its ability to perform its obligations under this Agreement or any Related Document, (C) any inquiry by the Internal Revenue Service or the Securities and Exchange Commission, (D) any amendment to any Related Document, and (E) the resignation or removal of the Remarketing Agent, the Trustee or the Tender Agent.

(iv) As soon as practicable after the sale by the City of any securities payable from the City's general fund with respect to which an offering memorandum or official statement was prepared, such offering memorandum or official statement.

(v) Such additional information concerning the Leased Property, the Related Documents, the City or the Authority, as requested by the Bank from time to time.

(j) Existence. The City shall maintain its existence as a charter city and municipal corporation duly organized and validly existing under its charter and the Constitution of the State and its rights, franchises and privileges material to the conduct of its business and shall not, without the prior written consent of the Bank, initiate proceedings to reorganize, merge or consolidate with or into any Person, wind up, liquidate or dissolve its affairs (or suffer any liquidation or dissolution) or convert, sell, assign, transfer, lease or otherwise dispose of (or agree to do any of the foregoing at any future time), whether in one transaction or a series of transactions, all or substantially all of its property or assets.

(k) Incorporation of Certain Covenants. The covenants of the City and the Authority set forth in the Related Documents are hereby incorporated by reference in this Agreement for the benefit of the Bank, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety without giving effect to any expiration, amendment, supplement or termination of the Related Documents to which the Bank has not given its express written consent.

(l) Liens, etc. The Authority shall not create or suffer to exist any lien upon or with respect to any of the Leased Property or the security for the Bonds, except for Permitted Encumbrances.

(m) Insurance. The City shall maintain the insurance required by the Lease Agreement, including without limitation, (i) fire and extended coverage insurance in an amount not less than the greater of the replacement value of the Leased Property or the Stated Amount of the Letter of Credit, and (ii) rental interruption or use and occupancy insurance to cover the Authority's loss, total or partial, of the rent under the Lease Agreement resulting from the loss, total or partial, of the use of any part of the Leased Property as a result of any of the hazards required to be covered by the property insurance required under the Lease Agreement in an amount sufficient at all times to pay an amount not less than the maximum amount of Base Rental Payments scheduled to be paid during any twenty-four (24) month period assuming the interest on the Bonds shall be deemed to accrue at a rate per annum of 12%; provided that the City shall not be permitted to self-insure its obligation to maintain rental interruption or use and occupancy insurance. The City shall cause each issuer of each insurance policy (other than for general liability) to name the Bank as additional insured and loss payee and to cause each issuer of each insurance policy for general liability to name the Bank as additional covered party and to agree in writing to give the Bank thirty (30) days' advance notice of any cancellation or lapse in coverage. The City shall not amend any insurance policy maintained by it with respect to the Leased Property without the Bank's prior written approval. The City shall cause the proceeds of such insurance to be utilized, pursuant to Section 5.06 of the Indenture and Section 5.01 of the Lease Agreement and with the prior written consent of the Bank, for either (i) the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property or (ii) the redemption of Outstanding Bonds pursuant to the applicable provisions of Section 4.01(A) of the Indenture.

(n) Debt Limitation. The City shall not have outstanding or incur any direct or contingent liabilities or lease obligations (other than the Related Documents and the Obligations of the City to the Bank under this Agreement) with respect to the Leased Property, or permit any lien or encumbrance on the Leased Property without the Bank's written consent.

(o) Transfer, Substitution or Abandonment of Leased Property. During the term of this Agreement, the City may not assign, lease, transfer, pledge or otherwise dispose of, or grant an interest in, substitute or abandon any of the Leased Property or any part thereof without the prior written consent of the Bank.

(p) Further Assurances. The City and the Authority shall execute and deliver to the Bank all such documents, consents and instruments and do all such other acts and things as may be reasonably necessary or required by the Bank to enable the Bank to exercise and enforce its rights under the Related Documents and the Related Documents and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the Bank to validate, preserve and protect the position of the Bank under the Related Documents.

(q) Consents; Licenses; Permits. The City and the Authority shall take all necessary and appropriate action to ensure the continuance in force of all material consents,

licenses, permits, orders, decrees, approvals, authorizations, registrations and filings obtained or made in connection with the Leased Property, this Agreement or the Related Documents or necessary to authorize the execution, delivery and performance by the City and the Authority of this Agreement, the Related Documents and all other agreements to be delivered in connection with any thereof.

(r) Impairment. Neither the City nor the Authority shall take any action, or cause the Trustee, the Tender Agent or the Remarketing Agent to take any action under the Indenture or any Related Document, inconsistent with the rights of the Bank under this Agreement and the Related Documents including, without limitation, its Obligations to the Bank hereunder and the pledge, security interest or lien created hereunder or under the Indenture or any Related Document, or take any action which would result in the City's or the Authority's Obligations to the Bank under this Agreement not ranking at least equal in right of payment with all unsecured obligations of the City or the Authority, as applicable, to other creditors, or knowingly take any action or omit to take any action if such action or omission would adversely affect the exclusion of interest on the Bonds from gross income of the holders thereof for Federal income tax purposes or the exemption of such interest from State personal income taxes. The Authority shall take such action, and shall not fail to take any action, as may be necessary or required to preserve the Authority's leasehold interest in the Leased Properties under the Facilities Leases with the Redevelopment Agency and the Financing Agency for the remaining scheduled terms thereof. Upon any dissolution of the Redevelopment Agency pursuant to Section 34170 et seq. of the California Health & Safety Code, the City shall elect to become the successor agency for the Redevelopment Agency as designated under Section 34173 of the California Health & Safety Code and to the extent not provided for in Section 34170 et seq. of the California Health & Safety Code, the City as such successor agency will assume the rights and obligations of the Redevelopment Agency under the Parking Garage Facilities Lease.

(s) Environmental Covenants. (i) The City will comply with all Environmental Laws applicable to ownership or use of the Leased Property, and will cause all tenants and other Persons occupying the Leased Property to comply with all such Environmental Laws, will immediately pay or cause to be paid all costs and expenses incurred in such compliance, and will keep or cause to be kept all the Leased Property free and clear of any Liens imposed pursuant to such Environmental Laws.

(ii) The City will not generate, use, treat, store, Release, or dispose of, or permit the generation, use, treatment, storage, Release, or disposal of Hazardous Materials on the Leased Property, or transport or permit the transportation of Hazardous Materials to or from the Leased Property.

(iii) On the written request of the Bank, at any time and from time to time, the City will provide, at the City's sole cost and expense, an environmental site assessment report concerning the Leased Property, prepared by an environmental consulting firm approved by the Bank, indicating the presence or absence of Hazardous Materials and the potential cost of any removal or remedial action in connection with any Hazardous Materials on the Leased Property. If City fails to provide the same within 15 days of such request the Bank may order the same, and the City shall grant and hereby grants to the Bank and its agents access to the Leased Property and specifically grants the Bank an irrevocable non-exclusive license, subject to the

rights of subtenants, to undertake such an assessment; and the cost of such assessment shall be deemed to be an Additional Payment under the Lease Agreement, and shall be immediately due and payable on demand and with interest at the Default Rate.

(iv) The City will immediately advise the Bank in writing of any of the following:

(A) Any pending or threatened Environmental Claim against the City with respect to the Leased Property;

(B) Any condition or occurrence on the Leased Property that (A) results in noncompliance by the City with any applicable Environmental Law, or (B) could reasonably be anticipated to form the basis of an Environmental Claim against the City with respect to the Leased Property;

(C) Any condition or occurrence on the Leased Property or any property adjoining or in the vicinity of the Leased Property that could reasonably be anticipated to cause the Leased Property to be subject to any restrictions on the ownership, occupancy, use, or transferability of the Leased Property under any Environmental Law; and

(D) The taking of any removal or remedial action in response to the actual or alleged presence of any Hazardous Materials on the Leased Property or the issuance of any notice to take any such action by any governmental agency.

All such notices shall describe in reasonable detail the nature of the claim, investigation, condition, occurrence, or removal or remedial action and the City's response thereto. In addition, the City will provide the Bank with copies of all communications with any government or governmental agency relating to Environmental Laws, all communications with any Person relating to Environmental Claims, and such detailed reports of any Environmental Claim as may be requested by the Bank.

(iv) The Bank shall have the right but not the obligation to participate in, as a party if it so elects, any legal proceeding or action initiated in connection with any Environmental Claim. Without the Bank's prior written consent, the City shall not enter into any settlement, consent, or compromise with respect to any Environmental Claim that might impair the value of the Bank's interests under the Lease Agreement; provided, however, that the Bank's prior consent shall not be necessary for the City to take any removal or remedial action if ordered by a court of competent jurisdiction or if the presence of Hazardous Materials at the Leased Property poses an immediate significant threat to the health, safety, or welfare of any individual or otherwise requires an immediate removal or remedial response.

The City will conduct any investigation, study, sampling, and testing, and undertake any cleanup, removal, remedial, or other action necessary to remove and clean up all Hazardous Materials from the Leased Property in accordance with the requirements of all applicable Environmental Laws, to the satisfaction of the Bank, and in accordance with orders and directives of all governmental authorities.

(v) The City will not change or permit to be changed the present use of the Leased Property unless the City shall have notified the Bank thereof in writing and the Bank shall have determined, in its sole and absolute discretion, that such change will not result in the presence of Hazardous Materials on the Leased Property.

(t) Swap Fees. The City agrees that all termination fees, settlement amounts and expenses relating to any Swap or interest rate management agreement shall be and remain subordinate to the Obligations of the City to the Bank under this Agreement.

(u) Alternate Credit Facility; Nonrenewal. In the event of any Tender Draw as a result of the Bank's election to cause a mandatory tender of the Bonds because of the occurrence and continuance of an Event of Default hereunder, or upon the occurrence and continuance of an Event of Default specified in Section 6.1(j) hereof, or in the event the Bank declines at any time, in its sole and absolute discretion, to extend the Stated Expiration Date or should the Authority and the City fail to request an extension of the Stated Expiration Date on a timely basis, the Authority and the City shall replace the Letter of Credit with an Alternate Credit Facility as soon thereafter as possible. In the event the Bank declines at any time, in its sole and absolute discretion, to extend the Stated Expiration Date or should the Authority and the City fail to request an extension of the Stated Expiration Date on a timely basis and, in either case the Authority is unable to provide an Alternate Credit Facility by the related mandatory tender date, the Authority and the City shall convert the interest rate on the Bonds to maturity to a rate that does not require credit enhancement or refinance or defease the Bonds by such Stated Expiration Date or as soon thereafter as possible.

(v) General Fund Reserve. The City shall maintain at all times available and unrestricted reserves in its general fund in excess of \$7,000,000.

(w) Appropriation. The City shall include in the budget for each fiscal year of the City as separate line items amounts necessary to pay all Base Rental Payments and Additional Payments. The City shall make annual appropriations at levels required under the Lease Agreement to pay all Base Rental Payments and Additional Payments payable during such fiscal year. If such Base Rental Payments or Additional Payments exceed the budgeted amounts, the City covenants to amend or supplement the budget appropriations for such budget period to provide for such excess amounts. The covenants on the part of the City contained in this Section 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 such covenants.

(x) Additional Covenants Regarding Remarketing Agent. The Authority shall at all times cause a Remarketing Agent acceptable to the Bank to be in place and at all times have in place a Remarketing Agreement with respect thereto acceptable to the Bank. Upon any replacement of the Remarketing Agent, whether upon resignation or removal, the Authority shall cause the Remarketing Agreement with respect to such successor Remarketing Agent to at all times provide that (a) the Remarketing Agent shall use its best efforts to remarket the Bonds (including without limitation Bank Bonds) at rates up to and including the maximum rate permitted under the Indenture without regard to the rate paid to the Bank with respect to Bank

Bonds; (b) if at any time the Remarketing Agent shall fail to remarket the Bonds for a period of thirty (30) consecutive calendar days or shall otherwise fail to perform its duties under the Remarketing Agreement, the Authority shall, at the direction of the Bank, appoint a successor remarketing agent acceptable to the Bank; (c) the Remarketing Agent must give at least 60 days' written notice prior to resigning; and (d) the Bank must be a third-party beneficiary of the Remarketing Agreement.

(y) Trustee and Other Agents. The Authority shall immediately notify the Bank of any resignation of the Trustee, the Tender Agent or the Remarketing Agent, and, if requested by the Bank, shall remove any of such agents and appoint a successor Trustee, Tender Agent or Remarketing Agent, as the case may be. Any successor Trustee, Tender Agent or Remarketing Agent shall be acceptable to the Bank.

(z) Termination. So long as any of the Authority's or the City's Obligations hereunder remain unpaid or any Bank Bonds remain Outstanding, terminate this Agreement, the Indenture, the Lease Agreement or any of the Facilities Leases or replace the Letter of Credit with an Alternate Credit Facility or cause any conversion of the Bonds to a rate mode other than a Daily Mode or Weekly Mode.

(aa) Abatement. Any determination of the amount of any abatement of Base Rental Payments pursuant to Section 3.06 of the Lease Agreement shall be approved by the Bank, subject to applicable debt limitations. In the event of any such abatement, the Authority and the City shall increase the Base Rental Payment for any Rental Payment Period for the portion of the Leased Property that remains usable if and to the extent that the Maximum Annual Base Rental Payment relating to such usable portion of the Leased Property exceeds the amount needed to pay the amount needed by the Authority to pay the principal of and interest on the Bonds and any Related Obligations coming due on or before September 1 following the end of such Rental Payment Period until such abated Base Rental Payments and Additional Payments have been paid in full. In addition, after the substantial completion of the work of repair or reconstruction, the Authority and the City shall increase the Base Rental Payment for any Rental Payment Period for the whole of the Leased Property if and to the extent that the Maximum Annual Base Rental Payment exceeds the amount needed to pay the amount needed by the Authority to pay the principal of and interest on the Bonds and any Related Obligations coming due on or before September 1 following the end of such Rental Payment Period until such abated Base Rental Payments and Additional Payments have been paid in full. In the event of any such abatement, any Additional Payments for any Rental Payment Period shall be payable as contingent obligations of the Authority and the City and shall not be subject to abatement pursuant to Section 3.06 of the Lease Agreement.

(bb) Additional Rights. In the event that the Authority or the City shall enter into or otherwise consent to any credit agreement, reimbursement agreement, bond purchase agreement, liquidity agreement or other agreement or instrument (or any amendment, supplement or modification thereto) pursuant to which a financial institution or financial institutions (other than the Authority or the City) (each, a "Lender") undertakes to make loans or advances or extend credit or liquidity to the Authority and/or the City as support for any general fund obligation of the City (each, a "Bank Agreement"), which Bank Agreement contains (i) covenants that are more restrictive on the part of the City or MICLA than those contained in

this Agreement and/or (ii) events of default and/or remedies that are more favorable to the Lender than those contained in this Agreement (collectively, the "Additional Rights"), such Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Additional Rights. Upon entering into or consenting to any Bank Agreement, the Authority and the City shall promptly enter into an amendment to this Agreement to include such Additional Rights, provided that the Bank shall maintain the benefit of such Additional Rights even if the Authority and/or the City fails to provide such amendment. If the Authority and the City shall amend the Bank Agreement such that it no longer provides for such Additional Rights, then, without the consent of the Bank, this Agreement shall automatically no longer contain the Additional Rights and the Bank shall no longer have the benefits of any of the Additional Rights.

ARTICLE SIX

DEFAULTS

Section 6.1. Events of Defaults and Remedies. If any of the following events shall occur and be continuing, each such event shall be an "Event of Default":

(a) The Authority or the City (by payment of Base Rental Payments or Additional Payments under the Lease Agreement) shall fail to pay when due any amount payable to the Bank under this Agreement or under the Lease Agreement (including any Base Rental Payment or Additional Payment) or under any of the Related Documents; or

(b) Any provision of the Bonds or any other Related Document ceases to be valid and binding against the Authority, the City, the Redevelopment Agency or the Financing Agency (as the case may be) or shall be declared null and void or the Authority, the City, the Redevelopment Agency or the Financing Agency repudiates its obligations under this Agreement or any of the Related Documents or the pledge and assignment pursuant hereto and pursuant to the Indenture shall for any reason cease to be fully enforceable with the priority required hereunder and thereunder; or

(c) The Authority, the City, the Redevelopment Agency or the Financing Agency shall either (i) become insolvent or generally fail to pay, or admit in writing its inability to pay, its debts as they become due; or (ii) voluntarily commence any proceeding or file any petition under the Bankruptcy Law or similar law seeking dissolution or reorganization or the appointment of a receiver, trustee, custodian or liquidator for itself or a substantial portion of its property, assets or business or to effect a plan or other arrangement with its creditors, or shall file any answer admitting the jurisdiction of the court and the material allegations of an involuntary petition filed against it in any bankruptcy, insolvency or similar proceeding, or shall be adjudicated bankrupt, or shall make a general assignment for the benefit of creditors, or shall consent to, or acquiesce in the appointment of, a receiver, trustee, custodian or liquidator for itself or a substantial portion of its property, assets or business; or (iii) take any action for the purpose of effectuating any of the foregoing; provided, however, that any dissolution of the Redevelopment Agency pursuant to Section 34170 et seq. of the California Health & Safety Code shall not be considered an Event of Default under this Section 6.1(c) so long as a successor agency for the Redevelopment Agency is designated under Section 34173 of the California

Health & Safety Code and the Parking Garage Facilities Lease is binding on such successor agency; or

(d) involuntary proceedings or an involuntary petition shall be commenced or filed against the Authority, the City, the Redevelopment Agency or the Financing Agency under the Bankruptcy Law or similar law seeking the dissolution or reorganization of the Authority, the City, the Redevelopment Agency or the Financing Agency or the appointment of a receiver, trustee, custodian or liquidator for the Authority, the City, the Redevelopment Agency or the Financing Agency or of a substantial part of the property, assets or business of the Authority, the City, the Redevelopment Agency or the Financing Agency, or any writ, judgment, warrant of attachment, execution or similar process shall be issued or levied against a substantial part of the property, assets or business of the Authority, the City, the Redevelopment Agency or the Financing Agency, and such proceedings or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded, within thirty (30) days after commencement, filing or levy, as the case may be; or

(e) Any judgments or arbitration awards are entered against the City, or the City enters into any settlement agreements with respect to any litigation or arbitration, in an aggregate amount of \$500,000 or more in excess of any insurance coverage, provided that the insurer has issued a letter of responsibility for payment up to the amount of insurance coverage; or

(f) The City shall fail to make a payment on any debt to any Person or entity payable from the City's general fund in excess of \$500,000 (measured in the case of any Swap, by the amount of any settlement amount that would be payable by the City if such Swap were terminated as of such date), or in connection with any credit the City has obtained from the Bank regardless of amount, or any interest or premium thereon when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to such debt, or the City shall fail to perform or observe any term, covenant or condition in any agreement or instrument relating to any debt to any Person or entity in excess of \$500,000 (measured in the case of any Swap, by the amount of any settlement amount that would be payable by the City if such Swap were terminated as of such date) when required to be performed or observed, if the effect of such failure to perform or observe results in the acceleration, or ability to accelerate, the maturity of such debt (or, with respect to any Swap, which results in such Swap being terminated early or being capable of being terminated early); or

(g) Any default occurs under the Lease Agreement or any other Related Document, in each case after the passage of any notice and cure periods; or

(h) The City or the Authority fails to meet the conditions of, or fails to perform (i) any term, covenant, condition or agreement on its part to be performed or observed under Section 5.1(a), (f), (g), (h), (j), (l), (m), (n), (o), (r), (t), (v), (w), (z), (aa) or (bb) hereof, or (ii) any term, covenant, condition or agreement on its part to be performed or observed not specifically referred to in this Article, and such default (solely in the case of clause (ii)) is not

cured within thirty (30) days after the Bank has given the City or the Authority, as applicable, written notice of such default; or

(i) Any of the City's or the Authority's representations or warranties made herein or in any statement or certificate at any time made or deemed made by or on behalf of the City or the Authority pursuant hereto or in connection herewith, and/or in any of the other Related Documents, is false or misleading in any material respect when made or deemed made; or

(j) The ratings assigned to any long term, unenhanced general fund obligation of the City shall be withdrawn or suspended or otherwise unavailable for credit-related reasons or reduced below Baa2 by Moody's Investors Service, Inc., BBB by Standard & Poor's Rating Service or BBB by Fitch, Inc. In the event of split ratings, the default will be determined by reference to the lowest rating; or

(k) The leasehold interest of the Authority under either of the Facilities Leases with the Redevelopment Agency or the Financing Agency shall terminate; or

(l) A moratorium shall have been declared with respect to the payment of the debts of the Authority or the City; or

(m) Any of the funds or accounts established pursuant to the Indenture or the Lease Agreement or any funds or accounts on deposit, or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the City or the Authority and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within thirty (30) days after its issue or levy; or

(n) An event shall have occurred that in the opinion of the Bank has a material adverse effect on the financial condition, operations or prospects of the City or its ability to perform its obligations under this Agreement or any Related Document.

If an Event of Default shall have occurred and be continuing, the Bank may (i) give notice to the Trustee under the Indenture of the Bank's election to cause a mandatory tender of the Bonds because of the occurrence and continuance of an Event of Default hereunder, (ii) declare all unpaid amounts drawn under the Letter of Credit and the corresponding Bank Bonds, together with all interest accrued and unpaid thereon and all other amounts payable to the Bank hereunder to be immediately due and payable, without presentment, demand, protest or any notice of any kind, but subject to Section 2.5 hereof or (iii) exercise any and all rights and remedies available to the Bank under this Agreement or the Indenture, at law or in equity; provided, that the Bank may not cause the acceleration of Base Rental Payments under the Lease Agreement. In the event of the occurrence of an Event of Default described in Section 6.1(c) or (d), all unpaid amounts drawn under the Letter of Credit and the corresponding Bank Bonds, together with all interest accrued thereon and all other amounts payable to the Bank hereunder shall be immediately due and payable, without notice to the City or the Authority and without presentment, demand, protest or further notice of any kind, but subject to Section 2.5 hereof.

ARTICLE SEVEN

MISCELLANEOUS

Section 7.1. Modification of this Agreement. No amendment, modification or waiver of any provision of this Agreement or any other Related Document, and no consent to any departure by the City therefrom, shall be effective unless the same shall be in writing and signed by the Bank and no amendment, modification or waiver of any provision of the Letter of Credit shall in any event be effective unless the same shall be in writing and signed by the Bank. Any such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the City in any case shall entitle the City to any other or further notice or demand in the same, similar or other circumstances.

Section 7.2. Successors and Assigns. This Agreement is binding on the successors and assignees of the City, the Authority and the Bank. The City and the Authority agree that neither of them may assign this Agreement without the Bank's prior consent. The Bank may sell participations in this facility without the consent of the City or the Authority, provided that under no circumstances with such grant of participations relieve the Bank of its obligations under the Letter of Credit. The Bank may exchange financial information about the Authority and the City with actual or potential participants or assignees. If participation is sold or the loan is assigned, the purchaser will have the right of set-off against the Authority and the City and will have the benefit of Sections 2.3(f), 7.3, 7.4 and 7.6 hereof. The Bank may collaterally assign and pledge all or any portion of the obligations owing to it hereunder or under the other Related Documents to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, provided that any payment in respect of such assigned obligations made by the Authority or the City to the Bank in accordance with the terms of this Agreement shall satisfy the obligations of the Authority or the City, respectively, hereunder in respect of such assigned obligation to the extent of such payment.

Section 7.3. Administration Costs. Following the Closing Date, the Authority and the City (by payment of Additional Payments under the Lease Agreement) shall pay the Bank for all reasonable fees, charges and expenses payable or incurred by the Bank in connection with the administration of this Agreement and the transactions contemplated by this Agreement, including without limitation, the legal fees and expenses of counsel to the Bank, together with interest on such amounts from the date such payment is due until paid at a rate per annum equal to the Default Rate, and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such fees, charges and expenses.

Section 7.4. Enforcement Costs. The Authority and the City (by payment of Additional Payments under the Lease Agreement) shall reimburse the Bank for any fees, charges and expenses payable or incurred by the Bank in connection with the enforcement or preservation of any rights or remedies under this Agreement and any other documents executed in connection with this Agreement, and in connection with any amendment, waiver, "workout" or restructuring under this Agreement, including without limitation the legal fees and expenses of

counsel to the Bank, together with interest on such amounts from the date such payment is due until paid at a rate per annum equal to the Default Rate, and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such fees, charges and expenses. As used in this paragraph, "legal fees" includes the allocated costs of the Bank's in-house counsel.

Section 7.5. One Agreement. This Agreement, the Fee Letter and any related security or other agreements required by this Agreement, collectively:

(a) represent the sum of the understandings and agreements among the Authority, the Bank and the City concerning this credit;

(b) replace any prior oral or written agreements between or among the Bank and the Authority and/or the City concerning this credit; and

(c) are intended by the Bank, the Authority and the City as the final, complete and exclusive statement of the terms agreed to by them.

In the event of any conflict between this Agreement and the Fee Letter and any other agreements required by this Agreement, this Agreement and the Fee Letter will prevail.

Section 7.6. Indemnification. To the extent permitted by law, the Authority and the City (by payment of Additional Payments under the Lease Agreement) will indemnify and hold the Bank harmless from any loss, liability, damages, judgments, and costs of any kind relating to or arising directly or indirectly out of (a) this Agreement or any of the Related Documents, (b) any credit extended or committed by the Bank to the Authority and the City hereunder, (c) any claim, whether well-founded or otherwise, that there has been a failure to comply with any law regulating the City's operations, the Bonds or any of the Related Documents, (d) the use storage, presence, disposal or Release of any Hazardous Materials on or about the Property and (e) any litigation or proceeding related to or arising out of this Agreement, any such document, any such credit, or any such claim. This indemnity includes but is not limited to attorneys' fees (including the allocated cost of in-house counsel). This indemnity extends to the Bank, its parent, subsidiaries and all of their directors, officers, employees, agents, successors, attorneys, and assigns. This indemnity will survive the termination of this Agreement and the Lease Agreement and the Authority's and the City's obligations hereunder and thereunder and the payment in full of all Base Rental Payments and Additional Payments. All sums due to the Bank hereunder shall be Obligations of the Authority and the City, due and payable immediately without demand. This indemnity excludes any loss, liability, damages, judgments and costs that result from the gross negligence or willful misconduct of the Bank.

Section 7.7. Notices. Unless otherwise provided in this Agreement or in another agreement among or between the Bank and the Authority and/or the City, all notices required under this Agreement shall be personally delivered or sent by first class mail, postage prepaid, or by overnight courier, to the addresses set forth in the Fee Letter, or sent by facsimile to the fax numbers set forth in the Fee Letter, or to such other addresses as the Bank, the Authority and the City may specify from time to time in writing, the terms of which Fee Letter

are incorporated herein by this reference as if fully set forth herein. Notices and other communications sent by (a) first class mail shall be deemed delivered on the earlier of actual receipt or on the fourth business day after deposit in the U.S. mail, postage prepaid, (b) overnight courier shall be deemed delivered on the next business day, and (c) telecopy shall be deemed delivered when transmitted.

Section 7.8. Headings. Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Agreement.

Section 7.9. Counterparts. This Agreement may be executed in as many counterparts as necessary or convenient, and by the different parties on separate counterparts each of which, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same agreement.

Section 7.10. No Waiver; Remedies. No failure on the part of the Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 7.11. Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provisions in any other jurisdiction.

Section 7.12. Set-Off. Upon the occurrence and during the continuance of any Event of Default the Bank and each of its affiliates are hereby authorized at any time and from time to time, without notice to the Authority or the City (any such notice being expressly waived by the Authority and the City) and to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisions or final) at any time held and other indebtedness at any time owing by the Bank or any of its affiliates, except in connection with the Letter of Credit as herein provided, to or for the credit or the account of the Authority or the City against any and all of the Obligations of the Authority and the City now or hereafter existing under this Agreement, irrespective of whether or not the Bank shall have made any demand hereunder and although such obligations may not have matured. The rights of the Bank and each of its affiliates under this Section are in addition to other rights and remedies which the Bank and each of its affiliates may have including, without limitation, other rights of set-off. For such purpose, the Bank and each of its affiliates shall have, and the Authority and the City each hereby grants to the Bank and each of its affiliates, a first lien on and security interest in such deposits or indebtedness held or maintained by the Bank or any of its affiliates and the proceeds thereof.

Section 7.13. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York insofar as they are enforceable against the Bank and the laws of the State of California insofar as they are enforceable against the City or the Authority.

Section 7.14. No Novation. It is the intent of the parties hereto that this Amended and Restated Reimbursement Agreement, (a) re-evidences, in part, the rights and obligations of the Authority and the City under the First Amended Reimbursement Agreement, (b) is entered into in substitution for, and not in satisfaction of, the rights and obligations of the Authority and the City under the First Amended Reimbursement Agreement, and (c) is in no way intended to constitute a novation of any of the rights and obligations of the Authority and the City which were evidenced by the First Amended Reimbursement Agreement.

Section 7.15. Waiver of Suretyship. The Authority, City and the Bank intend that the Obligations of the Authority and the City under this Agreement constitute direct obligations of the Authority and the City, respectively, and not obligations in the nature of a guaranty or a surety. Nevertheless, should it ever be deemed that the Authority's or the City's Obligations hereunder are in the nature of a guarantor or surety, then the Authority and the City expressly waive any and all rights of subrogation, reimbursement, indemnification and contribution and any other rights and defenses under applicable suretyship or similar laws now or hereafter in effect, including without limitation Sections 2787 to 2855, inclusive, 2899 and 3433 of the California Civil Code. The Authority and the City, respectively, agree that the Bank may enforce this Agreement without the necessity of resorting to or exhausting any security or collateral, and the Authority and the City waive the right to require the Bank to proceed against the other co-obligor to exercise any right or remedy under this Agreement or to pursue any other remedy, or to enforce any other right.

Further, should it ever be deemed that the Authority's or the City's Obligations hereunder are in the nature of a guarantor or surety and the Authority's or the City's Obligations hereunder are secured by real property, then each of the Authority and the City, respectively, waives all rights and defenses that it may have because the other co-obligor's Obligations hereunder are secured by real property. This means, among other things: (1) the Bank may collect from either the Authority or the City without first foreclosing on any real or personal property collateral pledged by the other co-obligor; (2) if the Bank forecloses on any real property collateral pledged by the other co-obligor, (A) the amount of the obligation may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price and (B) the Bank may collect from the Authority or the City even if the Bank, by foreclosing on the real property collateral, has destroyed any right the Authority or the City, as applicable, may have to collect from the other co-obligor. This is an unconditional and irrevocable waiver of any rights and defenses the Authority or the City may have because the other co-obligor's Obligations hereunder are secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d, or 726 of the Code of Civil Procedure. In addition, each of the Authority and the City, respectively, waives all rights and defenses arising out of an election of remedies by the Bank, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed the Authority's or the City's, as applicable, rights of subrogation and reimbursement against the principal by the operation of Section 580d of the Code of Civil Procedure or otherwise.

Section 7.16. Waiver of Jury Trial.

(a) TO THE FULL EXTENT PERMITTED BY LAW, THE AUTHORITY AND THE CITY EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY FOR ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE LETTER OF CREDIT OR ANY OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH OR THEREWITH, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY OR IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY THE AUTHORITY OR THE CITY AGAINST THE BANK OR ANY BANK-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. EACH OF THE AUTHORITY AND THE CITY FURTHER AGREES, TO THE FULLEST EXTENT PERMITTED BY LAW, THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT JURY. WITHOUT LIMITING THE FOREGOING, TO THE EXTENT PERMITTED BY LAW, EACH OF THE AUTHORITY AND THE CITY FURTHER AGREES THAT ITS RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT, THE LETTER OF CREDIT OR ANY OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, THE LETTER OF CREDIT AND ANY OTHER DOCUMENTS DELIVERED IN CONNECTION THEREWITH.

(b) In the event the waiver of jury trial as set forth in subsection (a) of this Section shall be declared void or unenforceable, each of the Authority and the City agrees to refer the dispute to a judicial referee in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure.

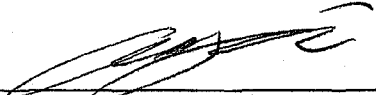
Section 7.17. No Advisory or Fiduciary Relationship. The Authority and the City each acknowledges and agrees that: (i) the transaction contemplated by this Agreement is an arm's length, commercial transaction among the Authority, the City and the Bank in which the Bank is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Authority or the City; (ii) the Bank has not assumed any advisory or fiduciary responsibility to the Authority or the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank has provided other services or is currently providing other services to the Authority or the City on other matters); (iii) the only obligations the Bank has to the Authority or the City with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (iv) the Authority and the City each has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

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This Amended and Restated Reimbursement Agreement is executed as of the date stated on the first page.

BANK OF AMERICA, N.A.

CITY OF MODESTO

By: 
Typed Name: Andy Shin
Title: Vice President

By: _____
Typed Name: _____
Title: _____

ATTEST:

By: _____
Typed Name: _____
City Clerk

APPROVED AS TO FORM:

By: _____
Typed Name: _____
Title: _____

MODESTO PUBLIC FINANCING
AUTHORITY

By: _____
Typed Name: _____
Title: _____

Federal law requires the Bank to provide the following notice. This notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.

USA PATRIOT ACT NOTICE. Federal law requires all financial institutions to obtain, verify and record information that identifies each Person who opens an account or obtains a loan. The Bank will ask for the Authority's and the City's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Authority, the City, guarantors or other related Persons.

This Amended and Restated Reimbursement Agreement is executed as of the date stated on the first page.

BANK OF AMERICA, N.A.

CITY OF MODESTO

By: _____
Typed Name: _____
Title: _____

By: Gloriette Beck
Typed Name: Gloriette Beck
Title: Director of Finance

ATTEST:

By: Stephanie Lopez
Typed Name: Stephanie Lopez
City Clerk

APPROVED AS TO FORM:

By: _____
Typed Name: _____
Title: _____

MODESTO PUBLIC FINANCING
AUTHORITY

By: Gloriette Beck
Typed Name: Gloriette Beck
Title: Treasurer

Federal law requires the Bank to provide the following notice. This notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.

USA PATRIOT ACT NOTICE. Federal law requires all financial institutions to obtain, verify and record information that identifies each Person who opens an account or obtains a loan. The Bank will ask for the Authority's and the City's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Authority, the City, guarantors or other related Persons.

EXHIBIT A

FORM OF LETTER OF CREDIT

[See attached pages]



Bank of America – Confidential

IRREVOCABLE LETTER OF CREDIT

BANK OF AMERICA, N.A.

1000 West Temple Street, 7th Floor
Mail Code CA9-705-07-05
Los Angeles, California 90012-1514
August 28, 2008

Irrevocable Transferable Letter of Credit No. 3095777

The Bank of New York Mellon Trust Company, N.A., as Trustee
550 Kearny Street, Suite 600
San Francisco, CA 94108-2527

Attention: Corporate Trust Department

Dear Sirs:

We hereby establish, at the request and for the account of the City of Modesto (the "City"), in your favor, as Trustee under the Indenture dated as of August 1, 2008 (the "Indenture"), between the Modesto Public Financing Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), pursuant to which \$65,170,000 in aggregate principal amount of the Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the "Bonds"), have been authenticated and delivered, our Irrevocable Letter of Credit No. 3095777, in the amount of \$65,898,476.00 (as more fully described below, the "Stated Amount"), effective immediately and expiring at the close of banking business at our Los Angeles, California office hereinafter referred to on August 1, 2011 (the "Stated Expiration Date") or such earlier date, as hereinafter described. Of the Stated Amount of this Letter of Credit, (i) \$65,170,000.00 shall support the payment of principal of the Bonds, and (ii) \$728,476.00 shall support the payment of up to 34 days' interest on the Bonds computed at 12% per annum on the principal thereof, calculated on the basis of a 365 day year.

We hereby irrevocably authorize you to draw on us, an aggregate amount not to exceed the amount of this Letter of Credit set forth above and in accordance with the terms and conditions and subject to the reductions in amount as hereinafter set forth, (1) in one or more drawings (subject to the provisions contained in the next following paragraph) by your draft, accompanied by your written and completed certificate signed by you in the form of **Annex A** attached hereto (such draft accompanied by such certificate being your "**Interest Draft**"), an amount not exceeding \$728,476.00; (2) in one or more drawings by one or more of your drafts, accompanied by your written and completed certificate signed by you in the form of **Annex B** attached hereto (any such draft accompanied by such certificate being your "**Tender Draft**"), an aggregate amount not exceeding the Stated Amount; (3) in one or more drawings by your draft, accompanied by your written and completed certificate signed by you in the form of **Annex C** attached hereto (any such draft accompanied by such certificate being your "**Partial Redemption**"),



Draft"), an aggregate amount not exceeding the Stated Amount; and (4) in a single drawing by your draft, accompanied by your written and completed certificate signed by you in the form of **Annex D** attached hereto (such draft accompanied by such certificate being your "**Final Draft**"), an amount not exceeding the Stated Amount. All such drafts shall be drawn on our Los Angeles, California office hereinafter referred to and shall be payable at sight on a Banking Day. Banking Day shall mean a day other than a Saturday, Sunday or other day on which commercial banks are authorized to close, or are in fact closed, in California.

Amounts drawn under this Letter of Credit by your Interest Draft under clause (1) of the immediately preceding paragraph shall be automatically reinstated on the date of such drawing; provided, that such reinstatement (i) shall be subject to reduction upon delivery of a notice in the form of **Annex F**, and (ii) shall not prejudice our right to deliver notice to the Trustee of a notice from us in the form set forth as **Annex H** to effect a mandatory tender of all of the Bonds. This automatic reinstatement of the amount available to be drawn by your Interest Draft shall be applicable to successive drawings by your Interest Drafts under clause (1) of the immediately preceding paragraph, so long as this Letter of Credit shall not have terminated as set forth below.

Upon our honoring any Tender Draft or Partial Redemption Draft, the Stated Amount available to be drawn under this Letter of Credit by any subsequent Tender Draft, Partial Redemption Draft and Final Draft shall be automatically reduced by an amount equal to the amount of such Tender Draft or Partial Redemption Draft. The Stated Amount from time to time available to be drawn under this Letter of Credit shall be reinstated when and to the extent, but only when and to the extent, that we are reimbursed by the City, or by you or the Tender Agent on behalf of the City, for amounts drawn by any Tender Drafts and interest thereon, and when we shall also have received a written, completed and signed certificate in substantially the form of **Annex E** attached hereto.

The amount available to be drawn under this Letter of Credit shall be permanently reduced upon our receipt of your written, completed and duly executed certificate in the form of **Annex F** attached hereto (relating to a redemption or defeasance of less than all the Bonds outstanding), to the respective amounts stated in said certificate.

Funds under this Letter of Credit are available to you against your draft referring thereon to the number of this Letter of Credit and accompanied by the corresponding written and completed certificate signed by you in the form of the appropriate Annex attached hereto by facsimile (facsimile number 213-457-8841 or such other number as we notify you of in writing). Each such draft and certificate shall be dated the date of its presentation, and shall be presented by facsimile, as noted above, at our office located at 1000 West Temple Street, 7th Floor, Mail Code: CA9-705-07-05, Los Angeles, California 90012-1514, Attention: Standby Letter of Credit Department, (or at any other office which may be designated by us by written notice delivered to you). As an accommodation to us, and not as condition to drawing, we request that you confirm by telephone (telephone number 213-240-6986) each such facsimile transmission of documents.

If we receive any of your drafts and certificates in the form of **Annex A**, **Annex C** or **Annex D** at such office, all in conformity with the terms and conditions of this Letter of Credit, not later than 4:00 p.m. (Los Angeles time) on a Banking Day prior to the termination hereof, we will honor the same not later than noon (Los Angeles time) on the next Banking Day in accordance



with your payment instructions. If we receive any of your drafts and certificates at such office, all in strict conformity with the terms and conditions of this Letter of Credit, after 4:00 p.m. (Los Angeles time) on a Banking Day prior to the termination hereof, we will honor the same not later than noon (Los Angeles time) on the second Banking Day following the receipt of your drafts and certificates in accordance with your payment instructions.

If we receive any of your drafts and certificates in the form of **Annex B** at such office, all in conformity with the terms and conditions of this Letter of Credit, not later than 8:30 a.m. (Los Angeles time) on a Banking Day prior to the termination hereof, we will honor the same not later than 11:30 a.m. (Los Angeles time) on the same day in accordance with your payment instructions. If we receive any of your drafts and certificates at such office, all in strict conformity with the terms and conditions of this Letter of Credit, after 8:30 a.m. (Los Angeles time) on a Banking Day prior to the termination hereof, we will honor the same not later than 11:30 a.m. (Los Angeles time) on the next succeeding Banking Day in accordance with your payment instructions.

If requested by you, payment under this Letter of Credit may be made by wire transfer of Federal Reserve Bank of San Francisco funds to your account or by deposit of immediately available funds into a designated account that you maintain with us. We will honor any drawing hereunder with payment of our own funds.

Upon the earliest of (i) our honoring your Final Draft presented hereunder, (ii) the close of business on the effective date notified to us by written notice from you of purchase of the Bonds upon mandatory tender thereof pursuant to Section 4.09(B)(2) of the Indenture, (iii) the date on which we receive written notice from you that there are no longer any Bonds "Outstanding", as such term is defined in the Indenture, and (iv) the Stated Expiration Date, this Letter of Credit shall automatically terminate.

Except as otherwise expressly stated herein, this Letter of Credit is subject to International Standby Practice 1998 ("ISP98"). As to matters not covered by the ISP98, and to the extent not inconsistent with ISP98, this Letter of Credit shall be governed by and construed in accordance with the laws of the State of California.

This Letter of Credit is transferable in its entirety (but not in part) to any transferee who you certify to us has succeeded you as Trustee under the Indenture. This Letter of Credit may be successively transferred. Transfer of the available balance under this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a certificate in substantially the form of **Annex G** attached hereto and upon payment of our transfer fee in the amount of \$2,500. Upon such presentation we shall forthwith transfer the same to your transferee.

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds), except only the certificates and the drafts referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificates and such drafts.

Bank of America



Other than the foregoing provisions for communications by facsimile copy, communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at 1000 West Temple Street, 7th Floor, Mail Code CA9-705-07-05, Los Angeles, California 90012-1514, Attn: Standby Letter of Credit Dept., specifically referring to the number of this Letter of Credit.

Very truly yours,

BANK OF AMERICA, N.A.

By: 
Name: Hermann Schutterle
Title: Vice President



Annex A to Letter of Credit

Certificate for Drawing in Connection with the Payment of Interest
on the
Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the "Bonds")

Irrevocable Letter of Credit No. 3095777

The undersigned, a duly authorized signatory of the undersigned Trustee (the "Trustee"), hereby certifies to Bank of America, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. 3095777 (the "Letter of Credit", the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the Trustee, as follows:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) The Trustee is making a drawing under the Letter of Credit pursuant to Section 5.12 of the Indenture with respect to a payment of interest accrued on the Bonds, which payment is due on the next Banking Day after the date on which this Certificate and the Interest Draft it accompanies are presented to the Bank.

(3) [The Interest Draft accompanying this Certificate is the first Interest Draft presented by the Trustee under the Letter of Credit.]* [The Interest Draft last presented by the Trustee under the Letter of Credit was honored and paid by the Bank on _____, 200_, and the Trustee has not received a notice from the Bank that the Bank has not been reimbursed.]***

(4) The amount of the Interest Draft accompanying this Certificate is \$ _____, it was computed in compliance with the terms and conditions of the Bonds and the Indenture, and does not include any amount of interest which is included in any Tender Draft, Partial Redemption Draft or Final Draft presented on or prior to the date of this Certificate.

Bank of America



IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the
____ day of _____, 200__.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,
as Trustee

[Name and Title]

* To be used in the Certificate relating to the first Interest Draft only.

** To be used in each Certificate relating to each Interest Draft other than the first Interest
Draft.



Annex B to Letter of Credit

Certificate for Drawing in Connection with the Payment of Principal
and Interest for Purchase of Bonds upon Optional Tender or Mandatory Tender
of the
Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the "Bonds")

Irrevocable Letter of Credit No. 3095777

The undersigned, a duly authorized signatory of the undersigned Trustee (the "Trustee"), hereby certifies to Bank of America, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. 3095777 (the "Letter of Credit", the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the Trustee, as follows:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) The Trustee is making a drawing under the Letter of Credit with respect to the purchase price of Bonds corresponding to the principal amount of, and accrued and unpaid interest on, the Bonds upon [an optional tender of all or less than all of the Bonds "outstanding" (as defined in the Indenture) in accordance with Section 4.09(A) of the Indenture], or [a mandatory tender of all of the Bonds, other than Bank Bonds and Bonds registered in the name of the City or the Authority, to be purchased as a result of a mandatory tender pursuant to the terms of Section 4.09(B) of the Indenture], which payment is due on the date on which this Certificate and the Tender Draft it accompanies are being presented to the Bank.

(3) The amount of the Tender Draft accompanying this Certificate is equal to the sum of (i) \$_____ being drawn in respect of the payment of unpaid principal of Bonds (other than Bank Bonds and Bonds registered in the name of the City or the Authority) to be purchased as a result of a tender and (ii) \$_____ being drawn in respect of the payment of accrued and unpaid interest on such Bonds, and does not include any amount of interest which is included in any Interest Draft, Partial Redemption Draft or Final Draft presented on or prior to the date of this Certificate.

(4) The amount of the Tender Draft accompanying this Certificate was computed in compliance with the terms and conditions of the Bonds and the Indenture and does not exceed the amount available to be drawn by the Trustee under the Letter of Credit.

The Trustee acknowledges that, pursuant to the terms of the Letter of Credit, upon the Bank's honoring of the Tender Draft accompanying this Certificate, the amount of the Letter of Credit and the amounts available to be drawn by the Trustee thereunder by any subsequent

Bank of America



Tender Draft, Partial Redemption Draft, and Final Draft are automatically decreased by an amount equal to the amount of such Tender Draft.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, 200_.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,
as Trustee

[Name and Title]

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Annex C to Letter of Credit

Certificate for Drawing in Connection with the Payment of
Principal and Interest upon Partial Redemption
of the
Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the "Bonds")

Irrevocable Letter of Credit No. 3095777

The undersigned, a duly authorized signatory of the undersigned Trustee (the "Trustee"), hereby certifies to Bank of America, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. 3095777 (the "Letter of Credit", the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the Trustee, as follows:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) The Trustee is making a drawing under the Letter of Credit with respect to the payment, upon redemption of less than all of the Bonds which are "outstanding" (as defined in the Indenture) pursuant to Section 4.01 of the Indenture, of the unpaid principal amount of, and up to 34 days' accrued and unpaid interest on, Bonds to be redeemed pursuant to the terms of the Indenture (other than Bank Bonds and Bonds registered in the name of the City or the Authority), which payment is due on the next Banking Day after the date on which this Certificate and the Partial Redemption Draft it accompanies are presented to the Bank.

(3) The amount of the Partial Redemption Draft accompanying this Certificate is equal to the sum of (i) \$_____ being drawn in respect of the payment of unpaid principal of Bonds (other than Bank Bonds and Bonds registered in the name of the City or the Authority) to be redeemed and (ii) \$_____ being drawn in respect of the payment of accrued and unpaid interest on such Bonds, and does not include any amount of interest on the Bonds which is included in any Interest Draft, Tender Draft or Final Draft presented on or prior to the date of this Certificate.

(4) The amount of the Partial Redemption Draft accompanying this Certificate was computed in accordance with the terms and conditions of the Bonds and Indenture and does not exceed the amount available to be drawn under the Letter of Credit.

The Trustee acknowledges that, pursuant to the terms of the Letter of Credit, upon the Bank's honoring the Partial Redemption Draft accompanying this Certificate, the amount of the Letter of Credit and the amounts available to be drawn by the Trustee thereunder by any



subsequent Partial Redemption Draft, Tender Draft and Final Draft are automatically decreased by an amount equal to the amount of such Partial Redemption Draft.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the day of 200_.

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A.,
as Trustee

By: [Name and Title]



Annex D to Letter of Credit

Certificate for Drawing in Connection with the Payment of Principal and Interest upon Stated Maturity, or Optional or Mandatory Redemption as a Whole of the Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the "Bonds")

Irrevocable Letter of Credit No. 3095777

The undersigned, a duly authorized signatory of the undersigned Trustee (the "Trustee"), hereby certifies to Bank of America, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. 3095777 (the "Letter of Credit", the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the Trustee, as follows:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) The Trustee is making a drawing under the Letter of Credit [pursuant to Section 5.12 of the Indenture with respect to the payment upon the final stated maturity date of the Bonds] or [pursuant to Section 4.03 of the Indenture with respect to payment upon redemption in full] or [upon the direction of the Bank to redeem the Bonds pursuant to Section 7.02 of the Indenture upon a default under the Indenture] of the unpaid principal amount of, and accrued and unpaid interest on, all of the Bonds which are "outstanding" (as defined in the Indenture) (other than Bank Bonds and Bonds registered in the name of the City or the Authority), which payment is due on the Banking Date after the date on which this Certificate and the Final Draft it accompanies are presented to the Bank.

(3) The amount of the Final Draft accompanying this Certificate is equal to the sum of (i) \$_____ being drawn in respect of the payment of unpaid principal of Bonds (other than Bank Bonds and Bonds registered in the name of the City or the Authority), and (ii) \$_____ being drawn in respect of the payment of accrued and unpaid interest on such Bonds, and does not include any amount of interest on the Bonds which is included in any Interest Draft, Tender Draft, or Partial Redemption Draft presented on or prior to the date of this Certificate.

(4) The amount of the Final Draft accompanying this Certificate was computed in compliance with the terms and conditions of the Bonds and the Indenture and does not exceed the amount available to be drawn by the Trustee under the Letter of Credit.

(5) Upon receipt of the Drawing requested by this Certificate, the Trustee acknowledges that the Letter of Credit will be terminated and will be promptly returned to the Bank by the Trustee.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of

Bank of America



the ___ day of _____, 200_.

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A.,
as Trustee

By:
[Name and Title]



Annex E of Letter of Credit

Certificate for the Reinstatement of Amounts Available under Irrevocable
Letter of Credit for the
Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the "Bonds")

Irrevocable Letter of Credit No. 3095777

The undersigned, a duly authorized signatory of the undersigned Trustee (the "Trustee"), hereby certifies to Bank of America, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. 3095777 (the "Letter of Credit", the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the Trustee, as follows:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) The amount of \$_____ paid to you today by the City or by the Trustee on behalf of the City is a payment made to reimburse you, pursuant to Section 2.2 of the Reimbursement Agreement, dated as of August 1, 2008 (the "Reimbursement Agreement"), between the City and the Bank, for amounts drawn under the Letter of Credit by Tender Drafts.

(3) Of the amount referred to in paragraph (2), \$_____ represents the aggregate principal amount of Bonds resold or to be resold on behalf of the City.

(4) Of the amount referred to in paragraph (2), \$_____ represents interest on Bonds calculated in accordance with clause (ii) of Section 2.2 of the Reimbursement Agreement.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of this ___ day of _____, 20__.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.
as Tender Agent

By:
[Name and Title]



Annex F of Letter of Credit

Certificate for the Reduction of Amounts Available under Irrevocable
Letter of Credit for the
Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the "Bonds")

Irrevocable Letter of Credit No. 3095777

The undersigned, a duly authorized signatory of the undersigned Trustee (the "Trustee"), hereby certifies to Bank of America, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. 3095777 (the "Letter of Credit", the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the Trustee as follows:

- (1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.
- (2) The Trustee hereby notifies you that on or prior to the date hereof \$_____ principal amount of the Bonds have been redeemed and paid or have been defeased pursuant to the Indenture.
- (3) Following the redemption and payment or the defeasance referred to in paragraph (2) above, the aggregate principal amount of all of the Bonds which are "outstanding" within the meaning of the Indenture is \$_____.
- (4) The maximum amount of interest, computed at 12% per annum, which could accrue on the Bonds referred to in paragraph (3) above in a period of 34 days is \$_____.
- (5) The amount available to be drawn by the Trustee under the Letter of Credit for the interest portion is reduced to \$_____ (such amount being equal to the amount specified in paragraph (4) above) upon receipt by the Bank of this Certificate.
- (6) The amount available to be drawn by the Trustee under the Letter of Credit for the principal portion is reduced to \$_____ (such amount being equal to the sum of the amounts specified in paragraphs (3) and (4) above) upon receipt by the Bank of this Certificate.
- (7) The Stated Amount of the Letter of Credit is reduced to \$_____ (such amount being equal to the sum of the amounts specified in paragraphs (5) and (6) above) upon receipt by the Bank of this Certificate.

IN WITNESS WHEREOF, the Trustee has executed and this Certificate this ___ day of _____, 200_.

Bank of America



THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A.,
as Trustee

By: _____
(Name and Title)

Annex G of Letter of Credit

Instruction to Transfer Irrevocable
Letter of Credit for the
Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the "Bonds")

Irrevocable Letter of Credit No. 3095777

_____, 200_

Bank of America, N.A.
1000 W. Temple Street, 7th Floor
CA9-705-05
Los Angeles, California 90012-1514

Attention: Standby Letter of Credit Department

Re: Irrevocable Letter of Credit No. 3095777

Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably transfers to:

[Name of Transferee]

[Address]

all rights of the undersigned beneficiary to draw under the above-captioned Letter of Credit (the "Letter of Credit"). We hereby certify that the transferee has succeeded the undersigned as Trustee under the Indenture (as defined in the Letter of Credit).

By this transfer, all rights of the undersigned beneficiary in the Letter of Credit are transferred to the transferee and the transferee shall hereafter have the sole rights as beneficiary thereof; provided, however, that no rights shall be deemed to have been transferred to the transferee until such transfer complies with the requirements of the Letter of Credit pertaining to transfers.

Bank of America



The Letter of Credit is returned herewith and in accordance therewith we ask that this transfer be effective and that you transfer the Letter of Credit to our transferee or that, if so requested by the transferee, you issue a new irrevocable letter of credit in favor of the transferee with provisions consistent with the Letter of Credit.

Very truly yours,

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as predecessor Trustee

By:

[Name and Title]

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Annex H of Letter of Credit

Notice Directing Mandatory Tender
of the
Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the "Bonds")

Irrevocable Letter of Credit No. 3095777

The Bank of New York Mellon Trust Company, N.A., as Trustee
550 Kearny Street, Suite 600
San Francisco, CA 94108-2527

Attention: Corporate Trust Administration

Ladies and Gentlemen:

This is a notice pursuant to our Letter of Credit No. 3095777 (the "Letter of Credit"). Capitalized terms not otherwise defined herein have the meanings ascribed to them in the [Indenture] (the "Indenture").

This is to advise you that the Bank has not been reimbursed for a drawing under the Letter of Credit on _____, 200_, and accordingly a default has occurred under the Reimbursement Agreement dated as of August 1, 2008 between the City of Modesto and the Bank. Pursuant to Section 4.09(B)(2) of the Indenture, you are hereby directed to cause the mandatory tender of all of the Bonds.

BANK OF AMERICA, N.A.

By
Title

EXHIBIT B

FORM OF LETTER OF CREDIT AMENDMENT

IRREVOCABLE LETTER OF CREDIT

BANK OF AMERICA, N.A.

1000 West Temple Street, 7th Floor
Mail Code CA-9-705-07-05
Los Angeles, California 90012-1514
August 28, 2008

Irrevocable Transferable Letter of Credit No. 3095777

Amendment No. 2

August 16, 2011

The Bank of New York Mellon Trust Company, N.A., as Trustee
100 Pine Street, Suite 3100
San Francisco, California 94111
Attention: Corporate Trust Department

Dear Ladies and Gentlemen:

The undersigned, a duly authorized officer of Bank of America, N.A. (the "Bank") hereby notifies The Bank of New York Mellon Trust Company, N.A., as Trustee, that the Stated Expiration Date of Irrevocable Transferable Letter of Credit No. 3095777 dated August 28, 2008 (the "Letter of Credit") has been extended to September 30, 2012.

This letter should be attached to the Letter of Credit and made a part thereof.

BANK OF AMERICA, N.A.

By: _____
Name: _____
Title: _____

AMENDMENT NO. 1 TO AMENDED AND RESTATED REIMBURSEMENT
AGREEMENT

among

BANK OF AMERICA, N.A.

and

CITY OF MODESTO

and

MODESTO PUBLIC FINANCING AUTHORITY

Dated August 29, 2012

Relating to the

\$65,170,000 original aggregate principal amount of
MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

Amending that certain Amended and Restated Reimbursement Agreement, dated as of
August 16, 2011, by and among Bank of America, N.A., the City of Modesto and the Modesto
Public Financing Authority

AMENDMENT NO. 1 TO
AMENDED AND RESTATED REIMBURSEMENT AGREEMENT

THIS AMENDMENT NO. 1 TO AMENDED AND RESTATED REIMBURSEMENT AGREEMENT (this "Amendment No. 1"), dated August 29, 2012 by and among BANK OF AMERICA, N.A., a national banking association (the "Bank"), the MODESTO PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority") and the CITY OF MODESTO, a charter city and municipal corporation duly organized and existing under laws of the State of California (the "City"), amending that certain Amended and Restated Reimbursement Agreement, dated as of August 16, 2011, by and among the Bank, the Authority and the City (the "Original Reimbursement Agreement" and as amended by this Amendment No. 1 and as it may be further amended and supplemented from time to time, the "Reimbursement Agreement").

WITNESSETH:

A. The Bank, the Authority and the City entered into that certain Reimbursement Agreement, dated as of August 1, 2008 (the "Initial Reimbursement Agreement"), by and among the Bank, the Authority and the City, pursuant to which the Bank originally issued the Letter of Credit (as more particularly defined in the Reimbursement Agreement) to the Trustee for the account of the City.

B. The Bank previously extended the Stated Expiration Date of the Letter of Credit to September 30, 2011 and in connection therewith, the Bank, the City and the Authority entered into that certain Amendment No. 1 to Reimbursement Agreement, dated June 29, 2011 (the "Initial Reimbursement Agreement Amendment No. 1").

C. The Bank subsequently extended the Stated Expiration Date of the Letter of Credit to September 30, 2012 and in connection therewith, the Bank, the City and the Authority entered into the Original Reimbursement Agreement, amending and restating the Initial Reimbursement Agreement, as amended by the Initial Reimbursement Agreement Amendment No. 1.

D. The City has applied to the Bank for the extension by the Bank of the Stated Expiration Date of the Letter of Credit to November 30, 2013 and an amendment of certain provisions of the original Fee Letter and the Bank has agreed to extend the Stated Expiration Date of the Letter of Credit to November 30, 2013 and amend such provisions of the original Fee Letter on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the undertakings herein set forth and intending to be legally bound, the Authority, the City and the Bank hereby agree as follows:

Section 1. Authority and Definitions.

(a) This Amendment No. 1 is entered into pursuant to Section 7.1 of the Original Reimbursement Agreement.

(b) This Amendment No. 1 amends the Original Reimbursement Agreement.

(c) Capitalized terms used herein without definition shall have the meanings set forth in the Original Reimbursement Agreement.

(d) Subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, this Amendment No. 1 shall become effective, a letter of credit amendment substantially in the form of Exhibit A attached hereto (the "Letter of Credit Amendment No. 3") shall be delivered to the Trustee by the Bank, and the Amendment No. 1 to Fee Letter dated August 29, 2012, by and among the City, the Authority and the Bank (the "Fee Letter Amendment No. 1") shall be executed and delivered by the Bank, upon the execution and delivery hereof by the Authority, the City and the Bank on August 29, 2012 (the "Extension Closing Date").

(e) The provisions of this Amendment No. 1 shall supersede and prevail over any conflicting provisions of the Original Reimbursement Agreement. If there is any conflict between the terms, conditions and provisions of this Amendment No. 1 and those of any of the Related Documents, the terms, conditions and provisions of this Amendment No. 1, as applicable, shall prevail. Save and except as expressly amended hereby, all of the terms and provisions of the Original Reimbursement Agreement continue in full force and effect and are applicable to the provisions of this Amendment No. 1 and the obligations of the parties hereunder. Reference to this specific Amendment No. 1 need not be made in any note, document, agreement, letter, certificate, the Reimbursement Agreement or any communication issued or made subsequent to, or with respect to, the Reimbursement Agreement, it being hereby agreed that any reference to the Reimbursement Agreement shall be sufficient to refer to the Original Reimbursement Agreement as hereby amended. The parties hereto expressly agree that this Amendment No. 1 shall constitute a modification of the Original Reimbursement Agreement and does not constitute a novation or substitution with respect to the Original Reimbursement Agreement.

Section 2. Conditions Precedent to Execution and Delivery and Effectiveness of this Amendment No. 1 and the Fee Letter Amendment No. 1 and Issuance of the Letter of Credit Amendment No. 3. The obligation of the Bank to issue the Letter of Credit Amendment No. 3 shall be subject to the fulfillment of the following conditions precedent on or before the Extension Closing Date, in a manner satisfactory to the Bank and its counsel:

(a) the Bank shall have received on or before the Extension Closing Date an executed original of this Amendment No. 1 and the Fee Letter Amendment No. 1;

(b) the Bank shall have received an opinion of Sidley Austin LLP, as special counsel, as to the validity of the Parking Garage Lease and the Lease Agreement, in form and substance satisfactory to the Bank and its counsel, dated the Extension Closing Date;

(c) the Bank shall have received an opinion of the City Attorney and an opinion of the counsel to the Authority, each in form and substance satisfactory to the Bank and its counsel and each dated the Extension Closing Date, as to due existence and power and authority of the City and the Authority and as to due authorization, execution and delivery by the

City and the Authority of this Amendment No. 1 and the Fee Letter Amendment No. 1 and any other documents to be delivered by it hereunder;

(d) the Bank shall have received a certificate signed by an Authorized Representative of the City and a certificate signed by an Authorized Representative of the Authority each dated the Extension Closing Date stating that on such date:

(i) the representations and warranties set forth in this Amendment No. 1 and in any other certificate, letter, writing or instrument delivered by the City or the Authority to the Bank pursuant hereto or in connection herewith, are true and correct on and as of the Extension Closing Date;

(ii) no material adverse change in the financial condition, operations or prospects of the City or laws, rules or regulations (or their interpretation or administration) shall have occurred as of the Extension Closing Date that, in any case, may adversely affect the consummation of the transaction, as determined in the sole discretion of the Bank;

(iii) on the Extension Closing Date no Event of Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default, shall have occurred and be continuing and no default has occurred and is continuing under any of the Related Documents;

(iv) all information, documents, statements and certificates provided to the Bank by or on behalf of the City and the Authority in connection with the Letter of Credit Amendment No. 3 are true and correct on and as of the date hereof and were provided in expectation of the Bank's reliance thereon in issuing the Letter of Credit Amendment No. 3; and

(v) the City and the Authority have delivered to the Bank true, correct and complete copies of the Related Documents and such documents were duly issued, adopted or executed and delivered, have not been modified, amended or rescinded and are in full force and effect on and as of the Extension Closing Date;

(e) the Bank shall have received a copy of the proceedings of the City Council of the City, certified as of the Extension Closing Date by the City Clerk, authorizing, among other things, the execution and delivery by the City of this Amendment No. 1, the Fee Letter Amendment No. 1 and any other documents to be delivered by it hereunder and a copy of the proceedings of the Commission of the Authority, certified as of the Extension Closing Date by the Authority Secretary, authorizing, among other things, the execution and delivery by the Authority of this Amendment No. 1, the Fee Letter Amendment No. 1 and any other documents to be delivered by it hereunder;

(f) the Bank shall have received a certificate of an Authorized Representative of the City and a certificate of an Authorized Representative of the Authority each dated the Extension Closing Date certifying as to the authority, incumbency and specimen signatures of the Authorized Representatives of the City or the Authorized Representatives of the Authority, as applicable, authorized to sign this Amendment No. 1, the Fee Letter Amendment No. 1 and any

other documents to be delivered by it hereunder and who will be authorized to represent the City or the Authority, as applicable, in connection with the Reimbursement Agreement, upon which the Bank may rely until it receives a new such certificate;

(g) the Bank shall have received evidence that the title insurance coverage for the Leased Property subject to the Parking Garage Facilities Lease has not been adversely affected by the dissolution of the Redevelopment Agency of the City pursuant to Section 34170 et seq. of the California Health & Safety Code and the assumption of the rights and obligations of the Redevelopment Agency of the City under the Parking Garage Facilities Lease by the City as such successor agency;

(h) the representations and warranties set forth in Section 3 hereof shall be true and correct on and as of the Extension Closing Date and no Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default shall have occurred and be continuing;

(i) payment to the Bank of (or the Bank shall be reasonably satisfied that payment will be made promptly after demand therefor after the Extension Closing Date of) all fees and expenses payable by the City pursuant to Section 4 hereof; and

(j) all other legal matters pertaining to the execution and delivery of this Amendment No. 1 and the Fee Letter Amendment No. 1 and the issuance of the Letter of Credit Amendment No. 3 shall be reasonably satisfactory to the Bank and its counsel.

Section 3. Representations and Warranties.

(a) The City hereby represents and warrants as of the Extension Closing Date that: (i) the representations and warranties of the City set forth in Article 4.1 of the Original Reimbursement Agreement and in any and all documents delivered to the Bank in connection therewith are true and correct on and as of the Extension Closing Date, as if made on and as of such date; (ii) no Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default has occurred and is continuing; (iii) no default has occurred and is continuing under any of the Related Documents; (iv) the City is in compliance with the terms and conditions of the Original Reimbursement Agreement and has performed or complied with all of its obligations, agreements and covenants to be performed or complied with pursuant to the Reimbursement Agreement on or prior to the Extension Closing Date; (v) no material adverse change in the financial condition, operations or prospects of the City or laws, rules or regulations (or their interpretation or administration) shall have occurred as of the Extension Closing Date that, in any case, may adversely affect the consummation of the transaction, as determined in the sole discretion of the Bank; (vi) this Amendment No. 1 has been duly authorized, executed and delivered by the City; (vii) the City is the successor agency for the Redevelopment Agency of the City as designated under Section 34173 of the California Health & Safety Code, the City has assumed the rights and obligations of the Redevelopment Agency of the City under the Parking Garage Lease and the Parking Garage Facilities Lease is binding on the City as such successor agency; (viii) the City as such successor agency is the fee owner of the Leased Property subject to the Parking Garage Facilities Lease; (ix) the leasehold interest of the Authority of the Leased Property subject to the Parking Garage Facilities Lease has not

terminated as a result of the dissolution of the Redevelopment Agency of the City pursuant to Section 34170 et seq. of the California Health & Safety Code and the assumption of the rights and obligations of the Redevelopment Agency of the City under the Parking Garage Facilities Lease by the City as such successor agency; (x) as successor agency to the Redevelopment Agency of the City, the City is the "Redevelopment Agency" as such term is defined in the Reimbursement Agreement and all references in the Reimbursement Agreement to "Redevelopment Agency" shall mean and include the City as such successor agency; and (xi) all information, documents, statements and certificates provided to the Bank by or on behalf of the City in connection with the transactions contemplated by this Amendment No. 1 are true and correct as of the date thereof and were provided in expectation of the Bank's reliance thereon in executing this Amendment No. 1. The City further acknowledges and agrees that: (i) the transaction contemplated by this Amendment No. 1 is an arm's length, commercial transaction among the Authority, the City and the Bank in which the Bank is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Authority or the City; (ii) the Bank has not assumed any advisory or fiduciary responsibility to the Authority or the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank has provided other services or is currently providing other services to the Authority or the City on other matters); (iii) the only obligations the Bank has to the Authority or the City with respect to the transaction contemplated hereby expressly are set forth in this Amendment No. 1; and (iv) the Authority and the City each has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

(b) The Authority hereby represents and warrants as of the Extension Closing Date that: (i) the representations and warranties of the Authority set forth in Article 4.2 of the Reimbursement Agreement and in any and all documents delivered to the Bank in connection therewith are true and correct on and as of the Extension Closing Date, as if made on and as of such date; (ii) no Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default has occurred and is continuing; (iii) no default has occurred and is continuing under any of the Related Documents; (iv) the Authority is in compliance with the terms and conditions of the Reimbursement Agreement and has performed or complied with all of its obligations, agreements and covenants to be performed or complied with pursuant to the Reimbursement Agreement on or prior to the Extension Closing Date; (v) this Amendment No. 1 has been duly authorized, executed and delivered by the Authority; (vi) the leasehold interest of the Authority of the Leased Property subject to the Parking Garage Facilities Lease has not terminated as a result of the dissolution of the Redevelopment Agency of the City pursuant to Section 34170 et seq. of the California Health & Safety Code and the assumption of the rights and obligations of the Redevelopment Agency of the City under the Parking Garage Facilities Lease by the City as such successor agency; and (vii) all information, documents, statements and certificates provided to the Bank by or on behalf of the Authority in connection with the transactions contemplated by this Amendment No. 1 are true and correct as of the date thereof and were provided in expectation of the Bank's reliance thereon in executing this Amendment No. 1. The Authority further acknowledges and agrees that: (i) the transaction contemplated by this Amendment No. 1 is an arm's length, commercial transaction among the Authority, the City and the Bank in which the Bank is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Authority or the City; (ii) the Bank has not assumed any advisory or fiduciary responsibility to the Authority or the City with

respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank has provided other services or is currently providing other services to the Authority or the City on other matters); (iii) the only obligations the Bank has to the Authority or the City with respect to the transaction contemplated hereby expressly are set forth in this Amendment No. 1; and (iv) the Authority and the City each has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

Section 4. Costs and Expenses. The City shall pay (by payment of Additional Payments under the Lease Agreement) to the Bank any and all reasonable fees, charges and expenses, payable or incurred by the Bank in connection with the execution and delivery of this Amendment No. 1, the Fee Letter Amendment No. 1 and the Letter of Credit Amendment No. 3, including without limitation, the fees and expenses of counsel to the Bank. The City hereby agrees that such fees, charges and expenses are included as obligations under the Original Reimbursement Agreement.

Section 5. Miscellaneous.

(a) No Waiver. The Authority and the City each acknowledge and agree that, if and to the extent that the Bank has not heretofore required strict compliance with the performance by the Authority and the City of the covenants, agreements and obligations of the Authority and the City under the Reimbursement Agreement or the Related Documents, such action or inaction shall not constitute a waiver of, or otherwise affect in any manner, the Bank's rights and remedies under the Reimbursement Agreement or the Related Documents, as amended hereby, including the right to require performance of such covenants, agreements and obligations strictly in accordance with the terms and provisions thereof.

(b) Counterparts. This Amendment No. 1 may be executed in as many counterparts as necessary or convenient, and by the different parties on separate counterparts each of which, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same agreement.

(c) Severability. Any provision of this Amendment No. 1 which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provisions in any other jurisdiction.

(d) One Agreement. Taken together with the Original Reimbursement Agreement and the other instruments and documents delivered in compliance herewith, this Amendment No. 1 and any related security or other agreements required by this Amendment No. 1, collectively: (i) represent the sum of the understandings and agreements among the Authority, the Bank and the City concerning this credit; (ii) replace any prior oral or written agreements between or among the Bank and the Authority and/or the City concerning this credit; and (iii) are intended by the Bank, the Authority and the City as the final, complete and exclusive statement of the terms agreed to by them. In the event of any conflict between this Amendment

No. 1 and any other agreements required by this Amendment No. 1, this Amendment No. 1 will prevail.

(e) Governing Law. This Amendment No. 1 shall be governed by, and construed in accordance with, the laws of the State of New York insofar as they are enforceable against the Bank and the laws of the State of California insofar as they are enforceable against the City or the Authority.

[The Remainder of This Page Intentionally Left Blank]

This Amendment No. 1 to Reimbursement Agreement is executed as of the date stated on the first page.

BANK OF AMERICA, N.A.

CITY OF MODESTO

By: *Doug Bowlsby*
Typed Name: Douglas Bowlsby
Title: Sr. Vice President

By: _____
Typed Name: _____
Title: _____
ATTEST:

By: _____
Typed Name: _____
City Clerk

APPROVED AS TO FORM:

By: _____
Typed Name: _____
Title: _____

MODESTO PUBLIC FINANCING
AUTHORITY

By: _____
Typed Name: _____
Title: _____

Federal law requires the Bank to provide the following notice. This notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.

USA PATRIOT ACT NOTICE. Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. The Bank will ask for the Authority's and the City's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Authority, the City, guarantors or other related persons.

This Amendment No. 1 to Reimbursement Agreement is executed as of the date stated on the first page.

BANK OF AMERICA, N.A.

CITY OF MODESTO

By: *Douglas Bowlsby*
Typed Name: Douglas Bowlsby
Title: Sr. Vice President

By: _____
Typed Name: _____
Title: _____
ATTEST:

By: _____
Typed Name: _____
City Clerk

APPROVED AS TO FORM:

By: _____
Typed Name: _____
Title: _____

MODESTO PUBLIC FINANCING
AUTHORITY

By: _____
Typed Name: _____
Title: _____

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This Amendment No. 1 to Reimbursement Agreement is executed as of the date stated on the first page.

BANK OF AMERICA, N.A.

CITY OF MODESTO

By: _____
Typed Name: _____
Title: _____

By: [Signature]
Typed Name: _____
Title: _____
ATTEST:

By: [Signature]
Typed Name: _____
City Clerk

APPROVED AS TO FORM:

By: [Signature]
Typed Name: Susana A. Wood
Title: City Attorney

MODESTO PUBLIC FINANCING AUTHORITY

By: [Signature]
Typed Name: _____
Title: _____

Federal law requires the Bank to provide the following notice. This notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.

USA PATRIOT ACT NOTICE. Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. The Bank will ask for the Authority's and the City's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Authority, the City, guarantors or other related persons.

Exhibit A

Form of Letter of Credit Amendment No. 3

IRREVOCABLE LETTER OF CREDIT

BANK OF AMERICA, N.A.

1000 West Temple Street, 7th Floor
Mail Code CA-9-705-07-05
Los Angeles, California 90012-1514
August 28, 2008

Irrevocable Transferable Letter of Credit No. 3095777

Amendment No. 3

August 29, 2012

The Bank of New York Mellon Trust Company, N.A., as Trustee
100 Pine Street, Suite 3100
San Francisco, California 94111
Attention: Corporate Trust Department

Dear Ladies and Gentlemen:

The undersigned, a duly authorized officer of Bank of America, N.A. (the "Bank") hereby notifies The Bank of New York Mellon Trust Company, N.A., as Trustee, that the Stated Expiration Date of Irrevocable Transferable Letter of Credit No. 3095777 dated August 28, 2008 (the "Letter of Credit") has been extended to November 30, 2013.

This letter should be attached to the Letter of Credit and made a part thereof.

BANK OF AMERICA, N.A.

By: _____
Name: _____
Title: _____

AMENDMENT NO. 2 TO AMENDED AND RESTATED REIMBURSEMENT
AGREEMENT

among

BANK OF AMERICA, N.A.

and

CITY OF MODESTO

and

MODESTO PUBLIC FINANCING AUTHORITY

Dated February 25, 2014

Relating to the

\$65,170,000 original aggregate principal amount of
MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

Amending that certain Amended and Restated Reimbursement Agreement, dated as of August 16, 2011, as amended by that certain Amendment No. 1 to Amended and Restated Reimbursement Agreement, dated August 29, 2012, each by and among Bank of America, N.A., the City of Modesto and the Modesto Public Financing Authority

AMENDMENT NO. 2 TO
AMENDED AND RESTATED REIMBURSEMENT AGREEMENT

THIS AMENDMENT NO. 2 TO AMENDED AND RESTATED REIMBURSEMENT AGREEMENT (this “Amendment No. 2”), dated February 25, 2014 by and among BANK OF AMERICA, N.A., a national banking association (the “Bank”), the MODESTO PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the “Authority”) and the CITY OF MODESTO, a charter city and municipal corporation duly organized and existing under laws of the State of California (the “City”), amending that certain Amended and Restated Reimbursement Agreement, dated as of August 16, 2011 (the “Original Reimbursement Agreement”), by and among the Bank, the Authority and the City, as amended by that certain Amendment No. 1 to Amended and Restated Reimbursement Agreement, dated August 29, 2012 (the “Reimbursement Agreement Amendment No. 1”), by and among the Bank, the Authority and the City (the Original Reimbursement Agreement, as amended by the Reimbursement Agreement Amendment No. 1, is hereinafter referred to as the “First Amended Reimbursement Agreement” and as amended by this Amendment No. 2 and as it may be further amended and supplemented from time to time, is hereinafter referred to as the “Reimbursement Agreement”).

WITNESSETH:

A. The Bank, the Authority and the City entered into that certain Reimbursement Agreement, dated as of August 1, 2008 (the “Initial Reimbursement Agreement”), by and among the Bank, the Authority and the City, pursuant to which the Bank originally issued the Letter of Credit (as more particularly defined in the Reimbursement Agreement) to the Trustee for the account of the City.

B. The Bank previously extended the Stated Expiration Date of the Letter of Credit to September 30, 2011 and in connection therewith, the Bank, the City and the Authority entered into that certain Amendment No. 1 to Reimbursement Agreement, dated June 29, 2011 (the “Initial Reimbursement Agreement Amendment No. 1”).

C. The Bank subsequently extended the Stated Expiration Date of the Letter of Credit to September 30, 2012 and in connection therewith, the Bank, the City and the Authority entered into the Original Reimbursement Agreement, amending and restating the Initial Reimbursement Agreement, as amended by the Initial Reimbursement Agreement Amendment No. 1, and concurrently therewith, entered into the Fee Letter, dated August 29, 2011 (the “Original Fee Letter”), by and among the Bank, the City and the Authority.

D. The Bank subsequently extended the Stated Expiration Date of the Letter of Credit to November 30, 2013 and in connection therewith, the Bank, the City and the Authority entered into the Reimbursement Agreement Amendment No. 1 and the Amendment No. 1 to Fee Letter dated August 29, 2012 (the “Fee Letter Amendment No. 1”), by and among the Bank, the City and the Authority.

E. The Bank subsequently extended the Stated Expiration Date of the Letter of Credit to February 28, 2014 and to March 31, 2014 in order to allow sufficient time to negotiate and document a further extension of the Stated Expiration Date of the Letter of Credit.

F. The City has applied to the Bank for the extension by the Bank of the Stated Expiration Date of the Letter of Credit to March 31, 2017 and an amendment of Annex F of the Letter of Credit, as well as an amendment of certain provisions of the First Amended Reimbursement Agreement and certain provisions of the Original Fee Letter, as amended by the Fee Letter Amendment No. 1 (as so amended, the “First Amended Fee Letter”), and the Bank has agreed to extend the Stated Expiration Date of the Letter of Credit to March 31, 2017 and amend Annex F of the Letter of Credit, as well as amend such provisions of the First Amended Reimbursement Agreement and the First Amended Fee Letter on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the undertakings herein set forth and intending to be legally bound, the Authority, the City and the Bank hereby agree as follows:

Section 1. Authority and Definitions.

(a) This Amendment No. 2 is entered into pursuant to Section 7.1 of the First Amended Reimbursement Agreement.

(b) This Amendment No. 2 amends the First Amended Reimbursement Agreement.

(c) Capitalized terms used herein without definition shall have the meanings set forth in the First Amended Reimbursement Agreement.

(d) Subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, this Amendment No. 2 shall become effective, a letter of credit amendment substantially in the form of Exhibit A attached hereto (the “Letter of Credit Amendment No. 6”) shall be delivered to the Trustee by the Bank, and the Amendment No. 2 to Fee Letter dated February 25, 2014, by and among the City, the Authority and the Bank (the “Fee Letter Amendment No. 2”) shall be executed and delivered by the Bank, upon the execution and delivery hereof by the Authority, the City and the Bank on February 25, 2014 (the “Extension Closing Date”).

(e) The provisions of this Amendment No. 2 shall supersede and prevail over any conflicting provisions of the First Amended Reimbursement Agreement. If there is any conflict between the terms, conditions and provisions of this Amendment No. 2 and those of any of the Related Documents, the terms, conditions and provisions of this Amendment No. 2, as applicable, shall prevail. Save and except as expressly amended hereby, all of the terms and provisions of the First Amended Reimbursement Agreement continue in full force and effect and are applicable to the provisions of this Amendment No. 2 and the obligations of the parties hereunder. Reference to this specific Amendment No. 2 need not be made in any note, document, agreement, letter, certificate, the Reimbursement Agreement or any communication issued or made subsequent to, or with respect to, the Reimbursement Agreement, it being hereby agreed that any reference to the Reimbursement Agreement shall be sufficient to refer to the First

Amended Reimbursement Agreement as hereby amended. The parties hereto expressly agree that this Amendment No. 2 shall constitute a modification of the First Amended Reimbursement Agreement and does not constitute a novation or substitution with respect to the First Amended Reimbursement Agreement.

Section 2. Amendment of the First Amended Reimbursement Agreement.

(a) Section 1.1 of the First Amended Reimbursement Agreement is hereby amended by adding the following in alphabetical order thereof:

“‘Affiliate’ means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

‘Related Parties’ means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s Affiliates.

(b) Section 4.1 of the First Amended Reimbursement Agreement is hereby amended by adding the following at the end thereof:

“(t) Government Sanctions. Neither the City nor, to the knowledge of the City, any of its Related Parties, is an individual or entity or Person currently the subject of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of Treasury’s Office of Foreign Assets Control (“OFAC”), the United Nations Security Council (“UNSC”), the European Union, Her Majesty’s Treasury (“HMT”), or other relevant sanctions authority (collectively, “Sanctions”), nor is the City located, organized or resident in a country or territory that is the subject of Sanctions.”

(c) Section 4.2 of the First Amended Reimbursement Agreement is hereby amended by adding the following at the end thereof:

“(p) Government Sanctions. Neither the Authority nor, to the knowledge of the City, any of its Related Parties, is an individual or entity or Person currently the subject of any Sanctions, nor is the Authority located, organized or resident in a country or territory that is the subject of Sanctions.”

(d) Section 5.1 of the First Amended Reimbursement Agreement is hereby amended by adding the following at the end thereof:

“(cc) Government Sanctions. Neither the City nor the Authority shall, directly or indirectly, use the proceeds of draws under the Letter of Credit or any

other credit provided under this Agreement, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, to fund any activities of or business with any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions, or in any manner that will result in a violation by any Person (including any Person participating in the transactions contemplated by this Agreement, whether as underwriter, advisor, investor or otherwise) of Sanctions.”

(e) Section 6.1(h) of the First Amended Reimbursement Agreement is hereby deleted in its entirety and the following substituted therefor:

“(h) The City or the Authority fails to meet the conditions of, or fails to perform (i) any term, covenant, condition or agreement on its part to be performed or observed under Section 5.1(a), (f), (g), (h), (j), (l), (m), (n), (o), (r), (t), (v), (w), (z), (aa), (bb) or (cc) hereof, or (ii) any term, covenant, condition or agreement on its part to be performed or observed not specifically referred to in this Article, and such default (solely in the case of clause (ii)) is not cured within thirty (30) days after the Bank has given the City or the Authority, as applicable, written notice of such default; or”

(f) Section 6.1(j) of the First Amended Reimbursement Agreement is hereby deleted in its entirety and the following substituted therefor:

“(j) The ratings assigned to any long term, unenhanced general fund obligation of the City shall be withdrawn or suspended or otherwise unavailable for credit-related reasons or reduced below Baa1 by Moody’s Investors Service, Inc., BBB+ by Standard & Poor’s Rating Service or BBB+ by Fitch, Inc. In the event of split ratings, the default will be determined by reference to the lowest rating; or”

Section 3. Conditions Precedent to Execution and Delivery and Effectiveness of this Amendment No. 2 and the Fee Letter Amendment No. 2 and Issuance of the Letter of Credit Amendment No. 6. The obligation of the Bank to execute and deliver this Amendment No. 2 and the Fee Letter Amendment No. 2 and to issue the Letter of Credit Amendment No. 6 shall be subject to the fulfillment of the following conditions precedent on or before the Extension Closing Date, in a manner satisfactory to the Bank and its counsel:

(a) the Bank shall have received on or before the Extension Closing Date an executed original of this Amendment No. 2 and the Fee Letter Amendment No. 2;

(b) the Bank shall have received an opinion of the City Attorney and an opinion of the counsel to the Authority, each in form and substance satisfactory to the Bank and its counsel and each dated the Extension Closing Date, as to due existence and power and authority of the City and the Authority and as to due authorization, execution and delivery by the City and the Authority of this Amendment No. 2 and the Fee Letter Amendment No. 2 and any other documents to be delivered by it hereunder;

(c) the Bank shall have received a certificate signed by an Authorized Representative of the City and a certificate signed by an Authorized Representative of the Authority each dated the Extension Closing Date stating that on such date:

(i) the representations and warranties set forth in this Amendment No. 2 and in any other certificate, letter, writing or instrument delivered by the City or the Authority to the Bank pursuant hereto or in connection herewith, are true and correct on and as of the Extension Closing Date;

(ii) no material adverse change in the financial condition, operations or prospects of the City or laws, rules or regulations (or their interpretation or administration) shall have occurred as of the Extension Closing Date that, in any case, may adversely affect the consummation of the transaction, as determined in the sole discretion of the Bank;

(iii) on the Extension Closing Date no Event of Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default, shall have occurred and be continuing and no default has occurred and is continuing under any of the Related Documents;

(iv) all information, documents, statements and certificates provided to the Bank by or on behalf of the City and the Authority in connection with the Letter of Credit Amendment No. 6 are true and correct on and as of the date hereof and were provided in expectation of the Bank's reliance thereon in issuing the Letter of Credit Amendment No. 6; and

(v) the City and the Authority have delivered to the Bank true, correct and complete copies of the Related Documents and such documents were duly issued, adopted or executed and delivered, have not been modified, amended or rescinded and are in full force and effect on and as of the Extension Closing Date;

(d) the Bank shall have received a copy of the proceedings of the City Council of the City, certified as of the Extension Closing Date by the City Clerk, authorizing, among other things, the execution and delivery by the City of this Amendment No. 2, the Fee Letter Amendment No. 2 and any other documents to be delivered by it hereunder and a copy of the proceedings of the Commission of the Authority, certified as of the Extension Closing Date by the Authority Secretary, authorizing, among other things, the execution and delivery by the Authority of this Amendment No. 2, the Fee Letter Amendment No. 2 and any other documents to be delivered by it hereunder;

(e) the Bank shall have received a certificate of an Authorized Representative of the City and a certificate of an Authorized Representative of the Authority each dated the Extension Closing Date certifying as to the authority, incumbency and specimen signatures of the Authorized Representatives of the City or the Authorized Representatives of the Authority, as applicable, authorized to sign this Amendment No. 2, the Fee Letter Amendment No. 2 and any other documents to be delivered by it hereunder and who will be authorized to represent the City

or the Authority, as applicable, in connection with the Reimbursement Agreement, upon which the Bank may rely until it receives a new such certificate;

(f) the representations and warranties set forth in Section 4 hereof shall be true and correct on and as of the Extension Closing Date and no Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default shall have occurred and be continuing;

(g) the City shall have disclosed to the Bank the status of any and all disputes with the Department of Finance or the State Controller's office, or any pending or threatened action, suit or proceeding, with respect to assets transferred to the City by the Redevelopment Agency and/or the recognized obligation payment schedules of the City as successor agency and/or payments made by the City as successor agency to the City and/or any other payments made or assets transferred by the Redevelopment Agency or the City as successor agency to the City;

(h) payment to the Bank of (or the Bank shall be reasonably satisfied that payment will be made promptly after demand therefor after the Extension Closing Date of) all fees and expenses payable by the City pursuant to Section 5 hereof; and

(i) all other legal matters pertaining to the execution and delivery of this Amendment No. 2 and the Fee Letter Amendment No. 2 and the issuance of the Letter of Credit Amendment No. 6 shall be reasonably satisfactory to the Bank and its counsel.

Section 4. Representations and Warranties.

(a) The City hereby represents and warrants as of the Extension Closing Date that: (i) the representations and warranties of the City set forth in Article 4.1 of the First Amended Reimbursement Agreement and in any and all documents delivered to the Bank in connection therewith are true and correct on and as of the Extension Closing Date, as if made on and as of such date; (ii) no Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default has occurred and is continuing; (iii) no default has occurred and is continuing under any of the Related Documents; (iv) the City is in compliance with the terms and conditions of the First Amended Reimbursement Agreement and has performed or complied with all of its obligations, agreements and covenants to be performed or complied with pursuant to the Reimbursement Agreement on or prior to the Extension Closing Date; (v) no material adverse change in the financial condition, operations or prospects of the City or laws, rules or regulations (or their interpretation or administration) shall have occurred as of the Extension Closing Date that, in any case, may adversely affect the consummation of the transaction, as determined in the sole discretion of the Bank; (vi) this Amendment No. 2 has been duly authorized, executed and delivered by the City; (vii) the City is the successor agency for the Redevelopment Agency of the City as designated under Section 34173 of the California Health & Safety Code, the City has assumed the rights and obligations of the Redevelopment Agency of the City under the Parking Garage Lease and the Parking Garage Facilities Lease is binding on the City as such successor agency; (viii) the City as such successor agency is the fee owner of the Leased Property subject to the Parking Garage Facilities Lease; (ix) the leasehold interest of the Authority of the Leased Property subject to the Parking Garage Facilities Lease has not

terminated as a result of the dissolution of the Redevelopment Agency of the City pursuant to Section 34170 et seq. of the California Health & Safety Code and the assumption of the rights and obligations of the Redevelopment Agency of the City under the Parking Garage Facilities Lease by the City as such successor agency; (x) as successor agency to the Redevelopment Agency of the City, the City is the “Redevelopment Agency” as such term is defined in the Reimbursement Agreement and all references in the Reimbursement Agreement to “Redevelopment Agency” shall mean and include the City as such successor agency; and (xi) all information, documents, statements and certificates provided to the Bank by or on behalf of the City in connection with the transactions contemplated by this Amendment No. 2 are true and correct as of the date thereof and were provided in expectation of the Bank’s reliance thereon in executing this Amendment No. 2. The City further acknowledges and agrees that: (i) the transaction contemplated by this Amendment No. 2 is an arm’s length, commercial transaction among the Authority, the City and the Bank in which the Bank is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Authority or the City; (ii) the Bank has not assumed any advisory or fiduciary responsibility to the Authority or the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank has provided other services or is currently providing other services to the Authority or the City on other matters); (iii) the only obligations the Bank has to the Authority or the City with respect to the transaction contemplated hereby expressly are set forth in this Amendment No. 2; and (iv) the Authority and the City each has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

(b) The Authority hereby represents and warrants as of the Extension Closing Date that: (i) the representations and warranties of the Authority set forth in Article 4.2 of the Reimbursement Agreement and in any and all documents delivered to the Bank in connection therewith are true and correct on and as of the Extension Closing Date, as if made on and as of such date; (ii) no Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default has occurred and is continuing; (iii) no default has occurred and is continuing under any of the Related Documents; (iv) the Authority is in compliance with the terms and conditions of the Reimbursement Agreement and has performed or complied with all of its obligations, agreements and covenants to be performed or complied with pursuant to the Reimbursement Agreement on or prior to the Extension Closing Date; (v) this Amendment No. 2 has been duly authorized, executed and delivered by the Authority; (vi) the leasehold interest of the Authority of the Leased Property subject to the Parking Garage Facilities Lease has not terminated as a result of the dissolution of the Redevelopment Agency of the City pursuant to Section 34170 et seq. of the California Health & Safety Code and the assumption of the rights and obligations of the Redevelopment Agency of the City under the Parking Garage Facilities Lease by the City as such successor agency; and (vii) all information, documents, statements and certificates provided to the Bank by or on behalf of the Authority in connection with the transactions contemplated by this Amendment No. 2 are true and correct as of the date thereof and were provided in expectation of the Bank’s reliance thereon in executing this Amendment No. 2. The Authority further acknowledges and agrees that: (i) the transaction contemplated by this Amendment No. 2 is an arm’s length, commercial transaction among the Authority, the City and the Bank in which the Bank is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Authority or the City; (ii) the Bank has not assumed any advisory or fiduciary responsibility to the Authority or the City with

respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank has provided other services or is currently providing other services to the Authority or the City on other matters); (iii) the only obligations the Bank has to the Authority or the City with respect to the transaction contemplated hereby expressly are set forth in this Amendment No. 2; and (iv) the Authority and the City each has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

Section 5. Costs and Expenses. The City shall pay (by payment of Additional Payments under the Lease Agreement) to the Bank any and all reasonable fees, charges and expenses, payable or incurred by the Bank in connection with the execution and delivery of this Amendment No. 2, the Fee Letter Amendment No. 2 and the Letter of Credit Amendment No. 6, including without limitation, the fees and expenses of counsel to the Bank. The City hereby agrees that such fees, charges and expenses are included as obligations under the First Amended Reimbursement Agreement.

Section 6. Miscellaneous.

(a) No Waiver. The Authority and the City each acknowledge and agree that, if and to the extent that the Bank has not heretofore required strict compliance with the performance by the Authority and the City of the covenants, agreements and obligations of the Authority and the City under the Reimbursement Agreement or the Related Documents, such action or inaction shall not constitute a waiver of, or otherwise affect in any manner, the Bank's rights and remedies under the Reimbursement Agreement or the Related Documents, as amended hereby, including the right to require performance of such covenants, agreements and obligations strictly in accordance with the terms and provisions thereof.

(b) Counterparts. This Amendment No. 2 may be executed in as many counterparts as necessary or convenient, and by the different parties on separate counterparts each of which, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same agreement.

(c) Severability. Any provision of this Amendment No. 2 which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provisions in any other jurisdiction.

(d) One Agreement. Taken together with the First Amended Reimbursement Agreement and the other instruments and documents delivered in compliance herewith, this Amendment No. 2 and any related security or other agreements required by this Amendment No. 2, collectively: (i) represent the sum of the understandings and agreements among the Authority, the Bank and the City concerning this credit; (ii) replace any prior oral or written agreements between or among the Bank and the Authority and/or the City concerning this credit; and (iii) are intended by the Bank, the Authority and the City as the final, complete and exclusive statement of the terms agreed to by them. In the event of any conflict between this Amendment

No. 2 and any other agreements required by this Amendment No. 2, this Amendment No. 2 will prevail.

(e) Governing Law. This Amendment No. 2 shall be governed by, and construed in accordance with, the laws of the State of New York insofar as they are enforceable against the Bank and the laws of the State of California insofar as they are enforceable against the City or the Authority.

[The Remainder of This Page Intentionally Left Blank]

This Amendment No. 2 to Reimbursement Agreement is executed as of the date stated on the first page.

BANK OF AMERICA, N.A.

CITY OF MODESTO

By: 
Typed Name: Douglas Howlsby
Title: Senior Vice President

By: _____
Typed Name: _____
Title: _____
ATTEST:

By: _____
Typed Name: _____
City Clerk

APPROVED AS TO FORM:

By: _____
Typed Name: _____
Title: _____

MODESTO PUBLIC FINANCING
AUTHORITY

By: _____
Typed Name: _____
Title: _____

Federal law requires the Bank to provide the following notice. This notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.

USA PATRIOT ACT NOTICE. Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. The Bank will ask for the Authority's and the City's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Authority, the City, guarantors or other related persons.

This Amendment No. 2 to Reimbursement Agreement is executed as of the date stated on the first page.

BANK OF AMERICA, N.A.

CITY OF MODESTO

By: _____
Typed Name: _____
Title: _____

By: [Signature]
Typed Name: _____
Title: _____

ATTEST:

By: [Signature]
Typed Name: _____
City Clerk

APPROVED AS TO FORM:

By: [Signature]
Typed Name: _____
Title: _____

MODESTO PUBLIC FINANCING
AUTHORITY

By: [Signature]
Typed Name: _____
Title: _____

Federal law requires the Bank to provide the following notice. This notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.

USA PATRIOT ACT NOTICE. Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. The Bank will ask for the Authority's and the City's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Authority, the City, guarantors or other related persons.

Exhibit A

Form of Letter of Credit Amendment No. 6

IRREVOCABLE LETTER OF CREDIT

BANK OF AMERICA, N.A.

1000 West Temple Street, 7th Floor
Mail Code CA-9-705-07-05
Los Angeles, California 90012-1514
August 28, 2008

Irrevocable Transferable Letter of Credit No. 3095777

Amendment No. 6

February 25, 2014

The Bank of New York Mellon Trust Company, N.A., as Trustee
100 Pine Street, Suite 3100
San Francisco, California 94111
Attention: Corporate Trust Department

Dear Ladies and Gentlemen:

The undersigned, a duly authorized officer of Bank of America, N.A. (the "Bank") hereby notifies The Bank of New York Mellon Trust Company, N.A., as Trustee, that the Stated Expiration Date of Irrevocable Transferable Letter of Credit No. 3095777 dated August 28, 2008 (the "Letter of Credit") has been extended to March 31, 2017.

Paragraph (6) of Annex F attached to the Letter of Credit is hereby deleted in its entirety and the following substituted therefor: "(6) The amount available to be drawn by the Trustee under the Letter of Credit for the principal portion is reduced to \$_____ (such amount being equal to the amount specified in paragraph (3) above) upon receipt by the Bank of this Certificate."

This letter should be attached to the Letter of Credit and made a part thereof.

BANK OF AMERICA, N.A.

By: _____
Name: _____
Title: _____

\$65,170,000 original aggregate principal amount of
MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

CERTIFIED COPIES OF FEE LETTER AND AMENDMENT NO. 1 TO FEE LETTER

The undersigned authorized representative of the Modesto Public Financing Authority (the "Authority"), in connection with the Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the "Bonds") DOES HEREBY CERTIFY that attached hereto is a full, true and correct copy of the FEE LETTER, dated August 16, 2011, and AMENDMENT NO. 1 TO FEE LETTER, dated as of August 29, 2012, each by and among the Authority, the City of Modesto and Bank of America, N.A., with respect to the Bonds, and does hereby further certify that such fee letter and amendment have not been further amended, modified or rescinded, and are now in full force and effect.

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IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of February, 2014.

MODESTO PUBLIC FINANCING AUTHORITY

By: 
Stephanie Lopez
Secretary

FEE LETTER

August 16, 2011

City of Modesto
1010 Tenth Street, Suite 5200
Modesto, California 95354

Modesto Public Financing Authority
c/o City of Modesto
1010 Tenth Street, Suite 5200
Modesto, California 95354

Re: Modesto Public Financing Authority Lease Revenue Refunding Bonds,
Series 2008

Ladies and Gentlemen:

Reference is hereby made to that certain Amended and Restated Reimbursement Agreement dated as of August 16, 2011 (the "*Agreement*"), among the City of Modesto (the "*City*"), the Modesto Public Financing Authority (the "*Authority*"), and Bank of America, N.A. (the "*Bank*"), pursuant to which the Bank has issued its Irrevocable Transferable Letter of Credit No. 3095777, as amended from time to time including as amended by that certain Amendment No. 2 dated August 16, 2011 (the "*Letter of Credit Amendment*") supporting the above-referenced Bonds. Section 2.3(a)-(d) of the Agreement makes reference to this letter (this "*Fee Letter*") as containing an agreement as to fees payable by you to the Bank in consideration for the Bank issuing the Letter of Credit Amendment. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

ARTICLE I. FEES AND PAYMENTS.

Section 1.1. Letter of Credit Fee. For the period from the Closing Date through but not including the Extension Closing Date, the Letter of Credit Fee shall be as set forth in Section 2.3(a) of the First Amended Reimbursement Agreement (which provision, for purposes of determining the Letter of Credit Fee in effect for the period from the Closing Date through the Extension Closing Date, is hereby incorporated by reference into this Section 1.1). For the period from and after the Extension Closing Date, the Authority and the City (by payment of Additional Payments under the Lease Agreement) hereby agree to pay or cause to be paid to the Bank a nonrefundable Letter of Credit Fee quarterly in arrears equal to (i) the Letter of Credit Fee Rate multiplied by (ii) the Stated Amount of the Letter of Credit. As used above, "*Letter of Credit Fee Rate*" shall mean 1.40% per annum increased one time per level by the percentage

points indicated below for each level below the A3/A/A+ level through or to which the current rating assigned to any long term, unenhanced general fund obligation of the City by Moody's Investors Service, Inc., Standard & Poor's Rating Service or Fitch, Inc. falls:

Rating (Moody's/S&P/Fitch)	Percentage Point Increase
A3/A/A+ or higher	0.00%
Baa1/A-/A	0.30%
Baa2/BBB+/A-	0.50%
Baa3/BBB/BBB+	0.70%
Below Baa3/BBB- or below/BBB or below	0.90%

In the event that (x) any rating assigned to any long term, unenhanced general fund obligation of the City should be withdrawn or suspended for any reason other than payment in full or defeasance of such general fund obligation or (y) upon the occurrence of an Event of Default, the then current Letter of Credit Fee Rate based on the table above will be increased by an additional 1.50% per annum. In the event of split ratings, the Letter of Credit Rate will be based on the level that includes the lowest such rating. All such fee increases shall be cumulative.

In the event that the Authority or the City enters into any agreement with another provider of credit enhancement and/or liquidity in support of any long term, unenhanced general fund obligation of the City within six months of the Extension Closing Date and which includes pricing that exceeds or is more favorable than that provided for in this Section 1.1, including, but not limited to any increases in such pricing, the pricing terms provided in this Section 1.1 shall be deemed amended to incorporate the pricing that exceeds or is more favorable than that agreed to with the Bank.

Section 1.2. Payment Dates. From the Closing Date until the day immediately preceding the Extension Closing Date, the payment dates for payment of the Letter of Credit Fee shall be as set forth in Section 2.3(b) of the First Amended Reimbursement Agreement (which provision, for purposes of determining the payment dates for payment of the Letter of Credit Fee in effect from the Closing Date until the day immediately preceding the Extension Closing Date, is hereby incorporated by reference into this Section 1.2). From and after the Extension Closing Date, the Letter of Credit Fee shall be paid quarterly in arrears on the first Business Day of each January, April, July and October commencing on October 1, 2011 (such quarterly payment to include the Letter of Credit Fee for the period commencing on June 1, 2011 through September 30, 2011) and on the Expiration Date.

Section 1.3. Other Fees. In addition, the Authority and City (by payment of Additional Payments under the Lease Agreement) shall pay to Bank upon the amendment or transfer of the Letter of Credit and upon the negotiation of each draft drawn under the Letter of Credit, nonrefundable fees and charges determined by Bank in accordance with Bank's standard fees and charges in effect at the time the Letter of Credit is amended or transferred or any draft is paid. The current fees charged by the Bank are \$2,500 for each amendment or transfer of the Letter of Credit and \$250.00 plus a \$45.00 wire fee for each Drawing on the Letter of Credit.

Section 1.4. Calculation of Fees and Interest. All fees payable hereunder shall be nonrefundable and shall be calculated on the basis of a 360-day year and actual days elapsed, including the Closing Date and the Expiration Date. All interest payable under the Agreement shall be calculated on the basis of a 365/366-day year and actual days elapsed.

Section 1.5. Initial Costs and Expenses. The Authority and the City (by payment of Additional Payments under the Lease Agreement) shall pay to the Bank any and all reasonable fees, charges and expenses, payable or incurred by the Bank in connection with the preparation, due diligence and execution and delivery of the Agreement and the Letter of Credit Amendment, including without limitation, the fees and expenses of counsel to the Bank, together with interest on such amounts from the date such payment is due until paid at a rate per annum equal to the Default Rate, and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such fees and expenses. The Bank's out of pocket expenses, excluding fees and expenses of counsel to the Bank in connection with the Letter of Credit Amendment shall not exceed \$1,500.00. The obligations and liabilities under this Section 1.5 shall survive the termination of this Fee Letter, the Agreement and the Lease Agreement and the Authority's and the City's Obligations hereunder and thereunder and the payment in full of all Base Rental Payments and Additional Payments.

Section 1.6. Termination Fee. Pursuant to Section 2.6 of the Agreement, in the event the Authority or the City terminates or permanently reduces the Letter of Credit (other than a permanent reduction solely as a result of the mandatory sinking fund redemption on September 1, 2011) for any reason prior to September 30, 2012, the Authority and the City (by payment of Additional Payments under the Lease Agreement) shall pay the Bank the Termination Fee, if any. As used above and in Section 2.6 of the Agreement, "Termination Fee" shall mean a nonrefundable fee in an amount equal to the letter of credit fee payable pursuant to Section 2.3(a) of the Agreement that would have accrued had the Agreement been in effect for one full year (less any amounts previously paid for such period pursuant to Section 2.3(a) of the Agreement).

ARTICLE II NOTICES.

Unless otherwise provided in the Agreement or in another agreement among or between the Bank and the Authority and/or the City, all notices required under the Agreement shall be personally delivered or sent by first class mail, postage prepaid, or by overnight courier, to the

addresses set forth below, or sent by facsimile to the fax numbers set forth below, or to such other addresses as the Bank, the Authority and the City may specify from time to time in writing. Notices and other communications sent by (a) first class mail shall be deemed delivered on the earlier of actual receipt or on the fourth business day after deposit in the U.S. mail, postage prepaid, (b) overnight courier shall be deemed delivered on the next business day, and (c) telecopy shall be deemed delivered when transmitted.

Address where notices to the Bank are to be sent:

Bank of America, N.A.
CA5-704-13-11
315 Montgomery St., 13th Floor
San Francisco, CA 94104
Facsimile: 415-622-5032

Address where notices to the City are to be sent:

1010 Tenth Street, Suite 5200
Modesto, CA 95354
Attn: Director of Finance
Facsimile: 209-571-5880

Address where notices to the Authority are to be sent:

Modesto Public Financing Authority
c/o City of Modesto
1010 Tenth Street, Suite 5200
Modesto, CA 95353
Attn: Auditor and Treasurer
Facsimile: 209-571-5880

ARTICLE III MISCELLANEOUS.

Section 2.1. Amendments. No amendment to this Fee Letter shall become effective without the prior written consent of the City, the Authority and the Bank.

Section 2.2. Governing Law. THIS FEE LETTER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK INSOFAR AS THEY ARE ENFORCEABLE AGAINST THE BANK AND THE LAWS OF THE STATE OF CALIFORNIA INSOFAR AS THEY ARE ENFORCEABLE AGAINST THE CITY OR THE AUTHORITY.

Section 2.3. Counterparts. This Fee Letter may be executed in multiple counterparts, each of which shall constitute an original but both or all of which, when taken together, shall constitute but one instrument. This Fee Letter may be delivered by the exchange of signed

signature pages by facsimile transmission or by attaching a pdf copy to an email, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

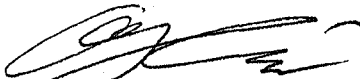
Section 2.4. Severability. Any provision of this Fee Letter which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

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If the foregoing accurately reflects our agreement, please indicate the same by signing in the space provided below.

Very truly yours,

BANK OF AMERICA, N.A.

By 
Its Andy Shin, Vice President

ACCEPTED AND AGREED TO:

CITY OF MODESTO

By _____
Its _____

ATTEST:

By _____
Its City Clerk

APPROVED AS TO FORM:

By _____
Its _____

CITY MODESTO PUBLIC FINANCING
AUTHORITY

By _____
Its _____

If the foregoing accurately reflects our agreement, please indicate the same by signing in the space provided below.

Very truly yours,

BANK OF AMERICA, N.A.

By _____
Its _____

ACCEPTED AND AGREED TO:

CITY OF MODESTO

By *Melnette Park*
Its Director of Finance

ATTEST:

By *Stephanie Goyz*
Its City Clerk

APPROVED AS TO FORM:

By *Stephanie Goyz*
Its Booker A. Wood, City Attorney

CITY MODESTO PUBLIC FINANCING
AUTHORITY

By *Melnette Park*
Its Treasurer

S-1

145003.4 035340 AGMT

AMENDMENT NO. 1 TO FEE LETTER

August 29, 2012

City of Modesto
1010 Tenth Street, Suite 5200
Modesto, California 95354

Modesto Public Financing Authority
c/o City of Modesto
1010 Tenth Street, Suite 5200
Modesto, California 95354

Re: Modesto Public Financing Authority Lease Revenue Refunding Bonds,
Series 2008

Ladies and Gentlemen:

This Amendment No. 1 to Fee Letter, dated August 29, 2012 (this "*Fee Letter Amendment No. 1*"), by and among Bank of America, N.A. (the "*Bank*"), the Modesto Public Financing Authority (the "*Authority*") and the City of Modesto (the "*City*"), amends that certain Fee Letter dated August 16, 2011, by and among the Bank, the Authority and the City (the "*Original Fee Letter*" and as amended by this Fee Letter Amendment No. 1 and as it may be further amended and supplemented from time to time, the "*Fee Letter*"). Reference is hereby made to that certain Amended and Restated Reimbursement Agreement dated as of August 16, 2011 (the "*Original Agreement*"), among the City, the Authority, and the Bank, as amended by that certain Amendment No. 1 to Amended and Restated Reimbursement Agreement dated August 29, 2012 (the "*Amendment No. 1*" and the Original Agreement, as amended by Amendment No. 1 and as it may be further amended and supplemented from time to time, the "*Agreement*"), pursuant to which the Bank has issued its Irrevocable Transferable Letter of Credit No. 3095777, as amended from time to time including as amended by that certain Amendment No. 3 dated August 29, 2012 (the "*Letter of Credit Amendment No. 1*") supporting the above-referenced Bonds (as so amended and as it may be further amended and supplemented from time to time, the "*Letter of Credit*"). Section 2.3(a)-(d) of the Agreement makes reference to the Fee Letter as containing an agreement as to certain fees, costs and expenses payable by the Authority and City (by payment of Additional Payments under the Lease Agreement) to the Bank.

Section 1. Authority and Definitions.

(a) This Fee Letter Amendment No. 1 is entered into pursuant to Section 3.1 of the Original Fee Letter.

(b) This Fee Letter Amendment No. 1 amends the Original Fee Letter.

(c) Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

(d) This Fee Letter Amendment No. 1 shall become effective upon the execution and delivery hereof by the Authority, the City and the Bank on August 29, 2012.

(e) The provisions of this Fee Letter Amendment No. 1 shall supersede and prevail over any conflicting provisions of the Original Fee Letter. If there is any conflict between the terms, conditions and provisions of this Fee Letter Amendment No. 1 and those of any of the Related Documents, the terms, conditions and provisions of this Fee Letter Amendment No. 1, as applicable, shall prevail. Save and except as expressly amended hereby, all of the terms and provisions of the Original Fee Letter continue in full force and effect and are applicable to the provisions of this Fee Letter Amendment No. 1 and the obligations of the parties hereunder. Reference to this specific Fee Letter Amendment No. 1 need not be made in any note, document, agreement, letter, certificate, the Reimbursement Agreement or any communication issued or made subsequent to, or with respect to, the Reimbursement Agreement, it being hereby agreed that any reference to the Reimbursement Agreement shall be sufficient to refer to the Original Fee Letter as hereby amended. The parties hereto expressly agree that this Fee Letter Amendment No. 1 shall constitute a modification of the Original Fee Letter and does not constitute a novation or substitution with respect to the Original Fee Letter.

Section 2. Amendment of the Original Fee Letter.

(a) Section 1.1 of the Original Fee Letter is hereby deleted in its entirety and the following substituted therefor:

“Section 1.1. Letter of Credit Fee. For the period from the Closing Date through but not including the Extension Closing Date, the Letter of Credit Fee shall be as set forth in Section 2.3(a) of the First Amended Reimbursement Agreement (which provision, for purposes of determining the Letter of Credit Fee in effect for the period from the Closing Date through the Extension Closing Date, is hereby incorporated by reference into this Section 1.1). For the period from and after the Extension Closing Date, the Authority and the City (by payment of Additional Payments under the Lease Agreement) hereby agree to pay or cause to be paid to the Bank a nonrefundable Letter of Credit Fee quarterly in arrears equal to (i) the Letter of Credit Fee Rate multiplied by (ii) the Stated Amount of the Letter of Credit. As used above, *“Letter of Credit Fee Rate”* shall mean

(x) initially, 1.40% per annum or (y) if at any time the Bank receives the banking services contract from the City and for so long as the City maintains the Bank as its principal depository bank (including for the maintenance of business, cash management, operating and administrative deposit accounts), 1.10% per annum, in either case increased one time per level by the percentage points indicated below for each level below the A3/A/A+ level through or to which the current rating assigned to any long term, unenhanced general fund obligation of the City by Moody's Investors Service, Inc., Standard & Poor's Rating Service or Fitch, Inc. falls:

Rating (Moody's/S&P/Fitch)	Percentage Point Increase
A3/A/A+ or higher	0.00%
Baa1/A-/A	0.30%
Baa2/BBB+/A-	0.50%
Baa3/BBB/BBB+	0.70%
Below Baa3/BBB- or below/BBB or below	0.90%

In the event that (x) any rating assigned to any long term, unenhanced general fund obligation of the City should be withdrawn or suspended for any reason other than payment in full or defeasance of such general fund obligation or (y) upon the occurrence of an Event of Default, the then current Letter of Credit Fee Rate based on the table above will be increased by an additional 1.50% per annum. In the event of split ratings, the Letter of Credit Rate will be based on the level that includes the lowest such rating. All such fee increases shall be cumulative.

In the event that the Authority or the City enters into any agreement with another provider of credit enhancement and/or liquidity in support of any long term, unenhanced general fund obligation of the City within six months of the Extension Closing Date and which includes pricing that exceeds or is more favorable than that provided for in this Section 1.1, including, but not limited to any increases in such pricing, the pricing terms provided in this Section 1.1 shall be deemed amended to incorporate the pricing that exceeds or is more favorable than that agreed to with the Bank."

(b) Section 1.6 of the Original Fee Letter is hereby amended by adding the following at the end thereof:

"For the period from and after September 30, 2012, no Termination Fee shall be payable to the Bank hereunder."

Section 3. Miscellaneous.

(a) *Governing Law.* THIS FEE LETTER AMENDMENT NO. 1 SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK INsofar AS THEY ARE ENFORCEABLE AGAINST THE BANK AND THE LAWS OF THE STATE OF CALIFORNIA INsofar AS THEY ARE ENFORCEABLE AGAINST THE CITY OR THE AUTHORITY.

(b) *Counterparts.* This Fee Letter Amendment No. 1 may be executed in multiple counterparts, each of which shall constitute an original but both or all of which, when taken together, shall constitute but one instrument. This Fee Letter Amendment No. 1 may be delivered by the exchange of signed signature pages by facsimile transmission or by attaching a pdf copy to an email, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

(c) *Severability.* Any provision of this Fee Letter Amendment No. 1 which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

[The remainder of this page intentionally left blank]

If the foregoing accurately reflects our agreement, please indicate the same by signing in the space provided below.

Very truly yours,

BANK OF AMERICA, N.A.

By *Ray B...*
Its *Sr. Vice President*

ACCEPTED AND AGREED TO:

CITY OF MODESTO

By _____
Its _____

ATTEST:

By _____
Its City Clerk

APPROVED AS TO FORM:

By _____
Its _____

CITY MODESTO PUBLIC FINANCING
AUTHORITY

By _____
Its _____

If the foregoing accurately reflects our agreement, please indicate the same by signing in the space provided below.

Very truly yours,

BANK OF AMERICA, N.A.

By _____
Its _____

ACCEPTED AND AGREED TO:

CITY OF MODESTO

By *[Signature]*
Its _____

ATTEST:

By *Stephanie Goy*
Its City Clerk

APPROVED AS TO FORM:

By *[Signature]*
Its City Attorney

CITY MODESTO PUBLIC FINANCING
AUTHORITY

By *Clouette Genereux*
Its _____

AMENDMENT NO. 2 TO FEE LETTER

February 25, 2014

City of Modesto
1010 Tenth Street, Suite 5200
Modesto, California 95354

Modesto Public Financing Authority
c/o City of Modesto
1010 Tenth Street, Suite 5200
Modesto, California 95354

Re: Modesto Public Financing Authority Lease Revenue Refunding Bonds,
Series 2008

Ladies and Gentlemen:

This Amendment No. 2 to Fee Letter, dated February 25, 2014 (this "*Fee Letter Amendment No. 2*"), by and among Bank of America, N.A. (the "*Bank*"), the Modesto Public Financing Authority (the "*Authority*") and the City of Modesto (the "*City*"), amends that certain Fee Letter dated August 16, 2011, by and among the Bank, the Authority and the City, as amended by that certain Amendment No. 1 to Fee Letter dated August 29, 2011, by and among the Bank, the Authority and the City (as so amended, the "*First Amended Fee Letter*"), and as further amended by this Fee Letter Amendment No. 2 and as it may be further amended and supplemented from time to time, the "*Fee Letter*"). Reference is hereby made to that certain Amended and Restated Reimbursement Agreement dated as of August 16, 2011, among the City, the Authority, and the Bank, as amended by that certain Amendment No. 1 to Amended and Restated Reimbursement Agreement dated August 29, 2012 and that certain Amendment No. 2 to Amended and Restated Reimbursement Agreement dated February 25, 2014 (as so amended and as it may be further amended and supplemented from time to time, the "*Agreement*"), pursuant to which the Bank has issued its Irrevocable Transferable Letter of Credit No. 3095777, as amended from time to time including as amended by that certain Amendment No. 6 dated February 25, 2014 (the "*Letter of Credit Amendment No. 6*") supporting the above-referenced Bonds (as so amended and as it may be further amended and supplemented from time to time, the "*Letter of Credit*"). Section 2.3(a)-(d) of the Agreement makes reference to the Fee Letter as containing an agreement as to certain fees, costs and expenses payable by the Authority and City (by payment of Additional Payments under the Lease Agreement) to the Bank.

Section 1. Authority and Definitions.

(a) This Fee Letter Amendment No. 2 is entered into pursuant to Section 3.1 of the First Amended Fee Letter.

(b) This Fee Letter Amendment No. 2 amends the First Amended Fee Letter.

(c) Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

(d) This Fee Letter Amendment No. 2 shall become effective upon the execution and delivery hereof by the Authority, the City and the Bank on February 25, 2014.

(e) The provisions of this Fee Letter Amendment No. 2 shall supersede and prevail over any conflicting provisions of the First Amended Fee Letter. If there is any conflict between the terms, conditions and provisions of this Fee Letter Amendment No. 2 and those of any of the Related Documents, the terms, conditions and provisions of this Fee Letter Amendment No. 2, as applicable, shall prevail. Save and except as expressly amended hereby, all of the terms and provisions of the First Amended Fee Letter continue in full force and effect and are applicable to the provisions of this Fee Letter Amendment No. 2 and the obligations of the parties hereunder. Reference to this specific Fee Letter Amendment No. 2 need not be made in any note, document, agreement, letter, certificate, the Reimbursement Agreement or any communication issued or made subsequent to, or with respect to, the Reimbursement Agreement, it being hereby agreed that any reference to the Reimbursement Agreement shall be sufficient to refer to the First Amended Fee Letter as hereby amended. The parties hereto expressly agree that this Fee Letter Amendment No. 2 shall constitute a modification of the First Amended Fee Letter and does not constitute a novation or substitution with respect to the First Amended Fee Letter.

Section 2. Amendment of the First Amended Fee Letter.

(a) Section 1.1 of the First Amended Fee Letter is hereby deleted in its entirety and the following substituted therefor:

“Section 1.1. Letter of Credit Fee. For the period from the Closing Date through but not including the Extension Closing Date, the Letter of Credit Fee shall be as set forth in Section 2.3(a) of the First Amended Reimbursement Agreement (which provision, for purposes of determining the Letter of Credit Fee in effect for the period from the Closing Date through the Extension Closing Date, is hereby incorporated by reference into this Section 1.1). For the period from and after the Extension Closing Date, the Authority and the City (by payment of Additional Payments under the Lease Agreement) hereby agree to pay or cause to be paid to the Bank a nonrefundable Letter of Credit Fee quarterly in arrears equal to (i) the Letter of Credit Fee Rate multiplied by (ii) the Stated Amount of the Letter of Credit. As used above, *“Letter of Credit Fee Rate”* shall mean 1.10%

per annum, increased one time per level by the percentage points indicated below for each level below the A3/A/A+ level through or to which the current rating assigned to any long term, unenhanced general fund obligation of the City by Moody's Investors Service, Inc., Standard & Poor's Rating Service or Fitch, Inc. falls:

Rating (Moody's/S&P/Fitch)	Percentage Point <u>Increase</u>
A3/A/A+ or higher	0.00%
Baa1/A-/A	0.30%
Baa1/BBB+/A-	0.50%
Baa1/BBB+/BBB+	0.70%

In the event that (x) any rating assigned to any long term, unenhanced general fund obligation of the City should be withdrawn or suspended for any reason other than payment in full or defeasance of such general fund obligation or (y) upon the occurrence of an Event of Default, the then current Letter of Credit Fee Rate based on the table above will be increased by an additional 1.50% per annum. In the event of split ratings, the Letter of Credit Rate will be based on the level that includes the lowest such rating. All such fee increases shall be cumulative.”

Section 3. Miscellaneous.

(a) **Governing Law.** THIS FEE LETTER AMENDMENT NO. 2 SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK INSOFAR AS THEY ARE ENFORCEABLE AGAINST THE BANK AND THE LAWS OF THE STATE OF CALIFORNIA INSOFAR AS THEY ARE ENFORCEABLE AGAINST THE CITY OR THE AUTHORITY.

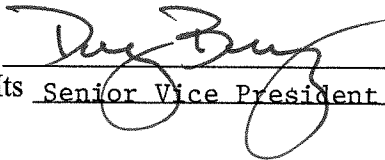
(b) **Counterparts.** This Fee Letter Amendment No. 2 may be executed in multiple counterparts, each of which shall constitute an original but both or all of which, when taken together, shall constitute but one instrument. This Fee Letter Amendment No. 2 may be delivered by the exchange of signed signature pages by facsimile transmission or by attaching a pdf copy to an email, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

(c) **Severability.** Any provision of this Fee Letter Amendment No. 2 which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

If the foregoing accurately reflects our agreement, please indicate the same by signing in the space provided below.

Very truly yours,

BANK OF AMERICA, N.A.

By 
Its Senior Vice President

ACCEPTED AND AGREED TO:

CITY OF MODESTO

By _____
Its _____

ATTEST:

By _____
Its City Clerk

APPROVED AS TO FORM:

By _____
Its _____

CITY MODESTO PUBLIC FINANCING
AUTHORITY

By _____
Its _____



BANK OF AMERICA, N.A.
1000 West Temple Street, 7th Floor
Mail Code CA-9-705-07-05
Los Angeles, California 90012-1514

Irrevocable Transferable Letter of Credit No. 3095777

Amendment No. 6

February 25, 2014

The Bank of New York Mellon Trust Company, N.A., as Trustee
100 Pine Street, Suite 3100
San Francisco, California 94111
Attention: Corporate Trust Department

Dear Ladies and Gentlemen:

The undersigned, a duly authorized officer of Bank of America, N.A. (the "Bank") hereby notifies The Bank of New York Mellon Trust Company, N.A., as Trustee, that the Stated Expiration Date of Irrevocable Transferable Letter of Credit No. 3095777 dated August 28, 2008 (the "Letter of Credit") has been extended to March 31, 2017.

Paragraph (6) of Annex F attached to the Letter of Credit is hereby deleted in its entirety and the following substituted therefor: "(6) The amount available to be drawn by the Trustee under the Letter of Credit for the principal portion is reduced to \$_____ (such amount being equal to the amount specified in paragraph (3) above) upon receipt by the Bank of this Certificate."

This letter should be attached to the Letter of Credit and made a part thereof.

BANK OF AMERICA, N.A.

By: 
Name: Sandra Leon
Title: Vice President

SPECIMEN

SUPPLEMENT, DATED FEBRUARY 25, 2014, TO OFFICIAL STATEMENT, DATED AUGUST 26, 2008

NOT A NEW ISSUE

RATINGS:
See "RATINGS" herein

\$65,170,000
MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

Dated: Date of Original Delivery **Price: 100%** **CUSIP[†] 607796BU2** **Due: September 1, 2033**
(August 28, 2008)

This Supplement to Official Statement (this "Supplement") sets forth certain information supplementary to that information contained in the Official Statement dated August 26, 2008 (the "Original Official Statement"), relating to the Modesto Public Financing Authority Lease Revenue Refunding Bonds Series 2008 (the "2008 Bonds"). The 2008 Bonds were issued pursuant to an Indenture, dated as of August 1, 2008, by and between the Modesto Public Financing Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as Trustee, in order to provide funds to (i) refund certain bonds previously issued by the Authority, (ii) fund the Reserve Fund for the 2008 Bonds and (iii) pay the costs of issuance of the 2008 Bonds.

Information with respect to the 2008 Bonds is contained in the Original Official Statement, as supplemented by this Supplement. This Supplement should be read together with the Original Official Statement (a copy of which is attached hereto as Appendix A and incorporated herein by reference). To the extent that the information in this Supplement conflicts with the information in the Original Official Statement, this Supplement shall govern. No attempt has been made to update the Original Official Statement except as specifically set forth in this Supplement. Unless otherwise defined in this Supplement, all terms used herein shall have the same meanings as those terms in the Original Official Statement.

The 2008 Bonds were issued in and are currently in a Weekly Mode, and interest on the 2008 Bonds accrues at the Weekly Rate. Regularly scheduled payments of the principal of and interest on the 2008 Bonds is supported by an irrevocable, direct-pay letter of credit (the "Letter of Credit") issued by Bank of America, N.A. (the "Bank") pursuant to the terms of an Amended and Restated Reimbursement Agreement, dated as of August 16, 2011, as amended from time to time (the "Reimbursement Agreement"), by and among the Authority, the City of Modesto (the "City") and the Bank, upon which Letter of Credit the Trustee is instructed to draw whenever any such amount is payable on the 2008 Bonds. The Trustee may also draw funds under the Letter of Credit to pay the purchase price of 2008 Bonds tendered for payment and not remarketed to the extent other moneys are not available therefor. The Letter of Credit with respect to the 2008 Bonds had an original stated expiration date of August 1, 2011, which has been extended a number of times, most recently to March 31, 2014. The Authority recently requested the Bank to extend the stated expiration date again, this time to March 31, 2017, and the Bank has agreed to do so. See "CREDIT FACILITY" and "INFORMATION CONCERNING BANK OF AMERICA" herein.

Merrill Lynch, Pierce, Fenner & Smith Incorporated will continue to serve as remarketing agent for the 2008 Bonds (the "Remarketing Agent").

Certain legal matters in connection with the extension of the stated expiration date of the Letter of Credit will be passed upon for the City by Sidley Austin LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney of the City and for the Bank by Hawkins Delafield & Wood LLP, Los Angeles, California.

BofA Merrill Lynch

[†] Copyright 2008, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc., and is set forth herein for convenience of reference only. None of the Authority, the City or the Remarketing Agent takes any responsibility for the accuracy of such numbers.

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SUPPLEMENT, DATED FEBRUARY 25, 2014, TO OFFICIAL STATEMENT, DATED AUGUST 26, 2008

RELATING TO

\$65,170,000

**MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008**

INTRODUCTION

The purpose of this Supplement to Official Statement (this "Supplement") is to supplement the Official Statement dated August 26, 2008 (the "Original Official Statement"), relating to the \$65,170,000 Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the "2008 Bonds"). The 2008 Bonds are currently outstanding in the aggregate principal amount of \$59,475,000. This Supplement provides information concerning the extension to March 31, 2017 of the stated expiration date of the irrevocable direct-pay letter of credit (the "Letter of Credit") issued by Bank of America, N.A. (the "Bank") pursuant to the terms of an Amended and Restated Reimbursement Agreement, dated as of August 16, 2011, as amended from time to time (the "Reimbursement Agreement"), by and among the Bank, the Modesto Public Financing Authority (the "Authority") and the City of Modesto (the "City") to provide for the payment of principal, purchase price and optional and mandatory sinking fund redemption price of and interest on the 2008 Bonds. The Letter of Credit previously had a stated expiration date of March 31, 2014.

The 2008 Bonds were issued pursuant to an Indenture, dated as of August 1, 2008, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, in order to provide funds to (i) refund certain bonds previously issued by the Authority, (ii) fund the Reserve Fund for the 2008 Bonds and (iii) pay the costs of issuance of the 2008 Bonds.

In connection with the extension of the Letter of Credit's stated expiration date by the Bank, the Reimbursement Agreement will be amended pursuant to an Amendment No. 2 to Reimbursement Agreement ("Amendment No. 2," the Reimbursement Agreement, as amended to date, including as amended by Amendment No. 2, the "Reimbursement Agreement"). See "CREDIT FACILITY" herein.

This Supplement also provides information about the Bank, which has been provided by the Bank. See "INFORMATION CONCERNING BANK OF AMERICA" below.

Information with respect to the 2008 Bonds is contained in the Original Official Statement, as supplemented by this Supplement. This Supplement should be read together with the Original Official Statement (a copy of which is attached hereto as Appendix A and incorporated herein by reference). To the extent that the information in this Supplement conflicts with the information in the Original Official Statement, this Supplement shall govern. No attempt has been made to update the Original Official Statement except as specifically set forth in this Supplement. Unless otherwise defined in this Supplement, all terms used herein shall have the same meanings as those terms in the Original Official Statement.

CREDIT FACILITY

POTENTIAL PURCHASERS OF THE 2008 BONDS SHOULD MAKE ANY DECISION WITH RESPECT TO THE PURCHASE, HOLDING OR TENDER OF SUCH 2008 BONDS BASED SOLELY UPON THE CREDIT OF THE BANK AND NOT THE CITY OR THE AUTHORITY. NEITHER THE CITY NOR THE AUTHORITY HAS OBLIGATED ITSELF TO PURCHASE THE 2008 BONDS IN THE EVENT OF A MANDATORY OR OPTIONAL TENDER. CERTAIN INFORMATION INCLUDED IN THIS SUPPLEMENT WITH RESPECT TO THE CITY AND THE AUTHORITY IS FOR INFORMATIONAL PURPOSES ONLY.

Reference is made to each of the Letter of Credit and the Reimbursement Agreement in its entirety for the detailed provisions thereof, copies of which are available for inspection from the Trustee.

Initial Credit Facility

The Bank has established, at the request and for the account of the City, the Letter of Credit in favor of the Trustee. The Letter of Credit authorizes the Trustee to draw on the Letter of Credit in an aggregate amount not exceeding \$60,139,816.44 (as reduced or reinstated from time to time in accordance with the provisions of the Letter of Credit, the "Stated Amount") of which an amount not exceeding \$59,475,000.00 may be drawn with respect to payment of the unpaid principal of or the portion of the purchase price corresponding to the unpaid principal of the 2008 Bonds and an amount not exceeding \$664,816.44 may be drawn upon with respect to payment of up to 34 days' interest on the 2008 Bonds or the portion of the purchase price corresponding to up to 34 days' interest on the 2008 Bonds, computed at 12% per annum on the principal thereof calculated on the basis of a 365 day year.

Drawings by the Trustee under the Letter of Credit and presentation of a reduction certificate by the Trustee to the Bank will reduce the Stated Amount available for subsequent drawings under the Letter of Credit, subject to reinstatement as provided in the Letter of Credit.

The Letter of Credit expires at the close of banking business at the Bank's Los Angeles, California office upon the earliest of (i) the Bank's honoring of a final draft presented under the Letter of Credit, (ii) the close of business on the effective date notified to the Bank by written notice from the Trustee of purchase of the 2008 Bonds upon mandatory tender thereof pursuant to the Indenture, (iii) the date on which the Bank receives written notice from the Trustee that there are no longer any 2008 Bonds Outstanding, and (iv) March 31, 2017, as extended by the Bank in its sole discretion by delivery of a specified certificate (the "Stated Expiration Date").

Reimbursement Agreement

General. The following summarizes certain provisions of the Reimbursement Agreement. The Reimbursement Agreement, among other things, sets the terms and conditions whereby the Authority and the City are required to repay to the Bank any amounts drawn by the Trustee under the Letter of Credit. Among other things, the Reimbursement Agreement also provides for the payment or reimbursement to the Bank of certain specified fees, costs and expenses, affirmative and negative covenants to be observed on the part of the Authority and the City and certain indemnification obligations on the part of the Authority and the City. *The Reimbursement Agreement will not secure the Trustee, the holders of the 2008 Bonds, or the 2008 Bonds.*

For purposes of this summary, "Bankruptcy Law" shall mean Title 11, U.S. Code, as amended or supplemented, any successor statute thereto, or any similar Federal, state, or foreign law for the relief of debtors.

For purposes of this summary, "Related Documents" shall mean the Reimbursement Agreement, the related fee letter, the Letter of Credit, the 2008 Bonds, the Indenture, the Lease Agreement, the Facilities Leases, the Remarketing Agreement, the Official Statement and the other documents, certificates and opinions executed and delivered in connection with issuance of the 2008 Bonds.

Events of Default. If any of the following events shall occur and be continuing, each such event shall be an "Event of Default" under the Reimbursement Agreement:

(a) The Authority or the City (by payment of Base Rental Payments or Additional Payments under the Lease Agreement) shall fail to pay when due any amount payable to the Bank under the Reimbursement Agreement or under the Lease Agreement (including any Base Rental Payment or Additional Payment) or under any of the Related Documents; or

(b) Any provision of the 2008 Bonds or any other Related Document ceases to be valid and binding against the Authority, the City, the Redevelopment Agency or the Financing Agency (as the case may be) or shall be declared null and void or the Authority, the City, the Redevelopment Agency or the Financing Agency repudiates its obligations under the Reimbursement Agreement or any of the Related Documents or the pledge and assignment pursuant to the Reimbursement Agreement and pursuant to the Indenture shall for any reason cease to be fully enforceable with the priority required thereunder; or

(c) The Authority, the City, the Redevelopment Agency or the Financing Agency shall either (i) become insolvent or generally fail to pay, or admit in writing its inability to pay, its debts as they become due; or (ii) voluntarily commence any proceeding or file any petition under the Bankruptcy Law or similar law seeking dissolution or reorganization or the appointment of a receiver, trustee, custodian or liquidator for itself or a substantial portion of its property, assets or business or to effect a plan or other arrangement with its creditors, or shall file any answer admitting the jurisdiction of the court and the material allegations of an involuntary petition filed against it in any bankruptcy, insolvency or similar proceeding, or shall be adjudicated bankrupt, or shall make a general assignment for the benefit of creditors, or shall consent to, or acquiesce in the appointment of, a receiver, trustee, custodian or liquidator for itself or a substantial portion of its property, assets or business; or (iii) take any action for the purpose of effectuating any of the foregoing; provided, however, that any dissolution of the Redevelopment Agency pursuant to Section 34170 et seq. of the California Health & Safety Code shall not be considered an Event of Default described under this paragraph (c) so long as a successor agency for the Redevelopment Agency is designated under Section 34173 of the California Health & Safety Code and the Parking Garage Facilities Lease is binding on such successor agency; or

(d) involuntary proceedings or an involuntary petition shall be commenced or filed against the Authority, the City, the Redevelopment Agency or the Financing Agency under the Bankruptcy Law or similar law seeking the dissolution or reorganization of the Authority, the City, the Redevelopment Agency or the Financing Agency or the appointment of a receiver, trustee, custodian or liquidator for the Authority, the City, the Redevelopment Agency or the Financing Agency or of a substantial part of the property, assets or business of the Authority, the City, the Redevelopment Agency or the Financing Agency, or any writ, judgment, warrant of attachment, execution or similar process shall be issued or levied against a substantial part of the property, assets or business of the Authority, the City, the Redevelopment Agency or the Financing Agency, and such proceedings or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded, within thirty (30) days after commencement, filing or levy, as the case may be; or

(e) Any judgments or arbitration awards are entered against the City, or the City enters into any settlement agreements with respect to any litigation or arbitration, in an aggregate amount of

\$500,000 or more in excess of any insurance coverage, provided that the insurer has issued a letter of responsibility for payment up to the amount of insurance coverage; or

(f) The City shall fail to make a payment on any debt to any person or entity payable from the City's general fund in excess of \$500,000 (measured in the case of any Swap, by the amount of any settlement amount that would be payable by the City if such Swap were terminated as of such date), or in connection with any credit the City has obtained from the Bank regardless of amount, or any interest or premium thereon when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to such debt, or the City shall fail to perform or observe any term, covenant or condition in any agreement or instrument relating to any debt to any person or entity in excess of \$500,000 (measured in the case of any Swap, by the amount of any settlement amount that would be payable by the City if such Swap were terminated as of such date) when required to be performed or observed, if the effect of such failure to perform or observe results in the acceleration, or ability to accelerate, the maturity of such debt (or, with respect to any Swap, which results in such Swap being terminated early or being capable of being terminated early); or

(g) Any default occurs under the Lease Agreement or any other Related Document, in each case after the passage of any notice and cure periods; or

(h) The City or the Authority fails to meet the conditions of, or fails to perform (i) any term, covenant, condition or agreement on its part to be performed or observed under certain affirmative covenants set forth in the Reimbursement Agreement, or (ii) any term, covenant, condition or agreement on its part to be performed or observed not specifically referred to in any of the Events of Default, and such default (solely in the case of clause (ii)) is not cured within thirty (30) days after the Bank has given the City or the Authority, as applicable, written notice of such default; or

(i) Any of the City's or the Authority's representations or warranties made in the Reimbursement Agreement or in any statement or certificate at any time made or deemed made by or on behalf of the City or the Authority pursuant thereto or in connection therewith, and/or in any of the other Related Documents, is false or misleading in any material respect when made or deemed made; or

(j) The ratings assigned to any long term, unenhanced general fund obligation of the City shall be withdrawn or suspended or otherwise unavailable for credit-related reasons or reduced below Baa1 by Moody's Investors Service, Inc., BBB+ by Standard & Poor's Rating Service or BBB+ by Fitch, Inc. In the event of split ratings, the default will be determined by reference to the lowest rating; or

(k) The leasehold interest of the Authority under either of the Facilities Leases with the Redevelopment Agency or the Financing Agency shall terminate; or

(l) A moratorium shall have been declared with respect to the payment of the debts of the Authority or the City; or

(m) Any of the funds or accounts established pursuant to the Indenture or the Lease Agreement or any funds or accounts on deposit, or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the City or the Authority and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within thirty (30) days after its issue or levy; or

(n) An event shall have occurred that in the opinion of the Bank has a material adverse effect on the financial condition, operations or prospects of the City or its ability to perform its obligations under the Reimbursement Agreement or any Related Document.

Remedies. If an Event of Default under the Reimbursement Agreement shall have occurred and be continuing, the Bank may (i) give notice to the Trustee under the Indenture of the Bank's election to cause a mandatory tender of the 2008 Bonds because of the occurrence and continuance of an Event of Default under the Reimbursement Agreement, (ii) declare all unpaid amounts drawn under the Letter of Credit and the corresponding Bank Bonds, together with all interest accrued and unpaid thereon and all other amounts payable to the Bank under the Reimbursement Agreement to be immediately due and payable, without presentment, demand, protest or any notice of any kind, but subject to certain limitations on repayment set forth in the Reimbursement Agreement or (iii) exercise any and all rights and remedies available to the Bank under the Reimbursement Agreement or the Indenture, at law or in equity; provided, that the Bank may not cause the acceleration of Base Rental Payments under the Lease Agreement. In the event of the occurrence of an Event of Default described in paragraphs (c) or (d) above, all unpaid amounts drawn under the Letter of Credit and the corresponding Bank Bonds, together with all interest accrued thereon and all other amounts payable to the Bank under the Reimbursement Agreement shall be immediately due and payable, without notice to the City or the Authority and without presentment, demand, protest or further notice of any kind, but subject to certain limitations on repayment set forth in the Reimbursement Agreement.

INFORMATION CONCERNING BANK OF AMERICA

The information under this caption has been furnished by the Bank and no representation is made by the Authority or the City as to the accuracy or completeness or the adequacy of such information. Further, no representation is made by the Authority or the City or the Bank as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.

The Bank is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the "Corporation") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of December 31, 2013, the Bank had consolidated assets of \$1.43 trillion, consolidated deposits of \$1.11 trillion and stockholder's equity of \$178.73 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2012, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the "SEC").

Filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at <http://www.sec.gov> which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Corporation and the Bank is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its

entirety by the detailed information appearing in the referenced documents and financial statements referenced therein.

The Letter of Credit has been issued by the Bank. Moody's Investors Service, Inc. ("Moody's"), as of January 31, 2014, rates the Bank's long-term debt as "A2" and short-term debt as "P-1." The outlook is stable. Standard & Poor's ("S&P"), as of January 31, 2014, rates the Bank's long-term debt as "A" and its short-term debt as "A-1." The outlook is negative. Fitch Ratings, Inc. ("Fitch"), as of January 31, 2014, rates long-term debt of the Bank as "A" and short-term debt as "F1." The outlook is stable. Further information with respect to such ratings may be obtained from Moody's, S&P, and Fitch respectively. No assurances can be given that the ratings of the Bank's instruments will be maintained.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communication

PAYMENTS OF PRINCIPAL AND INTEREST ON THE 2008 BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE 2008 BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE LETTER OF CREDIT IS A BINDING OBLIGATION OF THE BANK, THE 2008 BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE 2008 BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery of this information shall not create any implication that there has been no change in the affairs of the Corporation or the Bank since the date of the most recent filings referenced herein, or that the information contained or referred to under this caption is correct as of any time subsequent to the referenced date.

RATINGS

Fitch and S&P have assigned the 2008 Bonds the short term and joint ratings of "A/F1" and "A/A-1", respectively, based on the Bank's Letter of Credit supporting the 2008 Bonds. Generally, rating agencies base their ratings on information and material furnished directly to them and on investigations, studies and assumptions made by them. The ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from Fitch Ratings, One State Street Plaza, New York, New York 10004 and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. Neither the Authority nor the City makes any representation as to the appropriateness of the ratings. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if, in the judgment of

such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2008 Bonds.

MISCELLANEOUS

This Supplement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or holders of any of the 2008 Bonds. Any statements made in this Supplement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Supplement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City or the Bank since the date hereof.

This Supplement has been duly approved, executed and delivered by the City and the Authority.

CITY OF MODESTO, CALIFORNIA

By: /s/ Gloriette Genereux
Finance Director/Treasurer

A handwritten signature in cursive script, reading "Gloriette Genereux", written over a horizontal line.

MODESTO PUBLIC FINANCING AUTHORITY

By: /s/ Gloriette Genereux
Auditor and Treasurer

A handwritten signature in cursive script, reading "Gloriette Genereux", written over a horizontal line.

APPENDIX A

COPY OF OFFICIAL STATEMENT, DATED AUGUST 26, 2008

\$65,170,000 original aggregate principal amount of
MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

CERTIFICATE REGARDING CITY RESOLUTION

I, Stephanie Lopez, hereby certify that I am the City Clerk of the City of Modesto (the “City”), a charter city and municipal corporation duly organized under the Constitution and the laws of the State of California, and that as such I am authorized to execute this Certificate on behalf of the City.

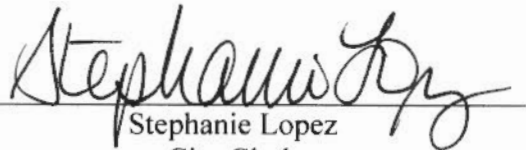
I hereby further certify that the attached resolution is a full, true and correct copy of Resolution No. 2014-49 (the “Resolution”), adopted at the regular meeting of the City Council of the City held on February 11, 2014, of which meeting all of the members of the City Council of the City had due notice and at which a quorum was present and acting throughout.

I hereby further certify that I have carefully compared the same with the original Resolution so adopted at said meeting and that it is a full, true and correct copy of said Resolution; and that said Resolution has not been amended, modified or rescinded since the date of adoption and is now in full force and effect.

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Dated: February 25, 2014

CITY OF MODESTO

By: 
Stephanie Lopez
City Clerk

**MODESTO CITY COUNCIL
RESOLUTION NO. 2014-49**

**RESOLUTION APPROVING AMENDMENT NO. 2 TO AMENDED AND
RESTATED REIMBURSEMENT AGREEMENT AMONG BANK OF AMERICA,
THE CITY OF MODESTO AND MODESTO PUBLIC FINANCING
AUTHORITY; AMENDMENT NO. 2 TO FEE LETTER; AND A SUPPLEMENT
TO OFFICIAL STATEMENT; AND AUTHORIZING CERTAIN OTHER
RELATED ACTIONS**

WHEREAS, the City of Modesto is a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the “City”), and

WHEREAS, the Modesto Public Financing Authority (the “Authority”) is authorized under the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the California Government Code, as amended (the “Act”), to lease and/or purchase real property and to issue bonds for the financing and refinancing of public capital improvements whenever there are significant public benefits, and

WHEREAS, the Authority previously issued its \$65,170,000 original aggregate principal amount of Modesto Public Financing Authority Lease Revenue Refunding Bonds Series 2008 (the “2008 Bonds”), and

WHEREAS, Bank of America, N.A., as Credit Facility Provider (the “Bank”) issued its Irrevocable Transferable Letter of Credit dated August 28, 2008 (the “Initial Credit Facility”) to provide credit support for the 2008 Bonds, and

WHEREAS, subsequently, on various occasions, the City requested the Bank to extend the Stated Expiration Date of the Initial Credit Facility, and the Bank agreed, most recently extending the Stated Expiration Date to March 31, 2014, and

WHEREAS, the City has now requested the Bank to again extend the Stated Expiration Date of the Initial Credit Facility, and the Bank has agreed, subject to certain conditions, to extend the Stated Expiration Date, and

WHEREAS, in connection with the extension of the Stated Expiration Date of the Initial Credit Facility, the City, the Authority and the Bank will enter into an Amendment No. 2 to Amended and Restated Reimbursement Agreement (the “Reimbursement Agreement Amendment”) and related Amendment No. 2 to Fee Letter (the “Fee Letter Amendment”), and

WHEREAS, the City and the Authority will prepare a supplement to the Official Statement for the 2008 Bonds describing certain material information regarding the Bank and the Reimbursement Agreement (the “Supplement to Official Statement”), and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Modesto, as follows:

Section 1. Findings. The City Council hereby specifically finds and determines that the actions authorized hereby constitute and are with respect to the public affairs of the City and that the statements, findings and determinations of the City set

forth above and in the preambles of the documents approved herein are true and correct and that the consummation of the transactions contemplated therein shall result in significant public benefits to the City.

Section 2. Approval of the Reimbursement Agreement Amendment and Fee Letter Amendment. The City Council hereby approves the extension of the Stated Expiration Date of the Initial Credit Facility. The Reimbursement Agreement Amendment and related Fee Letter Amendment proposed to be executed and entered into by the City, in the form presented at this meeting and on file with the City Clerk, are hereby approved, and each of the City Manager and the Finance Director, acting singly, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Reimbursement Agreement Amendment and Fee Letter Amendment in substantially said forms, with such changes therein as such officer executing the Reimbursement Agreement Amendment and Fee Letter Amendment may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. Approval of the Supplement to Official Statement. The Supplement to Official Statement proposed to be executed and delivered by the City, in the form presented at this meeting and on file with the City Clerk, is hereby approved, and each of the City Manager and the Finance Director, acting singly, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Supplement to Official Statement in substantially said form, with such changes therein as such officer executing the Supplement to Official Statement may

require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. Attestations. The City Clerk is hereby authorized and directed to attest the signature of the City Manager and the Finance Director and to affix and attest the seal of the City, as may be required or appropriate in connection with the documents approved by this Resolution.

Section 5. Other Actions. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or desirable in order to consummate the transactions authorized hereby and to carry out, give effect to and comply with the terms and intent of this Resolution, the Reimbursement Agreement Amendment , the Fee Letter Amendment and the Supplement to Official Statement; and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 6. Effective Date. This Resolution shall take effect immediately upon its passage.

The foregoing resolution was introduced at a regular meeting of the Council of the City of Modesto held on the 11th day of February, by Councilmember Madrigal, who moved its adoption, which motion being duly seconded by Councilmember Gunderson, was upon roll call carried and the resolution adopted by the following vote:

AYES: Councilmembers: Cogdill, Gunderson, Kenoyer, Lopez, Madrigal, Zoslocki, Mayor Marsh

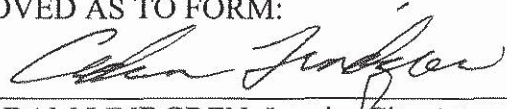
NOES: Councilmembers: None

ABSENT: Councilmembers: None

ATTEST: 
STEPHANIE LOPEZ, City Clerk

(SEAL)

APPROVED AS TO FORM:

By: 
ADAM LINDGREN, Interim City Attorney

\$65,170,000 original aggregate principal amount of
MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

CERTIFICATE REGARDING AUTHORITY RESOLUTION

I, Stephanie Lopez, hereby certify that I am the Secretary of the Commission of the Modesto Public Financing Authority (the "Authority"), a joint exercise of powers authority organized under the laws of the State of California, and that as such I am authorized to execute this Certificate on behalf of the Authority.

I hereby further certify that the attached resolution is a full, true and correct copy of Resolution No. 02-2014 (the "Resolution"), adopted at the special meeting of the Commission of the Authority held on February 11, 2014, of which meeting all of the members of the Governing Board had due notice and at which a quorum was present and acting throughout.

I hereby further certify that I have carefully compared the same with the original Resolution so adopted at said meeting and that it is a full, true and correct copy of said Resolution; and that said Resolution has not been amended, modified or rescinded since the date of adoption and is now in full force and effect.

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Dated: February 25, 2014

MODESTO PUBLIC FINANCING AUTHORITY

By: 
Stephanie Lopez
Secretary

**MODESTO PUBLIC FINANCING AUTHORITY
RESOLUTION NO. 02-2014**

**A RESOLUTION OF THE MODESTO PUBLIC FINANCING AUTHORITY
RELATING TO MODESTO PUBLIC FINANCING AUTHORITY LEASE
REVENUE REFUNDING BONDS SERIES 2008 APPROVING THE EXTENSION
OF A CREDIT FACILITY AND APPROVING THE FORM OF AND
AUTHORIZING THE EXECUTION AND DELIVERY OF AN AMENDMENT
NO. 2 TO AMENDED AND RESTATED REIMBURSEMENT AGREEMENT,
AMENDMENT NO. 2 TO FEE LETTER AND A SUPPLEMENT TO OFFICIAL
STATEMENT; AND AUTHORIZING CERTAIN OTHER RELATED ACTIONS**

WHEREAS, the Modesto Public Financing Authority (the “Authority”) is a joint exercise of powers authority duly organized and existing pursuant to the Modesto Public Financing Joint Exercise of Powers Agreement, dated as of December 5, 1989, by and between the City of Modesto (the “City”), a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California, and the Industrial Development Authority of the City;

WHEREAS, the Authority previously issued its \$65,170,000 original aggregate principal amount of Modesto Public Financing Authority Lease Revenue Refunding Bonds Series 2008 (the “2008 Bonds”);

WHEREAS, Bank of America, N.A., as Credit Facility Provider (the “Bank”) issued its Irrevocable Transferable Letter of Credit dated August 28, 2008 (the “Initial Credit Facility”) to provide credit support for the 2008 Bonds;

WHEREAS, subsequently, on various occasions, the Authority requested the Bank to extend the Stated Expiration Date of the Initial Credit Facility, and the Bank agreed, most recently extending the Stated Expiration Date to March 31, 2014, and

WHEREAS, the Authority has now requested the Bank to again extend the Stated Expiration Date of the Initial Credit Facility, and the Bank has agreed, subject to certain conditions, to extend the Stated Expiration Date, and

WHEREAS, in connection with the extension of the Stated Expiration Date of the Initial Credit Facility, the City, the Authority and the Bank will enter into an Amendment No. 2 to Amended and Restated Reimbursement Agreement (the "Reimbursement Agreement Amendment") and related Amendment No. 2 to Fee Letter (the "Fee Letter Amendment");

WHEREAS, the City and the Authority will prepare a Supplement to the Official Statement for the 2008 Bonds describing certain material information regarding the Bank and the Initial Credit Facility (the "Supplement to Official Statement"); and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, BE IT RESOLVED by the Commission of the Authority, as follows:

Section 1. Findings. The Commission of the Authority hereby specifically finds and determines that the statements, findings and determinations of the Authority set forth above and in the preambles of the documents approved herein are true and correct.

Section 2. Approval of the Reimbursement Agreement Amendment and Fee Letter Amendment. The Reimbursement Agreement Amendment and Fee Letter Amendment, proposed to be executed and entered into by and among the Authority, the City and the Bank, in the forms presented at this meeting and on file with the Secretary of the Authority, are hereby approved, and each of the Chairperson, Vice Chairperson, Executive Director, and Auditor and Treasurer of the Authority (each, a “Authorized Officer”), acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Reimbursement Agreement Amendment and the Fee Letter Amendment in substantially said forms, with such changes therein as such officer executing the Reimbursement Agreement Amendment and the Fee Letter Amendment may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. Approval of the Supplement to Official Statement. The Supplement to Official Statement, proposed to be executed and delivered by the City and the Authority, in the form presented at this meeting and on file with the Secretary of the Authority, is hereby approved, and each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Supplement to Official Statement in substantially said form, with such changes therein as such officer executing the Supplement to Official Statement may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. Attestations. The Secretary of the Authority is hereby authorized and directed to attest the signatures of each Authorized Officer in connection with the documents approved by this Resolution.

Section 6. Other Actions. Each Authorized Officer is hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or desirable in order to consummate the transactions authorized hereby and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, the Reimbursement Agreement Amendment , the Fee Letter Amendment and the Supplement to Official Statement, and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

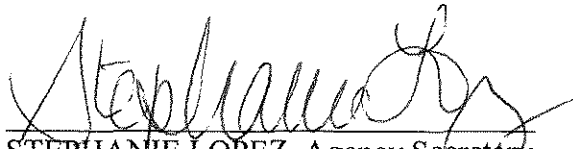
Section 7. Effective Date. This Resolution shall take effect immediately upon its passage.

The foregoing resolution was introduced at a regular meeting of the Modesto Public Financing Authority of the City of Modesto held on the 11th day of February, 2014, by Agency Commissioner Madrigal, who moved its adoption, which motion being duly seconded by Agency Commissioner Gunderson, was upon roll call carried and the resolution adopted by the following vote:

AYES: Agency Commissioners: Cogdill, Gunderson, Kenoyer, Lopez, Madrigal, Zoslocki, Mayor Marsh

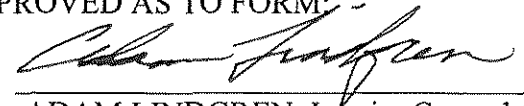
NOES: Agency Commissioners: None

ABSENT: Agency Commissioners: None

ATTEST: 
STEPHANIE LOPEZ, Agency Secretary

(SEAL)

APPROVED AS TO FORM:

By: 
ADAM LINDGREN, Interim General Counsel

\$65,170,000 original aggregate principal amount of
MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

CLOSING CERTIFICATE OF THE CITY

The undersigned, the Finance Director/Treasurer and City Clerk, respectively, of the City of Modesto (the “City”), a charter city and municipal corporation duly organized and existing under the laws of the State of California, hereby certify on behalf of the City, in connection with the \$65,170,000 original aggregate principal amount of Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the “Bonds”), as follows:

1. That authorized officers of the City have executed the following documents on behalf of the City:

(a) the Amendment No. 2 to Amended and Restated Reimbursement Agreement, dated February 25, 2014 (the “Reimbursement Agreement Amendment”), by and among the City, the Modesto Public Financing Authority (the “Authority”) and Bank of America, N.A. (the “Bank”); and

(b) the Amendment No. 2 to Fee Letter, dated February 25, 2014 (the “Fee Letter Amendment”), by and among the Bank, the City and the Authority.

2. The undersigned further certify that:

(a) the Reimbursement Agreement Amendment and the Fee Letter Amendment (collectively the “City Documents”) have been duly executed and delivered and each constitutes a valid and legally binding obligation of the City enforceable in accordance with its terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally and the application of equitable principles if equitable remedies are sought;

(b) the resolution of the City, adopted on February 11, 2014, at a meeting of the City Council duly called, noticed and conducted, at which a quorum was present and acting throughout (the “City Resolution”), authorizing the execution, delivery and due performance of the City Documents, is in full force and effect at the date hereof and has not been amended, modified or supplemented; and

(c) the City has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied on or prior to the date hereof.

3. The undersigned further certify that:

(a) the representations and warranties set forth in the Reimbursement Agreement Amendment and in any other certificate, letter, writing or instrument delivered by the City to the Bank pursuant to the Reimbursement Agreement Amendment or in connection with the Reimbursement Agreement Amendment, are true and correct on and as of the date hereof;

(b) no material adverse change in the financial condition, operations or prospects of the City or laws, rules or regulations (or their interpretation or administration) has occurred as of the date hereof that, in any case, may adversely affect the consummation of the transaction, as determined in the sole discretion of the Bank;

(c) on the date hereof no Event of Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default under the 2012 Amended and Restated Reimbursement Agreement (as defined below), has occurred and is continuing and no default has occurred and is continuing under any of the Related Documents;

(d) there is no lawsuit, tax claim or other dispute pending or threatened against the City which, if lost, would impair the City's financial condition or ability to repay the unreimbursed Drawings, except as have been disclosed in writing to the Bank;

(e) the City is in compliance with the terms and conditions of the 2012 Amended and Restated Reimbursement Agreement and has performed or complied with all of its Obligations, agreements and covenants to be performed or complied with pursuant to the 2012 Amended and Restated Reimbursement Agreement on or prior to the date hereof;

(f) all information, documents, statements and certificates provided to the Bank by or on behalf of the City in connection with the Letter of Credit Amendment No. 6 are true and correct on and as of the date hereof and were provided in expectation of the Bank's reliance thereon in issuing the Letter of Credit Amendment No. 6; and

(g) the City has delivered to the Bank true, correct and complete copies of the Related Documents and such documents were duly issued, adopted or executed and delivered, have not been modified, amended or rescinded and are in full force and effect on and as of the date hereof.

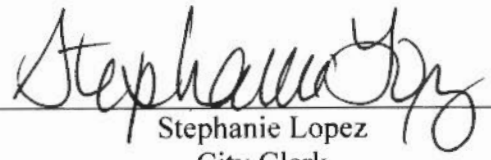
4. The officers identified below are duly authorized by the City Council of the City to execute on behalf of the City, certain documents, certificates and agreements relating to the Bonds and that pursuant to such authority certain documents, certificates and agreements have been executed by such persons, and attested to by the signature of the City Clerk of the City, and, each of the undersigned by their signature confirms that the other signatures set forth below are genuine. The officers identified below are duly authorized to represent the City in connection with the Reimbursement Agreement upon which the Bank may rely until it receives a new certificate.

Capitalized terms used herein not otherwise defined shall have the meanings ascribed thereto in the Amended and Restated Reimbursement Agreement, dated as of August 16, 2011 by and among the City, the Authority and the Bank, as amended by Amendment No. 1 to Amended and Restated Reimbursement Agreement, dated August 29, 2012 (as so amended, the "2012 Amended and Restated Reimbursement Agreement"), and as further amended by the Amendment No. 2 to Amended and Restated Reimbursement Agreement, dated February 25, 2014, each by and among the City, the Authority and the Bank, as so further amended, the "Reimbursement Agreement."

Dated: February 25, 2014

CITY OF MODESTO

By: 
Gloriette G. Genereux
Finance Director/Treasurer





By: 
Stephanie Lopez
City Clerk

MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

CLOSING, SIGNATURE AND INCUMBENCY CERTIFICATE OF THE CITY

The undersigned, the Director of Finance, City Clerk, and Assistant Interim City Attorney, respectively, of the City of Modesto (the "City"), a charter city and municipal corporation duly organized and existing under the laws of the State of California, hereby certify on behalf of the City, in connection with the Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the "Series 2008 Bonds"), as follows:

1. The officers identified below are duly authorized by the City Council of the City to execute on behalf of the City, certain documents, certificates and agreements relating to the Series 2008 Bonds and that pursuant to such authority certain documents, certificates and agreements have been executed by such persons, and attested to by the signature of the City Clerk of the City, and, each of the undersigned by their signature confirms that the other signatures set forth below are genuine:

<u>Name</u>	<u>Official Title</u>	<u>Signature</u>
Greg Nyhoff	City Manager	
Gloriette Genereux	Director of Finance	
Stephanie Lopez	City Clerk	
Jose Sanchez	Assistant Interim City Attorney	

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2. The undersigned further certify that authorized officers of the City have executed the following documents on behalf of the City:

- (a) Application for Amendment to Standby Letter of Credit, dated February 25, 2014, executed by the City, the Modesto Public Financing Authority and Bank of America N.A.

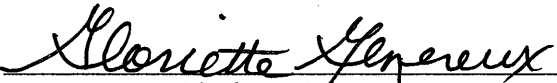
3. The undersigned further certify that the following persons are now, and at all times since February 1, 2014 have been, the duly appointed or elected, qualified and acting members of the City Council:

<u>Name</u>	<u>Office</u>
Garrad Marsh	Mayor
John Gunderson	Councilmember
Tony Madrigal	Councilmember
Dave Lopez	Councilmember
Bill Zoslocki	Councilmember
Jenny Kenoyer	Councilmember
David Cogdill	Councilmember

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Dated: February 25, 2014

CITY OF MODESTO

By: 
Gloriette Genereux
Director of Finance

By: 
Stephanie Lopez
City Clerk



April 26, 2013

Ms. Laurie A. Smith, Administrative Services Officer
City of Modesto
1010 Tenth Street
Modesto, CA 95354

Dear Ms. Smith:

Subject: Request for a Finding of Completion

The California Department of Finance (Finance) has completed the Finding of Completion for the City of Modesto Successor Agency.

Finance has completed its review of your documentation, which may have included reviewing supporting documentation submitted to substantiate payment or obtaining confirmation from the county auditor-controller. Pursuant to Health and Safety Code (HSC) section 34179.7, we are pleased to inform you that Finance has verified that the Agency has made full payment of the amounts determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5.

This letter serves as notification that a Finding of Completion has been granted. The Agency may now do the following:

- Place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Loan repayments will be governed by criteria in HSC section 34191.4 (a) (2).
- Utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC section 34191.4 (c).

Additionally, the Agency is required to submit a Long-Range Property Management Plan to Finance for review and approval, per HSC section 34191.5 (b), within six months from the date of this letter.

Please direct inquiries to Andrea Scharffer, Staff Finance Budget Analyst, or Chris Hill, Principal Program Budget Analyst, at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Stephen Christensen, Acting Budget Manager, City of Modesto
Ms. Lauren Klein, CPA, Auditor-Controller, Stanislaus County
California State Controller's Office

\$65,170,000 original aggregate principal amount of
MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

CLOSING CERTIFICATE OF THE AUTHORITY

The undersigned, the Auditor and Treasurer and Secretary, respectively, of the Modesto Public Financing Authority (the "Authority"), a joint exercise of powers authority organized under the laws of the State of California, hereby certify on behalf of the Authority, in connection with the \$65,170,000 original aggregate principal amount of Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008 (the "Bonds"), as follows:

1. The undersigned further certify that authorized officers of the Authority executed the following documents on behalf of the Authority:

(a) the Amendment No. 2 to Amended and Restated Reimbursement Agreement, dated February 25, 2014 (the "Reimbursement Agreement Amendment"), by and among the City of Modesto (the "City"), the Authority and Bank of America, N.A. (the "Bank"); and

(b) the Amendment No. 2 to Fee Letter, dated February 25, 2014 (the "Fee Letter Amendment"), by and among the Bank, the City and the Authority.

2. The undersigned further certify that:

(a) the Reimbursement Agreement Amendment and the Fee Letter Amendment (collectively the "Authority Documents") have been duly executed and delivered and each constitutes a valid and legally binding obligation of the Authority enforceable in accordance with its terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought;

(b) the resolution of the Authority, adopted on February __, 2014, at a meeting of the Commission of the Authority duly called, noticed and conducted, at which a quorum was present and acting throughout (the "Authority Resolution"), authorizing the execution, delivery and due performance of the Authority Documents, is in full force and effect at the date hereof and has not been amended, modified or supplemented; and

(c) the Authority has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied on or prior to the date hereof.

3. The undersigned further certify that:

(a) the representations and warranties set forth in the Reimbursement Agreement Amendment and in any other certificate, letter, writing or instrument delivered by the Authority to the Bank pursuant to the Reimbursement Agreement

Amendment or in connection with the Reimbursement Agreement Amendment, are true and correct on and as of the date hereof;

(b) on the date hereof no Event of Default or event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default under the 2012 Amended and Restated Reimbursement Agreement (as defined below), has occurred and is continuing and no default has occurred and is continuing under any of the Related Documents;

(c) the Authority is in compliance with the terms and conditions of the 2012 Amended and Restated Reimbursement Agreement and has performed or complied with all of its Obligations, agreements and covenants to be performed or complied with pursuant to the 2012 Amended and Restated Reimbursement Agreement on or prior to the date hereof;

(d) all information, documents, statements and certificates provided to the Bank by or on behalf of the Authority in connection with the Letter of Credit Amendment No. 6 are true and correct on and as of the date hereof and were provided in expectation of the Bank's reliance thereon in issuing the Letter of Credit Amendment No. 6; and

(e) the Authority has delivered to the Bank true, correct and complete copies of the Related Documents and such documents were duly issued, adopted or executed and delivered, have not been modified, amended or rescinded and are in full force and effect on and as of the date hereof.

4. The officers identified below are duly authorized by the Commission of the Authority to execute on behalf of the Authority, certain documents, certificates and agreements relating to the Bonds, and that pursuant to such authority certain documents, certificates and agreements have been executed by such persons, and attested to by the signature of the Secretary of the Commission, and, each of the undersigned by their signature confirms that the other signatures set forth below are genuine. The officers identified below are duly authorized to represent the Authority in connection with the Reimbursement Agreement, upon which the Bank may rely until it receives a new certificate.

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Capitalized terms used herein not otherwise defined herein shall have the meanings ascribed thereto in the Amended and Restated Reimbursement Agreement, dated as of August 16, 2011 by and among the Bank, the City and the Authority, as amended by the Amendment No. 1 to Amended and Restated Reimbursement Agreement, dated August 29, 2012 (as so amended, the "2012 Amended and Restated Reimbursement Agreement"), and as further amended by the Amendment No. 2 to Amended and Restated Reimbursement Agreement, dated February 25, 2014, each by and among the Bank, the City and the Authority, as so further amended, the "Reimbursement Agreement."

Dated: February 25, 2014

MODESTO PUBLIC FINANCING AUTHORITY

By: 
Gloriette G. Genereux
Auditor and Treasurer

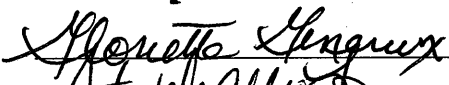

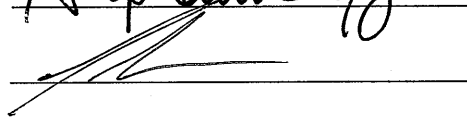
By: 
Stephanie Lopez
Secretary

MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

CLOSING, SIGNATURE AND INCUMBENCY CERTIFICATE OF THE AUTHORITY

The undersigned, the Auditor and Treasurer, Secretary and Assistant Counsel to Authority, respectively, of the Modesto Public Financing Authority (the "Authority"), a joint exercise of powers authority organized under the laws of the State of California, hereby certify on behalf of the Authority, in connection with the Authority's Lease Revenue Refunding Bonds, Series 2008 (the "Series 2008 Bonds"), as follows:

1. The officers identified below are duly authorized by the Commission of the Authority (the "Commission") to execute on behalf of the Authority, certain documents, certificates and agreements relating to the Series 2008 Bonds, and that pursuant to such authority certain documents, certificates and agreements have been executed by such persons, and attested to by the signature of the Secretary of the Commission, and, each of the undersigned by their signature confirms that the other signatures set forth below are genuine:

<u>Name</u>	<u>Official Title</u>	<u>Signature</u>
Gloriette Genereux	Auditor and Treasurer	
Stephanie Lopez	Secretary	
Jose Sanchez	Assistant Counsel to Authority	

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2. The undersigned further certify that authorized officers of the Authority executed the following documents on behalf of the Authority:

- (a) Application for Amendment to Standby Letter of Credit, dated February 25, 2014, executed by the City of Modesto, the Authority and Bank of America N.A.

3. The undersigned further certify that the following persons are now, and at all times since February 1, 2014 have been, the duly appointed or elected, qualified and acting members of the Commission of the Authority:

<u>Name</u>	<u>Position</u>
Garrad Marsh	Chairperson
John Gunderson	Vice Chairperson
Tony Madrigal	Member
Dave Lopez	Member
Bill Zoslocki	Member
Jenny Kenoyer	Member
David Cogdill	Member

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Dated: February 25, 2014

MODESTO PUBLIC FINANCING AUTHORITY

By: 
Gloriette Genereux
Auditor and Treasurer

By: 
Stephanie Lopez
Secretary

NOTICE OF EXTENSION OF LIQUIDITY FACILITY
\$65,170,000
MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

NOTICE IS HEREBY GIVEN by the Modesto Public Financing Authority (the “Authority”) to The Bank of New York Mellon Trust Company, N.A. pursuant to the applicable provisions of the governing documents of the above captioned bonds (the “Bonds”) that the Stated Expiration Date of Irrevocable Transferable Letter of Credit No. 3095777 dated August 28, 2008, has been extended to March 31, 2017. No mandatory tender for purchase of any outstanding Bonds will be effected by such extension.

Dated: February 25, 2014

NOTICE OF EXTENSION OF CREDIT FACILITY
\$65,170,000
MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

NOTICE IS HEREBY GIVEN to the parties listed on Exhibit A hereto and the Owners of the above captioned bonds (the “Bonds”) pursuant to the applicable provisions of the governing documents of the Bonds that the Stated Expiration Date of Irrevocable Transferable Letter of Credit No. 3095777 dated August 28, 2008, has been extended to March 31, 2017. No mandatory tender for purchase of any outstanding Bonds will be effected by such extension.

By: The Bank of New York Mellon Trust Company, N.A.,
as Trustee

Dated: February 25, 2014

EXHIBIT A
NOTICE PARTIES

Authority

Modesto Public Financing Authority
c/o City of Modesto
1010 Tenth Street, Suite 5200
Modesto, CA 95353
Attention: Auditor and Treasurer
Telephone No.: (209) 577-5371
Facsimile No.: (209) 571-5880

Rating Agencies

Fitch Ratings
One State Street Plaza
38th Floor
New York, New York 10004
Telephone No.: (212) 908-0500
Facsimile: (212) 480-4421

Standard and Poor's
Attn: Muni Structured Finance
55 Water Street, 38th Floor
New York, New York 10041
Telephone No.: (212) 438-2000
Email: Pubfin_structured@standardandpoors.com

Swap Provider

Bank of America, N.A.
Sears Tower
233 South Wacker Drive, Suite 2800
Chicago, Illinois 60606
Attention: Swap Operations
Telephone No.: (312) 234-2732
Facsimile: (866) 255-1444

City

City of Modesto
1010 Tenth Street, Suite 5200
Modesto, CA 95353
Attention: Finance Director
Telephone No.: (209) 577-5371
Facsimile No.: (209) 571-5880

City of Modesto
Office of the City Attorney

Adam U. Lindgren
Interim City Attorney

Roland R. Stevens
Special Counsel



Sr. Deputy City Attorneys
David Cervantes
Richard B. Evans
James F. Wilson
Tara M. Davis

1010 Tenth Street, Suite 6300, P.O. Box 642, Modesto, California 95353
(209) 577-5284 (209) 544-8260 Fax
Hearing & Speech Impaired Only – TDD (209) 526-9211

February 25, 2014

City of Modesto
Modesto, California

Bank of America, N.A.
Portland, Oregon

MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

Ladies and Gentlemen:

As Interim City Attorney of the City of Modesto (the “City”), I have reviewed the following documents in connection with the extension of a letter of credit supporting the Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008, in the original aggregate principal amount of \$65,170,000 (the “Bonds”): (i) the Lease Agreement, dated as of August 1, 2008, by and between the Modesto Public Financing Authority (the “Authority”) and the City, as amended by that certain Amendment No. 1 to Lease Agreement, dated as of August 1, 2011, by and between the City and the Authority (collectively, the “Lease Agreement”); (ii) Resolution No. 02-2014 adopted by the City Council of the City on February 11, 2014 (the “City Resolution”); (iii) the Fee Letter, dated August 16, 2011, as amended by the Amendment No. 1 to Fee Letter, dated August 29, 2012 (collectively, the “2012 Fee Letter”), each by and among Bank of America, N.A., (the “Bank”), the City and the Authority; (iv) Amendment No. 2 to Fee Letter, dated February 25, 2014, by and among the Bank, the City and the Authority (the “Fee Letter Amendment,” and together with the 2012 Fee Letter, the “Fee Letter”); (v) the Amended and Restated Reimbursement Agreement, dated as of August 16, 2011, as amended by the Amendment No. 1 to Amended and Restated Reimbursement Agreement, dated August 29, 2012, each by and among the City, the Authority and the Bank (collectively, the “2012 Amended and Restated Reimbursement Agreement”); (vi) Amendment No. 2 to Amended and Restated Reimbursement Agreement, dated February 25, 2014, by and among the City, the Authority, and the Bank (the “Reimbursement Agreement Amendment,” and together with the 2012 Amended and Restated Reimbursement Agreement, the “Reimbursement Agreement”); and (vii) the Facilities Lease (Parking Garage), dated as of August 1, 2008, by and between the City, as successor agency to the Redevelopment Agency of the City of Modesto (the “Redevelopment Agency”) pursuant to Part 1.85 of Division 24 of

the California Health and Safety Code (the "Successor Agency") and the Authority (the "Facilities Lease," and, collectively with the Lease Agreement, the Reimbursement Agreement and the Fee Letter, the "City Agreements").

All capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Reimbursement Agreement.

Based upon the foregoing and upon such other information and documents as I consider necessary to render this opinion, I am of the opinion that:

(a) the City is a charter city and a municipal corporation duly organized and validly existing under and by virtue of the laws of the State of California with full legal right, power and authority to execute, deliver and perform all of its obligations under the City Agreements;

(b) the City Resolution was duly adopted at a meeting of the City Council of the City which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the City Resolution is in full force and effect and has not been modified, amended or rescinded as of the date hereof; and aside from adoption of the City Resolution no further action on the part of the City is required in order for the City to execute and deliver the City Agreements and to perform its obligations thereunder;

(c) to the best of my knowledge after reasonable investigation, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against or affecting the City, challenging the existence of the City or the titles of its officers to their respective offices or in any way contesting or affecting the validity or enforceability of the City Agreements the pledge of Base Rental Payments (as defined in the Lease Agreement) under the Lease Agreement or contesting the powers of the City or its authority to enter into, adopt or perform its obligations under any of the foregoing, or which would have a material adverse effect on the City's ability to perform its obligations under the City Agreements;

(d) the adoption of the City Resolution, the execution and delivery of the City Agreements and compliance by the City with the provisions of the foregoing, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute, on the part of the City, a breach or default under any agreement or instrument to which the City is a party or by which it is bound or, to the best of my knowledge, any existing law, regulation, court order or consent decree to which the City is subject;

(e) the City Agreements have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, the City Agreements constitute legal, valid and binding agreements of the City enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought and to the limitations on legal remedies against public agencies in the State of California;

(f) no authorization, approval, consent, or other order of the State or any other governmental authority or agency within the State having jurisdiction over the City is required for

the valid authorization, execution, delivery and performance by the City of the City Agreements or for the adoption of the City Resolution which has not been obtained;

(g) The City is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or financial assets (irrespective of their use or intended use) from (i) suit, (ii) jurisdiction of any court or, (iii) except to the extent provided in Part 5 of Division 3.6 of Title 1 of the Government Code of the State of California (x) relief by way of injunction, order for specific performance or for recovery of property, (y) attachment of its financial assets (whether before or after judgment) or (z) execution or enforcement of any judgment to which it or its revenues or financial assets might otherwise be subject.

This opinion is furnished to you solely for your benefit and I am not assuming any professional responsibility to any other person whomsoever. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Respectfully submitted,



Jose M. Sanchez
Interim Assistant City Attorney

**City of Modesto
Office of the City Attorney**

Adam U. Lindgren
Interim City Attorney

Roland R. Stevens
Special Counsel



Sr. Deputy City Attorneys
David Cervantes
Richard B. Evans
James F. Wilson
Tara M. Davis

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Hearing & Speech Impaired Only – TDD (209) 526-9211

February 25, 2014

Modesto Public Financing Authority
Modesto, California

Bank of America, N.A.
Portland, Oregon

\$65,170,000 original aggregate principal amount of
MODESTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
SERIES 2008

Ladies and Gentlemen:

I have acted as counsel to the Modesto Public Financing Authority (the "Authority"), a joint exercise of powers authority organized and existing pursuant to Title I, Division 7, Chapter 5 of the Government Code of the State of California, as amended. This opinion is rendered in connection with the extension of a letter of credit supporting the Modesto Public Financing Authority Lease Revenue Refunding Bonds, Series 2008, in the original aggregate principal amount of \$65,170,000 (the "Bonds").

In rendering this opinion, I have examined: (i) the Lease Agreement, dated as of August 1, 2008, by and between the Authority and the City of Modesto (the "City"); as amended by that certain Amendment No. 1 to Lease Agreement, dated as of August 1, 2011, by and between the City and the Authority (collectively, the "Lease Agreement"); (ii) Resolution No. 02-2014 adopted by the Commission of the Authority on February 11, 2014 (the "Authority Resolution"); (iii) the Fee Letter, dated August 16, 2011, as amended by the Amendment No. 1 to Fee Letter, dated August 29, 2012 (collectively, the "2012 Fee Letter"), each by and among Bank of America, N.A., (the "Bank"), the City and the Authority; (iv) Amendment No. 2 to Fee Letter, dated February 25, 2014, by and among the Bank, the City and the Authority (the "Fee Letter Amendment," and together with the 2012 Fee Letter, the "Fee Letter"); (v) the Amended and Restated Reimbursement Agreement, dated as of August 16, 2011, as amended by the Amendment No. 1 to Amended and Restated Reimbursement Agreement, dated August 29, 2012, each by and among the City, the Authority and the Bank (collectively, the "2012 Amended and Restated Reimbursement Agreement"); (vi) Amendment No. 2 to Amended and Restated Reimbursement Agreement, dated February 25, 2014, by and among the City, the Authority, and the

Bank (the "Reimbursement Agreement Amendment," and together with the 2012 Amended and Restated Reimbursement Agreement, the "Reimbursement Agreement"); and (vii) the Facilities Lease (Parking Garage), dated as of August 1, 2008, by and between the City, as successor agency to the Redevelopment Agency of the City of Modesto (the "Redevelopment Agency") pursuant to Part 1.85 of Division 24 of the California Health and Safety Code (the "Successor Agency") and the Authority (the "Facilities Lease," and, collectively with the Lease Agreement, the Reimbursement Agreement and the Fee Letter, the "Authority Agreements").

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Reimbursement Agreement.

Based upon the foregoing and my review of such other information, documents and matters of law as I consider necessary, I am of the opinion that:

(a) the Authority is a joint powers authority under Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California duly organized and validly existing under and by virtue of the Joint Exercise of Powers Agreement, dated as of December 1, 1989 (the "JPA Agreement") and the laws of the State of California with full legal right, power and authority to execute, deliver and perform all of its obligations under the Authority Agreements;

(b) the Authority Resolution was duly adopted at a meeting of the Commission of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Authority Resolution is in full force and effect and has not been modified, amended or rescinded as of the date hereof; and aside from adoption of the Authority Resolution no further action on the part of the Authority is required in order for the Authority to execute and deliver the Authority Agreements and to perform its obligations thereunder;

(c) to the best of my knowledge after reasonable investigation, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against or affecting the Authority, challenging the existence of the Authority or the titles of its officers to their respective offices or in any way contesting or affecting the validity or enforceability of the Authority Agreements or the Bonds or the collection of the Base Rental Payments (as defined in the Lease Agreement) under the Lease Agreement or contesting the powers of the Authority or its authority to enter into, adopt or perform its obligations under any of the foregoing, or which would have a material adverse effect on the Authority's ability to perform its obligations under the Authority Agreements or the Bonds;

(d) the adoption of the Authority Resolution, the execution and delivery of the Authority Agreements and compliance by the Authority with the provisions of the foregoing and the Bonds, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute, on the part of the Authority, a breach or default under the JPA Agreement or any other agreement or other instrument to which the Authority is a party or by which it is bound or, to the best of my knowledge, any existing law, regulation, court order or consent decree to which the Authority is subject;

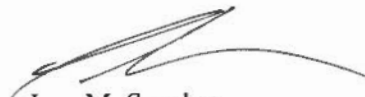
(e) the Authority Agreements have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought and to the limitations on legal remedies against public agencies in the State of California;

(f) no authorization, approval, consent, or other order of the State or any other governmental authority or agency within the State having jurisdiction over the Authority is required for the valid authorization, execution, delivery and performance by the Authority of the Authority Agreements or for the adoption of the Authority Resolution which has not been obtained; and

(g) the Authority is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or financial assets (irrespective of their use or intended use) from (i) suit, (ii) jurisdiction of any court or, (iii) except to the extent provided in Part 5 of Division 3.6 of Title 1 of the Government Code of the State of California (x) relief by way of injunction, order for specific performance or for recovery of property, (y) attachment of its financial assets (whether before or after judgment) or (z) execution or enforcement of any judgment to which it or its revenues or financial assets might otherwise be subject.

This opinion is furnished to you solely for your benefit and I am not assuming any professional responsibility to any other person whatsoever. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Respectfully submitted,



Jose M. Sanchez
Interim Assistant City Attorney

City of Modesto
Series 2008 Lease Revenue Bonds
Letter of Credit Replacement



Distribution List
(As of February 18, 2014)

ISSUER

City of Modesto
Department of Finance
1010 10th Street
Modesto, CA 95353

Gloriette Genereux, Director of Finance E-mail: ggenereux@modestogov.com	Tel: (209) 577-5371 Fax: (209) 571-5880
Diane Rambo, Executive Assistant Email: drambo@modestogov.com	Tel: (209) 577-5369 Fax: (209) 571-5880
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Roland Stevens, Acting Assistant City Attorney Email: rstevens@modestogov.com	Tel: (209) 577-5284

BOND COUNSEL & DISCLOSURE COUNSEL

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San Francisco, CA 94104

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Secretary: Theresa Willey (415) 772-7429 twilley@sidley.com	
Gisele Rainer, Esq. Email: grainer@sidley.com	Tel: (415) 772-7426 Fax: (415) 772-7400
Tara Mendez, Paralegal Email: tmendez@sidley.com	Tel: (415) 772-7498 Fax: (415) 772-7400

FINANCIAL ADVISOR

Public Financial Management, Inc.
50 California Street, Suite 2300
San Francisco, CA 94111

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Samuel Becerra, Consultant E-mail: becerras@pfm.com	Tel: (415) 982-5544 Fax: (415) 982-4513

City of Modesto
Series 2008 Lease Revenue Bonds
Letter of Credit Replacement



Distribution List
(As of February 18, 2014)

FACILITY PROVIDER

Bank of America, N.A.
121 SW Morrison Street, Suite 1200
Portland, Oregon 97204

Douglas Bowsby, Senior Vice President E-mail: douglas.b.bowsby@baml.com	Tel: (503) 795-6459 Fax: (206) 585-9223
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333 So. Hope St., Suite 1300
Los Angeles, CA 90071

Jyoti Rathore, AVP; Credit Products Underwriter E-mail: jyoti.rathore@baml.com	Tel: (213) 621-4971 Fax: (213) 457-8927
---	---

BANK COUNSEL

Hawkins Delafield & Wood LLP
333 South Grand Avenue, 36th Floor
Los Angeles, California 90071

Melanie S. Murakami E-mail: mmurakami@hawkins.com	Tel: (213) 236-9063 Fax: (213) 236-9060
---	---

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
100 Pine Street, Suite 3100
San Francisco, CA 94111

Eladia Burgos E-mail: Eladia.Burgos@bnymellon.com	Tel: (213) 630-6231 Fax:
Fe Tuzon E-mail: Fe.Tuzon@bnymellon.com	Tel: (213) 630-6240 Fax:

City of Modesto
Series 2008 Lease Revenue Bonds
Letter of Credit Replacement



Distribution List
(As of February 18, 2014)

WORKING GROUP EMAIL LIST

ggenreux@modestogov.com; drambo@modestogov.com; alindgren@modestogov.com;
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tmendex@sidley.com; millerp@pfm.com; becerras@pfm.com; douglas.b.bowlsby@baml.com;
jyoti.rathore@baml.com; mmurakami@hawkins.com; Eladia.Burgos@bnymellon.com;
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