Meeting Date: **7/16/2013**

Report Type: Review

Report ID: 2013-00542

City of SACRAMENTO

City Council Report
915 I Street, 1st Floor
www.CityofSacramento.org

Title: Agreement: Crocker Art Museum Loan Forgiveness and Deferred Repayment Agreement

Location: 216 O Street, District 1

Issue: Resolution No. 2013-0367 (Council Rules of Procedure) requires additional posting time for labor agreements and agreements greater than $1,000,000.

Recommendation: 1) Review a Motion: a) authorizing the City Manager, or his designee, to execute the Loan Forgiveness and Deferred Repayment Agreement between the City and the Crocker Art Museum Association (CAMA) to forgive a total of $7.5 million in debt owed to the City; b) approving and authorizing the City Manager, or his designee, to terminate City Agreement No. 86125 between the City and CAMA; and, c) approving the recommended project parameters of the Arts and Cultural Facilities Grant Program; 2) review a Resolution: a) approving and authorizing the City Manager, or his designee, to establish $210,000 revenue budget and establish an expenditure budget in the multi-year operating project I17000200 to implement the Arts and Cultural Facilities Grant Program; b) clarifying that Resolution 2013-144 adopted on May 7, 2013, intended to direct the proceeds from repayment by CAMA of $2.5 million Non-Interest Bearing Principal B, into the capital improvement project B13000400 (Studios for the Performing Arts) for the second phase of the Studios project; and c) direct the City Manager to return to Council with an amendment MOU that reflects the changes in the Studios project scope and any other agreements necessary for the futherance of the project prior to any release of City funding for the project; and 3) continue to July 23, 2013 for approval.

Contact: Rebecca Bitter, Program Manager, (916) 808-5047; Barbara E. Bonebrake, Director, (916) 808-8225, Convention, Culture & Leisure Department

Presenter: None

Department: Convention Culture & Leisure

Division: CCL Administration

Dept ID: 17001011

Attachments:

1-Description/Analysis

2-Resolution

3-Crocker Loan Forgiveness Signed Copy

4-Promissory Note for Non-Interest Bearing Principal A

5-Promissory Note for Non-Interest Bearing Principal B

City Attorney Review

Approved as to Form
Kourtney Burdick
7/10/2013 11:58:12 AM

Approvals/Acknowledgements

Department Director or Designee: Rebecca Bitter - 7/5/2013 11:37:33 AM

Back to Report Table of Contents

Description/Analysis

Issue Detail: On May 7, 2013, City Council adopted Resolution No. 2013-144 directing the City Manager to renegotiate various City Agreements with the Crocker Art Museum Association (CAMA) to afford CAMA debt relief of $7.5 million on a $10 million City loan (City Agreement 2009-0708) in exchange for CAMA's relinquishment of any and all claims related to parking Lots X and Y. This report outlines the proposed agreement and requests Council authorize the City Manager or his designee to execute the agreement.

This report also establishes budgetary authority for the new Arts and Cultural Facilities Grant Program, which was initiated by Council on May 7, 2013 (Resolution 2013-144).

Further, this report asks Council to direct the City Manager to amend Memorandum of Understanding No. 2006-0798 with several arts organizations and the Studios for Performing Arts Operating Company ("Studios MOU") for the Studios for Performing Arts Project ("SPA Project") to reflect the proposed new location for the project and a phased approach for the distribution of City funds to partially finance the project.

Finally, Resolution No. 2013-0367 (Council Rules of Procedure) requires additional posting time for labor agreements and agreements greater than $1,000,000.

Policy Considerations: The proposed actions in this report further the City's goal of providing a diversity of first class arts and cultural facilities and programs.

Economic Impacts: None.

Environmental Considerations: This agreement does not constitute a project under Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines.

Sustainability: This agreement has been reviewed for consistency with the goals, policies, and targets of the City's Sustainability Master Plan (SMP).

Commission/Committee Action: At a meeting on June 24, 2013, the Sacramento Metropolitan Arts Commission unanimously approved the proposed Arts and Cultural Facilities Grant Program parameters.

Rationale for Recommendation:

<u>Loan Forgiveness and Deferred Repayment Agreement</u>

Current agreements between the City and CAMA related to the Crocker Art Museum expansion project include the Memorandum of Understanding No. 2002-125 (MOU) and amendments 1-3, Loan Agreement No. 2007-1308, and Line of Credit Agreement No. 2009-0708. The City and CAMA are also parties to City Agreement No. 86125 related to the parking revenue split generated from Lots X and Y.

The outstanding balance on the Line of Credit (LOC) (authorized by City Agreements 2009-0708 and 2002-0125-3) is $9,999,888, with $4,999,888 of that amount constituting Interest Bearing Principal and outstanding interest. The proposed Loan Forgiveness and Deferred Repayment Agreement between the City and CAMA, establishes the following debt relief as it relates to the LOC:

- $5 Million Interest Bearing Principal and Interest – In exchange for CAMA's agreement to release any and all rights associated with Lots X and Y, including the right to receive parking revenue or limit the use of the lots to museum purposes (through City Agreement No. 86125), the principal balance of $4,999,888 and all outstanding and accrued interest due for this portion of the LOC as of May 7, 2013, shall be forgiven. CAMA releases any claims to the remaining balance in the LOC of $127,211.

- $2.5 Million Non-Interest Bearing Principal A – For each unrestricted dollar deposited into the Crocker Art Museum Endowment ("Endowment") above the account balance of $2.7 million as of May 7, 2013, the City will forgive, on an annual basis coinciding with the City's fiscal year, dollar-for-dollar, up to $2.5 million dollars of this portion of the LOC.

- $2.5 Million Non-Interest Bearing Principal B - The remaining $2.5 million of the LOC owed by CAMA will be repaid consistent with the amended repayment schedule attached as Exhibit A to the Agreement. In addition to these installment payments, CAMA agrees to pay to the City an amount equal to CAMA's cash-converted capital campaign pledges and estate gifts that have not otherwise been allocated towards the repayment of the Community Reinvestment Capital Improvement Program (CRCIP) Loan. CAMA may not repay this portion of the LOC with Endowment funds that were used in the loan forgiveness calculation referenced above with respect to Non-Interest Bearing Principal A.

- Promissory Note - Concurrent with execution of the proposed Agreement, CAMA agrees to execute two promissory notes, which are payable to the City: one for Non-Interest Bearing Principal A and one for Non-Interest Bearing Principal B. In exchange, the City agrees to cancel the prior promissory note (City Agreement No. 2009-0710) associated with the Line of Credit Agreement.

- Parking – Under City Agreement 86125, the City and CAMA agreed to divide the gross parking revenues from lots X and Y between the Crocker Co-Trustees (the City and CAMA) and the City, with 60 percent going to the Co-Trustees and 40 percent going to the City. As mentioned, under the proposed agreement, CAMA releases all rights to Lots X and Y, including the right to receive parking revenue. The City (in the proposed agreement), however, acknowledges the need for adequate parking to support the Museum and agrees to ensure access to parking that is proximate to the Museum and that is sufficient to meet the Museum's needs.

- Review agreement and continue to 7/23/13 for approval.

Arts and Cultural Facilities Grant Program

As part of its May 7, 2013 action, Council directed the City Manager to return with a proposal for an arts grant/loan program that will be used to loan and/or grant money to Sacramento-based arts organizations for capital improvement projects. This program will be funded by the parking revenue from Lots X and Y until the lots are disposed of by the City. The City Manager proposed to disburse the grant funding in accordance with the following guidelines as part of a new "Arts and Cultural Facilities Grant Program":

- Eligible organizations include nonprofit arts organizations, public school districts, public universities, and state agencies.
- The minimum grant request is $25,000, and the maximum request is $100,000 per application.
- Grant requests must be matched on a dollar for dollar basis. The amount requested cannot exceed 50 percent of total project costs.
- Funds may be used for site or facility acquisition; new construction; expansion, repair, rehabilitation, or renovation of existing facilities; construction drawings; purchase of major integrated systems (i.e., HVAC, sound and lighting systems, rigging); or a combination of the above.
- Activities ineligible for funding include capital campaign expenses; operational or programming support; marketing or fundraising; mortgage or loan payment; project scoping, preliminary, schematic or design development drawings; contingencies; and re-granting.
- Grant award recommendations will be based on four criteria: 1) eligibility and demonstrated community and financial need; 2) demonstrated financial capacity to undertake project; 3) adequate project planning and market demand; and 4) reasonableness of project budget.
- Grant applications will be reviewed by SMAC staff and presented to the SMAC for their recommendation for funding, which will then be forwarded to the City Manager, or his designee, for approval and execution.

These proposed guidelines were approved by Sacramento Metro Arts Commission (SMAC) on June 24, 2013:

Studios for the Performing Arts (Studios)

This report also addresses funding for the SPA Project. The SPA Project brings together the City and several arts organizations—the California Musical Theatre, the Sacramento Ballet, the Sacramento Opera Company, the Sacramento Philharmonic Orchestra Association, and the Studios for Performing Arts Operating Company, with the goal of creating one physical space that can be used by multiple arts groups for performing, teaching, and office purposes.

Due to the extent that the recession has exacerbated the delay in their fundraising for the project, the Studios Operating Company has been forced to revise the project that

was originally proposed at 725 14th Street. The Studios and the City have agreed to a revised project scope that includes no new construction, reuse of an existing building rather than constructing a new building on the 14th Street site, and breaking the project into two phases to address the highest priority needs first.

This report asks Council's approval to renegotiate the Studios MOU to amend the agreement to specify that the $5 million that the City pledged from the CRCIP bond issue as bridge financing, will now instead be financed by $2.5 million from the CalEPA Fund for the first phase of the Studios project, consistent with the Council's action in Resolution No. 2013-144 on May 7, 2013, and $2.5 million for the second phase of the Studios project upon receipt by the City of the repayment of Non-Interest Bearing Principal B from CAMA, which is to remitted by CAMA to the City between January 2018 and January 2030.

The amended Studios MOU will also include the following requirements: a) private capital donors continue with their contributions for the revised scope; b) the balance of these matching funds for the first phase be secured prior to the release of City funds; and c) the first phase will be completed within 48 months.

In addition, the City will negotiate agreements with the Sacramento City Unified School District to lease the Fremont School site at 2420 N Street for the new site of the SPA Project.

These agreements will be brought back to Council in a future staff report.

Financial Considerations: The original 60 percent share of Lots X and Y parking revenue designated for the Crocker Co-Trustee was deposited into Crocker Master Trust – General Fund (Fund 2604) by the City and subsequently transferred to CAMA each fiscal year. These funds will now stay with the City. Parking revenue from Lots X and Y has averaged $218,904 over the past three fiscal years and staff estimates that FY2013/14 revenue will be approximately $210,000.

In resolution 2013-144, Council directed staff to establish a multi-year operating project (MYOP) to expend the Lots X and Y parking revenue on the Arts and Cultural Facilities Grant Program (I17000200). Effective July 1, 2013, the revenue and expenditure budgets must be established in Fund 2604 to implement the program.

Execution of the Loan Forgiveness and Deferred Repayment Agreement results in the forgiveness of $7.5 million and deferred payment of $2.5 million of the $10 million LOC. Of the $5 million interest bearing principal on the LOC, $4,999,888 was drawn down for the project (including interest) with an unspent principal balance of $127,211 remaining. Staff recommends holding the remaining balance of $127,211 for City charges related to project completion.

Emerging Small Business Development (ESBD): Not applicable.

Back to Report Table of Contents

RESOLUTION NO.

Adopted by the Sacramento City Council

July 16, 2013

ESTABLISHING BUDGETARY AUTHORITY FOR THE ARTS AND CULTURAL FACILITIES GRANT PROGRAM (I17000200) AND COMMITTING FUNDS TO THE STUDIOS FOR THE PERFORMING ARTS (B13000400) PROJECT

BACKGROUND

A. Through an agreement between the City and the Crocker Art Museum Association ("CAMA") (City Agreement No. 86125), the Crocker Co-Trustees (the City and CAMA) and CAMA split parking revenues from Lots X and Y near the Crocker Art Museum, with 60% going to the Co-Trustees and 40% going to the City. Concurrent with the adoption of this Resolution, the City and CAMA are entering into an agreement whereby the City will forgive some of CAMA's outstanding debt owed to the City in exchange for CAMA's relinquishment of all rights related to Lots X and Y and the corresponding parking revenue.

B. Resolution No. 2013-144, adopted on May 7, 2013, established that effective July 1, 2013, following CAMA's agreement to relinquish the parking revenue, this money would then be allocated to a grant/loan program for the benefit of Sacramento-based arts organizations for capital improvement projects. This new program is called the "Arts and Cultural Facilities Grant Program".

C. Resolution No. 2013-144 also established that $2.5 million of the debt that will be repaid by CAMA ("Non-Interest Bearing Principal B") will be used for loans and or grants to Sacramento-based arts organizations. This Resolution makes clear that the Studios for Performing Arts Project, an effort being advanced by the City and several Sacramento-based arts organizations to create one space that can be used by multiple arts organizations for performing, teaching, and office purposes ("Studios MOU") (City Agreement 2006-0798), will receive that money upon CAMA's repayment.

D. Due to the extent that the recession has exacerbated the delay in their fundraising, the Studios Operating Company has been forced to revise the original construction plan for the SPA project and in lieu of

constructing a new building, the project will now look at using an existing building and the project will be broken into two phases that address the highest priority needs first.

E. The Studios MOU should be amended to make clear that the original $5 million Community Reinvestment Capital Improvement Program (CRCIP) grant established in the Amendment No. 1 of the MOU will be instead composed of the $2.5 million from the CalEPA Fund for the first phase of the Studios project as approved by Council in Resolution No. 2013-144 on May 7, 2013, and $2.5 million for the second phase of the Studios project upon receipt by the City of the repayment of Non-Interest Bearing Principal B from CAMA.

BASED ON THE FACTS SET FORTH IN THIS BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The City Manager, or his designee, shall establish a $210,000 revenue budget for parking revenue from Lots X and Y in the Crocker Master Trust - General Fund (Fund 2604) and an expenditure budget for the multi-year operating project I17000200 (Arts and Cultural Facilities Grant Program) for Fiscal Year 2013/14.

Section 2. Clarify that Resolution 2013-144 adopted on May 7, 2013, intended to direct the proceeds from repayment by the Crocker Art Museum Association (CAMA) of the $2.5 Million Non-Interest Bearing Principal B, as specified in the Loan Forgiveness and Deferred Repayment Agreement attached as Exhibit A, into the capital improvement project B13000400 (Studios for the Performing Arts) for the second phase of the Studios project.

Section 3. The City Manager shall return to Council with an amended MOU that reflects the changes in the Studios project scope and any other agreements necessary for the furtherance of the project prior to any release of City funding for the project.

Table of Contents

Exhibit A Loan Forgiveness and Deferred Repayment Agreement

City of Sacramento

Tax ID # if applicable:

Requires Council Approval: ☐ No ☒ YES Meeting: 7/23/13

☐ Real Estate ☐ Other Party Signature Needed ☐ Recording Requested

General Information

Type: Select Contract Type PO Type: Select PO Type $ Not to Exceed: $ 7.5 million	Attachment: Original No.: Original Doc Number:
Other Party: Crocker Art Museum Association	Certified Copies of Document::
Project Name: Loan Forgiveness and Deferred Repayment	Deed: ☐None ☐ Included ☐Separate
Project Number: Bid Transaction #:	E/SBE-DBE-M/WBE:

Department Information

Department: CCL Division: Admin.

Project Mgr: Rebecca Bitter Supervisor: Barbara Bonebrake

Contract Services: Eva Chiang Date:7/10/13 Division Mgr: Rebecca Bitter

Phone Number: 808-5898 Org Number: 17001011

Comment:

Review and Signature Routing

Department	Signature or Initial	Date
Project Mgr:	RCB	
Accounting:		
Contract Services:		
Supervisor:	RCB	
Division Manager:	RCB	

City Attorney	Signature or Initial	Date
City Attorney:	KCB	7/10/13

☐ Send Interoffice Mail ☐ Notify for Pick Up

Authorization	Signature or Initial	Date
Choose Director Department Director:	RCB	
City Mgr: yes ☐ No ☐		

Contract Cover/Routing Form: Must Accompany ALL Contracts; however, is not part of the contract. (01-01-09)

For City Clerk Processing

Finalized:
Initial:

Date:

Imaged:
Initial:

Date:

Received:
(City Clerk Stamp Here)

Back to Report Table of Contents

Department: Convention, Culture & Leisure
Division: Administration

LOAN FORGIVENESS AND DEFERRED REPAYMENT AGREEMENT

This Loan Forgiveness and Deferred Repayment Agreement ("Agreement"), dated _____, 2013, for purposes of identification only, is between the **Crocker Art Museum Association**, a California nonprofit corporation ("CAMA"), and the **City of Sacramento**, a California municipal corporation (the "City").

Recitals

A. The Crocker Art Museum ("Museum") is a city-owned facility that is managed by the City and CAMA, as Co-Trustees, under the terms of the Crocker Trust Agreement of 1885.

B. In 2002, the City and CAMA undertook an effort to expand and renovate the Museum (the "Project") to make it a world-class facility. The Project is now complete. The remodeled Museum draws an additional 100,000 visitors per year. The renovated space allows for an increase in the size, variety, and quality of the art collection on display. According to a survey by the Association of Art Museum Directors, the Museum ranks 51st among its peer art museums in North America for the highest attendance rates, 30th largest membership, 68th in size, 30th in gallery space, and 8th in public program admissions, offering roughly 500 special programs each year. These programs range from school readiness programs for children ages five and under to programs for senior citizens. The Museum has become an economic engine for the community, a source of civic pride, and a place where people can connect with art, the world, themselves, and others.

C. To complete this significant undertaking, on December 3, 2002, the City and CAMA entered into City Agreement 2002-0215 (the "MOU"), wherein the parties defined their respective roles and responsibilities regarding the Project.

D. The parties later amended the MOU to authorize a loan from the City to CAMA for $12,000,000 (the "CRCIP Loan") (City Agreement 2002-0215-1) to fund construction of the Project. This loan was memorialized by City Agreement 2007-1308 ("CRCIP Loan Agreement"), City Agreement 2007-1308-A ("Security Agreement"), and City Agreement 2007-1308-B ("Promissory Note"), referred to together as the "CRCIP Loan Agreements"). The final loan amount as set forth in these agreements was $12,890,000, with the extra $890,000 covering the City's bond issuance and bond reserve costs. CAMA is currently repaying this debt as scheduled. This Agreement is not intended to modify the CRCIP Loan Agreements in any way.

E. The parties amended the MOU again in July, 2009, to authorize the extension of a $10-million-dollar non-revolving line of credit (the "Line of Credit") from the City to CAMA to further fund construction of the Project. The Line of Credit was memorialized by City Agreement 2009-0708 ("Line of Credit Agreement"), City Agreement 2009-0709 ("Security Agreement"), and City Agreement 2009-0710 ("Promissory Note"), referred to together as the "Line of Credit Agreements." Under these agreements, the first $5 million in cumulative draws—referred to as the "Non-Interest Bearing Principal"—accrues interest at the rate of 0% per annum. All additional draws—referred to as the "Interest Bearing Principal"—accrue interest at a rate of 6.011% per annum.

F. As of May 7, 2013, the outstanding balance on the Line of Credit is $9,999,887.84, with $4,999,887.84 of that amount constituting Interest Bearing Principal and outstanding interest.

G. The Crocker Art Museum Endowment ("Endowment") comprises a series of funds that is managed by the Crocker Art Museum Foundation ("CAMF"), a nonprofit corporation whose Board of Directors is appointed by CAMA. The Endowment exists for the sole benefit of the Crocker Art Museum. Donors contribute to the Endowment with the understanding that all funds deposited will be inviolate and that distributed earnings will be used for the benefit of the Museum.

H. The City owns Lots X and Y—described in the MOU and City Agreement 86125—which are currently used as parking lots for Museum patrons. Under City Agreement 86125, as amended September 1, 1995 ("Parking Agreement"), the City and Co-Trustees share revenues collected from the normal operation of these parking lots ("Parking Revenue"), with 60% going to the Co-Trustees and 40% going to the City. Under the terms of this agreement, upon termination, "the lots shall revert to museum purposes."

I. In December 2007, in the second amendment to the MOU (City Agreement 2020-0215-2), CAMA released "any claim of ownership interest in Lot X, including without limitation, any right to receive any proceeds from a future disposition of Lot X by the City."

J. On May 7, 2013, the City Council adopted Resolution 2013-144, which directed the City Manager to renegotiate the Line of Credit with CAMA to afford some debt relief in exchange for CAMA's relinquishment of any and all rights associated with Lots X and Y, including the right to receive Parking Revenue or limit the use of the lots to museum purposes. This Agreement is intended to memorialize that transaction.

Based on the facts set forth in the foregoing recitals, the City and CAMA agree as follows:

Section 1. MOU, CRCIP Loan Agreements, and the Line of Credit Agreements Remain in Full Force and Effect.

Except as modified below, all terms and conditions of the MOU, CRCIP Loan Agreements, and Line of Credit Agreements remain in full force and effect.

Section 2. Termination of Draw-Down Period on the Line of Credit.

For purposes of Section 7 of the Line of Credit Agreement (City Agreement 2009-0708)—the "Term of the Line of Credit"—the parties agree that the draw-down period on the Line of Credit has terminated. No further draws are allowed.

Section 3. Loan Forgiveness and Deferred Repayment.

In exchange for CAMA's relinquishment of rights related to Lots X and Y, discussed in Section 3 below, the City agrees to the following:

(a) *Interest Bearing Principal.* Effective May 7, 2013, the City hereby forgives the Interest Bearing Principal balance and outstanding interest owed on the Line of Credit, in the total sum of $4,999,887.84.

(b) *Non-Interest Bearing Principal.* With respect to the Non-Interest Bearing Principal, the parties agree as follows:

(1) *Non-Interest Bearing Principal A.* For each dollar deposited into the Crocker Art Museum Endowment ("Endowment") after May 7, 2013, excluding these dollars earmarked for art acquisitions, the City will forgive, on an annual basis coinciding with the City's fiscal year, dollar-for-dollar, up to $2.5 million of Non-Interest Bearing Principal, this $2.5 million being referred to as "Non-Interest Bearing Principal A".

(2) *Non-Interest Bearing Principal B.* For the remaining $2.5 million of Non-Interest Bearing Principal owed to the City, this amount being referred to as Non-Interest Bearing Principal B, the City agrees to the amended Repayment Schedule attached as Exhibit A. CAMA, however, agrees to prepay a portion or all of these installments prior to the due dates set forth in Exhibit A in an amount equal to CAMA's cash-converted capital campaign pledges, including pledges that were estate gifts, which have not otherwise been allocated towards the repayment of the CRCIP Loan. CAMA may not repay Non-Interest Bearing Principal B with Endowment funds that were used in the loan forgiveness calculation referenced above with respect to Non-Interest Bearing Principal A.

(c) *Promissory Note.* Concurrent with the execution of this Agreement, CAMA agrees to execute two promissory notes, payable to the City: 1) "Promissory Note for Non-Interest Bearing Principal A"; and 2) "Promissory Note for Non-Interest Bearing Principal B." In exchange, the City agrees to cancel the prior promissory note (City Agreement 2009-0710). All references in the MOU and Line of Credit Agreements to the prior note shall now be read to refer to Promissory Note for Non-Interest Bearing Principal A and Promissory Note for Non-Interest Bearing Principal B.

Section 4. CAMA's Relinquishment of Rights to Lots X and Y.

The Parking Agreement is hereby terminated. CAMA releases all claims of an ownership interest in Lot Y, including without limitation, any right to receive any proceeds from a future disposition of Lot Y by the City. CAMA agrees it has no right or claim of control over the City's disposition or use of Lots X and Y and agrees that Lots X and Y may be used for purposes other than "museum purposes" in the future, contrary to the parties' original intent in the Parking Agreement. The City, however, acknowledges the need for adequate parking to support the Museum and agrees to ensure access to parking that is proximate to the Museum and that is sufficient to meet the Museum's needs.

Section 5. Miscellaneous Provisions

(a) *Binding Effect of Agreement.* This Agreement is binding on, and inures to the benefit of, the parties and their successors and assigns.

(b) *Governing Law; Submission to Jurisdiction.* The validity, interpretation, enforcement, and effect of this Agreement are governed by California law. CAMA hereby consents to the jurisdiction of all courts in California, with venue situated in the County of Sacramento.

(c) *Severability.* If any nonmaterial provision of this Agreement is deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed on any law by any court, then this Agreement is to be construed as not containing the invalid provision. The invalidity of the provision does not affect the validity of any other provision of this Agreement. Any and all other provisions of this Agreement that are otherwise lawful and valid will remain in full effect.

(d) *Third Parties.* This Agreement is made and entered into for the sole protection and benefit of the parties and their successors and assigns, and no other person or entity is a third-party beneficiary of, or has any direct or indirect cause of action or claim in connection with, this Agreement, the MOU, the CRCIP Loan Agreements, the Line of Credit Agreements, or any other related document to which that person or entity is not a party.

(e) *Authority to Sign.* The person signing this Agreement on CAMA's behalf represent that he or she is authorized to do so and that no further action beyond his or her signature is required to bind CAMA to this Agreement.

(f) *Effective Date.* This Agreement is effective on the date both parties have signed it, as indicated by the dates in the signature blocks below.

(g) *Conflict of Terms.* If there is a material conflict between this Agreement and the MOU, the CRCIP Loan Agreements, or the Line of Credit Agreements, this Agreement will control.

(*Signature Page Follows*)

CITY OF SACRAMENTO

By: _____
Barbara Bonebrake
Director of Convention, Culture & Leisure
Date: _____, 2013

Approved as to Legal Form
Sacramento City Attorney

By: Kourtney T. Burdick
Kourtney Burdick
Deputy City Attorney

Attest
Sacramento City Clerk

By: _____

CROCKER ART MUSEUM ASSOCIATION

By: Lial A Jones
Lial Jones, Mort and Marcy Friedman Director
Date: July 9, 2013

EXHIBIT A

REPAYMENT SCHEDULE: NON-INTEREST BEARING PRINCIPAL B

Due Date	Payment Amount	Outstanding Balance
		$2,500,000
January 20, 2018	$200,000	$2,300,000
January 20, 2019	$200,000	$2,100,000
January 20, 2020	$200,000	$1,900,000
January 20, 2021	$200,000	$1,700,000
January 20, 2022	$200,000	$1,500,000
January 20, 2023	$200,000	$1,300,000
January 20, 2024	$200,000	$1,100,000
January 20, 2025	$200,000	$900,000
January 20, 2026	$200,000	$700,000
January 20, 2027	$200,000	$500,000
January 20, 2028	$200,000	$300,000
January 20, 2029	$200,000	$100,000
January 20, 2030	$100,000	$0

Back to Report Table of Contents

PROMISSORY NOTE
FOR NON-INTEREST BEARING PRINCIPAL A

$2,500,000.00 Sacramento, California
Date: As of July ___, 2013

FOR VALUE RECEIVED, the CROCKER ART MUSEUM ASSOCIATION, a California non-profit corporation ("Payor"), promises to pay to the CITY OF SACRAMENTO, a California municipal corporation ("Payee"), the principal sum of TWO MILLION FIVE HUNDRED THOUSAND DOLLARS ($2,500,000.00) less that amount of dollars deposited into the Crocker Art Museum Endowment after May 7, 2013, in accordance with the Loan Forgiveness Agreement executed concurrently with this Note, no later than January 30, 2030. Payor may repay all or a portion of the outstanding balance, without penalty, at any time prior to January 30, 2030.

1. This Note is conditioned on the Loan Forgiveness Agreement executed concurrently herewith.

2. Any principal not paid when due shall accrue interest at four percent (4%) per annum until paid.

3. At Payee's option, this Note will become immediately due and payable upon the occurrence at any time of any of the following events:
    a. The filing by Payor of a voluntary petition for bankruptcy or if the Payor is named as a debtor under an involuntary petition for bankruptcy;
    b. Payor institutes any proceeding under any bankruptcy or insolvency laws relating to the relief of debtor; or
    c. Payor makes an assignment for the benefit of its creditors.

4. If this Note is not paid when due, whether at maturity or by acceleration, Payor, and every guarantor and endorser of this Note, and every person who assumes the obligations of this Note, promise to pay all costs of collection including, but not limited to, reasonable attorneys' fees, whether or not suit is filed hereon. Additionally, the holder hereof shall be entitled to reimbursement for all attorneys' fees and costs incurred in enforcing any judgment arising from or out of this Note, which shall not merge into said judgment and may be added to the judgment and substantiated by supplemental cost bill.

5. Payor, every guarantor and endorser of this Note, and every person who assumes the obligations of this Note, waive presentment, demand, protest, notice of protest, notice of dishonor, notice of nonpayment, and notice of any kind with respect to this Note or any guarantee of it.

6. Principal and interest shall be payable in lawful money of the United States.

7. This Note may not be changed or terminated orally, but only by an agreement in writing signed by the party against whom enforcement of such change or termination is sought.

8. This Note may be prepaid at any time without penalty.

9. The rights, duties, and obligations of Payor and Payee hereunder shall be binding upon and inure to the benefit of their respective successors, representatives, receivers, trustees, and assigns, if any, provided, however, that Payor and Payee may not assign or transfer their interests hereunder without the prior written consent of the other party.

(Signature Page Follows)

PAYOR: CROCKER ART MUSEUM ASSOCIATION

By: _____
Rhea Brunner, President

_____
Lial Jones, Executive Director

VERIFICATION

The State of California, County of Sacramento

On _____, 2013, before me, _____, personally appeared RHEA BRUNNER who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

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

WITNESS my hand and official seal.

[signature and official notarial seal]

The State of California, County of Sacramento

On _____, 2013, before me, _____, personally appeared LIAL JONES who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

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

WITNESS my hand and official seal.

[signature and official notarial seal]

Back to Report Table of Contents

PROMISSORY NOTE
FOR NON-INTEREST BEARING PRINCIPAL B

$2,500,000.00 Sacramento, California
Date: As of July ___, 2013

FOR VALUE RECEIVED, the CROCKER ART MUSEUM ASSOCIATION, a California non-profit corporation ("Payor"), promises to pay to the CITY OF SACRAMENTO, a California municipal corporation ("Payee"), the principal sum of TWO MILLION FIVE HUNDRED THOUSAND DOLLARS ($2,500,000.00). Installments shall be due and payable in accordance with Exhibit A of the Loan Forgiveness Agreement ("Repayment Schedule"). Payor may repay all or a portion of the outstanding balance, without penalty, at any time prior to the due dates reflected in the Repayment Schedule.

1. This Note is conditioned on the Loan Forgiveness Agreement executed concurrently herewith.

2. Any principal not paid when due shall accrue interest at four percent (4%) per annum until paid.

3. At Payee's option, this Note will become immediately due and payable upon the occurrence at any time of any of the following events:
    a. Default in the payment of any installment due hereunder that is not cured within 45 days;
    b. Violation of any of the prohibitions set forth in the Loan Forgiveness Agreement, executed concurrently with this Note, or the Line of Credit Agreements between the parties (City Agreements 2009-0708 and 2009-0709);
    c. The filing by Payor of a voluntary petition for bankruptcy or if the Payor is named as a debtor under an involuntary petition for bankruptcy;
    d. Payor institutes any proceeding under any bankruptcy or insolvency laws relating to the relief of debtor;
    e. Payor makes an assignment for the benefit of its creditors; or
    f. The representations or warranties set forth in the Loan Forgiveness Agreement cease to be true by or before the date Payor executes this Note.

4. If this Note is not paid when due, whether at maturity or by acceleration, Payor, and every guarantor and endorser of this Note, and every person who assumes the obligations of this Note, promise to pay all costs of collection including, but not limited to, reasonable attorneys' fees, whether or not suit is filed hereon. Additionally, the holder hereof shall be entitled to reimbursement for all attorneys' fees and costs incurred in enforcing any judgment arising from or out of this Note, which shall not merge into said judgment and may be added to the judgment and substantiated by supplemental cost bill.

5. Payor, every guarantor and endorser of this Note, and every person who assumes the obligations of this Note, waive presentment, demand, protest, notice of protest, notice of dishonor, notice of nonpayment, and notice of any kind with respect to this Note or any guarantee of it.

6. Principal and interest shall be payable in lawful money of the United States.

7. This Note may not be changed or terminated orally, but only by an agreement in writing signed by the party against whom enforcement of such change or termination is sought.

8. This Note may be prepaid at any time without penalty.

9. A late charge of four percent (4%) of any installment not paid within ten days of the due date thereof shall be paid to Payor in addition to any other amount(s) due under this Note.

10. The rights, duties, and obligations of Payor and Payee hereunder shall be binding upon and inure to the benefit of their respective successors, representatives, receivers, trustees, and assigns, if any, provided, however, that Payor and Payee may not assign or transfer their interests hereunder without the prior written consent of the other party.

(Signature Page Follows)

PAYOR: CROCKER ART MUSEUM ASSOCIATION

By: _____
Rhea Brunner, President

_____
Lial Jones, Executive Director

VERIFICATION

The State of California, County of Sacramento

On _____, 2013, before me, _____, personally appeared RHEA BRUNNER who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

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

WITNESS my hand and official seal.

[signature and official notarial seal]

The State of California, County of Sacramento

On _____, 2013, before me, _____, personally appeared LIAL JONES who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

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

WITNESS my hand and official seal.

[signature and official notarial seal]