

December 4, 1986

Mr. David L. Malmuth
McCarthy Construction Company
34 Executive Park
Irvine, CA 92714

Re: Combined Use Sacramento Downtown Redevelopment Project

Dear Dave:

Please be advised that A. G. Edwards & Sons, Inc. and Kidder, Peabody & Company, Inc. are pleased to act as your underwriter on the Sacramento City library and related facility projects.

The structure that we would utilize is something akin to a municipal lease financing. Subject to bond counsel review, we propose to finance the library portion of the project as tax-exempt bonds. By our rough review, that would indicate that approximately 50% of the project would be financed with tax-exempt securities. With the passage of the Tax Reform Act of 1986, the office building portion will have to be financed with taxable securities. In order to sell the taxable securities, some sort of credit enhancement will have to be found. The credit enhancement can take many forms but I would guess the most likely credit enhancement would be a bank letter of credit.

Again, we feel extremely confident about being able to provide the financing that the project requires.

Should you have any questions, please feel free to give me a call. I am sorry that I cannot be in Sacramento for the presentation, but I am sure that this letter will provide the proof of financing that you require.

Yours very truly,

William Darmstaedter 

William Darmstaedter II
Public Finance Department

WD:sb

cc: C. T. Collins - Kidder, Peabody