

**\$17,635,000**  
**United States Government**  
**General Services Administration**  
Certificates of Participation  
(United States District Court Project), Series 1999  
Interest Rate: 6.64%  
Price: 100%

**Dated: Date of Delivery**

**Due Date: June 15, 2015**

The United States Government General Services Administration Certificates of Participation (United States District Court Project) Series 1999, (the "GSA Certificates") (along with the County Certificates (as hereinafter defined), collectively the "Certificates") are being delivered to finance the construction and development of a United States District Courthouse located in Riverside, California (the "Facilities"). The GSA Certificates evidence and represent the interest in the rights of the registered owners thereof in the payments (the "GSA Payments") to be made by the United States of America, acting by and through the General Services Administration (the "Government") pursuant to U.S. Government Lease for Real Property No. GS-09B-96372, dated May 1, 1998 (as amended and supplemented, the "GSA Lease") between the County of Riverside, California (the "County") and the Government for the rental of the Facilities and the real property upon which the Facilities will be constructed (collectively, the "District Court"). The GSA Lease will commence when the Facilities have been completed and the District Court has been accepted by the Government (the "Completion Date"), which is expected to occur on or prior to May 1, 2000 and which must occur no later than the Required Completion Date (as defined herein).

The net proceeds received from the sale of the Certificates will be used to construct and develop the Facilities, to fund a reserve fund for the Certificates to fund capitalized interest with respect to the GSA Certificates and to pay costs of executing and delivering the Certificates. The GSA Lease has a term expiring 15 years from the Completion Date. In the event the Completion Date does not occur on or prior to the Required Completion Date, the GSA Certificates will be subject to mandatory tender for purchase on June 1, 2001 at a purchase price equal to the principal amount thereof, plus accrued interest, if any, as of the date of purchase. Such purchase will be made from amounts drawn by the Trustee under an irrevocable letter of credit to be issued by

**COMMERZBANK AKTIENGESELLSCHAFT**

acting through its Los Angeles Branch (the "LOC Bank").

The Certificates will be delivered pursuant to the Trust Agreement dated as of March 15, 1999 (the "Trust Agreement") by and among Riverside District Court Financing Corporation, a non-profit public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), the County and U.S. Trust Company National Association, as trustee (the "Trustee"). The GSA Payments to be paid by the Government pursuant to the GSA Lease will be in amounts calculated to be sufficient to pay principal and interest represented by the GSA Certificates when due. The Government has certain rights under the GSA Lease to offset certain amounts against the GSA Payments in the event that the County fails to comply with its obligations under the GSA Lease, provided that such right of offset is limited to that portion of the GSA Payments not required to pay amounts due and owing on the GSA Certificates. See "THE GSA LEASE - Rights of the Government". In the event the GSA Lease is terminated for any reason other than a casualty to or condemnation of the Facilities, payments of amounts with respect to the GSA Certificates will be made from the payment of Base Rentals due under the Facilities Lease from the County. See "SUMMARY OF OTHER PRINCIPAL DOCUMENTS - Facilities Lease".

Interest with respect to the GSA Certificates is payable until maturity, or earlier prepayment, semi-annually on each Payment Date (June 15 and December 15), commencing June 15, 1999, with respect to interest accrued during the period from the previous Payment Date (or the Date of Delivery (as defined herein) with respect to the first Payment Date) through the date immediately preceding such Payment Date. Principal with respect to the GSA Certificates is payable in semi-annual installments on each Payment Date, commencing June 15, 2001 and ending on June 15, 2015, in the amounts set forth in Appendix B.

GSA Certificates will be issued in registered, certificated form to purchasers who are "Qualified Institutional Buyers", as such term is used in Rule 144A promulgated under the Securities Act of 1933, as amended. See "NOTICE TO INVESTORS". The County and the Corporation intend to cause the GSA Certificates to be made eligible for secondary trading through the facilities of The Depository Trust Company as soon as practicable following the closing. Individual purchases will be in minimum denominations of \$100,000 and in increments of \$1,000 in excess thereof.

**IN THE OPINION OF HUNTON & WILLIAMS, SPECIAL COUNSEL TO THE PLACEMENT AGENT, THE OBLIGATION OF THE GOVERNMENT TO MAKE GSA PAYMENTS UNDER THE GSA LEASE IS NOT SUBJECT TO ANNUAL APPROPRIATION BY THE UNITED STATES CONGRESS AND THE OBLIGATION TO MAKE SUCH GSA PAYMENTS IS A GENERAL OBLIGATION OF THE GOVERNMENT BACKED BY THE FULL FAITH AND CREDIT OF THE GOVERNMENT. THE GSA CERTIFICATES DO NOT CONSTITUTE DEBT OF THE GOVERNMENT.**

**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR BRIEF REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ANY FACTORS RELATING TO AN INVESTMENT IN THE GSA CERTIFICATES. INVESTORS SHOULD REVIEW THE ENTIRE PRIVATE PLACEMENT MEMORANDUM BEFORE MAKING ANY INVESTMENT DECISIONS.**

**INTEREST WITH RESPECT TO THE GSA CERTIFICATES IS INCLUDABLE IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT EXEMPT FROM STATE TAXATION.**

*The GSA Certificates are being offered by Dublin Securities (the "Placement Agent"), on behalf of the County, subject to prior sale, when, as and if delivered to and accepted by the Placement Agent. The Placement Agent reserves the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that the GSA Certificates will be available for delivery on or about April 29, 1999.*

**Dublin Securities**

April 29, 1998

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## NOTICE TO INVESTORS

This Private Placement Memorandum does not constitute an offering of any security other than the GSA Certificates. No person has been authorized to give any information or to make any representations other than those contained in this Private Placement Memorandum and, if given or made, such other information or representations must not be relied upon as having been authorized. This Private Placement Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the GSA Certificates by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Statements contained in this Private Placement Memorandum that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information contained herein is subject to change without notice, and neither the delivery of this Private Placement Memorandum nor the sale of any of the GSA Certificates shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

The information herein has been obtained from the County, the Corporation, the LOC Bank and other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Placement Agent.

Upon execution and delivery, the GSA Certificates will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency has passed upon the accuracy or adequacy of this Private Placement Memorandum or approved the GSA Certificates for sale.

**THE GSA CERTIFICATES ARE BEING OFFERED FOR SALE TO PURCHASERS WHO ARE "QUALIFIED INSTITUTIONAL BUYERS", AS SUCH TERM IS USED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). EACH PURCHASER WILL BE REQUIRED TO DELIVER TO THE COUNTY, THE CORPORATION AND THE PLACEMENT AGENT A LETTER, IN THE FORM OF APPENDIX D TO THIS PRIVATE PLACEMENT MEMORANDUM, PURSUANT TO WHICH SUCH PURCHASER WILL REPRESENT TO THE COUNTY, THE CORPORATION AND THE PLACEMENT AGENT THAT SUCH PURCHASER'S INTENTION IS TO ACQUIRE THE GSA CERTIFICATES (A) FOR INVESTMENT IN SUCH PURCHASER'S OWN ACCOUNT OR (B) FOR RESALE TO "QUALIFIED INSTITUTIONAL BUYERS" IN TRANSACTIONS UNDER RULE 144A, AND NOT IN ANY EVENT WITH THE VIEW TO, OR FOR RESALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF, AND THAT SUCH PURCHASER UNDERSTANDS THAT NO REGISTRATION STATEMENT HAS BEEN FILED UNDER THE SECURITIES ACT IN CONNECTION WITH THE SALE OF THE GSA CERTIFICATES, BY REASON OF A SPECIFIED EXEMPTION FROM THE REGISTRATION PROVISIONS OF THE SECURITIES ACT WHICH DEPENDS, AMONG OTHER THINGS, UPON THE BONA FIDE NATURE OF THE PURCHASER'S INVESTMENT INTENT AS EXPRESSED IN SUCH LETTER. SUCH PURCHASER WILL ALSO ACKNOWLEDGE THAT ANY SEPARATE SECURITIES OF THE COUNTY OR THE CORPORATION DEEMED INCLUDED WITH THE GSA CERTIFICATES ARE BEING PURCHASED PURSUANT TO AN EXEMPTION UNDER THE SECURITIES ACT AND MAY NOT BE TRANSFERRED UNLESS THEY ARE SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OR ANY EXEMPTION FROM SUCH REGISTRATION, INCLUDING, WITHOUT LIMITATION, THE EXEMPTION CONTAINED IN RULE 144A THEREUNDER, IS AVAILABLE. SUCH PURCHASER WILL ALSO REPRESENT THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A.**

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY, THE CORPORATION, THE LOC BANK, THE GSA CERTIFICATES, THE GSA LEASE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING**

**AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

#### AVAILABLE INFORMATION

Neither the Corporation nor the County has been, nor following the offering will they be, required to file reports with the Securities and Exchange Commission (the "Commission") or to deliver an annual report to the holders of the GSA Certificates pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder.

Brief descriptions of the Corporation, the County, the LOC Bank, the District Court, the GSA Lease, the GSA Certificates, the Trust Agreement and the other financing documents are included herein. All statements herein with respect to the foregoing are qualified in their entirety by reference to such documents or instruments, copies of all of which will be available for inspection during the period the GSA Certificates are offered hereby at the offices of the Placement Agent. After the date of the original delivery of the GSA Certificates, Owners thereof and prospective investors may inspect such documents and instruments at the designated corporate trust office of the Trustee at the following address:

U.S. Trust Company National Association  
515 South Flower Street, Suite 2700  
Los Angeles, California 90071  
Attention: Corporate Trust Department

Such descriptions and statements do not purport to be comprehensive or definitive and no part thereof is to be construed as a representation or guaranty of accuracy or completeness by the Corporation, the County, the LOC Bank or the Placement Agent.

## SUMMARY

THIS SUMMARY IS SUBJECT IN ALL RESPECTS TO THE MORE COMPLETE INFORMATION CONTAINED IN THIS PRIVATE PLACEMENT MEMORANDUM, AND THE OFFERING OF THE GSA CERTIFICATES TO POTENTIAL INVESTORS IS MADE ONLY BY MEANS OF THE ENTIRE PRIVATE PLACEMENT MEMORANDUM.

FOR DEFINITIONS OF THE CAPITALIZED TERMS UTILIZED HEREIN, SEE THE GLOSSARY ANNEXED AS APPENDIX A.

The GSA Certificates are part of an integrated financing, which consists of the GSA Certificates and the County Certificates (as defined herein). The GSA Certificates and the County Certificates are referred to herein as the "Certificates". The County Certificates are not being offered by this Private Placement Memorandum.

The GSA Certificates evidence and represent the interest in the rights of the registered owners thereof in the payments (the "GSA Payments") to be made by the United States of America, acting by and through the General Services Administration (the "Government") pursuant to U.S. Government Lease for Real Property No. GS-09B-96372, dated May 1, 1998, as amended and supplemented by the Supplemental Lease Agreement, dated as of April 26, 1999 (the "GSA Lease") between the County and the Government for the rental of the District Court. The GSA Lease will commence when the Facilities have been completed and the District Court has been accepted by the Government (the "Completion Date"), which must occur no later than June 1, 2000 (the "Required Completion Date") or unless as extended in accordance with the GSA Lease. The County Certificates evidence proportionate interests in Base Rental payments to be made by the County under the Facilities Lease.

### **Use of Proceeds**

The proceeds from the offering of the Certificates will be used to pay the costs of the construction and development of the Facilities, to fund capitalized interest on the GSA Certificates, to fund a reserve fund for the Certificates and to pay costs of executing and delivering the Certificates. See "SOURCES OF FUNDS AND USES OF PROCEEDS".

### **The District Court**

The U.S. District Court Project (the "District Court") is a 57,070 square foot, four-story building located at 3470 12<sup>th</sup> Street, Riverside, California. The project will consist of four U.S. District courtrooms, U.S. Marshals offices and fourteen secured parking spaces.

### **District Court Financing**

The sale of the GSA Certificates is part of an integrated financing plan pursuant to which the Corporation and the County are obtaining the financing required for the construction and development of the Facilities and related costs. As part of such financing plan, (i) the Corporation is leasing the District Court Site and certain other property from the County, pursuant to a Site Lease, dated as of March 15, 1999 (the "Site Lease") by and between the County and the Corporation, (ii) the Corporation will construct and develop the Facilities and lease or sublease the District Court and the County's Robert T. Andersen Administrative Center (collectively, the "Leased Premises") to the County pursuant to a Facilities Lease, dated as of March 15, 1999 (the "Facilities Lease") by and between the Corporation and the County, and (iii) the County is subleasing the District Court to the Government pursuant to the GSA Lease, for a fifteen (15) year term commencing on the Completion Date. See "SUMMARY OF OTHER PRINCIPAL DOCUMENTS — Site Lease" and "FACILITIES LEASE".

Concurrently with the execution and delivery of the GSA Certificates, the County is executing and delivery \$2,165,472.41 (initial principal amount) \$7,200,000 (Accreted Value) of its Taxable Certificates of Participation (United States District Court Project) Series 1999 (the "County Certificates"). **THE COUNTY CERTIFICATES ARE NOT BEING OFFERED BY THIS PRIVATE PLACEMENT MEMORANDUM. SEE "PLAN OF FINANCING".**

#### GSA Lease

The District Court will be leased to the Government pursuant to the GSA Lease and will be used by the Government as a United States District Courthouse. See generally "THE DISTRICT COURT" and "THE GSA LEASE". The Government is obligated to make monthly GSA Payments under the GSA Lease for a term expiring fifteen (15) years after the Completion Date, which is anticipated to be June 1, 2000 and is required to occur on prior to June 1, 2000, unless extended by the Government in accordance with the GSA Lease. See "THE GSA LEASE". The GSA Lease permits the Government to exercise certain limited offset and other rights, provided, however, that the Government may not exercise any such offset right against any portion of the GSA Payments required to pay amounts due and owing with respect to the GSA Certificates. See "THE GSA LEASE — Rights of the Government".

#### Rent Obligations Are General Obligations of the United States of America

In the opinion of Hunton & Williams, special counsel to the Placement Agent, the payment of GSA Payments by the Government under the GSA Lease is not subject to annual appropriation by the United States Congress and the obligation to make such payments is a general obligation of the Government, backed by the full faith and credit of the Government. See "THE GSA CERTIFICATES — Sources of Funds for Payment" and "THE GSA LEASE — GSA Payments".

#### The GSA Certificates

The GSA Certificates evidence and represent the rights of the registered owners thereof in the GSA Payments to be made by the Government pursuant to the GSA Lease for the rental of the District Court and in payments of Base Rental to be paid by the County pursuant to the Facilities Lease for the rental of the Leased Premises until June 15, 2015. The obligation of the County for the payment of Base Rental is reduced to the extent of GSA Payments paid by the Government under the GSA Lease. GSA Certificates in the aggregate principal amount of \$17,635,000 will be executed and delivered pursuant to the Trust Agreement dated as of March 15, 1999 (the "Trust Agreement"), by and among the County, Riverside District Court Financing Corporation (the "Corporation") and U.S. Trust Company, National Association (the "Trustee"). Interest with respect to the GSA Certificates is payable until maturity or earlier prepayment semi-annually on each Payment Date (June 15 and December 15), commencing June 15, 1999 with respect to interest accrued during the period from the previous

Payment Date (or from the Date of Delivery with respect to the first Payment Date) through the date immediately preceding such Payment Date. Principal with respect to the GSA Certificates is payable in semi-annual installments on the Payment Dates, commencing June 15, 2001 and ending on June 15, 2015, in the amounts set forth in Appendix B. See "THE GSA CERTIFICATES".

**Form of GSA Certificates**

GSA Certificates will be issued in registered, certificated form. The County and the Corporation intend to cause the GSA Certificates to be eligible for transfer through the facilities of The Depository Trust Company, New York, New York ("DTC") as soon as practicable following the closing.

**Sources of Funds for Payment of GSA Certificates**

Prior to the Completion Date, interest with respect to the GSA Certificates is payable from monies on deposit in the Capitalized Interest Account maintained under the Trust Agreement. The term of the GSA Lease will commence on the Completion Date, which is anticipated to occur on or prior to June 1, 2000, and is required to occur on or a prior to May 1, 2001 under the GSA Lease, unless extended in accordance therewith (the "Required Completion Date"). In the event the Completion Date does not occur on or prior to the Required Completion Date, the GSA Certificates will be subject to mandatory tender for purchase on June 1, 2001 at a purchase price equal to the principal amount evidenced by all outstanding GSA Certificates, plus accrued interest evidenced thereby to the date of purchase. The purchase price will be paid from amounts drawn by the Trustee under a letter of credit (the "Letter of Credit") issued concurrently with the delivery of the GSA Certificates by Commerzbank Aktiengesellschaft, acting through its Los Angeles Branch (the "LOC Bank").

From and after the Completion Date, interest and principal with respect to the GSA Certificates will be made from the GSA Payments required to be paid by the Government under the GSA Lease. The GSA Payments have been assigned to the Trustee, for the benefit of the Owners. There are no scheduled payments of principal or interest with respect to the County Certificates prior to the scheduled maturity date of the GSA Certificates. The County Certificates are payable from the Base Rental payments under the Facilities Lease, and not from any amounts payable under the GSA Lease by the Government, unless the County and the Government extend the GSA Lease, in which event the County Certificates will be payable from the GSA Payments after the maturity of the GSA Certificates. However, in the event of a total casualty to the District Court as a result of which the GSA Lease and the Facilities Lease are terminated in accordance with their respective terms, the payment of amounts due and owing with respect to the GSA Certificates and the County Certificates will be paid, pro rata according to the then Outstanding principal amount of the GSA Certificates and the then current Accreted Value of the County Certificates, from the net proceeds of casualty insurance maintained by the County. In the event of a casualty with respect to the District Court as a result of which the GSA Lease and the Facilities Lease are not terminated, the net proceeds of rental interruption insurance



will be used for debt service payments on the GSA Certificates for a period of up to the shorter of 24 months and the final maturity of the GSA Certificates and for debt service payments on the County Certificates from and after the final maturity of the GSA Certificates. The Facilities Lease requires the County to maintain property insurance in an amount at all times not less than the full replacement cost of the Leased Premises or at least equal to the aggregate principal amount of Outstanding Certificates and rental interruption insurance in an amount equal to the maximum Base Rental due under the Facilities Lease during any 24 month period. The County is permitted to self-insure for property insurance but not rental interruption insurance. See "THE GSA CERTIFICATES — Sources of Funds for Payment". In the event the GSA Lease is terminated for any reason other than a casualty to or condemnation of the Facilities, payments of amounts due on the GSA Certificates will be made from the payment of Base Rentals due under the Facilities Lease from the County. See "FACILITIES LEASE".

#### **Events of Default; Remedies**

Upon the occurrence of an Event of Default under the Facilities Lease, the Trustee may terminate the Facilities Lease and re-enter the Leased Premises, collect each installment of rent as it becomes due and enforce the Facilities Lease against the County. See "THE TRUST AGREEMENT — Events of Default" and "— Remedies".

#### **Optional Prepayment**

The GSA Certificates are subject to optional prepayment prior to maturity at the option of the County, in whole or in part, on any June 15 or December 15 of each year at a price equal to the outstanding principal amount thereof, plus interest accrued thereon to the date fixed for prepayment, plus the Make-Whole Premium. See "THE GSA CERTIFICATES — Prepayment of the GSA Certificates — *Optional Prepayment*".

#### **Mandatory Prepayments**

The GSA Certificates are subject to mandatory prepayment in certain circumstances following the occurrence of a total casualty with respect to the District Court as a result of which the GSA Lease is terminated by the Government at a price equal to the outstanding principal amount thereof, plus interest accrued to the date of such prepayment, plus the Make-Whole Premium. The GSA Certificates and the County Certificates are also subject to prepayment in certain circumstances in whole or in part at the option of the County following the occurrence of a condemnation of all or any part of the District Court, pro rata, at a prepayment price equal to the principal amount thereof, plus interest accrued to the date fixed for prepayment, plus the Make-Whole Premium. In the event of a prepayment of the GSA Certificates and the County Certificates and if the GSA Lease or the Facilities Lease is terminated as a result of such a casualty or condemnation, depending on the total amount of insurance or condemnation proceeds received by the Trustee, the Trustee may lack sufficient funds to pay all amounts when and as due on the GSA Certificates and the County Certificates. There can be no assurance that sufficient funds will be available for the payment of the amounts due with respect to the GSA Certificates or the County Certificates. See "THE GSA CERTIFICATES —

Prepayment of the GSA Certificates — *Mandatory Prepayment*".

**Special Risk Considerations**

Prospective investors should consider, among other things, the factors described under "SPECIAL RISK CONSIDERATIONS".

**Trustee**

U.S. Trust Company, National Association.

**Legal Investment**

Institutions whose investment activities are subject to review by federal or state regulatory authorities should consult with their counsel or the applicable authorities to determine whether and to what extent the GSA Certificates constitute legal investments for them. The GSA Certificates will not constitute "mortgage related securities" within the meaning of Section 3(a)(41) of the Securities Exchange Act of 1934.

## INTRODUCTION

The purpose of this Private Placement Memorandum is to provide certain information concerning the offering and the delivery of the GSA Certificates. For definitions of the capitalized terms used herein, see the Glossary annexed as Appendix A.

The GSA Certificates are part of an integrated financing, which consists of the GSA Certificates and the County Certificates. The GSA Certificates evidence and represent the interest in the rights of the registered owners thereof in the GSA Payments to be made by the Government pursuant to the GSA Lease for the rental of the District Court. The GSA Lease will commence when the Facilities have been completed and the District Court has been accepted by the Government (the "Completion Date"), which is expected to occur on or prior to June 1, 2000 and which must occur no later than May 1, 2001 (the "Required Completion Date"), as extended in accordance with the GSA Lease. The County Certificates evidence proportionate interests in Base Rental payments to be made by the County under the Facilities Lease. Under the Facilities Lease, the County does not pay Base Rental at any time that the GSA Lease is in force and effect.

The County, as lessor, and the Corporation, as lessee, have entered into the Site Lease, which has a term commencing on the Closing Date and expiring on June 15, 2020, pursuant to which the Corporation will lease the District Court Site and the County's Robert T. Andersen Administrative Center from the County. The Corporation, as lessor, and the County, as lessee, have entered into the Facilities Lease, pursuant to which the Corporation has agreed to construct and develop the Facilities on the District Court Site and to lease the completed District Court and the Robert T. Andersen Administrative Center Property to the County, for a term commencing on the Closing Date and expiring on June 15, 2020. The County, as lessor, has subleased the District Court to the Government, pursuant to the GSA Lease, for a fifteen year term, commencing on the Completion Date, which is expected to occur on or about June 1, 2000. Prior to the completion of the Facilities, Base Rental payments with respect to the GSA Certificates by the County will be made from capitalized interest. The County intends to withdraw the Robert T. Andersen Administrative Center from the Site Lease and the Facilities Lease upon the occurrence of the Completion Date.

The GSA Certificates evidence proportionate interests of the Owners thereof in the GSA Payments payable by the Government under the GSA Lease. In the opinion of Hunton & Williams, special counsel to the Placement Agent, the payment of rent and other charges by the Government under the GSA Lease is not subject to annual appropriation by the United States Congress and the obligation of the Government to make such payments is a general obligation of the Government, backed by the full faith and credit of the Government. The GSA Certificates do not constitute debt of the Government. However, in the event any payment that is properly due and owing to the County under the GSA Lease is not made, the County or the Trustee will be entitled to enforce the payment obligations of the Government as may be permitted at law or in equity. The GSA Lease does not provide for acceleration of GSA Payments following a default by the Government. See "THE GSA CERTIFICATES— Sources of Funds for Payment" and "THE GSA LEASE — GSA Payments". The GSA Lease provides that, in certain circumstances, the Government may be entitled to take certain limited offsets against GSA Payments or exercise other remedies. See "THE GSA LEASE — Rights of the Government".

## THE DISTRICT COURT

The U.S. District Court Project (the "District Court") is a 57,070 square foot, four-story building located at 3470 12<sup>th</sup> Street, Riverside, California. The project will consist of four U.S. District courtrooms, U.S. Marshals offices and fourteen secured parking spaces.

The ground floor will contain offices for the United States Marshal, with high security cellblock area with separate elevators to the court floors. The first floor of the building will contain a security entrance, offices for the Court Clerk and U.S. Attorney and jury assembly space. The third and fourth floors will contain the U.S. District courtrooms, judge chambers, and space for ancillary court functions.

The building will be steel frame construction with masonry exterior walls. The facility will meet the latest Federal Building requirements for bomb blast protection, as well as California seismic code design, and Federal & State Americans with Disability Act (ADA) access requirements.

The Robert T. Anderson Administrative Center is a 281,642 square foot, thirteen-story building located at 4080 Lemon Street, Riverside, California. The building was originally built in 1967 as a three-story building, with ten floors added in 1975.

The building houses the County Board of Supervisors meeting chamber and offices, County Executive Offices and county departments of Assessor, Auditor-Controller, Information Technology, Personnel Transportation Land Management Agency, and Treasurer-Tax Collector.

#### PLAN OF FINANCING

The sale of the GSA Certificates is part of an integrated financing plan pursuant to which the Corporation and the County are obtaining the financing required for the construction of the Facilities and related costs. As part of such financing plan, (i) the Corporation is leasing the District Court Site and certain other property from the County pursuant to the Site Lease, (ii) the Corporation will construct and develop the facilities and lease or sublease the Leased Premises to the County pursuant to the Facilities Lease, and (iii) the County is subleasing the District Court to the Government pursuant to the GSA Lease for a fifteen (15) year term commencing on the Completion Date. The GSA Certificates evidence and represent the rights of the registered owners thereof in the GSA Payments to be made by the Government pursuant to the GSA Lease for the rental of the District Court and in payments of Base Rental to be paid by the County pursuant to the Facilities Lease for the rental of the Leased Premises until June 15, 2015. The obligation of the County for the payment of Base Rental is reduced to the extent of GSA Payments paid by the Government under the GSA Lease. Concurrently with the execution and delivery of the GSA Certificates, the County is executing and delivering the County Certificates. The County Certificates are not being offered by this Private Placement Memorandum.

#### County Certificates

There are no scheduled payments of Accreted Value due with respect to the County Certificates prior to the scheduled maturity date of the GSA Certificates.

In the event the Completion Date does not occur on or prior to the Required Completion Date, the County Certificates will be subject to mandatory tender for purchase on June 1, 2001 at a price equal to the Accreted Value thereof as of the date of purchase. The purchase price will be paid from amounts drawn by the Trustee under the Letter of Credit.

The County Certificates are payable solely from the payment of Base Rental under the Facilities Lease, and not from any amounts payable under the GSA Lease by the Government, except in the event the County and the Government extend the term of the GSA Lease, in which case the County Certificates will be payable from the GSA Payments from and after the final maturity of the GSA Certificates. See " - The GSA Certificates". The County Certificates are insured pursuant to an insurance policy (the "Insurance Policy") issued by MBIA Insurance Corporation (the "Insurer"). The GSA Certificates are not entitled to any benefits of the Insurance Policy.

#### SOURCES OF FUNDS AND USES OF PROCEEDS

The following schedule sets forth the estimated sources and uses of funds pertaining to the offering:

#### General

The following schedule sets forth the estimated sources and uses of funds pertaining to the offering:

#### Sources of Funds

Par amount of GSA Certificates.....	\$17,635,000.00
Proceeds from issuance of County Certificates .....	<u>2,165,472.41</u>
<b>Total Sources of Funds .....</b>	<b><u>\$19,800,472.41</u></b>

Uses of Proceeds

Deposits to Accounts under Trust Agreement .....	\$19,800,472.41
Construction Fund	
Costs of Issuance Account .....	578,804.49
District Court Construction Account .....	17,363,248.79
Certificate Fund	
Capitalized Interest Account .....	1,808,419.13
Reserve Fund .....	<u>50,000.00</u>
Total Uses of Funds .....	<u>\$19,800,472.41</u>

THE GSA LEASE

The following summary of certain provisions of the GSA Lease does not purport to be complete, and is qualified in its entirety by reference to the full text of the GSA Lease. Copies of the GSA Lease are available to prospective investors upon request to the Trustee. See "AVAILABLE INFORMATION".

General

The GSA Lease was executed and delivered on May 1, 1998 by the Government and the County and was supplemented by a Supplemental Lease Agreement No. 1 dated April 26, 1999. In the opinion of Hunton & Williams, special counsel to the Placement Agent, the obligation of the Government to make GSA Payments under the GSA Lease is a general obligation of the Government subject to the terms of the GSA Lease.

Term

The term of the GSA Lease is fifteen years, commencing on the Completion Date, which is expected to occur on or about May 1, 2000, and is required to occur on or prior to June 1, 2000, unless extended in accordance with the GSA Lease. The Completion Date will be the date as of which the Government has accepted the District Court as substantially complete in accordance with the terms and conditions of the GSA Lease.

GSA Payments

The GSA Payments consist of (1) base rent ("Base Rent") for the use and occupancy of the District Court, (2) payment for the costs of the operation and maintenance of the District Court (the "Maintenance Rent") as of the Completion Date, (3) an adjustment, up or down, to the Maintenance Rent, to compensate the County for changes in the costs of the operation and maintenance of the District Court and (4) the payment by the Government of its share of increases in real estate taxes on the District Court after the first year of the term of the GSA Lease. The Base Rent and the Maintenance Rent are subject to adjustment in the event the Government determines defective cost or pricing data has been used or a violation of the Federal Procurement Policy Act has occurred. See "— Rights of the Government" and "— Rights of the Trustee".

The Government is entitled to certain rights to reduce, setoff against or deduct from the GSA Payments in certain circumstances under the GSA Lease as a result of the County's failure to perform its obligations thereunder. However, the Government has agreed that the maximum amount which it may deduct for such failures shall not exceed that portion of the total GSA Payments not required to amortize the GSA Certificates (consisting of principal, interest, insurance and taxes), provided that the Government may carry forward any excess amounts not deducted in a particular calendar year as a result of such limitation and may take such deduction in future years. Any amounts not deducted at the conclusion of the term of the GSA Lease because of such deduction limitation will give the Government the option to extend the term of the GSA Lease without payment of rent for the rental value of any amounts not deducted.

GSA Payments will be made by the Government in arrears, in equal monthly installments due and payable on the first Business Day of each month. The GSA Lease is subject to the Prompt Payment Act (31 U.S.C. §§ 3901 et seq.), and the regulations promulgated by the Office of Management and Budget thereunder, pursuant to which any GSA Payments not made when and as due will bear interest from the day after the due date for not more than one year at the interest rate from time to time established by the Secretary of the Treasury. The GSA Lease does not provide for

acceleration of the Government's payment obligations thereunder if the Government does not make a payment when due. See "THE GSA CERTIFICATES — Sources of Funds for Payments".

### **Maintenance**

The GSA Lease requires the County to maintain and repair the District Court. In performing its maintenance and other obligations under the GSA Lease, the County must comply with various federal statutes pertaining to government contracts. The County is required to provide or pay for operating expenses in connection with cleaning services, supplies, materials, maintenance, trash removal, landscaping, heating, electricity and certain administrative expenses.

### **Rent Adjustments for Maintenance**

The cost of maintenance expenses is paid out of the Maintenance Rent component of the Base Rent paid by the Government under the GSA Lease. The Government also pays to the County Additional Maintenance Rent, which is intended to compensate the County for increases in these costs. The Additional Maintenance Rent is determined by adjusting the Maintenance Rent component of the Base Rent each year after the first year of the GSA Lease by the percentage change in the cost of living index, as measured by the U.S. Department of Labor, Revised Consumer Price Index for Wage Earners and Clerical Workers, U.S. City Average. If the Government fails to occupy any portion of the District Court or vacates the District Court in whole or in part prior to the expiration of the term of the GSA Lease, the Maintenance Rent and Additional Maintenance Rent shall be reduced by the actual maintenance costs set forth above not required to maintain such space.

### **Rights of the Government**

The GSA Lease provides that the County shall comply with certain statutes relating, among other things, to gratuities to Government officials and contingent fees and kick-backs, equal opportunity, use of small business concerns, small disadvantaged business concerns and women-owned small businesses and affirmative action for special disabled and Vietnam era veterans and handicapped workers. In the event that the County fails to comply with such statutes and such failure is not cured by the County, the Government may be entitled to terminate the GSA Lease or to seek to offset against the GSA Payments. In addition, in the event that the cost and pricing data submitted to the Government by the County is discovered to be inaccurate, incomplete or non-current, the Government would be entitled to reduce the GSA Payments in the amount by which the rent was increased due to such inaccurate data. The GSA Lease also provides that in the event the County fails to perform any obligation of the County set forth in the GSA Lease, the Government is entitled to offset from the GSA Payments the cost incurred by the Government in performing such obligation or deduct from the GSA Payments the value of the services not being so performed. However, the Government has agreed that the maximum amount which it may deduct for such failures shall not exceed that portion of the total GSA Payments not required to amortize the GSA Certificates (consisting of principal, interest, insurance and taxes), provided that the Government may carry forward any excess amounts not deducted in a particular calendar year as a result of such limitation and may take such deduction in future years. Any amounts not deducted at the conclusion of the term of the GSA Lease because of such deduction limitation will give the Government the option to extend the term of the GSA Lease without payment of rent for the rental value of any amounts not deducted. The Trustee, however, has, certain cure rights. See "*— Rights of the Trustee*".

### **Rights of the Trustee**

The GSA Lease provides that in the event of any circumstance which would permit the Government to terminate the GSA Lease, or in the event the Government would have the right to offset rent pursuant to any provisions of the GSA Lease, no termination or offset will be taken by the Government unless the County is provided with written notice of such event or proposed rental deduction, together with the opportunity to cure or eliminate the same. In the event any repair or other cure cannot reasonably be completed within thirty days, the County shall be entitled to such additional time as is necessary to effectuate such repair or cure, provided that efforts to cure are initiated promptly within such thirty day period and the County proceeds diligently and continuously to complete such repairs or cure, provided that in no event shall the cure period exceed ninety days from the date of notice by the Government without the Government's written approval.

### **Damage to or Destruction of the District Court**

In the event of a partial or total damage or destruction of the District Court, the County is required to give the Government notice, within thirty days of the date of such damage or destruction, of the County's estimate of the time required to restore the District Court to the condition that existed immediately prior to the casualty (the "Restoration Period"). If the Restoration Period is more than one hundred eighty days, the Government may terminate the GSA Lease by giving written notice to the County and the Trustee within thirty days of the Government's receipt from the County of the County's estimate of the Restoration Period. If the GSA Lease is not terminated as a result of such casualty, the County shall proceed with reasonable diligence to and shall restore the District Court within the Restoration Period to substantially the condition that existed immediately prior to the casualty. If the County fails to substantially complete the restoration within the Restoration Period or fails to demonstrate reasonably diligent progress towards substantially completing the restoration within the Restoration Period, the Government may terminate the GSA Lease. During any period the County is restoring the District Court, GSA Payments shall be abated in full for a total destruction or damage and a partial destruction or damage that renders the entire District Court untenable and abated proportionately for any other partial destruction or damage and the Government shall not be permitted to terminate such GSA Lease.

### **Assignment and Subletting**

The Government may sublet any part of the District Court but shall not be relieved from any obligations under the GSA Lease by reason of any such subletting. The Government may at any time assign the GSA Lease with the prior written consent of the County and the Trustee, such consent not to be unreasonably withheld or delayed. Notwithstanding the foregoing, the Government shall not be relieved of its obligation under the GSA Lease by reason of any such assignment.

### **Substitution of Tenant Agency**

The Government reserves the right to substitute as a tenant in the District Court any federal government agency or agencies at any time.

## **THE GSA CERTIFICATES**

**The following summary of certain provisions of the GSA Certificates does not purport to be complete, and is qualified by reference to the terms of the GSA Certificates set forth in the Trust Agreement. A copy of the Trust Agreement is available to prospective investors upon request to the Trustee. See "AVAILABLE INFORMATION".**

### **General**

The GSA Certificates will be executed and delivered in an aggregate principal amount of \$17,635,000, will be dated the Date of Delivery, and will evidence and represent principal components and interest components of the GSA Payments, from the date of the GSA Certificates to their final maturity date or prior repayment date. The GSA Certificates have a maturity date of June 15, 2015. The GSA Certificates will be executed and delivered as fully

registered certificates without coupons; and beneficial ownership of the GSA Certificates will be available in principal amounts of \$100,000 and integral multiples of \$1,000 in excess thereof.

Interest with respect to the GSA Certificates shall accrue from the Date of Delivery is payable until maturity semi-annually on each Payment Date (June 15 and December 15), commencing June 15, 1999 with respect to interest accrued during the period from the previous Payment Date (or from the Dated Date with respect to the first Payment Date) through the day immediately preceding such Payment Date. Principal with respect to the GSA Certificates is payable in semi-annual installments on the Payment Dates, commencing June 15, 2001 and ending on June 15, 2015, in the amounts set forth in Appendix B. The GSA Certificates will be executed and delivered as fully registered Certificates initially registered in the names of the purchasers thereof. The County and the Corporation intend to cause the County Certificates to be made eligible for secondary trading through the facilities of DTC as soon as practicable following the Closing Date. See "Book-Entry System" hereinbelow.

The GSA Certificates will be sold to only purchasers who are "qualified institutional buyers" as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). No transfer of a GSA Certificate shall be made unless such transfer is exempt from the registration requirements of the Securities Act and any applicable state securities laws or is made in accordance with the Securities Act and said laws. Each registration of exchange or transfer of a GSA Certificate may be made only upon delivery of a duly executed written instrument of transfer or exchange in a form acceptable to the Trustee. Each transferee of a GSA Certificate shall be deemed by acceptance of such GSA Certificate to have represented to the County and the Corporation that such transferee is a "qualified institutional buyer" at the time of the acquisition of such Series 1999 Certificate.

Interest with respect to any GSA Certificates shall be payable on each Payment Date to the Owner thereof as of the close of business on the Record Date, such interest to be paid by check of the Trustee, mailed to the Owner by first-class mail at its address as it appears on the Certificate Register, or by wire transfer to any Owner of \$1,000,000 or more of GSA Certificates to the account in the United States specified by such Owner in a written request delivered to the Trustee on or prior to the Record Date for such Payment Date. Payments of defaulted interest shall be paid by check to the Owners of the GSA Certificates as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Owners of the GSA Certificates not less than 10 days prior thereto.

Principal and premium, if any, with respect to any GSA Certificate are payable upon surrender thereof at the principal corporate trust office of the Trustee in Los Angeles, California. The principal premium, if any, and interest with respect to the GSA Certificates shall be payable in lawful money of the United States of America.

The GSA Certificates evidence and represent the interest of the registered owners thereof in the Facilities Lease, including the right to receive Base Rental payments under the Facilities Lease and in the GSA Payments to be made by the Government pursuant to the GSA Lease for the rental of the District Court. The Government shall make all GSA Payments to the Trustee. Upon receipt of each GSA Payment from the Government, the Trustee will deposit into the GSA Certificates Debt Service Account an amount equal to one-sixth of the interest and principal with due respect to the GSA Certificates on the next succeeding Payment Date in accordance with the terms of the Trust Agreement. Immediately following the transfer to the GSA Certificates Debt Service Account, the Trustee shall transfer to the extent amounts are then available in the GSA Payments Account, a monthly amount equal to \$4,166.67 to the Reserve Fund until the amount on deposit in the Reserve Fund is equal to the Reserve Requirement. Thereafter any remaining balance in the GSA Payments Account shall be transferred to the Excess GSA Payments Account where such amounts will be applied as directed to the County, provided, however, that to the extent there are any Bank Certificates Outstanding, any remaining balance in the GSA Payments Account shall be transferred to the Prepayment Account and applied to the Prepayment of Bank Certificates. See "THE TRUST AGREEMENT – Flow of Funds and Accounts".

#### **Sources of Funds for Payment**

The GSA Certificates evidence and represent the interest of the registered owners thereof in the GSA Payments to be made by the Government pursuant the GSA Lease for the rental of the District Court and in payments of Base Rental to be paid by the County pursuant to the Facilities Lease for the rental of the Leased Premises until June 15, 2015. The obligation of the County for the payment of Base Rental is reduced to the extent of GSA Payments paid by the Government under the GSA Lease.



Prior to the Completion Date, payments of interest with respect to the GSA Certificates will be payable from monies on deposit in the Capitalized Interest Account. In the event the Completion Date does not occur on or prior to June 1, 2000, unless the Government and the County agree to extend such Completion Date but in no event later than May 1, 2001, the GSA Certificates will be subject to mandatory tender for purchase on June 1, 2001 at a purchase price equal to the principal amount evidenced by all outstanding GSA Certificates, plus accrued interest evidenced thereby to the date of purchase. The purchase price will be paid from amounts drawn by the Trustee under the Letter of Credit. See "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT".

From and after the Completion Date, the GSA Certificates will be payable solely from the GSA Payments to be paid by the Government under the GSA Lease, from the net proceeds of rental interruption insurance (following the occurrence of a casualty to the District Court and during the restoration period) and from amounts on deposit in the Reserve Fund. Under the Assignment of Claims, all of the proceeds (including all GSA Payments and other amounts payable under the GSA Lease, but not the County's obligations thereunder) are assigned to the Trustee. See "SUMMARY OF OTHER PRINCIPAL DOCUMENTS — Assignment of Claims".

As described under "THE GSA LEASE — GSA Payments", GSA Payments are to be made by the Government monthly in arrears on the first Business Day of each month. The Government is obligated to pay interest on the amount of any such payment not made when due.

In the opinion of Hunton & Williams, special counsel to the Placement Agent, subject to the terms of the GSA Lease, the obligation of the Government to make all GSA Payments under the GSA Lease is a general obligation of the Government, and the obligation of the Government to make the GSA Payments under the GSA Lease is not subject to annual appropriation by the United States Congress.

In the event any GSA Payments which are properly due and owing to the County under the GSA Lease are not made, the County will be entitled to enforce the payment obligations of the Government as may be permitted at law or in equity. In the event of the Government's failure to make any GSA Payment under the GSA Lease, delays in payments on the GSA Certificates could result. The GSA Lease is subject to the Prompt Payment Act (31 U.S.C. §§ 3901 et seq.), and the regulations promulgated by the Office of Management and Budget thereunder, which obligate the Government to pay interest for up to one year, at a rate equal to the "Renegotiation Board Interest Rate", determined semiannually by the Secretary of the Treasury, if such late payment results from the Government's failure to make any GSA Payment when due. The GSA Lease does not provide for acceleration of the Government's payment obligations thereunder if the Government does not make a payment when due. See "THE GSA LEASE — GSA Payments".

In the event that the GSA Lease is terminated as a result of a default thereunder, the County is obligated to make payments of Base Rental under the Facilities Lease in an amount not less than the periodic installments of amounts evidencing principal and interest due on the GSA Certificates.

#### **Security**

The GSA Certificates are secured by an assignment by the County to the Trustee of all monies due and to become due from the Government under the GSA Lease, pursuant to the Assignment of Claims.

#### **Prepayment of the GSA Certificates**

*Mandatory Prepayment.* The GSA Certificates are subject to mandatory prepayment on any date prior to their maturity date, upon notice as provided in the Trust Agreement, as a whole or in part by lot in authorized denominations from prepayments made under the circumstances described in the Trust Agreement and the Facilities Lease from money transferred to the Prepayment Account in the Certificate Fund representing the portion allocable to the GSA Certificate (calculated on a pro rata basis taking into account the then outstanding principal balance of the GSA Certificates and the Accreted Value of the County Certificates) of the net proceeds collected from a taking of the Leased Premises or a portion thereof under the power of eminent domain or from insurance covering damage to or destruction of the Leased Premises or a title defect relating to the Leased Premises, at a prepayment price equal to the Outstanding principal amount thereof plus accrued but unpaid interest to the prepayment date plus the Make-Whole Premium. See "THE TRUST AGREEMENT" and "THE FACILITIES LEASE". In the event of a prepayment of the GSA Certificates and the County Certificates and if the GSA Lease or the Facilities Lease is terminated as a result of

such a casualty or condemnation, depending on the total amount of insurance or condemnation proceeds received by the Trustee, the Trustee may lack sufficient funds to pay all amounts when and as due on the GSA Certificates and the County Certificates. There can be no assurance that sufficient funds will be available for the payment of the amounts due with respect to the GSA Certificates or the County Certificates.

*Optional Prepayment.* The GSA Certificates are subject to optional prepayment prior to maturity at the option of the County, as a whole or in part on any June 15 or December 15 of each year, from amounts deposited with the Trustee by the County in furtherance of the exercise of the County's option to purchase the Corporation's interest in the Leased Premises or any portion thereof in accordance with the Facilities Lease and from any other funds available therefor, at a prepayment price equal to the principal amount (or Accreted Value) of the GSA Certificates to be prepaid, plus accrued but unpaid interest to the prepayment date plus the Make-Whole Premium.

*Notice of Prepayment.* Notice of prepayment will be delivered by first class mail, postage prepaid, to respective Owners of any GSA Certificates designated for prepayment at their addresses as they appear on the books of the Trustee as of the close of business on the day before such prepayment notice is given, mailed not less than 30 nor more than 60 days prior to the prepayment date. Such notice will set forth, among other things, the prepayment date, the place of prepayment and the prepayment price and will state that the interest represented by the GSA Certificates designated for prepayment shall cease to accrue from and after such prepayment date. Notice of prepayment shall also be given to certain securities depositories and information services. The failure of any Owner to receive such prepayment notice or any defect therein shall not affect the validity of the prepayment of any GSA Certificates.

*Effect of Prepayment.* If the notice referred to hereinabove has been given and if the monies necessary for the prepayment of the GSA Certificates identified in such notice (including interest to the applicable date of prepayment) have been set aside in the Prepayment Account of the Certificate Fund, the GSA Certificates identified in the notice to be prepaid shall become due and payable on such date of prepayment and from and after such prepayment date, interest with respect to such GSA Certificates shall cease to accrue and become payable.

#### **Book Entry System**

*The information in this section concerning The Depository Trust Company ("DTC") and its book-entry system has been obtained by sources that the Corporation and the County believe to be reliable, but the Corporation and the County take no responsibility for the accuracy thereof. The Certificates will initially be issued as fully registered, certificated Certificates, registered in the names of the purchasers thereof. The County and the Corporation intend to cause the Certificates to be made eligible for transfer through the facilities of DTC as soon as practicable following the Closing Date. The description set forth below relates solely to GSA Certificates registered in the name of DTC's nominee.*

From and after the date the GSA Certificates are made eligible for transfer through the facilities of DTC, the Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the GSA Certificates. The information contained herein is applicable after the GSA Certificates are made so eligible. The GSA Certificates will be registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Certificate will be issued for the GSA Certificates, in the aggregate principal amount thereof, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF ANY GSA CERTIFICATES, REFERENCES HEREIN TO THE OWNERS THEREOF SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE GSA CERTIFICATES.

DTC is a limited-purpose trust company organized under the banking law of the State of New York (the "New York Banking Law"), a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers,

Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of GSA Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the GSA Certificates on DTC's records. The ownership interest of each actual purchaser of each of the GSA Certificates ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered in to the transaction. Transfers of ownership interests in the GSA Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive GSA Certificates representing their ownership interests in the GSA Certificates, except in the event that use of the book-entry system for the GSA Certificates is discontinued.

To facilitate subsequent transfers, all GSA Certificates deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of GSA Certificates with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the GSA Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts the GSA Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the GSA Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the GSA Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Distributions of principal and interest with respect to the GSA Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Distributions of principal and interest to DTC is the responsibility to the County or the Trustee, disbursement of such distributions to Direct Participants shall be the responsibility of DTC, and disbursement of such distributions to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the GSA Certificates at any time by giving reasonable notice to the Corporation, the County and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, GSA Certificates are required to be printed and delivered.

The Corporation and the County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the GSA Certificates will be printed and delivered.

*Year 2000 Compliance.* DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems". DTC has informed its participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry

deliveries and settlement of trades with DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third-party vendors from whom DTC licenses software and hardware, and third-party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third-party vendors from whom DTC acquired services to: (i) impress upon them the importance of such services being Year 2000 compliant and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind. Additional information concerning DTC can be found at DTC's website at [www.dtc.org](http://www.dtc.org).

SO LONG AS CEDE & CO. IS THE REGISTERED HOLDER OF THE GSA CERTIFICATES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE CERTIFICATEHOLDERS OR REGISTERED HOLDERS OF THE CERTIFICATES SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE CERTIFICATES.

THE CORPORATION AND THE COUNTY CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE GSA CERTIFICATES (i) PAYMENTS DENOMINATED AS PRINCIPAL OR INTEREST WITH RESPECT TO THE GSA CERTIFICATES, (ii) EVIDENCE OF AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN GSA CERTIFICATES, OR (iii) PREPAYMENT OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE GSA CERTIFICATES, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS PRIVATE PLACEMENT MEMORANDUM.

NONE OF THE CORPORATION, THE COUNTY OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO (1) THE GSA CERTIFICATES; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF PAYMENTS OF PRINCIPAL OR INTEREST WITH RESPECT TO THE GSA CERTIFICATES; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE TRUST AGREEMENT TO BE GIVEN TO OWNERS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS AN OWNER.

#### THE TRUST AGREEMENT

The following summary of certain provisions of the Trust Agreement does not purport to be complete, and is qualified in its entirety by reference to the full text of the Trust Agreement. Copies of the Trust Agreement are available to prospective investors upon request to the Trustee. See "AVAILABLE INFORMATION".

## General

The Trust Agreement is to be entered into by the Corporation, the County and the Trustee and provides for (i) the execution and delivery by the Trustee of the GSA Certificates and the County Certificates, (ii) the pledge and assignment to the Trustee of amounts held in the funds and accounts established under the Trust Agreement and (iii) the payment of principal and interest with respect to the Certificates. As discussed under the caption "THE GSA CERTIFICATES — Sources of Funds for Payment", amounts due with respect to the GSA Certificates are payable from the GSA Payments to be paid by the Government under the GSA Lease.

The Trustee is appointed and accepts appointment pursuant to the Trust Agreement to receive, hold and disburse in accordance with the terms thereof the money to be paid to it, to execute and deliver GSA Certificates representing proportionate interests in the GSA Lease to the original purchasers, and to perform certain other functions provided in the Trust Agreement.

A summary of the terms of the GSA Certificates is provided under the caption "THE GSA CERTIFICATES".

## Funds and Accounts

*Establishment and Application of Construction Fund.* The Trust Agreement establishes in trust a special fund designated the "Construction Fund", which, together with the other trust accounts established in connection therewith, shall at all times be in the exclusive possession of and under the exclusive dominion and control of, the Trustee and which shall be kept separate and apart from all other funds, accounts and money held by the Trustee. Moneys in the Construction Fund shall be expended for the purposes specified in the Trust Agreement. Within the Construction Fund, the Trustee shall establish a Costs of Issuance Account and a District Court Construction Account.

Costs of Issuance Account. The Trustee shall disburse moneys from the Costs of Issuance Account on such dates and in such amounts as are necessary to pay Costs of Issuance, in each case, in accordance with a payment request in the form attached to the Trust Agreement. Any amounts remaining in the Costs of Issuance Account on the earlier of (i) the date on which the County has notified the Trustee in writing that all Costs of Issuance have been paid, and (ii) December 15, 1999, shall be transferred to the District Court Construction Account.

District Court Construction Account. The Trustee shall from time to time disburse moneys from the District Court Construction Account to pay Construction Costs with respect to the Facilities promptly after receipt of a payment request in the form attached to the Trust Agreement. Amounts on hand in the District Court Construction Account may also be disbursed to pay Costs of Issuance, upon receipt by the Trustee of a written request of the County Representative substantially in the form attached to the Trust Agreement. In making all such payments, the Trustee may rely upon the representations made in such written payment request. If for any reason the County should decide prior to the payment of any item in such written payment request not to pay such item, then it may give written notice of such decision to the Trustee and thereupon the Trustee shall not make such payment. In no event shall the Trustee be responsible for the improper use of money properly disbursed pursuant to requests made under this Section.

The County shall deliver to the Trustee, the Bank and the Insurer a Certificate of Completion immediately upon the completion of the Facilities and the availability of the District Court for beneficial use and occupancy. The County shall deliver or cause to be delivered to the Trustee a Certificate of Acceptance immediately upon the acceptance of the District Court by the GSA for beneficial use and occupancy in accordance with the GSA Lease.

If, after payment by the Trustee of all written requests theretofore tendered to the Trustee with respect to the District Court Construction Account, and delivery to the Trustee of a Certificate of Acceptance, any balance remains in the District Court Construction Account, all money so remaining will be transferred, first, to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement and, second, as may be directed by the County in writing; provided, however, that to the extent any Bank Certificates are Outstanding under the Trust Agreement, all remaining moneys shall be deposited into the Prepayment Account and applied to the prepayment of Bank Certificates.

*Establishment and Application of Administrative Expense Fund.* The Trust Agreement establishes in trust a special fund designated the "Administrative Expense Fund", which shall at all times be in the exclusive possession of, and under the exclusive dominion and control of, the Trustee and which shall be kept separate and apart from all other funds, accounts and money held by the Trustee. The Trustee shall, to the extent of moneys available therein, disburse money from the Administrative Expense Fund on such dates and in such amounts as are necessary to pay all expenses of the Corporation or the County (not otherwise paid or provided for out of the proceeds of the sale of Certificates) incidental to the execution and delivery of the Certificates, including but without limiting the generality of the foregoing; salaries, wages, expenses, fees and charges of auditors, accountants, architects, attorneys and engineers, and all other necessary administrative charges of the Corporation or the County or charges required to be paid by either of them in order to comply with the terms of the Certificates or of the Trust Agreement, in each case, in accordance with a payment request in the form attached to the Trust Agreement.

*Establishment and Application of Certificate Fund.* The Trust Agreement establishes in trust a special fund designated the "Certificate Fund", which, together with all other trust accounts established in connection therewith, shall at all times be in the exclusive possession of, and under the exclusive dominion and control of, the Trustee and which shall be kept separate and apart from all other funds, accounts and money held by the Trustee. The Trustee shall administer such fund and the accounts therein as provided in the Trust Agreement. The Certificate Fund shall be maintained by the Trustee until the Certificates are paid in full pursuant to the terms of the Trust Agreement. Within the Certificate Fund, the Trustee shall establish the following accounts: (a) Base Rental Account; (b) GSA Payments Account; (c) GSA Certificates Debt Service Account; (d) County Certificates Debt Service Account; (e) Prepayment Account; (f) Capitalized Interest Account; (g) Letter of Credit Account; (h) Excess GSA Payments Account; and (i) Rental Interruption Insurance Proceeds Account.

Base Rental Account. Except as otherwise provided in this paragraph, Base Rental received by the Trustee shall be deposited in the Base Rental Account. The Trustee shall transfer from the Base Rental Account to the County Certificates Debt Service Account on each Payment Date an amount which, together with moneys on deposit in the County Certificates Debt Service Account, equals the principal and interest then due on such Payment Date with respect to the County Certificates in accordance with the terms of the Trust Agreement. Any amounts remaining in the Base Rental Account on a Payment Date after the transfer referred to in the preceding sentence has been made shall be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement and thereafter any such remaining amounts shall be retained in the Base Rental Account to be used to make future principal and interest payments with respect to the County Certificates; provided, however, that to the extent there are any Bank Certificates Outstanding, any remaining balance in the Base Rental Account shall be transferred to the Prepayment Account and applied to the prepayment of Bank Certificates. Any delinquent Base Rental payments shall be applied first to the payment of interest payments past due, second to the payment of principal payments past due according to the tenor of any County Certificate, and third to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement. Any remaining money representing delinquent Base Rental payments will remain on deposit in the Base Rental Account to be applied in the manner provided in the Trust Agreement.

GSA Payments Account. GSA Payments received by the Trustee shall be deposited in the GSA Payments Account. Upon receipt of each monthly GSA Payment the Trustee shall transfer from the GSA Payments Account and deposit into the GSA Certificates Debt Service Account an amount equal to one-sixth (1/6th) of the interest and principal due with respect to the GSA Certificates on the next succeeding Payment Date in accordance with the terms of the Trust Agreement. Immediately following the transfer to the GSA Certificates Debt Service Account, the Trustee shall transfer, to the extent amounts are then available in the GSA Payments Account, a monthly amount equal to \$4,166.67 to the Reserve Fund until the amount on deposit in the Reserve Fund is equal to the Reserve Requirement. Thereafter, any remaining balance in the GSA Payments Account shall be transferred to the Excess GSA Payment Account; provided, however, that to the extent there are any Bank Certificates Outstanding, any remaining balance in the GSA Payments Account shall be transferred to the Prepayment Account and applied to the prepayment of Bank Certificates. Any delinquent GSA Payments deposited in the GSA Payments Account shall be applied first to the payment of interest payments past due, second to the payment of principal payments past due according to the tenor of any GSA Certificate, and third to make the monthly deposit into the Reserve Fund as provided above. Any remaining money in the GSA Certificates Debt Service Account representing delinquent GSA Payments will

remain on deposit in the GSA Payments Account to be applied in the manner provided in the Trust Agreement.

County Certificates Debt Service Account. On each Payment Date, the Trustee shall apply the amounts on deposit in the County Certificates Debt Service Account to pay the principal and interest with respect to the County Certificates due on such Payment Date.

GSA Certificates Debt Service Account. On each Payment Date, the Trustee shall apply the amounts on deposit in the GSA Certificates Debt Service Account to pay the principal and interest with respect to the GSA Certificates due on such Payment Date.

Prepayment Account. Any proceeds of insurance (other than rental interruption insurance) or awards in respect of a taking under the power of eminent domain not required to be used for repair, reconstruction or replacement of the Leased Premises, and any other amounts provided for the prepayment of Certificates in accordance with the Trust Agreement or required to be deposited in the Prepayment Account pursuant to the Trust Agreement, shall be deposited by the Trustee in the Prepayment Account. On the scheduled prepayment date, the Trustee shall withdraw from the Prepayment Account and pay to the Owners entitled thereto the prepayment price of the Certificates prepaid on such date.

Capitalized Interest Account. Prior to the Completion Date, the Trustee shall, on or before each Payment Date, transfer from the Capitalized Interest Account to the GSA Certificates Debt Service Account the amount indicated on the Capitalized Interest Draw Schedule attached to the Trust Agreement. Following the Completion Date, the Trustee shall transfer the amounts remaining in the Capitalized Interest Account, if any, first to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and second as the County may direct in writing; provided, however, that if there are any Bank Certificates Outstanding such amount shall be deposited in the Prepayment Account and applied to the prepayment of Bank Certificates.

Letter of Credit Account. The Trustee shall apply amounts on deposit in the Letter of Credit Account to purchase all Outstanding Certificates subject to mandatory tender for purchase pursuant to the terms of the Trust Agreement.

Excess GSA Payments Account. On any Business Day, the Trustee shall transfer all amounts on deposit in the Excess GSA Payments Account as the County may direct in writing free and clear of any lien thereon created by the Trust Agreement; provided, however, that to the extent there are Bank Certificates Outstanding, amounts deposited into the Excess GSA Payments Account shall be transferred to the Prepayment Account and applied to the prepayment of Bank Certificates.

Rental Interruption Insurance Proceeds Account. The Trustee shall deposit all amounts representing proceeds of rental interruption insurance in the Rental Interruption Insurance Proceeds Account. Prior to the Completion Date, the Trustee shall, on each Payment Date, transfer to the GSA Certificates Debt Service Account an amount, which together with moneys on deposit in the GSA Certificates Debt Service Account, equals the principal and interest due on such Payment Date with respect to the GSA Certificates. Following the Completion Date and prior to the Maturity Date of the GSA Certificates, the Trustee shall, on each Payment Date, transfer from the Rental Interruption Insurance Proceeds Account and deposit into the GSA Certificates Debt Service Account an amount, which together with moneys on deposit in the GSA Certificates Debt Service Account, equals the principal and interest due on such Payment Date with respect to the GSA Certificate. Following the Completion Date and after the Maturity Date of the GSA Certificates, the Trustee shall, on each Payment Date, transfer from the Rental Interruption Insurance Proceeds Account and deposit into the County Certificates Debt Service Account an amount, which together with moneys on deposit in the County Certificates Debt Service Account, equals the principal and interest due on such Payment Date with respect to the County Certificates.

*Establishment and Application of Reserve Fund.* The Trust Agreement establishes in trust a special fund designated the "Reserve Fund", which shall at all times be in the exclusive possession of, and under the exclusive dominion and control of, the Trustee and which shall be kept separate and apart from all other funds and money held by

the Trustee. The Trustee shall maintain and administer the Reserve Fund as provided in the Trust Agreement until there are no longer any Certificates Outstanding. If on any Payment Date the amounts in the County Certificates Debt Service account or the GSA Certificates Debt Service Account are less than the principal (or Accreted Value) and interest payments due with respect to the Outstanding Certificates on such Payment Date, then the Trustee shall transfer from the Reserve Fund for credit to the County Certificates Debt Service Account or the GSA Certificates Debt Service Account of the Certificate Fund, as applicable, amounts sufficient to make up such deficiencies. In the event of any such transfer, the Trustee shall, within five days thereafter, provide written notice to the County of the amount and the date of such transfer.

Following the Completion Date, amounts on deposit in the Reserve Fund in excess of the Reserve Requirement will be transferred by the Trustee on each Payment Date to the GSA Certificates Debt Service Account and, following the Maturity Date of the GSA Certificates, such excess will be transferred by the Trustee on each Payment Date to the County Certificates Debt Service Account.

On the final Maturity Date of the Certificates, the Trustee will apply the remaining balance on deposit in the Reserve Fund to the final payment of principal and interest to the Certificates then Outstanding.

#### **Execution and Delivery of Additional County Certificates**

The County, the Corporation and the Trustee may, by execution of a Supplemental Trust Agreement, without the consent of the Owners, but with the written consent of the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, and the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, provide for the execution and delivery of Additional County Certificates representing additional Base Rental, and the Trustee may execute and deliver upon the written request of the County and the Corporation, such Additional County Certificates, in such principal amount as shall reflect the additional principal components of the Base Rental and the proceeds of such Additional County Certificates may be applied to acquire, construct or install improvements to the Leased Premises or any portion thereof, or to acquire, construct or improve other real property owned by the County; provided, however, that such Additional County Certificates may only be executed and delivered upon compliance by the County with the provisions of the Trust Agreement, and subject to the following specific conditions, which are hereby made conditions precedent to the execution and delivery of any such Additional County Certificates:

(a) The County shall not be in default under the Trust Agreement or any Supplemental Trust Agreement or under the Facilities Lease;

(b) The Additional County Certificates shall be payable as to principal on June 15 of each year in which principal components are due and shall be payable as to interest on June 15 and December 15 of each year commencing after their date of execution and delivery and extending no longer than the remaining useful life of the improvements financed by such Additional County Certificates or the remaining useful life of the Leased Premises if the proceeds of such Additional County Certificates are used to acquire, construct or improve other real property owned by the County;

(c) The aggregate principal amount of Certificates executed and delivered and at any time Outstanding under the Trust Agreement or under any Supplemental Trust Agreement shall not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement;

(d) The Facilities Lease shall have been amended so as to identify the improvements being made to the Leased Premises, if applicable, and to increase the Base Rental payable by the County thereunder by an aggregate amount equal to the principal and interest represented by such Additional County Certificates (the "New County Base Rental"), payable at such times and in such manner as may be necessary to provide for the payment of the principal and interest represented by such Additional County Certificates; provided, however, that no such amendment shall be made such that the sum of the Base Rental and the New County Base Rental, plus the Additional Rental due under the Facilities Lease shall be in excess of the fair rental value of the Leased Premises after taking into account the use of the proceeds of any Additional County Certificates executed and delivered in connection therewith in the event that the proceeds of any such Additional County



Certificates are used with respect to the Leased Premises (evidence of the satisfaction of this condition shall be by a written certification of the County);

(e) Said Supplemental Trust Agreement, pursuant to which such Additional County Certificates shall be executed and delivered, shall provide that from such proceeds or other sources an amount shall be deposited in the Reserve Fund so that following such deposit there shall be on deposit in the Reserve Fund an amount at least equal to the Reserve Requirement for the Additional County Certificates, if any; and

(f) Said Supplemental Trust Agreement shall provide principal and interest payment dates and/or mandatory prepayment dates for the Additional County Certificates in amounts sufficient to provide for payment of the Additional County Certificates when principal and interest components of said Additional County Certificates are due.

Any Additional County Certificates shall be on a parity with, and each Owner thereof shall have the same rights upon an Event of Default as, the Owner of any other County Certificates executed and delivered under the Trust Agreement, except as otherwise provided in the Supplemental Trust Agreement under which Additional County Certificates are executed and delivered.

#### **Proceedings for Authorization of Additional County Certificates**

Whenever the County and the Corporation shall determine to authorize the execution and delivery of any Additional County Certificates pursuant to the terms of the Trust Agreement, the County, the Corporation and the Trustee shall enter into a Supplemental Trust Agreement, without the consent of the Owners of any Certificates, but with the written consent of the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, and the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, providing for the execution and delivery of such Additional County Certificates, specifying the maximum principal amount of such Additional County Certificates and prescribing the terms and conditions of such Additional County Certificates.

Such Supplemental Trust Agreement shall prescribe the form or forms of such Additional County Certificates and, subject to the provisions of the Trust Agreement, shall provide for the distinctive designation, denominations, method of numbering, dates, principal payment dates, interest rates, Payment Dates, provisions for prepayment (if desired) and places of payment of principal and interest.

Before such Additional County Certificates shall be executed and delivered, the County shall file or cause to be filed the following documents with the Trustee:

(a) An opinion of Independent Counsel setting forth (i) that such Independent Counsel has examined the Supplemental Trust Agreement and the amendment to the Facilities Lease required by the terms of the Trust Agreement; (ii) that the execution and delivery of the Additional County Certificates have been sufficiently and duly authorized by the County and the Corporation; (iii) that said amendment to the Facilities Lease, when duly executed by the County and the Corporation, will be a valid and binding obligation of the County and the Corporation; (iv) that said Supplemental Trust Agreement, when duly executed by the County, the Corporation and the Trustee, will be a valid and binding obligation of the County and the Corporation; and (v) that the amendment to the Facilities Lease has been duly authorized, executed and delivered and has been duly recorded in the official records of the County of Riverside or that a memorandum thereof has been duly recorded in the official records of the County of Riverside.

(b) An appraisal from an MAI licensed appraiser establishing that the fair market value of the Leased Premises (after giving effect to the execution and delivery of the Additional County Certificates and to the use of proceeds received therefrom to the extent that such proceeds are used with respect to the Leased Premises) is at least equal to the principal evidenced by the Outstanding Certificates.

(c) A written certification of the County that the requirements of the Trust Agreement have been met, which shall include a written certification by the County that the fair rental value of the Leased Premises is at least equal to the maximum Base Rental due under the Facilities Lease during the Lease Term,

after giving effect to the execution and delivery of the Additional County Certificates and to the use of proceeds received therefrom, to the extent that the proceeds of the Additional County Certificates are used with respect to the Leased Premises.

(d) A certified copy of the resolution or resolutions of the Board of Supervisors of the County authorizing the execution of the Supplemental Trust Agreement and the amendment to the Facilities Lease required by the provisions of the Trust Agreement.

(e) A certified copy of the resolution or resolutions of the governing board of the Corporation authorizing the execution of the Supplemental Trust Agreement and the amendment to the Facilities Lease required by the provisions of the Trust Agreement.

(f) An executed counterpart of the Supplemental Trust Agreement and an executed counterpart or duly authenticated copy of the amendment to the Facilities Lease required by the provisions of the Trust Agreement.

(g) A written certification of the County that the policies of insurance required by the provisions of the Facilities Lease or certificates thereof have been acquired.

(h) In the event that the proceeds of the Additional County Certificates are used for the acquisition, construction, installation or improvement of real property, a California Land Title Insurance policy in the amount of the Additional County Certificates of the type and with the endorsements described in the Facilities Lease or an endorsement to the existing California Land Title Insurance policy increasing the coverage amount thereof in the amount of the Additional County Certificates.

Upon the delivery to the Trustee of the foregoing instruments, the Trustee shall, in the absence of bad faith on its part, be entitled to rely on, shall be fully protected in relying thereon and shall, in reliance thereon, execute and deliver said Additional County Certificates, in the aggregate principal amount specified in such Supplemental Trust Agreement, upon the written request of the County.

#### **Execution and Delivery of Additional GSA Certificates**

The County, the Corporation and the Trustee may, by execution of a Supplemental Trust Agreement, without the consent of the Owners, but with the written consent of the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, provide for the execution and delivery of Additional GSA Certificates representing additional Base Rental and additional GSA Payments, and the Trustee may execute and deliver upon the written request of the County and the Corporation, such Additional GSA Certificates, in such principal amount as shall reflect the additional principal components of the Base Rental, additional GSA Payment and the proceeds of such Additional GSA Certificates may be applied to acquire, construct or install improvements to the District Court or any portion thereof; provided, however, that such Additional GSA Certificates may only be executed and delivered upon compliance by the County with the provisions of the Trust Agreement, and subject to the following specific conditions, which are hereby made conditions precedent to the execution and delivery of any such Additional GSA Certificates:

(a) The County shall not be in default under the Trust Agreement, any Supplemental Trust Agreement, the Facilities Lease or the GSA Lease;

(b) The Additional GSA Certificates shall be payable as to principal and interest on June 15 and December 15 of each year commencing after their date of execution and delivery and extending no longer than the remaining term of the GSA Lease;

(c) The aggregate principal amount of Certificates executed and delivered and at any time Outstanding under the Trust Agreement or under any Supplemental Trust Agreement shall not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement;

(d) The Facilities Lease shall have been amended so as to identify the improvements being made to the Leased Premises and to increase the Base Rental payable by the County thereunder by an aggregate amount equal to the principal and interest represented by such Additional GSA Certificates (the "New GSA Base Rental"), payable at such times and in such manner as may be necessary to provide for the payment of the principal and interest represented by such Additional GSA Certificates; provided, however, that no such amendment shall be made such that the sum of the Base Rental and the New GSA Base Rental, plus the Additional Rental due under the Facilities Lease shall be in excess of the fair rental value of the Leased Premises after taking into account the use of the proceeds of any Additional GSA Certificates executed and delivered in connection therewith (evidence of the satisfaction of this condition shall be by a written certification of the County);

(e) The GSA Lease shall have been amended so as to identify the improvements being made to the District Court and to increase the GSA Payments payable by the GSA thereunder by an aggregate amount equal to the principal and interest represented by such Additional GSA Certificates (the "New GSA Payments"), payable at such times and in such manner as may be necessary to provide for the payment of the principal and interest represented by such Additional GSA Certificates; provided, however, that no such amendment shall be made such that the sum of the GSA Payments and the New GSA Payments due under the GSA Lease shall be in excess of the fair rental value of the District Court after taking into account the use of the proceeds of any Additional GSA Certificates executed and delivered in connection therewith (evidence of the satisfaction of this condition shall be by a written certification of the County);

(f) Said Supplemental Trust Agreement shall provide that from such proceeds or other sources an amount shall be deposited in the Reserve Fund so that following such deposit there shall be on deposit in the Reserve Fund an amount at least equal to the Reserve Requirement for the Additional GSA Certificates; and

(g) Said Supplemental Trust Agreement shall provide principal and interest payment dates and/or mandatory prepayment dates for the Additional GSA Certificates when principal and interest components of said Additional GSA Certificates are due.

Any Additional GSA Certificates shall be on a parity with, and each Owner thereof shall have the same rights upon an Event of Default as, the Owner of any other GSA Certificates executed and delivered under the Trust Agreement, except as otherwise provided in the Supplemental Trust Agreement under which Additional GSA Certificates are executed and delivered.

#### **Proceedings for Authorization of Additional GSA Certificates**

Whenever the County and the Corporation shall determine to authorize the execution and delivery of any Additional GSA Certificates pursuant to the provisions of the Trust Agreement, the County, the Corporation and the Trustee shall enter into a Supplemental Trust Agreement, without the consent of the Owners of any Certificates, but with the written consent of the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, providing for the execution and delivery of such Additional GSA Certificates, specifying the maximum principal amount of such Additional GSA Certificates and prescribing the terms and conditions of such Additional GSA Certificates.

Such Supplemental Trust Agreement shall prescribe the form or forms of such Additional GSA Certificates and, subject to the provisions of the Trust Agreement, shall provide for the distinctive designation, denominations, method of numbering, dates, principal payment dates, interest rates, Payment Dates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional GSA Certificates shall be executed and delivered, the County shall file or cause to be filed the following documents with the Trustee:

(a) An opinion of Independent Counsel setting forth (i) that such Independent Counsel has examined the Supplemental Trust Agreement, the amendment to the Facilities Lease and the amendment to the GSA Lease required by the provisions of the Trust Agreement; (ii) that the execution and delivery of the

Additional GSA Certificates have been sufficiently and duly authorized by the County and the Corporation; (iii) that said amendment to the Facilities Lease, when duly executed by the County and the Corporation, will be a valid and binding obligation of the County and the Corporation; (iv) that said Supplemental Trust, when duly executed by the County, the Corporation and the Trustee, will be a valid and binding obligation of the County and the Corporation; (v) that the Amendment to the GSA Lease Agreement, when duly executed by the County and the GSA, will be a valid and binding obligation of the County; and (vi) that the amendment to the Facilities Lease has been duly authorized, executed and delivered and has been duly recorded in the official records of the County of Riverside or that a memorandum thereof has been duly recorded in the official records of the County of Riverside;

(b) An opinion of counsel to the effect that the obligation of the GSA to make the New GSA Payments under the GSA Lease is not subject to annual appropriation by the United States Congress and the obligation to make such New GSA Payments is a general obligation of the United States of America backed by the full faith and credit of the United States of America;

(c) An appraisal from an MAI licensed appraiser establishing that the fair market value of the Leased Premises (after giving effect to the execution and delivery of the Additional GSA Certificates and to the use of proceeds received therefrom) is at least equal to the principal evidenced by the Outstanding Certificates;

(d) A written certification of the County that the requirements of the Trust Agreement have been met, which shall include a written certification by the County that the fair rental value of the Leased Premises is at least equal to the maximum Base Rental due under the Facilities Lease during the Lease Term, after giving effect to the execution and delivery of the Additional GSA Certificates and to the use of proceeds received therefrom;

(e) A certified copy of the resolution or resolutions of the Board of Supervisors of the County authorizing the execution of the Supplemental Trust Agreement and the amendment to the Facilities Lease and the GSA Lease required by the provisions of the Trust Agreement;

(f) A certified copy of the resolution or resolutions of the governing board of the Corporation authorizing the execution of the Supplemental Trust Agreement and the amendment to the Facilities Lease required by the provisions of the Trust Agreement;

(g) An executed counterpart of the Supplemental Trust Agreement, an executed counterpart or duly authenticated copy of the amendment to the Facilities Lease and an executed counterpart or duly authenticated copy of the amendment of the GSA Lease required by the provisions of the Trust Agreement;

(h) A written certification of the County that the policies of insurance required by the Facilities Lease or certificates thereof have been acquired; and

(i) In the event that the proceeds of the Additional GSA Certificates are used for the acquisition, construction, installation or improvement of real property, a California Land Title Insurance policy in the amount of the Additional GSA Certificates of the type and with the endorsements described in the Facilities Lease or an endorsement to the existing California Land Title Insurance policy increasing the coverage amount thereof in the amount of the Additional GSA Certificates.

Upon the delivery to the Trustee of the foregoing instruments, the Trustee shall, in the absence of bad faith on its part, be entitled to rely on, shall be fully protected in relying thereon and shall, in reliance thereon, execute and deliver said Additional GSA Certificates, in the aggregate principal amount specified in such Supplemental Trust Agreement, upon the written request of the County.

#### **Substitution and Release of Leased Premises**

Notwithstanding anything in the Trust Agreement to the contrary, all or any portion of the Leased Premises may be substituted with other properties at the option of the County, with the written consent of the Bank so long as the

Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, and the written consent of the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, or at the written direction of the Bank at any time Bank Certificates are Outstanding under the Trust Agreement but only in the event that the fair rental value of the Leased Premises during any Fiscal Year is less than the sum of the Base Rental and Additional Rental payable under the Facilities Lease during such Fiscal Year; provided, however, that prior to or concurrently with any such substitution: (i) the County certifies to the Trustee that the annual fair rental value of the substituted property is at least equal to the Base Rental and Additional Rental due in each year for the remaining term of the Facilities Lease; (ii) the County has been advised by all rating agencies that have provided ratings on Outstanding Certificates that such substitution will not, in and of itself, result in a reduction of such ratings on the Certificates; (iii) in the event that the substituted property consists in whole or in part of real property, a California Land Title Association insurance policy on the substituted property has been obtained and evidence that any existing title insurance with respect to the portion of the Leased Premises remaining after such substitution is not affected; (iv) a certificate from a County Representative that the useful life of the substituted property meets or exceeds the remaining term of the Certificates; (v) a certificate from a County Representative that the essentiality of the substituted property is comparable to that of the portion of the Leased Premises released; (vi) evidence that, other than Permitted Encumbrances, no prior liens exist as to the substituted property; (vii) at the written request of the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, or at the written request of the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, an MAI fair market appraisal demonstrating that the value of the substituted property is at least equal to the portion of the Leased Premises released and is not less than the outstanding principal amount of the Certificates; (viii) the GSA Lease shall have expired in accordance with its terms; and (ix) the County shall cause to be delivered to the Trustee an opinion of Independent Counsel substantially to the effect that such substitution shall not adversely affect the rights of the Owners of the Certificates under the Trust Agreement.

All or any portion of the Leased Premises may be released under the Facilities Lease, with the written consent of the Bank so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, and the written consent of the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, but without the consent of the Owners of the Certificates, upon the written request of the County but only upon the delivery by the County to the Trustee of (a) a certificate to the effect that (i) the portion of the Leased Premises remaining after such release is located on an identifiable parcel or parcels of land, (ii) the portion of the Leased Premises remaining subject to the Facilities Lease after such release has a fair market value at least equal to the then remaining aggregate principal components of the Certificates then remaining Outstanding under the Trust Agreement, (iii) the annual fair rental value of the portion of the Leased Premises remaining after such release is equal to or greater than the annual Base Rental and Additional Rental payments to be made under the Facilities Lease in any subsequent year, and (iv) that the useful life of the Leased Premises remaining subject to the Facilities Lease after such release meets or exceeds the remaining term of the Certificates and; (b) an opinion of Independent Counsel substantially to the effect that such release shall not adversely affect the rights of the Owners of the Certificates under the Trust Agreement; provided, however, that the District Court shall not be released from the Facilities Lease while any GSA Certificates are Outstanding. The County, the Corporation, the Bank, the Insurer and the Trustee shall execute any and all appropriate legal documents, instruments and certificates to effect such release. After any such release, the term "Leased Premises" shall be deemed to include only the remaining portion of the Leased Premises.

#### **Repair or Replacement; Application of Insurance Proceeds and Condemnation Awards**

If the Leased Premises or any portion thereof shall be damaged, destroyed, or shall be taken by eminent domain proceedings, the County shall continuously and diligently prosecute or cause to be prosecuted, as expeditiously as possible, the repair or replacement thereof, unless the County elects not to repair or replace the Leased Premises in accordance with the provisions of this section. The County shall take such action as is reasonably necessary to obtain compensation for a taking by eminent domain at least equal to the proportionate amount of Outstanding Certificates related to the Leased Premises or portion thereof taken.

In the event the Trustee receives proceeds of any insurance (other than any rental interruption insurance), including the proceeds of any self-insurance fund, and of any condemnation award, received on account of any damage, destruction or taking of the Leased Premises or portion thereof, the Trustee shall establish in trust a special account designated the "Special Account." Any such proceeds shall be held by the Trustee in the Special Account and made available for, and to the extent necessary be applied to, the cost of repair or replacement of such Leased Premises or

portion thereof. Pending such application, such proceeds may be invested by the Trustee, as directed in writing by the County, in Qualified Investments that mature not later than such times as moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the County shall notify in writing the Trustee within 90 days of the receipt by the Trustee of insurance or condemnation proceeds, whether the County intends to replace or repair the Leased Premises or portion thereof in respect of which such proceeds were received, in which event the County shall promptly deposit with the Trustee the full amount of any insurance deductible to be credited to the Special Account. The County shall replace or repair the Leased Premises or portion thereof as required in the Facilities Lease, unless it deposits the full amount of any insurance deductible necessary to prepay the Certificates relating to the Leased Premises or portion thereof and the Base Rental with respect to the remaining portion of the Leased Premises is sufficient to pay the principal and interest due with respect to the Certificates after the date on which Certificates relating to the Leased Premises or portion thereof are prepaid. The proceeds of any insurance (other than rental interruption insurance), including the proceeds of any self-insurance fund or of any condemnation award, not applied to repairing or replacing damaged, destroyed or taken property, or in respect of which notice in writing by the County of its intention to apply the same to the work of repairing or replacing the property damaged, destroyed or taken shall not have been given to the Trustee within six months after receipt of such proceeds by the Trustee, or which the County shall at any time during such period have notified the Trustee are not to be so applied, shall forthwith be deposited into the Prepayment Account and applied to the prepayment of Certificates in accordance with the provisions of the Trust Agreement.

#### **Title Insurance**

Proceeds of any policy of title insurance received by the Trustee in respect of the Leased Premises or any portion thereof shall be applied and disbursed by the Trustee as follows:

(a) If the County determines that the title defect giving rise to such proceeds has not materially affected the operation of the Leased Premises and will not result in an abatement of Base Rental payable by the County under the Facilities Lease, such proceeds shall (i) first, be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement and (ii) second, be remitted to the County and used for any lawful purpose thereof; provided, however, that to the extent there are any Bank Certificates Outstanding, such proceeds shall be deposited into the Prepayment Account and applied to the prepayment of Bank Certificates; or

(b) If any portion of the Leased Premises has been affected by such title defect, and if the County determines that such title defect will result in an abatement of Base Rental payable by the County under the Facilities Lease, then the Trustee shall immediately deposit such proceeds in the Prepayment Account of the Certificate Fund and such proceeds shall be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

#### **Investments Authorized**

Subject to the restrictions contained in the Trust Agreement, money held by the Trustee in any fund or account under the Trust Agreement shall be invested by the Trustee in Qualified Investments pending application as provided in the Trust Agreement subject to the direction of the County, shall be registered in the name of the Trustee where applicable, as Trustee, and shall be held by the Trustee, where applicable. Notwithstanding the foregoing, the County shall not invest any money on deposit in the Reserve Fund in Qualified Investments with a maturity extending beyond five years unless such Qualified Investment is described in clause (g) of the definition of Qualified Investments and such Qualified Investment is approved by the Bank. The County shall, where applicable, direct the Trustee in writing prior to 12:00 noon Pacific Time on the day before any Qualified Investment matures or is redeemed as to the reinvestment of such proceeds. If the County shall fail to provide the Trustee direction with respect to any moneys subject to investment, the Trustee shall, nevertheless, invest such moneys in those investments described in clause (a) or clause (d) of the definition of Qualified Investments for a period no longer than 180 days. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this section. Any investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available under the Trust Agreement and to the highest yield practicably obtainable giving due regard to the safety of such funds and the date upon which such funds will be required for the uses and purposes required by the Trust Agreement. The Trustee

may act as agent in the making or disposing of any investment. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this section.

### **Trustee and Paying Agent**

*Compensation of Trustee.* Subject to the terms of any compensation agreement, the County shall from time to time, on demand, pay to the Trustee reasonable compensation for its services and shall reimburse the Trustee for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties under the Trust Agreement. To the extent permitted by law, compensation and reimbursement to the Trustee shall not be limited by any statutory provisions which limit compensation to trustees of express trusts.

*Removal of Trustee.* The County may at any time and for any reason, when not in default, for good cause shown, or the Owners of a majority in aggregate principal amount of all Certificates then Outstanding may by written request at any time and for any reason, remove the Trustee and any successor thereto, and shall thereupon with the written consent of the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000 and shall be subject to supervision or examination by federal or state banking authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published. Any removal of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

*Resignation of Trustee.* The Trustee or any successor may at any time resign by giving written notice to the County, the Insurer and the Bank and by giving mailed notice to the Owners of its intention to resign and of the proposed date of resignation, which shall be a date not less than 60 days after mailing of such notice, unless an earlier resignation date and the appointment of a successor Trustee shall have been or are approved by the Owners of a majority in aggregate principal amount of all Certificates then Outstanding.

Upon receiving such notice of resignation, the County shall, with the written consent of the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the County fails to appoint a successor Trustee who shall have accepted its appointment within 60 days following receipt of such written notice of resignation, the resigning Trustee may petition the appropriate Court having jurisdiction to appoint a successor trustee. Any resignation of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Any successor Trustee approved by the County or any court shall satisfy the qualifications set forth in the Trust Agreement.

*Merger or Consolidation.* Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything in the Trust Agreement to the contrary notwithstanding.

*Protection and Rights of the Trustee.* The Trustee shall be protected and shall incur no liability in acting upon or processing in good faith any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may or

may not be counsel to the County, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith reliance thereon.

The Trustee shall not be liable for any error in judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or relating to the exercise of any trust or power conferred upon the Trustee under the Trust Agreement.

Whenever in the administration of its duties under the Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) shall be deemed to be conclusively proved and established by a certificate of the County Representative and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of the Trust Agreement in good faith reliance thereon, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

The Trustee may become the Owner of Certificates with the same rights it would have if it were not Trustee; may acquire and dispose of bonds or other evidences of indebtedness of the County and enforce its rights as Owner thereof to the same extent as if it were not Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Certificates, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Certificates then Outstanding.

The recitals, statements and representations by the County contained in the Trust Agreement or in the Certificates shall be taken and construed as made by and on the part of the County and the Corporation and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any such recital, statement or representation.

The Trustee may execute any of the trusts or powers hereof and perform the duties required of it under the Trust Agreement by or through attorneys, agents or receivers, and shall be entitled to advice of counsel concerning all matters of trust and concerning its duties under the Trust Agreement, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care.

*Paying Agents.* The Trustee has been appointed as paying agent for the Certificates. The County, upon written consent of the Trustee, may appoint such other paying agents with respect to the Certificates as it may deem advisable. Any paying agent appointed shall be a bank or trust company, having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000 and shall be subject to supervision by a federal or state banking authority.

## **Amendments**

*Amendments to Trust Agreement.* The Trust Agreement may be amended in writing by agreement between the parties with the written consent of the Bank, if the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, and the written consent of the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, but no such amendment shall become effective as to the Owners of Certificates then Outstanding unless and until approved in writing by the Owners of a majority in aggregate principal amount of Certificates then Outstanding. Notwithstanding the foregoing, the Trust Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners of the Certificates, but with the written consent of the Bank so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, and the written consent of the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, upon the written agreement of the Corporation, the County and the Trustee, but only (a) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Trust Agreement, (b) in regard to questions arising under the Trust Agreement which the Corporation, the County and the Trustee may deem



necessary or desirable and not inconsistent with the Trust Agreement and which shall not adversely affect the interests of the Owners of the Certificates, (c) for the purposes of providing for the execution and delivery of Additional Certificates pursuant to the Trust Agreement or (d) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Certificates; provided that the County and the Trustee may rely in entering into any such amendment or modification thereof upon the opinion of Independent Counsel stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment shall impair the right of any Owner to receive such Owner's proportionate share of principal and interest in accordance with the terms of his Certificate or in any way diminish the obligations of the Corporation or the County with respect to the performance or enforcement of the GSA Lease or the Facilities Lease.

*Amendments to Facilities Lease and Site Lease.* The Facilities Lease and the Site Lease may be amended in writing by agreement between the parties thereto, with the consent of the Trustee, the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, and the written consent of the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, but no such amendment shall become effective as to the Owners of Certificates then Outstanding unless and until approved in writing by the Owners of a majority in aggregate principal amount of Certificates then Outstanding. Notwithstanding the foregoing, the Facilities Lease and the Site Lease and the rights and obligations provided thereby may also be modified or amended at any time with the written consent of the Trustee, the Bank if the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, and the written consent of the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, but without the consent of any Owners of the Certificates, upon the written agreement of the County and the Corporation, but only (a) for the purpose of substituting or releasing all or any portion of the Leased Premises under the Site Lease and the Facilities Lease, (b) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Facilities Lease or the Site Lease, (c) in regard to questions arising under the Facilities Lease or the Site Lease which the County and the Corporation may deem necessary or desirable and not inconsistent with the Facilities Lease or the Site Lease and which shall not adversely affect the interests of the Owners of the Certificates, (d) for the purpose of providing for the payment of Additional Base Rental in connection with the execution and delivery of Additional Certificates or (e) for any other reason, provided such modification or amendment does not adversely affect the interests of the owners of the Certificates; provided that the County, the Corporation and the Trustee may rely in entering into any such amendment or modification thereof upon the opinion of Independent Counsel stating that the requirements of this sentence have been met with respect to such amendment or modification.

*Amendments to GSA Lease.* The GSA Lease may be amended in writing between the parties thereto, with the consent of the Trustee and the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, but no such amendment shall become effective as to the Owners of the Certificates then Outstanding unless and until approved in writing by the Owners of a majority in aggregate principal amount of Certificates then Outstanding. Notwithstanding the foregoing, the GSA Lease and the rights and obligations provided thereby may also be modified or amended at any time with the consent of the Trustee and the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, but without the consent of any Owners of the Certificates, upon written agreement of the County and the GSA, but only (a) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the GSA Lease, (b) for the purpose of providing for the payment of New GSA Payments in connection with the execution and delivery of Additional GSA Certificates or (c) for any other reason, provided such modification or amendment does not result in a reduction of the GSA Payments or result in a delay in the completion of the Facilities beyond the Required Completion Date.

#### **Events of Default**

*Events of Default Defined.* The following shall be "events of default" under the Trust Agreement and the terms "events of default" and "default" shall mean, whenever they are used in the Trust Agreement, any one or more of the following events:

- (a) An event of default shall have occurred under the Facilities Lease;
- (b) failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Trust Agreement or the Facilities Lease, other than such failure as

may constitute an event of default under clause (a) of this section, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Trustee or to the County and the Trustee by the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding; provided, however, that if the failure stated in the notice cannot be corrected within such period, then such period will be extended so long as corrective action is instituted by the County within such period and diligently pursued until the default is corrected, but only if such extension would not materially adversely affect the interest of any Owner;

(c) one Business Day prior to any regular or special Payment Date, there are insufficient funds contained in the GSA Certificates Debt Service Account to pay the principal and interest due on such Payment Date with respect to the GSA Certificates and such failure shall not have been cured within one Business Day or any payment of principal or interest with respect to the GSA Certificates shall not be made on the date when due (whether at the stated maturity of any installment thereof, by acceleration (in part or in whole), by demand or otherwise); and

(d) (i) the GSA Lease terminates for any reason whatsoever, (ii) the GSA fails to pay any GSA Payment to the Trustee within 15 days of the date upon which such amounts become due in accordance with the terms of the GSA Lease or (iii) the Trustee receives written notice from the GSA or the County that any GSA Payment becoming due in accordance with the GSA Lease will not be made, or (iv) the GSA fails to make any other payment, whether required to be made to the County, required to be made by it pursuant to the GSA Lease within 15 days of the date upon which such amounts become due in accordance with the terms of the GSA Lease.

*Notice of Events of Default.* In the event the County is in default, the Trustee shall give notice of such default to the Owners of the Certificates, the Bank and the Insurer. Such notice shall state that the County is in default and shall provide a brief description of such default. The Trustee in its discretion may withhold notice if it deems it in the best interests of the Certificate Owners. The notice provided for in this section shall be given by mail to the Owners within 30 days of the Trustee's knowledge of such occurrence of default.

*Remedies on Default.* Upon the occurrence and continuance of any event of default specified in (a), (c) or (d) under the section entitled "Events of Default Defined" above, the Trustee shall proceed, or upon the occurrence and continuance of any other event of default under the Trust Agreement, the Trustee may proceed (and upon written request of the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding shall proceed), to exercise the remedies set forth in the Facilities Lease or available to the Trustee under the Trust Agreement. Notwithstanding anything to the contrary contained in the Trust Agreement, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, no remedy shall be exercised under the Trust Agreement without the prior written consent of the Bank and the Bank shall have the right to direct the exercise of any remedy under the Trust Agreement. Following the expiration of the Letter of Credit and so long as no Bank Certificates are Outstanding, no remedy shall be exercised under the Trust Agreement without the prior written consent of the Insurer and Insurer shall have the right to direct the exercise of any remedy under the Trust Agreement; provided, however that such rights shall be available to the Insurer so long as the Insurance Policy is in effect and the Insurer is not in default in its payment obligations under the Insurance Policy; provided, further, however, that no consent of the Insurer shall be required for, nor shall the Insurer have the right to direct any remedy in respect of, any Event of Default which relates solely to the GSA Lease and/or the GSA Certificates and no consent to the exercise of any remedy and no direction of any remedy by the Insurer shall discriminate against the Owners of the GSA Certificates or grant or confer any preference or advantage on the Owners of the County Certificates over the Owners of the GSA Certificates.

*Collection of Base Rental Payments and GSA Payments.* The Trustee shall take any appropriate action to cause the County to pay any Base Rental payment not paid when due or to cause the GSA to pay any GSA Payments not paid when due, upon written request and authorization by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding and unpaid, and upon being satisfactorily indemnified against any expense and liability with respect thereto and receiving payment for its fees and expenses.

*No Remedy Exclusive.* No remedy in the Trust Agreement conferred upon or reserved to the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy

given under the Trust Agreement and the Facilities Lease, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default 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 Trustee or the Owners to exercise any remedy reserved to it or them, it shall not be necessary to give any notice other than such notice as may be required in the Trust Agreement or by law.

*No Additional Waiver Implied by One Waiver.* In the event any provision contained in the Trust Agreement should be breached by a party and thereafter waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Trust Agreement.

*Action by Owners.* In the event the Trustee fails to take any action to eliminate an event of default under the Facilities Lease or under the Trust Agreement, the Owners of a majority in aggregate principal amount of Certificates then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Facilities Lease or the Trust Agreement, but only if such Certificate Owners shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

*Opinion of Counsel.* Before being required to take any action pursuant to this section, the Trustee may require (a) an opinion of counsel acceptable to the Trustee, which opinion shall be made available to the County upon request, which counsel may or may not be counsel to the County or Independent Counsel, or (b) a certificate of the County, or both, concerning the proposed action. The Trustee shall be absolutely protected in reasonably relying upon such opinion and/or certificate.

*Application of Proceeds in Event of Default.* All payments received by the Trustee with respect to the rental of any portion of the Leased Premises after a default by the County, and all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Facilities Lease, shall be applied by the Trustee to the payment of the principal and interest with respect to the Certificate as the same shall become due.

### **Limitation of Liability**

*No Liability of County or Corporation for Trustee Performance.* Neither the Corporation nor the County shall not have any obligation or liability to any other party or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement, including the distribution by the Trustee of principal and interest to the Owners of the Certificates.

*No Liability of Trustee for Base Rental Payments by County or GSA Payments by GSA.* Except as provided in the Trust Agreement, the Trustee shall have no obligation or liability to the Owners of the Certificates with respect to the payment of the Base Rental by the County when due or the payment of GSA Payments by the GSA when due, or with respect to the performance by the County of any other covenant made by it in the Facilities Lease.

*No Liability of County Except as Stated.* Except for (a) the payment of Base Rental and Additional Rental when due in accordance with the terms of the Facilities Lease, and (b) the performance by the County of its obligations and duties as set forth in the Facilities Lease, the Site Lease, the GSA Lease and in the Trust Agreement, the County shall have no obligation or liability to the Trustee or the Owners.

*Limited Liability of Trustee.* The Trustee shall have no obligation or responsibility for providing information to the Owners concerning the investment quality of the Certificates, for the sufficiency or collection of any Base Rental or for the actions or representations of any other party to the Trust Agreement. The Trustee shall have no obligation or liability to any other party or to the Owners with respect to the failure or refusal of any other party to perform any covenant or agreement made by it under the Trust Agreement or the Facilities Lease, but shall be responsible solely for the performance of the duties expressly imposed upon it under the Trust Agreement. The recitals of facts, covenants and agreements contained in the Trust Agreement and in the Certificates shall be taken as statements, covenants and agreements of the Corporation and the County and the Trustee assumes no responsibility for the correctness of the same

and makes no representation as to the validity or sufficiency of the Trust Agreement, the GSA Lease, the Facilities Lease, the Site Lease, the Assignment Agreement or the Certificates, or as to the value of or title to the Leased Premises, and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Trust Agreement assigned to or imposed upon it. The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement, except for its own negligence or willful misconduct.

*Indemnification.* To the extent permitted by law, the County has agreed to indemnify and save the Trustee, its officers, directors, agents and employees (collectively, the "Indemnitees") harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all losses and damages suffered by it as a result thereof, where and to the extent such claim, suit or action arises out of the actions of any other party to the Trust Agreement or the Facilities Lease, including but not limited to the ownership, operation or use of the Leased Premises. Such indemnification shall not extend to judgments obtained against the Indemnitees and expenses of litigation in connection therewith based upon the negligence or willful default of the Indemnitees in performing and carrying out the duties specifically imposed upon and to be performed by them pursuant to the Trust Agreement. In the event the County is required to indemnify the Indemnitees as provided in the Trust Agreement, the County shall be subrogated to the rights of the Indemnitees to recover such losses or damages from any other person or entity.

*Limitation of Rights.* Nothing in the Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the County, the Trustee and the Owners of the Certificates any legal or equitable right, remedy or claim under or in respect of the Trust Agreement or any covenant, condition or provision thereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the County, the Trustee and such Owners

#### **Defeasance**

If all Outstanding Certificates executed and delivered pursuant to the Trust Agreement shall be paid and discharged in any one or more of the following ways:

- (a) by well and truly paying or causing to be paid the principal and interest with respect to all such Certificates Outstanding, as and when the same become due and payable;
- (b) by the deposit by the County with the Trustee, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Certificate Fund and the Reserve Fund without the need for further investment, is fully sufficient to pay all such Certificates Outstanding, including all principal, premium (if any will be incurred) and interest at or before their respective maturity dates, notwithstanding that any Certificates shall not have been surrendered for payment; or
- (c) by depositing with the Trustee, in trust, lawful money or direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed by the United States of America which, in the opinion of Independent Counsel, are permitted under regulations issued pursuant to Section 149(b) of the Code and will not impair the tax exemption of interest with respect to the Certificates, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay and discharge, as verified by an independent financial consultant or a firm of certified public accountants, all such Certificates Outstanding (including all principal, premium (if any will be incurred) and interest) at or before their respective maturity dates, notwithstanding that any Certificates shall not have been surrendered for payment;

then, provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice, all obligations of the Trustee, the Corporation and the County under the Trust Agreement with respect to all such outstanding Certificates shall cease and terminate, except only the obligation of the Trustee under certain provisions of the Trust Agreement and the obligation to pay or cause to be paid from the amounts deposited with it to the Owners of the Certificates all sums due thereon and the obligation of the County to pay to the Trustee the amounts owing to the Trustee under the Trust Agreement.

Any funds held by the Trustee relating solely to such defeased Certificates at the time of one of the events described above or following any payments to Owners described above, which are not required for payment to Owners, or for payment to be made to the Trustee by the County, shall be paid over to the County.

### **Covenants of the County**

*County to Perform Pursuant to Facilities Lease.* The County will perform all obligations and duties imposed on it under the Facilities Lease.

*Extension of Payment of Certificates.* The County shall not directly or indirectly extend the dates upon which the Base Rental payments or GSA Payments are required to be paid or prepaid, or the time of payment of interest with respect thereto. Nothing in the Trust Agreement shall be deemed to limit the right of the County to issue any securities for the purpose of providing funds for the prepayment of the Certificates and such issuance shall not be deemed to constitute an extension of the maturity of the Certificates.

*Access to Books and Records.* The Trustee shall at all times have access to those books and records of the County which may be reasonably required by the Trustee to fulfill its duties and obligations under the Trust Agreement.

*General.* The County shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the County under the provisions of the Trust Agreement.

The County certifies, recites and declares that, upon the date of execution and delivery of any of the Certificates, all conditions, acts and things required by law and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the execution and delivery of such Certificates do exist, have happened and have been performed and the execution and delivery of such Certificates shall comply in all respects with the applicable laws of the State.

*Certain Matters Relating to the GSA Lease Agreement.* The County will comply with all provisions of the GSA Lease and will perform all obligations and duties imposed on it under the terms and provisions of the GSA Lease or will cause such obligations and duties to be performed, all in accordance with the terms and provisions of the GSA Lease. The County will not take, and will not permit the Government to take, any action under the GSA Lease which would cause a default under or give rise to a right of the Government to terminate the GSA Lease or take any offset against, deduction from or reduction of any GSA Payment. The County will immediately, but in no event later than three Business Days of receiving notice thereof from the Government give notice to the Trustee (which notice shall include, without limitation, a copy of the notice given by the Government) of the following: (i) its receipt from the Government of notice that the County has failed to perform or cause to be performed any obligation or duty imposed by it under the terms and provisions of the GSA Lease and that such failure has not been cured within any applicable cure period; and (ii) its receipt from the Government of notice that the Government, as a result of any failure to perform or cause to be performed any obligation or duty imposed on the County under the terms and provisions of the GSA Lease, intends to (A) terminate the GSA Lease, (B) offset against any GSA Payment or payment under the GSA Lease (x) any costs incurred by the Government in performing or obtaining from a third party the performance of such obligations or duties or (y) any other amount the Government may be permitted to offset under the GSA Lease applicable law, (C) seek recovery of all or any portion of any GSA Payment previously made, or (D) reduce any future GSA Payment. The County will enforce the GSA Lease against the Government in accordance with its terms and provisions, and, so long as no default shall have occurred and be continuing, shall have sole reasonable control and discretion over the timing and nature of any action to be taken against the Government. Promptly, but no more than 10 Business Days from becoming aware thereof, the County will give notice to the Trustee of (i) any default or failure of performance by the Government of any of the Government's obligations under the GSA Lease or (ii) if the Government exercises any right to reduce the amount being paid on account of maintenance for any portion of the Project which it shall have vacated. The County agrees that it shall keep the Trustee reasonably informed about its efforts to enforce the GSA Lease against the Government.

*Performance.* The County shall faithfully observe all covenants and other provisions contained in the Trust Agreement, in each Certificate executed and delivered thereunder, and in the Facilities Lease and the GSA Lease. Except as provided in the Facilities Lease, the County shall not agree to any amendment to the Facilities Lease that would either lengthen the term thereof or reduce the amount of Base Rental or Additional Rental payable thereunder, or

change the time or times of payment of such Base Rental or Additional Rental, or agree to any other amendment detrimental to the rights of the Owners.

*Prosecution and Defense of Suits.* The County shall promptly take such action as may be necessary to cure any defect in the title to the Leased Premises or any part thereof, whether now existing or hereafter occurring, and shall prosecute and defend all such suits, actions and all other proceedings as may be appropriate for such purpose.

*Further Assurances.* The County will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance to the Trust Agreement, and for the better assuring and confirming to the Owners of the Certificates the rights and benefits provided therein.

#### **THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT**

The following summaries of certain provisions of the Letter of Credit and the Reimbursement Agreement do not purport to be complete, and are qualified by reference to the full text thereof. Copies of such documents are available to prospective investors upon request to the Trustee. See "AVAILABLE INFORMATION".

##### **The Letter of Credit**

The irrevocable Letter of Credit in an amount equal to \$20,730,230 (consisting of \$17,635,000 representing principal evidenced by the GSA Certificates, \$556,208 representing interest evidenced thereby as of June 6, 2001 and \$2,539,022 representing the Accreted Value of the County Certificates as of June 6, 2001) is to be issued by the LOC Bank to the Trustee for the account of the Corporation and the County to allow the Trustee to draw funds sufficient to pay the principal and interest with respect to the GSA Certificates and the Accreted Value of the County Certificates in the event the GSA Certificates and the County Certificates are prepaid or tendered for purchase prior to the LOC Expiration Date (defined below). The term of the Letter of Credit will commence on the Closing Date and will expire on the earliest of (the "LOC Expiration Date"): (i) the date on which the LOC Bank honors payment of a final tender draft by the Trustee to pay all outstanding GSA Certificates and County Certificates; (ii) the Completion Date, as set forth in a written notice to the LOC Bank from the Trustee; (iii) the date on which the LOC Bank receives written notice from the Trustee that there are no longer any GSA Certificates or County Certificates outstanding; or (iv) June 6, 2001 (the "Stated Termination Date"), as such date may be extended by the LOC Bank by written notice to the Trustee. The Letter of Credit may not otherwise be canceled by the LOC Bank for any reason, including the failure by the Corporation and/or the County to pay any fees or other amounts due under the Reimbursement Agreement.

The Letter of Credit is transferable in its entirety to any transferee succeeding as trustee under the Trust Agreement, and may be successively transferred.

##### **Reimbursement Agreement**

The Reimbursement Agreement, dated as of March 15, 1999, is to be entered into by the Corporation, the County and the LOC Bank on the Closing Date and provides for, among other things, the issuance of the Letter of Credit and for reimbursement by the Corporation of the amount drawn thereunder, plus interest thereon, pursuant to the terms and conditions set forth therein. For information regarding the LOC Bank, see "APPENDIX D - COMMERZBANK AKTIENGESELLSCHAFT".

#### **THE FACILITIES LEASE**

##### **Terms of Lease and Sublease**

*Agreement to Lease and Sublease; Term of Facilities Lease.* The Corporation has agreed to lease or sublease, as appropriate, the Leased Premises to the County, and the County has agreed to lease or sublease, as appropriate, the Leased Premises from the Corporation and to pay the Base Rental and the Additional Rental as provided in the Facilities Lease for the use and occupancy of the Leased Premises, all on the terms and conditions set forth in the Facilities Lease. The lease term (the "Lease Term") shall begin on the Closing Date and shall end on June 15, 2020 (the "Termination Date"), or at such earlier time as the Certificates have been paid or provision for their payment has

been indefeasibly made in accordance with the provisions of the Facilities Lease and the Trust Agreement; provided that the Facilities Lease shall terminate in the event the Corporation's interest in the Leased Premises is purchased pursuant to the provisions of the Facilities Lease, or in the event the Leased Premises, or so much thereof as to render the remainder of the Leased Premises unusable, shall be taken by eminent domain in accordance with the provisions of the Facilities Lease. If on the Termination Date, the Certificates shall not be fully paid, or provision therefor indefeasibly made in accordance with the Trust Agreement, or the Trust Agreement shall not be discharged by its terms, or if the rental payable under the Facilities Lease shall have been abated at any time and for any reason, then the Lease Term shall be extended until the date upon which all Certificates shall be fully paid, or provision therefor indefeasibly made, and the Trust Agreement shall be discharged by its terms, except that the Lease Term shall in no event be extended more than 10 years beyond the Termination Date.

The leasing by the County to the Corporation of the Property pursuant to the Site Lease shall not effect or result in a merger of the County's leasehold estate pursuant to the Facilities Lease and its fee estate as lessor under such Site Lease, and the Corporation shall continue to have and hold a leasehold estate in the Property pursuant to such Site Lease throughout the term thereof and the term of the Facilities Lease. As to the Property, the Facilities Lease shall be deemed and constitute a sublease.

*Substitution of Leased Premises.* Notwithstanding anything in the Facilities Lease to the contrary, all or a portion of the Leased Premises may be substituted with other properties at the option of the County, with the written consent of the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, and the written consent of the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, or at the written direction of the Bank at any time Bank Certificates are Outstanding under the Trust Agreement but only in the event that the fair rental value of the Lease Premises during any Fiscal year is less than the sum of the Base Rental and Additional Rental payable under the Facilities Lease during such Fiscal Year; provided, however, that prior to or concurrently with any such substitution: (i) the County certifies to the Trustee that the annual fair rental value of the substituted property is at least equal to the Base Rental each year for the remaining term of the Facilities Lease; (ii) the County has been advised by all rating agencies that have provided ratings on Outstanding Certificates that such substitution will not, in and of itself, result in a reduction of such ratings on the Certificates; (iii) in the event that the substituted property consists in whole or in part of real property, a California Land Title Association insurance policy on the substituted property has been obtained and evidence that any existing title insurance with respect to the portion of the Leased Premises remaining after such substitution is not affected; (iv) a certificate from a County Representative that the useful life of the substituted property meets or exceeds the remaining term of the Certificates; (v) a certificate from a County Representative that the essentiality of the substituted property is comparable to that of the portion of the Leased Premises released; (vi) evidence that, other than Permitted Encumbrances, no prior liens exist as to the substituted property; (vii) at the written request of the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, or at the written request of the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, an MAI fair market appraisal demonstrating that the value of the substituted property is at least equal to the portion of the Leased Premises released and is not less than the outstanding principal amount of the Certificates; (viii) the GSA Lease shall have expired in accordance with its terms; and (ix) the County shall cause to be delivered to the Trustee an opinion of Independent Counsel substantially to the effect that such substitution shall not adversely affect the rights of the Owners of Certificates under the Trust Agreement.

*Release of Leased Premises.* All or any portion of the Leased Premises may be released under the Facilities Lease, with the written consent of the Bank so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, and the written consent of the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, but without the consent of the Owners of the Certificates, upon the written request of the County but only upon the delivery by the County to the Trustee of (a) a certificate to the effect that (i) the portion of the Leased Premises remaining after such release is located on an identifiable parcel or parcels of land, (ii) the portion of the Leased Premises remaining subject to the Facilities Lease after such release has a fair market value at least equal to the then remaining aggregate principal components of the Certificates then remaining Outstanding under the Trust Agreement, (iii) the annual fair rental value of the portion of the Leased Premises remaining subject to the Facilities Lease after such release is equal to or greater than the Base Rental and Additional Rental payments to be made under the Facilities Lease in any subsequent year; and (iv) that the useful life of the Lease Premises remaining subject to the Facilities Lease after such release meets or exceeds the remaining term of the Certificates and (b) an opinion of Independent Counsel substantially to the effect that such release shall not adversely

affect the rights of the Owners of the Certificates under the Trust Agreement; provided, however, that the District Court shall not be released from the Facilities Lease while any GSA Certificates are Outstanding. The County, the Corporation, the Bank, the Insurer and the Trustee shall execute any and all appropriate legal documents, instruments and certificates to effect such release. After any such release, the term "Leased Premises" shall be deemed to include only the remaining portion of the Leased Premises.

*Transfer of Title.* Upon payment of all Base Rental and Additional Rental required by the Facilities Lease, all right, title and interest of the Corporation in the Leased Premises shall terminate and shall be transferred directly to and vested in the County or, at the option of the County, to any assignee or nominee of the County, in accordance with the provisions of the Facilities Lease, and the Facilities Lease and the Site Lease shall terminate as to the Leased Premises; provided that any instrument of conveyance shall be sufficient if it is in the form of a quitclaim deed or other evidence terminating the Corporation's right, title and interest in the Facilities Lease.

## **Rent**

*Rental Payments.* The Corporation and the County have agreed that, subject to certain provisions of the Facilities Lease, the fair rental value of the Leased Premises is not less than the amount set forth in the certificate of the County delivered on the Closing Date. In satisfaction of its obligations under the Facilities Lease, the County shall pay the Base Rental and Additional Rental in the amounts, at the times and in the manner set forth in the Facilities Lease, such amounts constituting in the aggregate the rental payable under the Facilities Lease as follows:

Base Rental. The County has agreed to pay from legally available funds Base Rental in the amounts set forth in the Facilities Lease, a portion of which shall constitute principal and a portion of which shall constitute interest as determined in accordance with the terms of the Facilities Lease. The Base Rental payable by the County shall be due on each June 15 and December 15 during the Lease Term commencing June 15, 1999 or on the next succeeding Business Day in the event that any such day is not a Business Day, unless there are any Bank Certificates outstanding, in which event Base Rental shall be payable on the days set forth in the Reimbursement Agreement. Base Rental payable in any Fiscal Year shall be for the use and occupancy of the Leased Premises for such Fiscal Year. The obligation of the County to pay Base Rental and Additional Rental shall commence on the Closing Date.

To secure the performance of its obligation to pay Base Rental, the County shall deposit the Base Rental with the Trustee on or before the first day of the month preceding the date on which such Base Rental is due, for application by the Trustee in accordance with the terms of the Trust Agreement. In the event any such date of deposit is not a Business Day, such deposit shall be made on the prior Business Day.

Additional Rental. In addition to the Base Rental set forth in the Facilities Lease, the County has agreed to pay as Additional Rental all of the following:

(i) all taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Leased Premises or upon any interest of the Corporation, the Trustee or the Owners therein or in the Facilities Lease; provided, however, the County may, at the County's expense and in its name, in good faith contest any such taxes and assessments and, in the event of such contest, may permit such taxes and assessments to remain unpaid during the period of such contest and appeal therefrom unless the Corporation or the Trustee shall notify the County that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Corporation in the Leased Premises will be materially endangered or the Leased Premises, or any portion thereof, will be subject to loss or forfeiture, in which event the County shall promptly pay such taxes and assessments or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation and the Trustee;

(ii) insurance premiums, if any, on all insurance required under the provisions of the Facilities Lease;

(iii) all fees and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) of the Trustee in connection with the Trust Agreement;



(iv) all fees and expenses of the Bank due under the Reimbursement Agreement or with respect to the Letter of Credit; and

(v) any other fees, costs or expenses incurred by the Corporation in connection with the execution, performance or enforcement of the Facilities Lease or any assignment hereof or the Trust Agreement or any of the transactions contemplated hereby or thereby or related to the Leased Premises, including, without limitation, any amounts (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) which may become due.

Amounts constituting Additional Rental payable under the Facilities Lease shall be paid by the County directly to the person or persons to whom such amounts shall be payable. The County shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the County stating the amount of Additional Rental then due and payable and the purpose thereof.

*Budget.* The County has covenanted to take such action as may be necessary to include all Base Rental and Additional Rental due under the Facilities Lease in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental, subject to certain provisions of the Facilities Lease.

The covenants on the part of the County contained in the Facilities Lease shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the ministerial duty of each and every public official of the County to take such action and do such things as are required by law in the performance of such official duty of such officials to enable the County to carry out and perform the covenants and agreements on the part of the County contained in the Facilities Lease. The obligation of the County to make Base Rental or Additional Rental payments does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the County to make Base Rental or Additional Rental payments constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

*Payment; Credit.* Amounts necessary to pay Base Rental shall be deposited by the County on the dates set forth in the Facilities Lease in lawful money of the United States of America, at the office of the Trustee in Los Angeles, California, or at such other place or places as may be established in accordance with the Trust Agreement. Except as provided in the Facilities Lease, any amount necessary to pay any Base Rental or portion thereof which is not so deposited shall remain due and payable until received by the Trustee. Notwithstanding any dispute between the County and the Corporation under the Facilities Lease, the County shall make all rental payments when due and shall not withhold any rental payments pending the final resolution of such dispute or for any other reason whatsoever. The County's obligation to make rental payments in the amounts and on the terms and conditions specified under the Facilities Lease shall be absolute and unconditional without any right of set-off or counterclaim, subject only to the provisions of the Facilities Lease. Amounts required to be deposited with the Trustee pursuant to this section on any date shall be reduced to the extent of amounts on deposit on such date in the Certificate Fund (other than in the Prepayment Account and the Capitalized Interest Account) established under the Trust Agreement.

*Rental Abatement.* Except to the extent of (a) amounts held by the Trustee in the Certificate Fund or the Reserve Fund, (b) amounts received in respect of rental interruption insurance or title insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates, Base Rental and Additional Rental payments due under the Facilities Lease shall be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Leased Premises, there is substantial interference with the use or right of possession by the County thereof. The amount of abatement shall be such that the resulting Base Rental and Additional Rental represent fair rental value for the use and possession of the remaining portions of the Leased Premises as to which the County has beneficial use and occupancy and as to which such damage, destruction, theft, condemnation or title defects do not substantially interfere with the use and right of possession by the County. The Trustee may require a certificate from an appropriate representative of the County to the effect that the resulting total rental represents such fair rental value as described in the preceding sentence. Such abatement shall continue for the period commencing with the date of such substantial interference due to material damage, destruction, theft, condemnation or title defects to the Leased Premises and ending with the restoration of the Leased Premises to tenantable condition. In the event of any such material damage, destruction, theft, condemnation or title defects to the

Leased Premises, the Facilities Lease shall continue in full force and effect, except as otherwise set forth in the Facilities Lease.

*Triple Net Lease.* The Facilities Lease is intended to be a triple net lease. The County has agreed that the rentals provided for in the Facilities Lease shall be an absolute net return to the Corporation free and clear of any expenses, charges, counter-claims, recoupment or set-offs whatsoever.

#### **Affirmative Covenants of the Corporation and the County**

The Corporation and the County are entering into the Facilities Lease in consideration of, among other things, the following covenants:

*Replacement, Maintenance and Repairs.* The County shall, at its own expense, during the term of the Facilities Lease maintain the Leased Premises, or cause the same to be maintained, in good order, condition and repair and shall replace any portion of the Leased Premises which is destroyed; provided, that the County shall not be required to repair or replace any such portion of the Leased Premises pursuant to this section if there shall be applied to the prepayment of Certificates insurance proceeds or other legally available funds sufficient to prepay (a) all of the Certificates Outstanding, or (b) any portion thereof relating to the Leased Premises or such portion thereof, and the Base Rental allocable to the remaining portion of the Leased Premises equals the pro rata portion of Base Rental allocable to the Certificates Outstanding after such prepayment. The County shall provide or cause to be provided all security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Leased Premises. It is understood and agreed that in consideration of the payment by the County of the rental provided for in the Facilities Lease, the County is entitled to occupy and use the Leased Premises, and no other party shall have any obligation nor incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Premises during the Lease Term. The Corporation shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Leased Premises. The County has expressly waived the right to make repairs or to perform maintenance of the Leased Premises at the expense of the Corporation and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating thereto. The County shall keep the Leased Premises free and clear of all liens, charges and encumbrances, subject to certain provisions of the Facilities Lease.

*Utilities.* The County shall pay for the furnishing of all utilities which may be used in or upon the Leased Premises during the Lease Term. Such payment shall be made by the County directly to the respective utility companies furnishing such utility services or products, under such contract or contracts therefor as the County may make.

*Insurance.* The County shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in this section, all coverage on the Leased Premises required by this section.

Such insurance shall consist of:

(a) a policy or policies of property insurance against loss or damage to the Leased Premises known as "all risk," including earthquake and flood. Such insurance shall be maintained with respect to the Leased Premises at any time in an amount not less than the full replacement value of the Leased Premises or at least equal to the aggregate principal amount of Outstanding Certificates. Such insurance may at any time include deductible clauses, on a per-loss basis in any one year, not to exceed (i) \$50,000, in the case of Special Form Insurance, (ii) \$200,000 in the case of flood and all other perils insurance, and (iii) 10% of the replacement cost of the Leased Premises in the case of earthquake insurance; provided, however, that in the event earthquake insurance required under this clause (a) is not, in the County's sole discretion, available from reputable insurers at a reasonable cost, the County need not obtain earthquake insurance; provided further, however, that the County's obligations under this clause (a) may be satisfied by self-insurance;

(b) commercial general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Leased Premises. Such insurance shall afford protection with a combined single limit of not less than \$1,000,000 per occurrence with

respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the County's risk management officer or an independent insurance consultant retained by the County for that purpose; provided, however, that the County's obligations under this clause (b) may be satisfied by self-insurance;

(c) boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed in or on the Leased Premises in an amount not less than \$2,000,000 per accident; provided, however, that the County's obligations under this clause (c) may be satisfied by self-insurance

(d) workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the Labor Code of the State, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the County in connection with the Leased Premises and to cover full liability for compensation under any such act aforesaid; provided, however, that the County's obligations under this clause (d) may be satisfied by self-insurance;

(e) rental interruption insurance to cover loss, total or partial, of the use of the Leased Premises as a result of any of the hazards covered by the insurance required pursuant to clauses (a) and (c) above in an amount sufficient at all times to pay the total rent payable under the Facilities Lease for a period adequate to cover the period of repair or reconstruction, but in any event not less than the maximum Base Rental due under the Facilities Lease during any 24-month period; provided, however, that the County's obligations under this clause (e) may not be satisfied by self-insurance; and

(f) a California Land Title Association insurance policy, in form acceptable to the Bank, in an amount equal to the aggregate maturity value of the Certificates. Said policy shall insure the Corporation's leasehold interest in the Leased Premises subject only to Permitted Encumbrances; provided, however, that the County's obligations under this clause (f) may not be satisfied by self-insurance. All Net Proceeds received under said policy shall be deposited with the Trustee and applied as provided in the Trust Agreement. So long as any Certificates remain outstanding, each policy of title insurance obtained pursuant to the Facilities Lease or required by the Facilities Lease shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Certificate Owners.

All policies or certificates issued by the respective insurers for insurance, with the exception of workers' compensation insurance, shall provide that such policies or certificates shall not be canceled or materially changed without at least 30 days' prior written notice to the Trustee and the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit. A certificate executed by a County Representative certifying that such policies required or self-insurance permitted by this section have been obtained and that the requirements of this section have been fulfilled shall be deposited with the Trustee, the Insurer and the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, by the County before December 31 of each calendar year. To the extent to which the County self-insures, the County's risk manager, or an independent insurance consultant, shall certify to the Trustee, before December 31 of each calendar year, the sufficiency of such self-insurance. Certificates of commercial general liability and workers' compensation insurance shall be furnished by applicable insurers, unless the County chooses to self-insure against such liability (in which case the County shall provide the Trustee evidence of such self-insurance), and at least ten days prior to the expiration dates of such policies, if any, evidence of renewals or self-insurance shall be deposited with the Trustee.

All policies or certificates of insurance provided for in the Facilities Lease shall name the County as a named insured, and the Corporation, the Trustee and, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, the Bank, as additional insureds. All insurance policy claims payments received under clauses (a), (c), (e) and (f) above, shall be deposited with the Trustee for application pursuant to the Trust Agreement. All proceeds of insurance, other than self-insurance, maintained under clauses (b) and (d) shall be applied in accordance with the requirements of such policies in satisfaction of the County's liability.

Notwithstanding the generality of the foregoing, but subject to the proviso in each clause under this section as to the ability of the County to self-insure for the enumerated risks, the County shall not be required to maintain or cause to be maintained more insurance than is specifically referred to above or any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost on the open market.

*Liens.* The County shall promptly pay or cause to be paid all sums of money that may become due for any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for, in, upon or about the Leased Premises and which may be secured by any mechanic's, materialman's or other lien against the Leased Premises, or the interest of the Corporation therein, and shall cause each such lien to be fully discharged and released; provided, however, that the County or the Corporation (a) may contest any such claim or lien without payment thereof so long as such non-payment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the County shall forthwith pay and discharge such judgment or lien; or (b) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty. Except as expressly provided in the Facilities Lease, the County shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim for which it is responsible, if the same shall arise at any time. Except as provided in the following sentence, the County shall not, directly or indirectly, create, incur, assume or suffer to exist any pledge, lien, charge, encumbrance or claim on or with respect to the Leased Premises, other than the rights of the Corporation and the County as provided in the Facilities Lease or as provided in the Reimbursement Agreement. The County may, so long as it is not in default under the Facilities Lease, without the consent of the Bank, the Insurer, the Trustee or the Owners of the Certificates, encumber, pledge, lease or sublease the Leased Premises to the extent that (i) the fair market value of the Leased Premises is equal to or in excess of the total of the aggregate principal components of the Certificates then Outstanding and the amount of such additional encumbrance, pledge, lease or sublease, and (ii) the annual fair rental value of the Leased Premises is equal to or greater than the total of the Base Rental and Additional Rental due under the Facilities Lease and the amount of the annual payments to be made by the County in connection with such additional encumbrance, pledge, lease or sublease. To the extent the County elects to exercise its right under this Section to encumber, pledge, lease or sublease the Leased Premises, it shall deliver a certificate to the Trustee, the Insurer and the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, certifying its compliance with the requirements contained in the Facilities Lease.

#### **Application of Insurance Proceeds**

Proceeds of insurance (other than rental interruption insurance and title insurance) received in respect of theft of, destruction of or damage to the Leased Premises by fire, earthquake or other casualty or event shall be paid to the Trustee for application in accordance with the provisions of the Trust Agreement. If the County elects pursuant to the Trust Agreement to apply such proceeds to the replacement, repair or reconstruction of the Leased Premises, the Base Rental shall again begin to accrue with respect thereto upon restoration of the Leased Premises to tenantable condition.

#### **Eminent Domain**

If the Leased Premises, or so much thereof as to render the remainder of the Leased Premises unusable for the County's purposes under the Facilities Lease, shall be taken under the power of eminent domain, then the Facilities Lease shall terminate with respect to the Leased Premises as of the day possession shall be so taken, or, if the County is the condemnor, then the Facilities Lease shall terminate as of the date of entry of the interlocutory judgment. In the event of a taking by eminent domain, there shall be an abatement of Base Rental in accordance with the provisions of the Facilities Lease. If less than a substantial portion of the Leased Premises shall be taken under the power of eminent domain, and the remainder is usable for County purposes, then there shall be an abatement of Base Rental only to the extent of the portion of the Leased Premises which is unusable and the Facilities Lease shall continue in full force and effect and shall not be terminated with respect to the Leased Premises by virtue of such taking and the parties waive the benefit of any law to the contrary. Any award made in eminent domain proceedings for the taking shall be paid to the Trustee for application in accordance with the provisions of the Trust Agreement. If the County elects pursuant the Trust Agreement to apply such proceeds to the repair or replacement of the Leased Premises, then the Base Rental shall again begin to accrue with respect thereto upon restoration of the Leased Premises to tenantable condition.

#### **Assignment and Sublease**

Except as otherwise provided in the Facilities Lease, the County shall not mortgage, pledge, assign or transfer any interest of the County in the Facilities Lease by voluntary act or by operation of law, or otherwise; provided, however, that the County may, with the consent of the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations thereunder, and the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, sublease all or any portion of the Leased Premises, may grant concessions to others involving the use of any portion of the Leased Premises, whether such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Premises, and may assign its right to purchase any portion of the Leased Premises pursuant to the Facilities Lease. The County and the Corporation acknowledge and agree that the County will sublease the District Court to the GSA pursuant to the GSA Lease. The County shall at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Facilities Lease, notwithstanding any subletting or granting of concessions which may be made. Nothing contained in the Facilities Lease shall be construed to relieve the County from its obligation to pay Base Rental and Additional Rental as provided in the Facilities Lease or to relieve the County from any other obligations contained in the Facilities Lease.

The Corporation shall, concurrently with the execution of the Facilities Lease, assign all of its right, title and interest (other than its rights to indemnification and payment or reimbursement for any costs or expenses) in and to the Facilities Lease, including without limitation its right to receive Base Rental payable under the Facilities Lease, to the Trustee pursuant to the Assignment Agreement, and the County has approved such assignment pursuant to the Facilities Lease. The Corporation and the County have further agreed to execute any and all documents necessary and proper in connection therewith. The County has further agreed to assign to the Trustee all of its right, title and interest in and to moneys due and to become due to the County under the GSA Lease, including specifically, the GSA Payments. The County has further agreed, to the extent permitted by applicable law, to grant to the Trustee, for the ratable benefit of the Owners of the Certificates and the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, a first priority security interest in all of the County's rights, title and interest in and to the GSA Lease.

#### **Additions and Improvements; Removal**

The County shall have the right during the Lease Term to make any additions or improvements to the Leased Premises, to attach fixtures, structures or signs, and to affix any personal property to the Leased Premises, so long as the fair market value of the Leased Premises is not thereby reduced. Title to all fixtures, equipment or personal property placed by the County on the Leased Premises shall remain in the County. The title to any personal property, improvements or fixtures placed on the Leased Premises by any sublessee or licensee of the County shall be controlled by the sublease or license agreement between such sublessee or licensee and the County, which sublease or license agreement shall not be inconsistent with the Facilities Lease.

#### **Right of Entry**

Representatives of the Corporation shall, subject to reasonable security precautions, have the right to enter upon the Leased Premises during reasonable business hours (and in emergencies at all times) (a) to inspect the same, (b) for any purpose connected with the rights or obligations of the Corporation under the Facilities Lease, or (c) for all other lawful purposes.

#### **Quiet Enjoyment**

The Corporation has covenanted and agreed that the County, by keeping and performing the covenants and agreements contained in the Facilities Lease, shall, at all times during the Lease Term, peaceably and quietly have, hold, and enjoy the Leased Premises.

#### **Indemnification And Hold Harmless Agreement**

To the extent permitted by law, the County has agreed to indemnify and hold harmless the Corporation and its officers and directors against any and all liabilities which might arise out of or are related to the Leased Premises and the Certificates, and the County further agrees to defend the Corporation and its officers and directors in any action arising out of or related to the Leased Premises and the Certificates.

## Defaults and Remedies

(a) (A) If the County shall fail (1) to pay any rental payable under the Facilities Lease when the same becomes due and payable, time being expressly declared to be of the essence in the Facilities Lease, or (2) to keep, observe or perform any other term, covenant or condition contained in the Facilities Lease or in the Trust Agreement to be kept or performed by the County, or (B) upon the happening of any of the events specified in subsection (b) of this section, the County shall be deemed to be in default under the Facilities Lease and, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Facilities Lease. The County shall in no event be in default in the observance or performance of any covenant, condition or agreement in the Facilities Lease on its part to be observed or performed, other than as referred to in clause (A)(1) or (B) of the preceding sentence, unless the County shall have failed, for a period of 30 days or such additional time as is reasonably required, to correct any such default after notice by the Corporation, the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, or the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, to the County properly specifying wherein the County has failed to perform any such covenant, condition or agreement. Upon any such default, the Corporation, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

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

(ii) Without terminating the Facilities Lease, (A) to collect each installment of rent as it becomes due and enforce any other terms or provisions hereof to be kept or performed by the County, regardless of whether or not the County has abandoned the Leased Premises or (B) to exercise any and all rights of entry and re-entry upon the Leased Premises. In the event the Corporation does not elect to terminate the Facilities Lease in the manner provided for in subparagraph (i) hereof, the County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Facilities Lease to be kept or performed by the County and, if the Leased Premises is not re-let, to pay the full amount of the rent to the end of the term of the Facilities Lease or, in the event that the Leased Premises is re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of rent under the Facilities Lease, notwithstanding the fact that the Corporation may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental specified in the Facilities Lease, and notwithstanding any entry or re-entry by the Corporation or suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Leased Premises. Should the Corporation elect to reenter as provided in the Facilities Lease, the County has irrevocably appointed the Corporation as the agent and attorney-in-fact of the County to re-let the Leased Premises, or any part thereof, from time to time,

either in the Corporation's name or otherwise, upon such terms and conditions and for such use and period as the Corporation may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Premises and to place such personal property in storage in any warehouse or other suitable place located within the geographical boundaries of the County, for the account of and at the expense of the County, and the County has indemnified and agreed to save harmless the Corporation from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Leased Premises and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Facilities Lease. The County has agreed that the terms of the Facilities Lease constitute full and sufficient notice of the right of the Corporation to re-let the Leased Premises in the event of such re-entry without effecting a surrender of the Facilities Lease, and further agrees that no acts of the Corporation in effecting such re-letting shall constitute a surrender or termination of the Facilities Lease irrespective of the use or the term (subject to the preceding sentence) for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the County the right to terminate the Facilities Lease shall vest in the Corporation to be effected in the sole and exclusive manner provided for in subparagraph (i) hereof. The County further waives the right to any rental obtained by the Corporation in excess of the rental specified in the Facilities Lease and thereby conveys and releases such excess to the Corporation as compensation to the Corporation for its services in re-letting the Leased Premises. The County further agrees to pay the Corporation the cost of any alterations or additions to the Leased Premises necessary to place the Leased Premises in condition for re-letting immediately upon notice to the County of the completion and installation of such additions or alterations.

The County has waived any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Leased Premises as provided in the Facilities Lease and all claims for damages that may result from the destruction of or injury to the Leased Premises and all claims for damages to or loss of any property belonging to the County, or any other person, that may be in or upon the Leased Premises.

(b) If (i) the County's interest in the Facilities Lease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Corporation, the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit and the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, as hereinafter provided for, or (ii) the County or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the County's debts or obligations, or offers to the County's creditors to effect a composition or extension of time to pay the County's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the County's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the County, or if a receiver of the business or of the property or assets of the County shall be appointed by any court, except a receiver appointed at the instance or request of the Corporation, or if the County shall make a general assignment for the benefit of the County's creditors, or if (iii) the County shall abandon or vacate the Leased Premises, then the County shall be deemed to be in default under the Facilities Lease.

(c) In addition to the other remedies set forth in this section, upon the occurrence of an event of default as described in this section, the Corporation and its assignee shall be entitled to proceed to protect and enforce the rights vested in the Corporation and its assignee by the Facilities Lease or by law. The provisions of the Facilities Lease and the duties of the County and of its board, officers or employees shall be enforceable by the Corporation or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Corporation and its assignee shall have the right to bring the following actions:

(i) *Accounting.* By action or suit in equity to require the County and its board, officers and employees and its assigns to account as the trustee of an express trust.

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

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

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

In the event the Corporation shall prevail in any action brought to enforce any of the terms and provisions of the Facilities Lease, the County agrees to pay a reasonable amount as and for attorney's fees incurred by the Corporation in attempting to enforce any of the remedies available to the Corporation under the Facilities Lease.

Notwithstanding anything to the contrary contained in the Facilities Lease, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, no remedy shall be exercised under the Facilities Lease without the prior written consent of the Bank and the Bank shall have the right to direct the exercise of any remedy under the Facilities Lease. Following the expiration of the Letter of Credit and so long as no Bank Certificates are Outstanding, so long as the Insurance policy is in effect and the Insurer is not in default in its payment obligations under the Insurance Policy, no remedy shall be exercised under the Facilities Lease without the prior written consent of the Insurer and the Insurer shall have the right to direct the exercise of any remedy under the Facilities Lease; provided, further, however, that no consent of the Insurer shall be required for, nor shall the Insurer have the right to direct any remedy in respect of, any Event of Default which relates solely to the GSA Lease and/or the GSA Certificates and no consent to the exercise of any remedy and no direction of any remedy by the Insurer shall discriminate against the Owners of the GSA Certificates or grant or confer any preference or advantage on the Owners of the County Certificates over the Owners of the GSA Certificates.

(d) Notwithstanding anything in the Facilities Lease to the contrary, the termination of the Facilities Lease by the Corporation and its assignees on account of a default by the County under this section shall not affect or result in a termination of the lease of the Property by the County to the Corporation pursuant to the Site Lease.

All damages and other payments received by the Corporation or its assignee pursuant to the exercise of its rights and remedies pursuant to this section shall be applied in the manner set forth in the Trust Agreement.

*Limitations.* Notwithstanding any other provision of the Facilities Lease or the Trust Agreement, in no event shall the Corporation have the right to accelerate the payment of any Base Rental under the Facilities Lease.

*Remedies Cumulative.* Each and every remedy of the Corporation or any assignee of the rights of the Corporation under the Facilities Lease is cumulative and the exercise of one remedy shall not impair the right of the Corporation or its assignee to any or all other remedies. If any statute or rule validly shall limit the remedies given to the Corporation or its assignee, the Corporation or its assignee nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

#### **Waiver**

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



### **Option to Purchase**

The County shall have the exclusive right and option, which shall be irrevocable during the term of the Facilities Lease, to purchase the Corporation's interest in the Leased Premises on any Payment Date, upon payment of the option price described below, but only if the County is not in default under the Facilities Lease or the Trust Agreement and only in the manner provided in this section. The County shall exercise its option to purchase by giving notice thereof to the Trustee not later than 60 days prior to the Payment Date on which it desires to purchase the Corporation's interest in the Leased Premises.

The option price shall be equal to the amount necessary to prepay the Certificates pursuant to the Trust Agreement on the Payment Date selected by the County. The County shall deposit or cause to be deposited with the Trustee the option price for the purchase of the Corporation's interest in the Leased Premises on the Payment Date selected by the County.

On any Payment Date as to which the County shall properly have exercised the option granted it pursuant hereto, and shall have paid the required option price, the Corporation or its assignee shall execute and deliver to the County a quitclaim deed conveying to the County or its nominee the Corporation's interest in the Leased Premises. If the County shall properly exercise the option provided in this Section with respect to the Leased Premises prior to the expiration of the Lease Term, and the Corporation shall execute and deliver the quitclaim deed as aforesaid, then the Facilities Lease shall terminate, but such termination shall not affect the County's obligation to pay the option price on the terms set forth in the Facilities Lease.

### **Third Party Beneficiaries**

The Trustee, for the benefit of the Owners of the Certificates, the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, and the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, are expressly deemed to be third-party beneficiaries of the Facilities Lease.

## **SUMMARY OF OTHER PRINCIPAL DOCUMENTS**

### **General**

The following summaries of certain provisions of the Assignment of Claims, the Assignment Agreement and the Site Lease do not purport to be complete, and are qualified by reference to the full text thereof. Copies of such documents are available to prospective investors upon request to the Trustee. See "AVAILABLE INFORMATION".

### **Assignment of Claims**

Under the Assignment of Claims, on or prior to the Closing Date, the Corporation will irrevocably assign to the Trustee all proceeds (including all GSA Payments and other amounts payable under the GSA Lease, but not the Corporation's obligations thereunder) as security for the Corporation's obligations. All such amounts are required to be paid directly to the Trustee. The Government will acknowledge the Assignment of Claims and assignment of such proceeds thereunder. The Trustee and the Corporation have directed that GSA Payments are to be paid to the Trustee.

### **Assignment Agreement**

The Assignment Agreement sets forth the terms under which the Corporation unconditionally sells, assigns and transfers to the Trustee, for the benefit of the owners of the GSA Certificates and the County Certificates, all of the Corporation's rights, title and interest (excluding the Corporation's rights to indemnification and payment or reimbursement of for any costs or expenses) in and to the Site Lease and the Facilities Lease.

## Site Lease

The Site Lease provides the terms under which the County agrees to lease the District Court Site to the Corporation for the term of the Facilities Lease for the purposes described in the Facilities Lease and such purposes as may be incidental thereto.

*Rent.* The Corporation is to pay to the County as advance rent an amount equal to the proceeds of the GSA Certificates and the County Certificates deposited, in the aggregate, into the funds and accounts established under the Trust Agreement, as full consideration for the Site Lease over its term, such advance rent to be deposited by the Trustee into such funds and accounts on behalf of the Corporation for the benefit of and use by the County pursuant to the terms of the Trust Agreement. The Corporation waives any right to abatement of such advance rent in the event of loss of use of the Land or portion thereof due to damage, destruction or theft.

*Assignment and Sublease.* The Corporation may not assign, mortgage, hypothecate or otherwise encumber the Site Lease and any rights under the Site Lease and the leasehold created thereby by trust agreement, indenture or deed of trust or otherwise or sublet the Land without the written consent of the County, except that the County expressly approves and consents to the assignment and transfer of the Corporation's right, title and interest in the Site Lease to the Trustee pursuant to the Assignment Agreement. In the event of default by the County under the Facilities Lease, the County expressly approves the assignment of the Site Lease.

*Taxes.* The County has covenanted and agreed to pay any and all taxes and assessments levied or assessed upon the Land.

*Eminent Domain.* If the whole or any part of the Land is taken under the power of eminent domain, the interest of the Corporation will be recognized and is determined to be the aggregate amount of unpaid Base Rental under the Facilities Lease and the unpaid GSA Payments under the GSA Lease and will be paid to the Trustee in accordance with the terms of the Facilities Lease and the Trust Agreement.

*Amendment.* The Site Lease may be amended only in accordance with and as permitted by the terms of the Trust Agreement.

## FEDERAL INCOME TAX MATTERS

The following is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of the GSA Certificates and is based on the advice of Counsel. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules. In addition, this summary is generally limited to investors who will hold the GSA Certificates as "capital assets" (generally, property held for investment) within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of the GSA Certificates. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "IRS") with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

### Characterization of the GSA Certificates as Indebtedness

As expressed in the Trust Agreement, the County, the Corporation and the Trustee intend that for applicable tax purposes the GSA Certificates will be indebtedness of the County secured by the payments due from the U.S. Government under the GSA Lease. By accepting the GSA Certificates, the Beneficial Owners have agreed to treat the GSA Certificates as indebtedness of the County for federal income tax purposes. In this regard, upon closing of the offering of the GSA Certificates, Counsel will render its opinion to the effect that the GSA Certificates will be treated as indebtedness for federal income tax purposes. Beneficial Owners of GSA Certificates should note that interest payable with respect thereto will be included in gross income in full for federal income tax purposes.

The characterization of a transaction of a sale of property or a secured loan, for federal income tax purposes, is a question of fact based upon the economic substance of the transaction rather than its form or the manner in which it is characterized. While the IRS and the courts have set forth several factors to be taken into account in determining whether the substance of a transaction is a sale of property or a secured indebtedness, the primary factor in making this determination is whether the transferee has assumed the risk of loss or other economic burdens relating to the property and has obtained the benefits of ownership thereof. Notwithstanding the foregoing, in some instances, courts have held that a taxpayer is bound by the particular form it has chosen for a transaction, even if the substance of the transaction does not accord with its form.

The County believes that it has retained the preponderance of the primary benefits and burdens associated with the Facilities and should, thus, be treated as the owner of the Facilities for federal income tax purposes. Further the County believes that the GSA Certificates represent its indebtedness, and do not represent any type of ownership in the Facilities. It is possible that the IRS could assert that the County is not the owner of the Facilities, and that the GSA Certificates represent an ownership interest in the Facilities or an interest in a venture which would be deemed the owner of the Facilities. In that event, among other things, the income generated by the GSA Certificates would not be treated as interest income to the Beneficial Owners.

### **Tax Consequences to Certificateholders**

*Interest Income and Original Issue Discount.* Generally, original issue discount ("OID") must be accrued using a yield that remains constant (the "Constant Yield Method") rather than in accordance with a Beneficial Owner's regular method of accounting. The IRS issued final regulations concerning the calculation and accrual of OID on January 27, 1994 which are applicable to the GSA Certificates (the "OID Regulations"). The legislative history of the OID provisions provides that the calculation and accrual of OID should be based on the prepayment assumption used by the parties in pricing the transaction.

OID is the excess of the stated redemption price at maturity of an obligation over its issue price. The issue price of an obligation issued for money is the first price at which a substantial portion of the issue is sold. The stated redemption price at maturity of an obligation includes all payments, other than interest unconditionally payable (i.e., late payments are penalized) at a fixed rate or certain qualified variable rates at fixed intervals of one year or less ("Qualified Stated Interest").

The County intends to treat the semiannual interest payments on the GSA Certificates as Qualified Stated Interest under the OID Regulations and accordingly, such interest will be taxable to the Beneficial Owners of the GSA Certificates in accordance with such Beneficial Owners' individual method of tax accounting. Generally, the OID Regulations require the accrual of interest that does not qualify as Qualified Stated Interest. If the discount with which a debt instrument is issued does not exceed a specified amount (the "de minimus amount"), such discount is included by an owner thereof in income in proportion to the receipt of principal payments rather than being treated as OID. The discount on the GSA Certificates, if any, is expected to be less than the de minimis amount. It is possible that the IRS could assert that the interest payable with respect to the GSA Certificates is not unconditionally payable or otherwise does not qualify as Qualified Stated Interest. Such position, if successful, would require all Beneficial Owners to accrue income on the GSA Certificates under the OID Regulations rather than in accordance with their regular method of accounting.

A Beneficial Owner who buys a GSA Certificate for more than its principal amount generally will be eligible to elect to amortize such premium under the premium amortization rules of the Code. A Beneficial Owner who buys a GSA Certificate at a discount from its principal amount (or its adjusted issued price if issued with OID) greater than a specified de minimis discount will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. The OID Regulations permit a holder of a debt interest to elect to accrue all interest, discount (including de minimis market or OID) and premium in income as interest, based on a constant yield method. However, an election to accrue market discount would apply to all other debt instruments having market discount acquired during the election year or thereafter and an election to amortize bond premium would apply to all other debt instruments having amortizable bond premium owned or thereafter acquired.

*Sale or Other Disposition.* If a Beneficial Owner sells a GSA Certificate, the Beneficial Owner will recognize gain or loss in an amount equal to the difference between the amount realized on the sale and the Beneficial Owner's adjusted tax basis in the GSA Certificate. The adjusted tax basis of a GSA Certificate to a particular Beneficial Owner will equal the Beneficial Owner's cost for the GSA Certificate, increased by any market discount, OID and gain previously included by such Owner in income with respect to the GSA Certificate and decreased by the amount of bond premium (if any) previously amortized and by the amount of principal payments previously received by such Beneficial Owner with respect to such GSA Certificate. Any such gain or loss will be capital gain or loss if the GSA Certificate was held as a capital asset, except for gain representing accrued interest and accrued market discount not previously included in income. Capital losses generally may be used only to offset capital gains.

*Foreign Certificateholders.* Interest paid (or accrued) to a Beneficial Owner who is a nonresident alien, foreign corporation or other non-United States person (a "Foreign Person") generally will be considered "portfolio interest," and generally will not be subject to United States federal income tax and withholding, provided, that (a) the interest is not effectively connected with the conduct of a trade or business within the United States by the Foreign Person, (b) the Foreign Person provides the Trustee or other person who is otherwise required to withhold U.S. tax with respect to the GSA Certificates with a withholding certificate certifying that such Beneficial Owner is a Foreign Person and providing the such person's name, address, and such other information as required pursuant to Treasury Regulation Section 1.1441-1(e)(2) (effective January 1, 1999).

Portfolio interest does not include contingent interest. Although the County believes that the interest payable with respect to the GSA Certificates will not constitute contingent interest within the meaning of Section 871(h), there can be no assurance that the IRS will not challenge such conclusion. If such interest is not portfolio interest, then it will be subject to United States federal income and withholding tax at a rate of 30%, unless reduced or eliminated pursuant to an applicable tax treaty.

Any capital gain realized on the sale, redemption, retirement or other taxable disposition of a GSA Certificate by a Foreign Person generally will be exempt from United States Federal income and withholding tax, provided that (i) such gain is not effectively connected with the conduct of a trade or business in the United States by the Foreign Person and (ii) in the case of an individual Foreign Person, the Foreign Person is not present in the United States for 183 days or more in the taxable year.

If the interest, gain or income on a GSA Certificate held by a Foreign Person is effectively connected with the conduct of a trade or business in the United States by the Foreign Person (although exempt from the withholding tax previously discussed if the Foreign Person provides an appropriate statement), the Beneficial Owner generally will be subject to United States federal income tax on the interest, gain or income at regular federal income tax rates. In addition, if the Foreign Person is a foreign corporation, it may be subject to a branch profits tax equal to 30% of its "effectively connected earnings and profits" within the meaning of the Code for the taxable year, as adjusted for certain items, unless it qualifies for a lower rate under an applicable tax treaty (as modified by the branch profits tax rules).

#### INVESTMENT BY EMPLOYEE BENEFIT PLANS AND IRAS

In considering the purchase of a Certificate with the assets of an employee benefit plan, a fiduciary should consider, among other things, (i) the purposes, requirements, and liquidity needs of such plans; (ii) the definition of plan assets under the Employee Retirement Income Security Act of 1974 ("ERISA"), and the U.S. Department of Labor ("DOL") regulations regarding the definition of plan assets; (iii) whether the investment satisfies the diversification requirements of Section 404(a)(1)(C) of ERISA; (iv) whether the investment is prudent, considering the nature of an investment in a Certificate and the fact that a market in which such fiduciary can sell or otherwise dispose of GSA Certificates may not arise; and (v) whether the investment is permitted by the documents and instruments governing the plan. The prudence of a particular investment must be determined by the responsible fiduciary (usually the trustee or investment manager) with respect to each employee benefit plan taking into account all of the facts and circumstances of the investment.

Section 403 of ERISA requires that all plan assets be held in trust. However, under regulations of the DOL, the "holding in trust" requirement will be satisfied if securities (e.g., GSA Certificates), are held in the name of a nominee (e.g., Cede & Co.) and the securities are held on behalf of the plan by a bank or trust company that is

supervised by the United States or a State (e.g., DTC), a broker or dealer that is registered under the Securities Exchange Act of 1934 or a "clearing agency" as defined in the Securities Exchange Act of 1934.

Sections 406 and 407 of ERISA and Section 4975 of the Code prohibit certain transactions that involve (i) an employee benefit plan subject to ERISA (a "Plan") and any party in interest or disqualified person with respect to the Plan, and (ii) plan assets. Regulations of the DOL set forth in 29 C.F.R. 2510.3-101 (the "Plan Asset Regulations") define "plan assets" to include not only securities (such as the GSA Certificates) held by a Plan but also the underlying assets of the issuer of any equity securities, unless one or more exceptions specified in the regulations are satisfied. Thus, under the Plan Asset Regulations, a Plan that acquires a Certificate could be treated for ERISA purposes as having acquired a direct interest in the Trust's assets under ERISA and, in addition, could result in a finding of an improper delegation by the plan fiduciary of its duty to manage plan assets. The Plan Asset Regulations will not apply, however, if (i) the security is registered under the Securities Exchange Act of 1934, is freely transferable and is part of a class of securities that is held by more than 100 unrelated investors (the "publicly offered exception") or (ii) immediately after the most recent acquisition of an equity interest, benefit plan investors do not own 25% or more of the value of any class of equity interests in the trust (the "insignificant participation exception"). Prior to purchasing a Certificate, the fiduciary responsible for investing a Plan's assets in the GSA Certificates should consult with the Plan's counsel to determine whether the publicly offered exception, the insignificant participation exception, or any other exception to the Plan Asset Regulations or prohibited transaction rules would apply to the purchase of the Certificate.

In light of the essentially passive nature of the assets of the Trust and the custodial and ministerial nature of the responsibilities and functions to be performed by the Trustee, a prohibited transaction or other fiduciary violation should not occur merely because the assets of the Trust are regarded as Plan assets.

Potential investors also should be aware that ERISA requires that the assets of a Plan be valued at their fair market value as of the close of the plan year. None of the Trustee, the Corporation, the County or any other person or entity currently intends to provide valuations to Owners or Beneficial Owners.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Any fiduciary of a Plan considering the purchase of GSA Certificates should consult its legal advisors with respect to the ERISA, Code, and other consequences of an investment in a Certificate.

#### LEGAL INVESTMENT

The GSA Certificates evidence proportionate interests in the GSA Payments to be made by the Government under the GSA Lease. The GSA Certificates do not constitute obligations of or interests in the Corporation, the County, the Trustee or the Government (except to the extent of the Government's obligation under the GSA Lease to make GSA Payments) or any of their affiliates. The GSA Certificates are being issued pursuant to the Trust Agreement between the Corporation, the County and U.S. Trust Company of California, N.A., as trustee. The GSA Certificates do not constitute "mortgage related securities" within the meaning of Section 3(a)(41) of the Securities Exchange Act of 1934. No representation is made as to the proper characterization of the GSA Certificates for legal investment or financial institution regulatory or margin purposes. All investors whose investment authority is subject to legal restrictions should consult their own legal advisors to determine whether, and to what extent, the GSA Certificates will constitute legal investments for them.

#### SPECIAL RISK CONSIDERATIONS

*Each prospective purchaser of the GSA Certificates should be aware of the information provided below in making such prospective investment decision. The special risk considerations set forth below may not constitute a complete list of all applicable investment considerations. Furthermore, market fluctuations in interest rates may affect the value of the GSA Certificates.*

#### No Right to Accelerate GSA Payments

The GSA Lease does not provide for acceleration of GSA Payments in the event of a payment default by the Government. See "THE GSA LEASE — GSA Payments". In the event the Government fails to pay any GSA Payment as and when due, delays in payments on the GSA Certificates could result. The Trustee will be entitled to enforce the

Government's obligation to make GSA Payments against the Government and the Government is required to pay interest on late payments for a period of up to one year.

#### **Sources of Payment**

The sole sources of payment on the GSA Certificates will be the GSA Payments to be paid under the GSA Lease, the net proceeds of rental interruption insurance, and funds in the other accounts under the Trust Agreement. No assurance can be given that any proceeds realized by the Trustee as a result of its exercise of remedies under the Trust Agreement will be sufficient to pay all amounts then due and owing on the GSA Certificates.

#### **Insurer Consent and Direction of Remedies**

Following the expiration of the Letter of Credit, so long as the Insurance Policy is in effect with respect to the County Certificates and the Insurer is not in default in its payment obligations thereunder, no remedy shall be exercised under the Facilities Lease or the Trust Agreement without the prior written consent of the Insurer and the Insurer shall have the right to direct the exercise of any remedy thereunder, provided, however, that no such consent shall be required for the exercise of any remedy relating solely to the GSA Certificates but not to the County Certificates, nor shall any consent of the Insurer be unreasonably withheld or any remedy be directed by the Insurer if the effect thereof would be to discriminate against the Owners of the GSA Certificates or confer any preference or advantage on the Owners of the County Certificates over the Owners of the GSA Certificates. Accordingly, upon the occurrence of an Event of Default under the Trust Agreement or the Facilities Lease, the Insurer may have the right to control the exercise of remedies against the County to the exclusion of the Owners of the GSA Certificates.

#### **Dependence upon County**

Under the Facilities Lease, the County has agreed to perform all maintenance obligations required under the GSA Lease in exchange for the payment of that portion of the GSA Payments in excess of the amount thereof used for the payment of the principal of and interest on the GSA Certificates. No assurances can be given that such monies will be sufficient for the performance of all operating and maintenance obligations of the County under the GSA Lease, in which event, the Government may be entitled to exercise certain rights, including offsetting against future GSA Payments and terminating the GSA Lease. See "THE GSA LEASE — Rights of the Government". In addition, in the event the GSA Lease is terminated for any reason other than a casualty to or condemnation of the Facilities, payments of amounts due on the GSA Certificates will be made from the payment of Base Rentals due under the Facilities Lease from the County. See "FACILITIES LEASE".

#### **THE CORPORATION**

The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California. The Corporation was formed in 1998 to assist the County by providing for the acquisition, construction and renovation of the Leased Premises and other public facilities and improvements. The Corporation is governed by a Board of Directors composed of the five members of the County Board of Supervisors.

#### **THE COUNTY**

The County was organized in 1893 from territory in San Bernardino and San Diego Counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the south by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. The County is the fourth largest by area in the State of California and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are 24 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 1,441,170 as of January 1, 1998, reflecting a 2.9% increase over January 1, 1997.

The County is a general law county divided into five supervisorial districts on the basis of registered voters and population. The County is governed by a five-member Board of Supervisors, elected by district. Members serve staggered four-year terms, and the Board members elect the chairman. County administration includes appointed and elected officials, boards, commissions and committees which assist the Board of Supervisors.

The County provides a wide range of services to residents, including police and fire protection, medical and health services, education, library services, judicial institutions and public assistance programs. Some municipal services are provided by the County on a contract basis to incorporated cities within its boundaries. These services are designed to allow cities to contract for municipal services such as police and fire protection without incurring the cost of creating city departments and facilities. Services are provided to the cities by the County at cost.

Three distinct geographical areas characterize the County: the western valley area, the higher elevations of the mountains, and the deserts. The western valley, which includes the San Jacinto Mountains and the Cleveland National Forest, experiences the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions.

#### **YEAR 2000 READINESS DISCLOSURE STATEMENT**

For several years, Riverside County has been taking steps to minimize the financial and operational risks to the County associated with the effect of computer systems of the upcoming January 1, 2000 date which may be misread by many computers which use only two digits to record a year. With the aid of consulting firms the County has conducted impact analysis of all major systems, developed remediation measures and contingency plans, and actively committed resources to bring all mission critical processes into compliance.

The County's major mission critical systems are in various stages of remediation. The majority of the systems are expected to be Year 2000 compliant by July, 1999. The Transportation Land Management, Mental Health, Sheriff, Human Services Agency, and County financial systems are in the assessment stage and are expected to complete the validation/testing stage by the fourth quarter of calendar year 1999.

The County is conferring with its major business associates to assure that all business functions will continue uninterrupted as a result of Year 2000. Although the County cannot certify that all its business associates and suppliers will be fully compliant on a timely basis, it is taking steps to minimize any impact on its ability to meet its obligations.

Because of the unprecedented nature of the Year 2000 issue, the County cannot assure that its remediation efforts, and those of parties with whom the County conducts business, will be successful in whole or in part. However, the County is actively developing contingency plans for all operations to provide for continued service in the event that circumstances develop which are beyond its control or result from systems failures.

#### **CERTAIN LEGAL MATTERS**

Certain legal matters with respect to the authorization, execution and delivery of the District Court Financing Documents by the Corporation and the County and with respect to California law will be passed upon by Kutak Rock. Certain legal matters will be passed upon for the Placement Agent by Hunton & Williams, New York, New York. Certain matters pertaining to the GSA Lease will be passed upon by Hunton & Williams.

#### **LITIGATION**

There is no action, suit or proceeding known by the Corporation or the County to be pending or threatened against the Corporation or the County, restraining or enjoining the execution or delivery of the GSA Certificates, the Escrow Agreement or the Trust Agreement or in any way contesting or affecting the validity of the GSA Certificates.

#### **TRUSTEE**

U.S. Trust Company of California, N.A., a national banking association, is the Trustee. In no event will the Trustee be liable to any party for any action taken in good faith based upon any document issued pursuant to the Trust Agreement or upon the advice of counsel. Another bank, trust company or national banking association authorized to provide corporate trust services may be substituted for the Trustee at any time upon the written request of the holders of not less than a majority in aggregate principal amount of the GSA Certificates, subject, so long as no Event of Default has occurred and is continuing, to the receipt of consent of the Corporation. Any such successor Trustee shall have capital and surplus exclusive of borrowed capital aggregating at least \$50,000,000 and shall be subject to examination or supervision by a federal or state banking authority. The Trustee (or any successor) may at any time resign upon at

least 30 days notice mailed to all Owners, the Corporation, the County and the Government, such resignation to be effective only upon the appointment of a successor Trustee as provided in the Trust Agreement.

#### PLAN OF DISTRIBUTION

The GSA Certificates are being offered by the County and the Corporation through the Placement Agent.

The GSA Certificates are new securities for which there currently is no market. No assurance can be given as to the development or liquidity of any market for the GSA Certificates.

The GSA Certificates are being offered for sale to purchasers who are "qualified institutional buyers", as such term is used in Rule 144A promulgated under the Securities Act. Each purchaser will be required to deliver to the County, the Corporation and the Placement Agent a letter, in the form of Appendix D to this Private Placement Memorandum, pursuant to which such purchaser will represent to the County, the Corporation and the Placement Agent that such purchaser's intention is to acquire the GSA Certificates (a) for investment in such purchaser's own account or (b) for resale to "qualified institutional buyers" in transactions under Rule 144A, and not in any event with the view to, or for resale in connection with, any distribution thereof, and that such purchaser understands that no registration statement has been filed under the Securities Act in connection with the sale of the GSA Certificates, by reason of a specified exemption from the registration provisions of the Securities Act which depends, among other things, upon the bona fide nature of the purchaser's investment intent as expressed in such letter. Such purchaser will also acknowledge that any separate securities of the County or the Corporation deemed included with the GSA Certificates are being purchased pursuant to an exemption under the Securities Act and may not be transferred unless they are subsequently registered under the Securities Act or any exemption from such registration, including, without limitation, the exemption contained in Rule 144A thereunder, is available. Such purchaser will also represent that it is a "qualified institutional buyer" within the meaning of Rule 144A.



GLOSSARY

**"Accreted Value"** means, with respect to each of the County Certificates the original principal amount of such Certificate, plus the interest accrued and compounded with respect thereto as of the date of calculation. The Accreted Values for the County Certificates as of the various Payment Dates are set forth in the Trust Agreement.

**"Accreted Value Date"** means June 15, 2015.

**"Additional County Certificates"** has the meaning set forth under the caption "THE TRUST AGREEMENT — Execution and Delivery of Additional County Certificates".

**"Additional GSA Certificates"** has the meaning set forth under the caption "THE TRUST AGREEMENT — Execution and Delivery of Additional GSA Certificates".

**"Additional Maintenance Rent"** has the meaning set forth under the caption "THE GSA LEASE – GSA Payments".

**"Additional Rental"** has the meaning set forth under the caption "THE FACILITIES LEASE — Rent".

**"Administrative Building Property"** means The Robert T. Andersen Administrative Building.

**"Administrative Expense Fund"** means the Administrative Expense Fund established pursuant to the Trust Agreement.

**"Assignment Agreement"** means the Assignment Agreement, dated as of March 15, 1999, from the Corporation to the Trustee, relating to the Site Lease and the Facilities Lease.

**"Assignment of Claims"** means the Assignment of Claims dated as of the Closing Date from the County to the Trustee.

**"Authorized Denominations"** means, with respect to GSA Certificates, \$100,000 principal amount and integral multiples of \$1,000 in excess thereof, and, with respect to the County Certificates, \$100,000 Accreted Value as of the Accreted Value Date date and integral multiples of \$5,000 in excess thereof.

**"Bank Certificates"** means any Certificates purchased by the Trustee with amounts received pursuant to a draw on the Letter of Credit and registered in the name of the LOC Bank or its designee and held by the Trustee, as custodian for the LOC Bank.

**"Bank Rate"** means the Bank Rate, as defined in the Reimbursement Agreement.

**"Base Rental"** means the base rentals required to be paid by the County under the Facilities Lease.

**"Base Rental Account"** means the Base Rental Account established in the Certificate Fund under the Trust Agreement.

**"Business Day"** means a day which is not a Saturday, Sunday or any other day on which banking institutions in the State or the State of New York are closed, or a day on which members of the New York Stock Exchange are closed or obligated by law or administrative order to close.

**"Capitalized Interest Account"** means the Capitalized Interest Account established in the Certificate Fund pursuant to the Trust Agreement.

**"Certificate Fund"** means the Certificate Fund established pursuant to the Trust Agreement, within which there are established the Base Rental Account, the GSA Payments Account, the GSA Certificates Debt Service Account, the County Certificates Debt Service Account, the Prepayment Account, the Capitalized Interest Account, the Letter of Credit Account, the Excess GSA Payment Account and the Rental Interruption Insurance Proceeds Account.

**"Certificate of Acceptance"** means a certificate executed by the Government accepting delivery of the District Court from the County in accordance with the GSA Lease.

**"Certificate of Completion"** means a notice filed with the Trustee by the County Representative stating that the Facilities are ready for beneficial use and occupancy by the County.

**"Certificate Register"** means the books referred to in the Trust Agreement.

**"Certificates"** means the County Certificates and the GSA Certificates.

**"Closing Date"** means April 29, 1999 or such other date as the Corporation, the County, the Placement Agent and the Trustee may mutually agree upon.

**"Completion Date"** means the date on which the County delivers or causes to be delivered to the Trustee a Certificate of Acceptance from the Government with respect to the District Court.

**"Construction Costs"** means the contract price paid or to be paid for the acquisition, construction, installation or delivery of the Facilities, and related equipment and land, and includes reimbursement to the County for any payments made by the County subsequent to the execution of the Facilities Lease. Construction Costs include the costs of site preparation necessary for the construction and installation of the Facilities, as well as administrative, engineering, legal, financial and other costs incurred in connection with the acquisition, construction, installation, delivery and financing of the Facilities. Construction Costs shall also specifically include the fees payable to the LOC Bank for the Letter of Credit.

**"Construction Fund"** means the Construction Fund established under the Trust Agreement, within which there are established the Costs of Issuance Account and the District Court Construction Account.

**"Costs of Issuance"** means the all costs of issuing the Certificates, including, but not limited to, all printing and document preparation expenses in connection with the Trust Agreement, the Facilities Lease, the Site Lease, the Agency Agreement, the Assignment Agreement, the Certificates, the GSA Lease, private placement memoranda pertaining to the Certificates; the premium for the Insurance Policy; rating agency fees; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel with respect to the financing of the Leased Premises; any computer and other expenses incurred in connection with the Certificates; the initial fees and expenses of the Trustee and any paying agent (including without limitation origination fees and first annual fees payable in advance); and any other fees and expenses incurred in connection with the execution and delivery of the Certificates or the implementation of the financing for the Facilities, to the extent such fees and expenses are approved by the County.

**"Costs of Issuance Account"** means the Costs of Issuance Account established in the Construction Fund under the Trust Agreement.

**"Corporation"** means the Riverside District Court Financing Corporation, a California non-profit public benefit corporation.

**"County"** means the County of Riverside, California.

**"County Certificates"** means the \$2,165,472.41 initial principal amount, \$7,200,000 accreted value, Taxable Certificates of Participation (United States District Court Project), Series 1999, bearing interest at the rate of 7.59% per year, with a stated maturity of June 15, 2020.

**"County Certificates Debt Service Account"** means the County Certificates Debt Service Account established within the Certificates Fund pursuant to the Trust Agreement.

**"County General Fund"** means the County General Fund from which Base Rental is payable.

**"County Representative"** means the County Executive Officer of the County, the Treasurer or the Director of Finance of the County or another official or employee of the County designated by such officer or officers and authorized to act on behalf of the County under or with respect to the District Court Financing Documents.

**"Date of Delivery"** means April 29, 1999.

**"Default"** means an event, condition or circumstance which, with the giving of notice, the lapse of time or both, would become an Event of Default.

**"District Court"** means the Facilities and the Land.

**"District Court Construction Account"** means the Construction Account established in the Construction Fund under the Trust Agreement.

**"District Court Financing"** means the transactions contemplated by the District Court Financing Documents.

**"District Court Financing Documents"** means collectively, the Trust Agreement, the Certificates, the GSA Lease, the Assignment of Claims, the Assignment Agreement, the Facilities Lease, the Site Lease, and each other document or agreement executed and delivered by the County, the Corporation and/or the Trustee in connection therewith.

**"District Court Site"** means certain real property located in Riverside, California, as more particularly described in the Site Lease.

**"DTC"** means The Depository Trust Company.

**"Event of Default"** has the meaning set forth under the caption "THE TRUST AGREEMENT — Events of Default".

**"Excess GSA Payment Account"** means the Excess GSA Payment Account established in the Certificates Fund pursuant to the Trust Agreement.

**"Facilities"** means the additional improvements to be constructed and installed on the District Court Site, as more particularly described in the Facilities Lease.

**"Facilities Lease"** means the Facilities Lease, dated as of March 15, 1999, between the Corporation and the County, pursuant to which the County leases the Leased Premises from the Corporation.

**"Financial Advisor"** means Dain Rauscher Incorporated.

**"Fiscal Year"** mean the fiscal year of the County, which at the date of the Facilities Lease is the period from July 1 to and including the following June 30.

**"Government"** or **"GSA"** means the United States of America, acting by and through the General Services Administration.

**"GSA Certificates"** means the \$17,635,000 United States Government General Services Administration Certificates of Participation (United States District Court Project), Series 1999, bearing interest at the rate of 6.64% per year, with a stated maturity of June 15, 2015.

**"GSA Certificates Debt Service Account"** means the GSA Certificates Debt Service Account established within the Certificates Fund pursuant to the Trust Agreement.

**"GSA Lease" or "GSA Lease Agreement"** means that certain U.S Government Lease for Real Property No. GS-09B-96372, dated May 1, 1998, by and between the County and the Government for the Rental of the District Court, as amended and supplemented by a Supplemental Lease Agreement No. 1, dated April 26, 1999.

**"GSA Payments"** means any and all payments made by the Government pursuant to the GSA Lease as rental for the District Court.

**"GSA Payments Account"** means the GSA Payments Account established within the Certificates Fund pursuant to the Trust Agreement.

**"Indemnities"** has the meaning set forth under the caption "THE TRUST AGREEMENT — Indemnification".

**"Independent Counsel"** means an attorney or firm of attorneys of recognized national standing in the field of municipal finance selected by the County.

**"Insurance Policy"** means the municipal bond insurance policy issued on the Date of Delivery by the Insurer guaranteeing the payment of the principal (or Accreted Value) and interest evidence and represented by the County Certificates.

**"Insurer"** means MBIA Insurance Corporation, a New York stock insurance company, and its successors, as issuer of the Insurance Policy.

**"Land"** means certain parcels of land and the easements for the benefit thereof located in Riverside, California and more particularly described in Schedule I attached to the Trust Agreement.

**"Leased Premises"** has the meaning set forth under the caption "THE FACILITIES LEASE", and consists of the District Court and the Other Leased Premises, all of which is leased to the County under the Facilities Lease.

**"Letter of Credit"** means that certain \$20,730,230 irrevocable letter of credit issued by the LOC Bank in favor of the Trustee, for the benefit of the Owners of the Certificates.

**"Letter of Credit Account"** means the Letter of Credit Account established in the Certificates Fund under the Trust Agreement.

**"LOC Bank" or "Bank"** means Commerzbank Aktiengesellschaft, acting by and through its Los Angeles Branch.

**"LOC Expiration Date"** has the meaning set forth under the caption "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT – The Letter of Credit".

**"Maintenance Rent"** has the meaning set forth under the caption "THE GSA LEASE – GSA Payments".

**"Make-Whole Premium"** means an amount, if positive, equal to the present value of the scheduled interest and principal payments from the date of prepayment to the Maturity Date of the Certificates being prepaid discounted at the Reinvestment Yield (as hereinafter defined), compounded semi-annually, less the principal balance of the Certificates being prepaid. If such amount is negative, the Make-Whole Premium shall be zero. The Make-Whole Premium and Reinvestment Yield will be calculated by an independent certified public accountant of national reputation. **"Reinvestment Yield"** shall mean a rate of interest per annum equal to the yield to maturity as implied by (i) the yields reported, as of 10:00 a.m. (New York City time) on the third business day preceding the date set for prepayment (the **"Quote Date"**) on the display designated as "USD" of the Bloomberg Financial Markets Screen (or such other display as may replace page USD of Bloomberg) for actively traded United States Treasury Notes having a maturity closest to the Weighted Average Life of the Certificates as of the date of prepayment (plus 50 basis points, in the case of the County Certificates, and 25 basis points, in the case of the GSA Certificates), or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable, the Treasury Constant Maturity Series Yields reported for the latest day for which such yields have been reported as of the third business day preceding

the date of redemption in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded United States Treasury Notes having a constant maturity equal to the Weighted Average Life of the Certificates as of the date of prepayment. Such implied yield will be determined, if necessary, by (a) converting United States Treasury Note quotations to bond-equivalent yields in accordance with accepted financial practice, and (b) interpolating linearly between (1) the actively traded United States Treasury Notes with the constant maturity closest to and less than such Weighted Average Life. "*Weighted Average Life*" shall mean the sum of all Year Amounts (as hereinafter defined) divided by the principal balance Outstanding of the Certificates. A "*Year Amount*" shall equal the amount derived by multiplying the principal amount (or Accreted Value) to be paid with respect to the Certificates on a Payment Date by the Period Percentage (as hereinafter defined). The "*Period Percentage*", as calculated separately for each Payment Date shall be the number of days (based upon a 30-day month and a 360-day year) from the prepayment date to the applicable Payment Date divided by 360.

"*Mandatory Tender Date*" shall mean June 1, 2001 if the County has failed to deliver to the Trustee the Certificate of Acceptance by the Required Completion Date.

"*Maturity Date*" means, with respect to the Series 1999 GSA Certificates, June 15, 2015 and, with respect to the Series 1999 County Certificates, June 15, 2020.

"*Moody's*" means Moody's Investors Service, Inc., a Delaware corporation, and its successors and assigns.

"*Monthly GSA Certificates Payment Amount*" means one-sixth of the total amount of principal and interest due on the GSA Certificates on the next Payment Date.

"*Net Proceeds*" means any insurance proceeds in excess of \$50,000, paid with respect to the Leased Premises or any portion thereof, remaining after payment therefrom of all reasonable expenses incurred in the collection thereof.

"*New GSA Payments*" has the meaning set forth under "THE TRUST AGREEMENT — Execution and Delivery of Additional GSA Certificates".

"*Notice of Assignment*" means the Notice of Assignment dated the Closing Date from the Trustee to the Government.

"*Outstanding*" when used as of any particular time with respect to Certificates, means all Certificates therefore executed and delivered by the Trustee under the Trust Agreement except:

(a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Certificates for the payment or prepayment of which funds or eligible securities in the necessary amount shall have theretofore been deposited with the Trustee in accordance with the Trust Agreement (whether on or prior to the maturity or prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"*Owner*" means, singularly, the registered owner of any Certificate and, plurally, the registered owners of all the Certificates, as reflected in the Certificate Register.

"*Payment Date*" means, with respect to the GSA Certificates, June 15 and December 15 of each year the dates upon which principal and interest with respect to the GSA Certificates becomes due and payable, commencing June 15, 1999 to the Maturity Date thereof, and, with respect to the County Certificates, June 15 and December 15 of each year after the Accreted Value Date, the dates upon which the Accreted Value and the interest with respect to the County Certificates becomes due and payable, commencing December 15, 2015 to the Maturity Date thereof; provided,

however, that with respect to Bank Certificates, Payment Date shall mean the days on which principal and interest with respect to Bank Certificates are required to be paid pursuant to the Reimbursement Agreement.

**"Permitted Encumbrances"** means with respect to the Leased Premises, as of any particular time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to provisions of the Facilities Lease permit to remain unpaid; (b) the Site Lease; (c) the Facilities Lease; (d) the Assignment Agreement; (e) the GSA Lease Agreement; (f) the Assignment of Claims; (g) any right or claim of any mechanic, laborer, materialism, supplier or vendor not filed or perfected in the manner prescribed by law; (h) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recording the Facilities Lease or the date of recording an amendment to the Facilities Lease which the County certifies in writing will not affect the intended use of the Leased Premises or impair the security granted to the Trustee for the benefit of the Owners of the Certificates and the Bank by the Trust Agreement and the Assignment Agreement and to which the Corporation, the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, and the County consent in writing; and (i) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recording of the Facilities Lease which the County certifies in writing will not affect the intended use of the Leased Premises or impair the security granted to the Trustee for the benefit of the Owners of the Certificates and the Bank by the Trust Agreement and the Assignment Agreement and to which the Corporation, the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, the Insurer, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, and the County consent in writing.

**"Person"** means any individual, corporation, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof.

**"Placement Agent"** means Dublind Securities, Inc.

**"Prepayment Account"** means the Prepayment Account established within the Certificates Fund pursuant to the Trust Agreement.

**"Prepayment Percentage"** means the percentage obtained by dividing (i) the difference between (A) the amount of the GSA Payments payable by the Government pursuant to the GSA Lease for the first full month period immediately preceding the month in which the event giving rise to the need for the determination of the Prepayment Percentage occurred and (B) the amount of the GSA Payments payable by the Government pursuant to the GSA Lease for the first full month period following such event by (ii) the amount described in the preceding clause (i) (A).

**"Property"** means the real property and improvements located thereon consisting of the District Court Site and the Administrative Center Property as described in the Site Lease.

**"Qualified Investments"** means , if and to the extent permitted by law: (a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; (b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America: (i) Farmers Home Administration; (ii) Federal Housing Administration Debentures; (iii) General Services Administration; (iv) Government National Mortgages Association; (v) U.S. Maritime Administration; (vi) U.S. Department of Housing and Urban Development; (c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies: (i) Federal Home Loan Bank System; (ii) Federal Home Loan Mortgage Corporation; (iii) Federal National Mortgage Association; (iv) Student Loan Marketing Association; (v) Resolution Funding Corp.; and (vi) Farm Credit System; (d) money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act, and having a rating if rated by Standard & Poor's Ratings Service, a division of the McGraw-Hill Companies, Inc. ("**S&P**") of "AAAm-G, "AAAm" or "AA-m" and if rated by Moody's Investors Service, Inc. ("**Moody's**") rated "Aaa," "Aa1" or "Aa2"; (e) certificates of deposit secured at all times by collateral described in (i) and/or (ii) above. Such certificates must be

issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's; (f) certificates of deposit, savings accounts, deposit accounts or money markets deposits which are fully insured by the Federal Deposit Insurance Corporation; (g) investment agreements, including guaranteed investment contracts, with the written consent of the Bank so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit; (h) commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P; (i) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies; (j) federal funds or bankers acceptances with a maximum term or one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1+" by S&P; (k) pre-refunded municipal obligations rated "Aaa" by Moody's and "AAA" by S&P; and (l) pool investment funds administered by any state of the United States acceptable to the Bank, so long as the Letter of Credit is in effect and the Bank is not in default in its payment obligations under the Letter of Credit, and the Insurer, so long as the Insurance Policy is in effect and the Insurer is not in default in its payment obligations under the Insurance Policy.

**"Record Date"** means the first day of the month in which there is a scheduled Payment Date.

**"Reimbursement Agreement"** means the Reimbursement Agreement, dated as of March 15, 1999, by and among the County, the Corporation and the LOC Bank.

**"Rental Interruption Insurance Proceeds Account"** means the Rental Interruption Insurance Proceeds Account established in the Certificates Fund under the Trust Agreement.

**"Required Completion Date"** means June 1, 2000, unless the GSA and the County shall have agreed that the date of delivery of the District Court by the County to the GSA is extended to a date after June 1, 2000 in which case the Required Completion Date shall be such later date; provided, however, that the Required Completion Date shall in no event be later than May 1, 2001. In the event the Required Completion Date is extended beyond June 1, 2000, the County shall three Business Days prior to Required Completion Date provide to the Trustee, the Bank, the Insurer and the Owners notice and evidence of the new Required Completion Date.

**"Required Settlement Amount"** means the amount determined by multiplying (A) the aggregate principal amount of the Outstanding GSA Certificates (including accrued but unpaid interest and other charges) at the time of a proposed settlement or compromise by (B) the Prepayment Percentage.

**"Reserve Fund"** means the Reserve Fund established under the Trust Agreement.

**"Reserve Requirement"** means, (i) with respect to the Series 1999 Certificates, \$50,000 on the date of delivery and \$720,000 on and after June 15, 2015, and (ii) with respect to any Additional Certificates, the amount established for such Additional Certificates, if any, pursuant to the Supplemental Trust Agreement authorizing such Additional Certificates.

**"Restoration Period"** has the meaning set forth under the caption "THE GSA LEASE - Damage to or Destruction of the District Court".

**"Securities Act"** means the Securities Act of 1933, as amended.

**"Securities Depository"** means one of the Securities Depositories designated by the County pursuant to Trust Agreement as the Owner of the Certificates.

**"Securities Depositories"** means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax (215) 496-5058; or to such other addresses and/or such other securities depositories as the County may designate.

**"Site Lease"** means the Site Lease, dated as of March 15, 1999, between the County and the Corporation.

**"S&P"** means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

**"State"** means the State of California.

**"Supplemental Trust Agreement"** means a Supplement to the Trust Agreement.

**"Trust"** means the trust established by the Trust Agreement.

**"Trust Agreement"** means the Trust Agreement dated as of March 15, 1999 by and among the Corporation, the County and the Trustee, as amended and supplemented from time to time.

**"Trustee"** means U.S. Trust Company National Association, a national banking association, not in its individual capacity, but solely as trustee under the Trust Agreement, or any substitute or successor pursuant to the terms thereof.



## DEBT SERVICE SCHEDULE

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal Outstanding</u>
June 15, 1999	0.00	149,623.18	149,623.18	17,635,000.00
December 15, 1999	0.00	585,482.00	585,482.00	17,635,000.00
June 15, 2000	0.00	585,482.00	585,482.00	17,635,000.00
December 15, 2000	0.00	585,482.00	585,482.00	17,635,000.00
June 15, 2001	2,070,888.51	585,482.00	2,656,370.51	15,564,111.49
December 15, 2001	338,874.55	516,728.50	855,603.05	15,225,236.94
June 15, 2002	351,226.67	505,477.87	856,704.54	14,874,010.26
December 15, 2002	362,887.40	493,817.14	856,704.54	14,511,122.86
June 15, 2003	376,043.62	481,769.28	857,812.90	14,135,079.24
December 15, 2003	388,528.27	469,284.63	857,812.90	13,746,550.97
June 15, 2004	402,541.78	456,385.49	858,927.27	13,344,009.19
December 15, 2004	415,906.16	443,021.11	858,927.27	12,928,103.03
June 15, 2005	430,833.68	429,213.02	860,046.70	12,497,269.34
December 15, 2005	445,137.36	414,909.34	860,046.70	12,052,131.98
June 15, 2006	461,039.41	400,130.78	861,170.19	11,591,092.57
December 15, 2006	476,345.92	384,824.27	861,170.19	11,114,746.65
June 15, 2007	493,287.05	369,009.59	862,296.64	10,621,459.61
December 15, 2007	509,664.18	352,632.46	862,296.64	10,111,795.43
June 15, 2008	527,713.26	335,711.61	863,424.86	9,584,082.17
December 15, 2008	545,233.34	318,191.53	863,424.86	9,038,848.84
June 15, 2009	564,463.82	300,089.78	864,553.60	8,474,385.02
December 15, 2009	583,204.02	281,349.58	864,553.60	7,891,181.00
June 15, 2010	603,694.27	261,987.21	865,681.48	7,287,486.73
December 15, 2010	623,736.92	241,944.56	865,681.48	6,663,749.81
June 15, 2011	645,570.54	221,236.49	866,807.04	6,018,179.27
December 15, 2011	667,003.49	199,803.55	866,807.04	5,351,175.78
June 15, 2012	690,269.67	177,659.04	867,928.70	4,660,906.11
December 15, 2012	713,186.62	154,742.08	867,928.70	3,947,719.49
June 15, 2013	737,980.51	131,064.29	869,044.79	3,209,738.98
December 15, 2013	762,481.46	106,563.33	869,044.79	2,447,257.52
June 15, 2014	788,904.55	81,248.95	870,153.50	1,658,352.97
December 15, 2014	815,096.19	55,057.32	870,153.50	843,256.78
June 15, 2015	843,256.78	27,996.13	871,252.91	0.00

## COMMERZBANK AKTIENGESELLSCHAFT

Commerzbank is the fourth largest publicly-held banking institution in terms of assets in Germany. Commerzbank and its consolidated subsidiaries are engaged in a broad range of commercial and investment banking services and related activities in Germany and around the world. Commerzbank functions as a full service commercial and investment bank. In certain specialized areas, such as mortgage lending, leasing, asset management, fund management, real estate activities and equity participations, Commerzbank provides services through its subsidiaries. As of December 31, 1997, Commerzbank had total assets of U.S. \$287 billion (U.S.\$ 1=DM 1.7987 closing price as of December 31, 1997, Bloomberg). Commerzbank's capital stock is publicly held by more than 190,000 shareholders and is quoted on all eight German stock exchanges as well as on the stock exchanges of Amsterdam, Antwerp, Barcelona, Basel, Berne, Brussels, Geneva, Lausanne, London, Luxembourg, Madrid, Milan, Paris, Tokyo, Vienna and Zurich. There is also a sponsored-ADR program in the USA.

In Germany, Commerzbank operates 940 branches that provide banking services to three million private customers. Abroad, Commerzbank maintains nearly 80 offices in 35 countries. Commerzbank is directly represented in all major financial and industrial centers with its own subsidiaries, branches or representative offices and employs approximately 1,600 staff abroad. It also has numerous holdings in leading local and regional financial institutions.

Commerzbank conducts extensive banking business in the United States, concentrating primarily in corporate lending, letter of credit and bankers acceptance facilities, participations in syndicated loan transactions and treasury operations including foreign exchange transactions. Commerzbank has branches in New York, Chicago and Los Angeles and has an agency office in Atlanta.

For further information on the Commerzbank Group, a copy of Commerzbank's annual report can be obtained by contacting Karin Rapaglia at 2 World Financial Center, New York, New York 10281.

Under the banking laws of the Federal Republic of Germany, all German banks are subject to supervision by the Federal Banking Supervisory Office (Bundesaufsichtsamt für das Kreditwesen), the Federal Securities Trading Supervisory Commission (Bundesaufsichtsamt für den Wertpapierhandel), and by the German Central Bank (Deutsche Bundesbank). The Federal Banking Supervisory Office has the power, inter alia, to issue and revoke licenses, to issue regulations on capital and liquidity requirements, to demand the removal of members of the bank's management, to inspect books and records, to designate the contents required in reports on financial matters by banks and to take action where deposits are considered to be at risk. Bank lending activities in the Federal Republic of Germany are regulated closely under the German Banking Law (Kreditwesengesetz) (the "Banking Law"), as amended most recently on October 24, 1994. The Banking Law and directives of the European Union, of which Germany is a member, contain provisions on solvency, long-term lending and investments. The Banking Law also contains limits on large loans to individual borrowers. Compliance with and enforcement of these regulations are supervised through extensive reporting requirements. In addition, Commerzbank is subject to extensive regulation by the countries in which it operates.

The Los Angeles branch of Commerzbank is licensed by the Commissioner of Financial Institutions, is subject to the banking laws of the State of California and is examined by the State of California Department of Financial Institutions. Commerzbank's branches in Chicago and New York are subject to similar regulation by the states in which they operate. In addition to being subject to state laws and regulations, Commerzbank is also subject to federal regulation under the International Banking Act and, through the International Banking Act, the Bank Holding Company Act.

### **Year 2000 Discussion from 1998 Annual Report**

In view of the great importance of date processing in a modern bank like Commerzbank with worldwide activities, the elimination of Year 2000 risks in the IT area has the highest priority. For this reason, Commerzbank launched its Millenium Change Project in the data processing section as early as 1995 with the objective of cataloging, analyzing, converting, and last but not least, testing Commerzbank's hardware and software, operating systems, applications, and also its telecommunications equipment and networks.

At the same time, Commerzbank's structural and operational infrastructure has to be readied for the year 2000 and prepared for risks, which may arise either through Commerzbank's own systems or from outside.

In order to cope with the tasks, Commerzbank has organized projects; seven individual projects are steered from a central office. The overall project covers all Group units in Germany and abroad and has a full-time staff of 300. For the Parent Bank alone, DM250m has been budgeted to cover costs.

#### **Test of Year-2000 Compliance**

By end-1998, Commerzbank had completed the conversion of virtually all the systems vital to business. Extensive tests are to ensure that everything runs smoothly. For this purpose, separate test environments, quite independent of current business activities, have been set up enabling us to check whether applications will deliver correct results in the year 2000 as well. Commerzbank will also take part in the tests planned by the Bundesbank and the stock exchange to examine the clearing systems for payments and securities, as well as participating in global clearing test for payments systems. The tests will be completed by mid-1999.

In the area of infrastructure, all the critical installations have been covered and measures have been introduced to ensure Year 2000-compliance. Once the conversion work is over, extensive tests will be carried out - even for equipment whose compliance has been confirmed by the manufacturer - in order to demonstrate that Commerzbank's operational installations and technical systems will function.

For the purposes of analyzing the risks arising from contact with clients, roughly 60,000 of Commerzbank's business customers were sent a questionnaire at end-1998 that had been developed by the Association of German Banks. The replies that are received will be registered and analyzed during the first quarter in order to react promptly to the risks that emerge.

Despite all the care taken in preparing for the millennium change, a residual risk will still remain. Commerzbank is therefore expanding its existing emergency plans considerably in the areas of information technology and infrastructure. Potential business risks are also being pinpointed and evaluated with Commerzbank's operative units.

Form of Purchaser's Letter

April \_\_, 1999

County of Riverside  
4080 Lemon Street, 12<sup>th</sup> Floor  
Riverside, California 92501

Riverside District Court Financing Corporation  
4080 Lemon Street, 12<sup>th</sup> Floor  
Riverside, California 92501

Dublind Securities  
767 Third Avenue  
New York, New York 10017

County of Riverside  
\$17,635,000 United States Government  
General Services Administration  
Certificates of Participation  
(United States District Court Project), Series 1999

\$2,165,472.41 (Initial Principal Amount)  
\$7,200,000 (Accreted Value)

County of Riverside  
Taxable Certificates of Participation  
(United States District Court Project), Series 1999

Dear Sir or Madam:

This letter is delivered in connection with the purchase by us (the "Purchaser") of the above referenced GSA Certificates of Participation and County Certificates of Participation (together, the "Certificates"), issued pursuant to that certain Trust Agreement, dated as of March 15, 1999, among the County of Riverside, Riverside District Court Financing Corporation and U.S. Trust Company of California, as trustee. Capitalized terms used but not defined herein have the respective meanings set forth in the Trust Agreement.

In connection with the purchase of the Certificates, the Purchaser hereby represents and warrants to you as follows:

1. The Purchaser's intention is to acquire the Certificates (a) for investment in Purchaser's own account or (b) for resale to "qualified institutional buyers" in transactions under Rule 144A promulgated under the Securities Act of 1933, as amended (the "Act"), and not in any event with the view to, or for resale in connection with, any distribution thereof. It understands that no registration statement has been filed under the Act in connection with the sale of the Certificates, by reason of a specified exemption from the registration provisions of the Act which depends, among other things, upon the bona fide nature of the Purchaser's investment intent as expressed herein.

2. The Purchaser acknowledges that any separate securities of the County or the Corporation deemed included with the Certificates are being purchased pursuant to an exemption under the Act and may not be transferred unless they are subsequently registered under the Act or any exemption from such registration, including, without limitation, the exemption contained in Rule 144A thereunder, is available.

3. The Purchaser is a "qualified institutional buyer" within the meaning of Rule 144A.

IN WITNESS WHEREOF, the undersigned has caused this letter to be executed and delivered by its duly authorized officer as of the date first set forth above.

[NAME OF PURCHASER]

By: \_\_\_\_\_  
Name:  
Title: