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When Recorded Return to:

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FIRST AMENDMENT TO FACILITY LEASE

by and between the

SACRAMENTO CITY FINANCING AUTHORITY

and the

CITY OF SACRAMENTO

RELATING TO THE
SACRAMENTO CITY FINANCING AUTHORITY
2005 REFUNDING REVENUE BONDS
(SOLID WASTE, REDEVELOPMENT AND MASTER LEASE PROGRAM FACILITIES)

Executed and Entered Into as of June 1, 2005

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FIRST AMENDMENT TO FACILITY LEASE

This First Amendment to Facility Lease (the "First Amendment to Facility Lease"), executed and entered into as of June 1, 2005, by and between the Sacramento City Financing Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City");

WITNESSETH:

WHEREAS, the City and the Authority previously determined that it was in the best interests of the City and the residents of the City for the Authority to assist the City by financing the acquisition and construction of a solid waste facility for the City constituting a corporation yard and associated fleet maintenance activities (the "1999 Facility"); and

WHEREAS, the City and the Authority duly executed and entered into a Site Lease (the "Site Lease") as of December 1, 1999, that was recorded on December __, 1999, in Book _____ of the Official Records of Sacramento County, at Page ____, whereby the City leased to the Authority those certain parcels of real property described therein (as more particularly described on Exhibit A attached hereto and incorporated herein and made a part hereof, the "1999 Site"); and

WHEREAS, the Authority and the City thereafter duly executed and entered into a Facility Lease (the "Facility Lease") as of December 1, 1999, that was recorded on December __, 1999, in Book _____ of the Official Records of Sacramento County, at Page ____, whereby the Authority leased the 1999 Site, together with the 1999 Facility acquired and constructed thereon, to the City as provided therein, and the City leased the 1999 Site, together with the 1999 Facility acquired and constructed thereon, from the Authority; and

WHEREAS, the City is obligated under the Facility Lease to make scheduled base rental payments (the "1999 Base Rental Payments") to the Authority for the lease of the 1999 Facility by the Authority to the City and may provide for the discharge and satisfaction of [all] [a portion of] such base rental payments pursuant to Section 13.01(b) of the Facility Lease; and

WHEREAS, the Authority and the City have determined that it is in the best interests of the City and the residents of the City (through the sale and delivery of revenue bonds of the Authority secured in part by the base rental payments due under the First Amendment to Facility Lease) to refund [all] [a portion] of the Sacramento City Financing Authority 1999 Capital Improvement Revenue Bonds (Solid Waste and Redevelopment Projects) [with stated maturity dates of [to come]] (the "Prior Bonds") in accordance with their terms from the proceeds of sale of the Sacramento City Financing Authority 2005 Refunding Revenue Bonds (Solid Waste, Redevelopment and Master Lease Program Facilities) (the "Refunding Bonds") issued under the terms of the Indenture (the "2005 Indenture") dated as of June 1, 2005, by and between the Authority and the Trustee; and

WHEREAS, certain of the proceeds of the sale of the Refunding Bonds will be deposited with the Trustee, acting as escrow agent (the "Escrow Agent") pursuant to an Escrow Agreement, dated as of June 1, 2005, between the Authority and the Escrow Agent, to be held in trust in certain escrow funds by the Escrow Agent and applied to the payment or redemption of all of the Prior Bonds, all as more particularly set forth in the Escrow Agreement; and

WHEREAS, in accordance with Section 13.01 of the Facility Lease, the Escrow Agreement by its terms constitutes a deposit with the Trustee of money in an amount which shall be sufficient, and securities defined in paragraphs (1) and (2) of the definition of Legal Investments (as that term is defined in the indenture for the Prior Bonds) which are not subject to redemption prior to maturity except by the holder thereof (including any such securities issued or held in book entry form) the interest on and principal of which when paid will provide money which, together with such money, shall be sufficient, as stated in a report of _____, a nationally recognized independent certified public accountant addressed to the City and the Trustee verifying such sufficiency in full, to pay when due the principal component of [all] [a portion of] the 1999 Base Rental Payments, as set forth in Exhibit D attached hereto and incorporated herein and made a part hereof (the "Prior Facility Lease Base Rental Payments") on and prior to its payment date or its date of prepayment, as the case may be, and the interest component and prepayment premium, if any, thereon, so that any unpaid principal component of a Prior Base Rental Payment shall, prior to its scheduled payment date or date of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in Section 13.01(b) of the Facility Lease (except that the City shall remain liable for such Prior Facility Lease Base Rental Payments, but only out of such money or securities deposited with the Escrow Agent in the escrow fund for such Prior Facility Lease Base Rental Payments as more fully set forth in the Escrow Agreement);

WHEREAS, pursuant to the First Amendment to Facility Lease, the City will become obligated thereunder to make certain scheduled base rental payments (the "Refunding Base Rental Payments") and additional rental payments (the "Refunding Additional Rental Payments") to the Authority for the lease of the 1999 Facility to the City; and

WHEREAS, pursuant to the First Amendment to Facility Lease, in order to provide for the payment of debt service on the portions of the Prior Bonds that are not refunded by the Refunding Bonds, the City will remain obligated hereunder to make amended 1999 Base Rental Payments (the "Amended 1999 Base Rental Payments"), which together with the Refunding Base Rental Payments will constitute the "Base Rental Payments" as provided in the Facility Lease, to the Authority for the lease of the 1999 Facility to the City; and

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

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR

OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions.

(a) All the terms which are defined in Section 1.01 of the Facility Lease shall (except as otherwise provided herein) have the same definitions, respectively, in the First Amendment to Facility Lease that are given to such terms in Section 1.01 of the Facility Lease.

(b) Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of the Facility Lease and of any certificate, opinion, report, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

2005 Indenture

“2005 Indenture” means the Indenture dated as of June 1, 2005, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented as provided therein, pursuant to which the Authority will execute and deliver the 2005 Bonds.

Amended 1999 Base Rental Payments

“Amended 1999 Base Rental Payments” means the payments payable by the City as Base Rental Payments pursuant to Section 5.01(c) hereof, which constitute Base Rental Payments under the Facility Lease.

Escrow Agreement

“Escrow Agreement” means the Escrow Agreement, dated as of June 1, 2005, by and between the Authority and The Bank of New York Trust Company, N.A., as escrow agent, providing for the refunding and defeasance of the Prior Bonds and the discharge, payment and satisfaction of the Prior Facility Lease Base Rental Payments.

Escrow Fund

“Escrow Fund” means the Escrow Fund relating to the Prior Bonds established pursuant to the Escrow Agreement and Section 4.01 hereof and maintained by the Escrow Agent.

Facility Lease Reserve Requirement

“Facility Lease Reserve Requirement” means _____.

First Amendment to Facility Lease

“First Amendment to Facility Lease” means this First Amendment to Facility Lease executed and entered into as of June 1, 2005, by and between the Authority and the City, amending the Facility Lease to refund a portion of the 1999 Facility leased by the Authority to the City thereunder.

Principal Payment Dates

“Principal Payment Dates” means _____ of each year, commencing on _____, ____ and ending on the last principal payment date of the Refunding Bonds.

Prior Bonds

“Prior Bonds” means the \$ _____ aggregate principal amount of Sacramento City Financing Authority 1999 Capital Improvement Revenue Bonds (Solid Waste and Redevelopment Projects) [with stated maturity dates of [to come]].

Prior Facility Lease Base Rental Payments

“Prior Facility Lease Base Rental Payments” means the Base Rental Payments which upon the issuance of the Refunding Bonds and the deposit of certain proceeds thereof with the Escrow Agent pursuant to the Escrow Agreement shall be deemed paid and satisfied and which are more fully set forth in Exhibit D hereto.

Refunding Additional Rental Payments

“Refunding Additional Rental Payments” means the payments payable by the City as Additional Rental Payments pursuant to Section 5.01(b) hereof, which constitute Additional Rental Payments under the Facility Lease.

Refunding Base Rental Payments

“Refunding Base Rental Payments” means the payments payable by the City as Base Rental Payments pursuant to Section 5.01(a) hereof, which constitute Base Rental Payments under the Facility Lease.

Refunding Bonds

“Refunding Bonds” means the Sacramento City Financing Authority 2005 Refunding Revenue Bonds (Solid Waste, Redevelopment and Master Lease Program Facilities) issued by the Authority under and pursuant to the 2005 Indenture, the proceeds of which will be used by the Authority as the source of funds for the refunding of the Prior Bonds and used by the City for the discharge, payment and satisfaction of the Prior Facility Lease Base Rental Payments.

Trustee

“Trustee” means The Bank of New York Trust Company, N.A., a banking corporation duly organized and existing under and by virtue of the laws of the State and authorized to accept and execute trusts of the character set forth in the 2005 Indenture, at its Principal Corporate Trust Office (as that term is defined in the 2005 Indenture), and its successors or assigns, or any other bank or trust company having a corporate trust office in Los Angeles or San Francisco, California, which may at any time be substituted in its place as provided in Section 5.01 of the 2005 Indenture.

ARTICLE II

TERM OF THE FACILITY LEASE

SECTION 2.01. Term of the Facility Lease. If the term of the Site Lease is extended or shortened in accordance with the terms thereof, the term hereof shall (subject to Section 14.06 of the Facility Lease) end on the day immediately preceding the date of termination of the Site Lease.

ARTICLE III

USE OF PROCEEDS

SECTION 3.01. Use of Proceeds. The parties hereto agree that pursuant to Section 2.12 of the Indenture, a portion of the proceeds of the Refunding Bonds (namely, \$ _____) shall be deposited directly into the Escrow Fund and a portion of the proceeds paid to the City (namely, \$ _____), shall be deposited by the City in the “Sacramento City Financing Authority 2005 Refunding Revenue Bonds (Solid Waste, Redevelopment and Master Lease Program Facilities) Costs of Issuance Fund (the “Costs of Issuance Fund”), which fund is established under the 2005 Indenture, and all of such proceeds of the Refunding Bonds in the aggregate shall constitute the payment for the acquisition of the First Amendment to Facility Lease. The Costs of Issuance Fund shall be used by the City to pay for the costs of issuance of the Refunding Bonds, refunding the Prior Bonds and discharging the Prior Facility Lease Base Rental Payments.

ARTICLE IV

RENTAL PAYMENTS

SECTION 4.01. Payment of Refunding Base Rental Payments. The City agrees to pay to the Authority, its successor or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the 1999 Facility the following amounts at the following times:

(a) Refunding Base Rental Payments. The City shall pay to the Authority the Refunding Base Rental Payments which shall be due in the amounts and at the times set forth in

the Refunding Base Rental Payment Schedule contained in Exhibit B attached hereto and made a part hereof, which Refunding Base Rental Payments shall be payable by the City, together with the Amended 1999 Base Rental Payments, for the lease of the 1999 Facility to it. Each Refunding Base Rental Payment shall be payable to the Trustee (as assignee of the Authority pursuant to the 2005 Indenture) in immediately available funds on the Business Day immediately preceding such Refunding Base Rental Payment Date (the "Due Date"), and any payments remitted to the Trustee prior to any Due Date shall be invested for the credit of the City as instructed by the City, and any interest or other income with respect thereto accruing prior to each such Due Date shall belong to the City and shall be returned by the Trustee, on behalf of the Authority, to the City on June 1 and December 1 of each year or shall be transferred as otherwise directed by the City. The City shall provide written notice to the Trustee at least thirty (30) Business Days prior to any Due Date upon which it expects to be unable to pay the Refunding Base Rental Payment due on such Due Date, informing the Trustee of its expected inability to pay the Refunding Base Rental Payment due on such Due Date.

(b) 2005 Additional Rental Payments. The City shall pay to the Authority or the Trustee, as the case may be, as 2005 Additional Rental Payments hereunder (in addition to the foregoing Refunding Base Rental Payments and the following Amended 1999 Base Rental Payments) all such amounts in each year as shall be required by the Authority or the Trustee for the payment of all costs and expenses incurred by the Authority or the Trustee in connection with the performance, enforcement or amendment of the First Amendment to Facility Lease, including but not limited to payment of all fees and expenses of the Authority or the Trustee in connection with the lease of the 1999 Facility to the City, together with all salaries and wages of employees, all expenses, compensation and indemnification of the Trustee payable by the Authority under the 2005 Indenture, all fees of auditors, accountants, attorneys or engineers, all insurance premiums, all taxes and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Refunding Bonds or the 2005 Indenture or hereof, including the payment of all costs due under the Surety Bond (as defined in the 2005 Indenture). Such 2005 Additional Rental Payments shall be billed to the City by the Authority or by the Trustee from time to time, and all amounts so billed shall be due and payable by the City to the Authority or the Trustee, as designated in the bill to the City, within thirty (30) days after receipt of the bill by the City. The City reserves the right to audit billings for 2005 Additional Rental Payments although exercise of such right shall in no way affect the duty of the City to make full and timely payment for all 2005 Additional Rental Payments.

(c) Amended 1999 Base Rental Payments. The City shall pay to the Authority the Amended 1999 Base Rental Payments which shall be due in the amounts and at the times set forth in the Amended 1999 Base Rental Payment Schedule contained in Exhibit C attached hereto and made a part hereof, which Amended 1999 Base Rental Payments shall be payable by the City, together with the Refunding Base Rental Payments, for the lease of the 1999 Facility to it. Except as set forth in Exhibit C hereto, each Amended 1999 Base Rental Payment shall be payable to the Trustee in the time, form and manner set forth in Section 6.01 of the Facility Lease.

SECTION 4.02. Prepayment of Refunding Base Rental Payments.

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

(b) The City may prepay, from any source of available funds, all or any portion of the principal components of Refunding Base Rental Payments due on the Principal Payment Dates on or after _____ 1, ____, as a whole on any date on or after _____ 1, ____, or in part in such amounts in integral multiples of five thousand dollars (\$5,000) and from such maturities as are selected by the Treasurer of the City on any date on or after _____ 1, ____, at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment, without a prepayment premium.

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

SECTION 4.03. Reserve Account. The City agrees that, if ever the Facility Lease Reserve Subaccount (as that term is defined in the 2005 Indenture, and herein the "Reserve Account") is drawn upon, the first Refunding Base Rental Payments made thereafter shall be used to restore the Reserve Account to an amount equal to the Facility Lease Reserve Requirement; provided, that after the Refunding Bonds are no longer Outstanding (as that term is defined in the 2005 Indenture) under the 2005 Indenture, any balance of money remaining in the Reserve Account shall be transferred to such other fund or account of the City or shall be otherwise used by the City for any lawful purpose as the City may direct.

ARTICLE V

MISCELLANEOUS

SECTION 5.01. Notices. All written notices to be given hereunder shall be given by first class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Authority:

Sacramento City Financing Attorney
c/o City Attorney

City of Sacramento
980 Ninth Street, 10th Floor
Sacramento, California 95814

If to the City:

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

If to the Trustee:

The Bank of New York Trust Company, N.A.
550 Kearny Street, Suite 600
San Francisco, California 94108
Attention: Corporate Trust Department
FAX: 415/399-1647

If to the Bond Insurer:

[to come]

SECTION 5.02. Effect of First Amendment to Facility Lease. Except as herein otherwise expressly provided, the Facility Lease and all agreements, conditions, covenants and terms contained therein shall remain in full force and effect, and are hereby approved, confirmed and ratified by the parties hereto; provided, that the leasing by the City to the Authority of the 1999 Facility shall not effect or result in a merger of the City's leasehold estate pursuant hereto and its fee simple estate as lessor under the Site Lease, and the Authority shall continue to have and hold a leasehold estate in the 1999 Facility pursuant to the Site Lease throughout the term thereof and the term hereof, and as to the 1999 Facility, the First Amendment to Facility Lease shall be deemed and constitute a sublease.

SECTION 5.03. Execution. The First Amendment to Facility Lease may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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

SACRAMENTO CITY FINANCING AUTHORITY

By
Treasurer

ATTEST:

Assistant Secretary

CITY OF SACRAMENTO

By
Treasurer

(SEAL)

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

EXHIBIT A

Description of the Site

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

[TO COME]

EXHIBIT B

Refunding Base Rental Payment Schedule

<u>Refunding Base Rental Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Refunding Base Rental Payment</u>
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EXHIBIT C

Amended 1999 Base Rental Payment Schedule

<u>Prior Base Rental Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Prior Base Rental Payment</u>
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EXHIBIT D

Prior Base Rental Payment Schedule

<u>Prior Base Rental Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Prior Base Rental Payment</u>
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[ATTACH NOTARY FORMS]