

[Draft of 24 May 2005]

FIRST AMENDMENT TO DEL PASO HEIGHTS LOAN AGREEMENT

Dated as of June 1, 2005

by and among the

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO,

CITY OF SACRAMENTO,

and the

SACRAMENTO CITY FINANCING AUTHORITY

Relating to the

Sacramento City Financing Authority

2005 Refunding Revenue Bonds

(Solid Waste, Redevelopment and Master Lease Program Facilities)

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**FIRST AMENDMENT TO
DEL PASO HEIGHTS LOAN AGREEMENT**

THIS FIRST AMENDMENT TO DEL PASO HEIGHTS LOAN AGREEMENT (the "First Amendment to Loan Agreement") is made and entered into as of June 1, 2005, by and among the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a public body corporate and politic duly organized and existing under and by virtue of the laws of the State of California (the "Agency"), 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"), and the SACRAMENTO CITY FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the "Authority");

WITNESSETH:

WHEREAS, the Authority is authorized pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the Government Code of the State of California, and all laws amendatory thereof or supplemental thereto to issue revenue bonds to provide funds to assist local entities to finance or refinance capital improvements in order that such local entities may achieve their public purposes; and

WHEREAS, the Agency is authorized to transact business and exercise powers under and pursuant to the provisions of Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law"), and has the power under Section 33601 of the Redevelopment Law to borrow money for any of its corporate purposes; and

WHEREAS, a redevelopment plan for a redevelopment project known and designated as "Del Paso Heights Redevelopment Project, Project No. 5" (the "Redevelopment Project"), in the City of Sacramento, has been adopted in compliance with all requirements of the Redevelopment Law; and

WHEREAS, the Agency requested the Authority to make a loan (the "Loan") to the Agency under that certain Loan Agreement (the "Original Loan Agreement"), dated as of December 1, 1999, by and among the Agency, the City and the Authority for the purpose of providing funds to assist in the financing of certain redevelopment activities within and of benefit to the Redevelopment Project, including, without limitation, financing for the purpose of increasing and improving within the City of Sacramento the supply of low and moderate income housing available at affordable housing cost, all as provided in the Original Loan Agreement, and the Agency confirmed that there would be significant public benefits accruing from such financing by the Authority, consisting of demonstrable savings in effective interest rates and financing costs associated with the issuance of bonds by the Authority as described in the Original Loan Agreement and the Agency duly held a public hearing with respect thereto; and

WHEREAS, in order to provide funds to the Authority to make the Loan to the Agency (the "1999 Loan"), as well as for other purposes, concurrent with the execution and delivery of the Original Loan Agreement, the Authority issued its Sacramento City Financing Authority

1999 Capital Improvement Revenue Bonds, Series A (Solid Waste and Redevelopment Projects) (the "1999 Bonds"); and

WHEREAS, the Agency is obligated under the Original Loan Agreement to make scheduled payments of principal and interest (the "1999 Loan Payments") to The Bank of New York Trust Company, N.A., as successor trustee, (the "Prior Trustee") pursuant to the terms of an Indenture (the "Prior Indenture") dated as of December 1, 1999, by and between the Authority and the Prior Trustee and may provide for the discharge and satisfaction of [all] [a portion of] such 1999 Loan Payments [with stated payment dates of [to come]] (the "Prior Loan Payments") pursuant to Section 6.03 of the Original Loan Agreement; and

WHEREAS, the Agency, the Authority and the City have determined that it is in their best interests (through the sale and delivery of revenue bonds of the Authority secured in part by payments due under the First Amendment to Loan Agreement (and together with the Original Loan Agreement, the "Loan Agreement") to refund [all] [a portion of] the 1999 Bonds [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 an Indenture (the "2005 Indenture") dated as of June 1, 2005, by and between the Authority and The Bank of New York Trust Company, N.A. (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 a certain escrow account by the Escrow Agent and applied to the payment or redemption of [all][a portion] of the 1999 Loan (the "Prior Loan") and the discharge and satisfaction of the Prior Loan Payments, all as more particularly set forth herein and in the Escrow Agreement; and

WHEREAS, in accordance with Section 6.03 of the Loan Agreement, the Escrow Agreement by its terms constitutes an irrevocable setting aside in a special trust account with the Trustee of money in an amount which shall be sufficient, and Federal Securities (as defined in the Loan Agreement) the interest on and principal of which when paid will provide money which, together with such money, shall be sufficient, to pay when due the Prior Loan and the Prior Loan Payments, so that the Prior Loan and the Prior Loan Payments shall be deemed to have been paid within the meaning of and with the effect expressed in Section 6.03(b) of the Loan Agreement;

WHEREAS, in accordance with Section 2.07(h) of the Loan Agreement, the Agency may incur Parity Debt without complying with the terms of the coverage test set forth in Section 2.07(b) of the Loan Agreement if the net proceeds of such Parity Debt will be used to refund the Prior Loan, provided that debt service payable in each year with respect to such Parity Debt is less than the debt service otherwise payable in each year with respect to the Prior Loan;

WHEREAS, pursuant to this First Amendment to Loan Agreement, the Authority will lend to the Agency the net proceeds of such Parity Debt (as hereinafter defined, the "Refunding Loan") and the Agency will become obligated hereunder to make scheduled payments of principal and interest (the "Refunding Loan Payments") to the Trustee to pay a portion of the

principal and interest on the Refunding Bonds; and

WHEREAS, pursuant to this First Amendment to Loan Agreement, in order to provide for the payment of a portion of the debt service on the 1999 Bonds that is not refunded by the Refunding Bonds (the "Remaining 1999 Bonds"), the Agency will remain obligated hereunder to make reduced 1999 Loan Payments as hereinafter described (the "Amended 1999 Loan Payments"), which together with the Refunding Loan Payments will constitute "Program Obligations" as defined and provided in the 2005 Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make this First Amendment to Loan Agreement, when executed by the Agency, the City and the Authority, the valid, binding and legal obligation of the Agency and to constitute this First Amendment to Loan Agreement as Parity Debt (as defined in the Loan Agreement) and a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this First Amendment to Loan Agreement have been in all respects duly authorized;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, 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 Original Loan Agreement shall (except as otherwise provided herein) have the same definitions, respectively, in the First Amendment to Loan Agreement that are given to such terms in Section 1.01 of the Original Loan Agreement.

(b) Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of the Original Loan Agreement 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:

"1999 Bonds" means the Sacramento City Financing Authority 1999 Capital Improvement Revenue Bonds (Solid Waste and Redevelopment Projects), [all][a portion] of which are refunded and defeased pursuant to the Escrow Agreement.

"1999 Bonds Escrow Account" means the account by that name established under the Escrow Agreement.

"1999 Loan" means the loan made by the Authority to the Agency pursuant to Section 2.01 of the Original Loan Agreement.

“1999 Loan Payments” means payments of principal and interest payable under Section 2.02 of the Original Loan Agreement by the Agency to the Prior Trustee, as assignee of the Authority under the Prior Indenture.

“2005 Indenture” means the Indenture, dated as of June 1, 2005, by and between the Authority and the Trustee, authorizing the issuance of the Refunding Bonds, as originally executed and delivered and as the same may from time to time be amended or supplemented in accordance with its terms.

“Amended 1999 Loan Payments” means the amended and reduced installment payments payable under Section 2.02(a) of this First Amendment to Loan Agreement by the Agency to the Prior Trustee, as assignee of the Authority under the Prior Indenture.

“Amended Allocable Share” means a percentage allocable to the First Amendment to Loan Agreement in relation to the entire issue of Refunding Bonds, which allocation may be made on any reasonable basis and may be different than the Proportionate Share.

“First Amendment to Loan Agreement” means this First Amendment to Del Paso Heights Loan Agreement, dated as of June 1, 2005, by and among the Agency, the City and the Authority, amending the Original Loan 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 [all] [a portion of] the 1999 Loan.

“Loan” means the Remaining 1999 Loan together with the Refunding Loan.

“Loan Agreement” means the Original Loan Agreement as amended by the First Amendment to Loan Agreement and as the same may from time to time be further amended or supplemented in accordance with its terms.

“Original Loan Agreement” means the Del Paso Heights Loan Agreement, dated as of December 1, 1999, by and among the Agency, the City and the Authority.

“Prior Bonds” means [all] [that portion] of the 1999 Bonds refunded and defeased pursuant to the Escrow Agreement.

“Prior Indenture” means the Indenture, dated as of December 1, 1999, by and between the Authority and The Bank of New York Trust Company, N.A., as successor trustee, authorizing the issuance of the 1999 Bonds, as originally executed and delivered and as the same may from time to time be amended or supplemented in accordance with its terms.

“Prior Loan” means [all] [that portion] of the 1999 Loan discharged and satisfied in accordance with Section 6.03(b) of the Original Loan Agreement and pursuant to the Escrow Agreement

“Prior Loan Payments” means [all] [that portion] of the 1999 Loan Payments discharged

and satisfied in accordance with the Original Loan Agreement and pursuant to the Escrow Agreement, and as described in the schedule attached Exhibit A hereto.

“Prior Trustee” means The Bank of New York Trust Company, N.A., as successor trustee under the Prior Indenture and any further successor trustee duly qualified and acting under the Prior Indenture.

“Refunding Bonds” means the Sacramento City Financing Authority 2005 Refunding Revenue Bonds (Solid Waste, Redevelopment and Master Lease Program Facilities) issued and at any time outstanding under the 2005 Indenture.

“Refunding Loan” means the portion of the Loan described in Section 2.01 hereof and funded by proceeds of the Refunding Bonds and which shall constitute Parity Debt under the Loan Agreement.

[“Refunding Bonds Reserve Account” means the account by that name established and held by the Trustee pursuant to Section 2.05 of this First Amendment to Loan Agreement to secure the repayment of the Refunding Bonds and Parity Debt, as and to the extent required by the Loan Agreement.]

[“Refunding Bonds Reserve Requirement” means, as of the date of any calculation, the lesser of (a) Maximum Annual Debt Service on the Refunding Loan, or (b) the maximum amount permitted by the Code.]

“Refunding Loan Payments” means payments of principal and interest payable under and as more fully described in Section 2.02(b) of this First Amendment to Loan Agreement by the Agency to the Trustee, as assignee of the Authority under the 2005 Indenture, with respect to the Refunding Loan.

“Remaining 1999 Bonds” means that portion of the 1999 Bonds that is not refunded or defeased pursuant to the Escrow Agreement and remains Outstanding pursuant to the Prior Indenture.

“Remaining 1999 Loan” means that portion of the 1999 Loan that was funded with proceeds of the 1999 Bonds and that is not refunded or defeased pursuant to the Escrow Agreement and remains to be paid in accordance with Section 2.01 hereof through payment of the Amended 1999 Loan Payments in accordance with Section 2.02(a) of this First Amendment to Loan Agreement.

“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

THE LOAN AND CERTAIN LOAN TERMSSection 2.01. Authorization and Terms of Loan.

The Authority, the Agency and the City hereby agree that the terms of the 1999 Loan are hereby amended as follows.

- (a) The unpaid portion of the 1999 Loan shall be comprised of two portions, namely, (i) the Remaining 1999 Loan which shall be repaid in installments through the Amended 1999 Loan Payments in accordance with Section 2.02(a) hereof, and (ii) the Refunding Loan to be repaid in installments through the Refunding Loan Payments in accordance with Section 2.02(b) hereof, both of which together constitute the Loan hereunder and are secured by the Tax Revenues and the covenants, terms and conditions of the Loan Agreement. The Loan Agreement constitutes a continuing agreement with the Authority to secure the full and final payment of the Loan, subject to the covenants, agreements, provisions and conditions of the Loan Agreement.
- (b) The discharged and satisfied portion of the 1999 Loan shall be comprised of the Prior Loan, which shall be repaid in installments through the Prior Loan Payments from moneys deposited into the 1999 Bonds Escrow Account in accordance with Section 6.03(b) of the Loan Agreement and pursuant to the Escrow Agreement. The Prior Loan and the Prior Loan Payments shall not be secured by either the Tax Revenues or the Loan Agreement.

Section 2.02. Repayment of Loan.

(a) Amended 1999 Loan Payments. The principal of the Remaining 1999 Loan shall be payable in installments on December 1 in each of the years and in the amounts, and interest on the Remaining 1999 Loan shall be payable in installments on December 1 and June 1 in each of the years and in the amounts, as follows and such principal and interest installments shall constitute the Amended 1999 Loan Payments:

<u>Date</u>	<u>Principal (December 1)</u>	<u>Interest</u>	<u>Total Debt Service</u>
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Except as amended by this First Amendment to Loan Agreement, all other terms and conditions relating to the installment payments of the Loan pursuant to Section 2.02 of the

Original Loan Agreement shall apply to the Amended 1999 Loan Payments.

(b) Refunding Loan Payments. The principal of the Refunding Loan shall be payable in installments on December 1 in each of the years and in the amounts, and interest on the Refunding Loan shall be payable in installments on December 1 and June 1 in each of the years and in the amounts, as follows and such principal and interest installments shall constitute the Refunding Loan Payments:

<u>Date</u>	<u>Principal (December 1)</u>	<u>Interest</u>	<u>Total Debt Service</u>
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In the event principal of the Refunding Loan shall be prepaid pursuant to Section 2.03 hereof, the foregoing schedule of principal installment payments for the Refunding Loan Payments shall be reduced pro rata by installment as provided in Section 2.03 hereof.

Interest on each installment of principal of the Refunding Loan has been calculated on the basis of a 360-day year of twelve 30-day months, and shall accrue on each installment of principal from and including the date of issuance of the Refunding Bonds to but not including the interest payment date for the Refunding Bonds with respect to which such installment of principal is payable. Any installment of principal or interest which is not paid when due shall continue to accrue interest at the interest rate payable on the Refunding Bonds from and including the interest payment date for the Refunding Bonds with respect to which such principal or interest is payable to but not including the date of actual payment.

Principal of and interest on the Refunding Loan shall be payable by the Agency to the Trustee, as assignee of the Authority under the 2005 Indenture, in immediately available funds which constitute lawful money of the United States of America. Payment of such principal and interest shall be secured, and amounts for the payment thereof shall be deposited with the Trustee at the same times, and in the same manner as set forth in Article III of the Loan Agreement with respect to the Loan and any Parity Debt Instrument.

In lieu of depositing cash with the Trustee for payment of any principal installment due pursuant to this Section 2.02(b), the Agency shall have the option to tender to the Trustee for cancellation any amount of Refunding Bonds of like maturity as the principal installment next payable, which has been purchased by the Agency with amounts on deposit in the Special Fund (to the extent such amounts are not required to make any deposit into the Interest Account or the Principal Account during the next twelve (12) months pursuant to Section 3.03 of the Original Loan Agreement), which Refunding Bonds may be purchased by the Agency at public or private sale as and when and at such prices as the Agency may in its discretion determine. The par amount of any such Refunding Bonds so purchased by the Agency and tendered to the Trustee in any twelve-month period ending on October 1 in any calendar year shall be credited towards and shall reduce the principal installment required to be made pursuant to this Section 2.02(b) on

December 1 in such year. Further, the interest amount accrued and payable on any such Refunding Bonds so purchased by the Agency and so delivered to the Trustee shall be credited towards and shall reduce the interest installment required to be made pursuant to this Section 2.02(b) on December 1 of such year.

Except as amended by this First Amendment to Loan Agreement, all other terms and conditions relating to the installment payments of the Loan pursuant to Section 2.02 of the Original Loan Agreement shall apply to the Refunding Loan Payments.

Section 2.03. Optional Prepayment of the Refunding Loan. The Refunding Loan shall not be subject to optional prepayment prior to December 1, 20___. The principal of the Refunding Loan shall be subject to optional prepayment on or after December 1, 20___, in whole on any date, or in part on any Interest Payment Date by such principal installments or portions thereof as shall be determined by the Agency, from any available source of funds, at a prepayment price equal to the amount of the principal installments so called for prepayment and together with accrued interest thereon to the redemption date of the Refunding Bonds to be redeemed from such prepayment.

The Agency shall be required to give the Trustee written notice of its intention to prepay the Refunding Loan under this Section and of the principal installments or portions thereof to be prepaid not less than sixty (60) days prior to the proposed prepayment date, and shall transfer to the Trustee all amounts required for such prepayment in accordance with the further requirements of the 2005 Indenture.

In the event that a portion of the principal of the Refunding Loan shall have been prepaid by the Agency pursuant to this Section, the amount of all future annual principal installments set forth in Section 2.02(b) shall be reduced by the aggregate amount of such principal so prepaid, based on calculations to be provided to the Trustee by an Independent Financial Consultant.

Notwithstanding the foregoing provisions of this Section 2.03(a), if the prepayment price described above exceeds the amount necessary to redeem an allocable amount of Refunding Bonds, as confirmed by an Independent Financial Consultant, such excess shall be refunded to the Agency free and clear of the lien of the Loan Agreement, or such prepayment price shall be reduced accordingly.

Section 2.04. Application of Refunding Loan Proceeds and Other Funds. On the date of issuance of the Refunding Bonds the total proceeds of the Refunding Loan (which equals the principal amount of the Refunding Loan (namely, \$ _____), plus the net original issue premium associated with the Refunding Loan (namely, \$ _____)), shall be applied by the Trustee in accordance with Section 2.12 of the 2005 Indenture. The Trustee shall be deemed to have distributed to the Agency on such date the Amended Allocable Share of all such Refunding Bond proceeds, which amounts were paid for and on behalf of the Agency by the Authority and the City from the total proceeds of the Refunding Loan by the application of such proceeds in accordance with the terms of the 2005 Indenture.

[In addition, the Authority shall cause the Trustee to transfer from the Reserve Account under the Prior Indenture an amount of cash equal to \$ _____, a portion of which (namely,

\$ _____) shall be deposited into the 1999 Bonds Escrow Account and the remainder of which (namely, \$ _____) shall be deposited into the Reserve Account for the Refunding Bonds established pursuant to the 2005 Indenture. The Authority shall also cause the Trustee to deposit into such Reserve Account for the Refunding Bonds the [2005 Del Paso Heights Reserve Instrument] in the face amount of \$ _____, which, together with such cash transfer and deposit into the Reserve Account for the Refunding Bonds, shall satisfy the initial Reserve Requirement.] **[NOTE, SUBJECT TO CHANGE: Must confirm arrangements for funding escrow with excess reserve funds and funding Reserve Account for Refunding Bonds with both transferred cash and surety reserve bond, if any.]**

Section 2.05. Refunding Bonds Reserve Account.] [There is hereby established a separate fund constituting a Reserve Account for purposes of the Loan Agreement to be known as the "Refunding Bonds Reserve Account", which shall be held by the Trustee under the 2005 Indenture in trust for the benefit of the Owners of the Refunding Bonds and which shall be in an amount equal to an Amended Allocable Share of the account known as the "Reserve Account" under the 2005 Indenture. The Refunding Bonds Reserve Account is pledged to pay debt service on the Refunding Loan, the Remaining 1999 Loan or any Parity Debt, as and to the extent required under the Loan Agreement. The Reserve Account shall be used solely to pay principal, interest and redemption premium, if any, on the Refunding Bonds and the Remaining 1999 Bonds (as and to the extent required by the Loan Agreement), and only to the extent necessary due to payment defaults thereon. The amount on deposit in the Reserve Account shall be maintained at the Refunding Loan Reserve Requirement at all times prior to the payment of the Refunding Loan in full pursuant to Section 6.03, except to the extent required for the purposes set forth in this Section.]

[If the Agency shall fail to deposit with the Trustee the full amount required to be deposited with respect to the Refunding Loan pursuant to Section 3.03(a) on or before the fifth (5th) Business Day preceding any interest payment date for the Refunding Bonds, the Agency shall immediately notify the Trustee of such failure, such notice to be given by telephone, telefax or other form of telecommunication confirmed in writing, and, on or before the fourth (4th) Business Day preceding such interest payment date for the Refunding Bonds the Trustee shall withdraw from the Refunding Bond Reserve Account and deposit in the Interest Account and the Principal Account, in such order, the difference between the amount required to be deposited with respect to the Refunding Loan pursuant to Section 3.03(a) and the amount, if any, actually deposited by the Agency. Any deposits in the Interest Account or the Principal Account from the Refunding Bonds Reserve Account shall be used solely to pay principal, interest or premium on the Refunding Bonds (and not on any other indebtedness), and only to the extent necessary due to payment defaults on the Refunding Loan. In the event that the amount on deposit in the Refunding Bonds Reserve Account shall at any time be less than the Reserve Requirement, the Trustee shall promptly notify the Agency of the amount required to be deposited therein to restore the balance to the Reserve Requirement, such notice to be given by telephone, telefax or other form of telecommunication promptly confirmed in writing. Amounts on deposit in the Refunding Bonds Reserve Account shall not be secured or applied in any way to the payment of any obligations other than the Refunding Bonds, and only to the extent provided above.]

[In the event that the amount on deposit in the Refunding Bonds Reserve Account on the

fifth (5th) Business Day preceding any interest payment date for the Refunding Bonds (other than the final interest payment date for the Refunding Bonds) exceeds the Refunding Bonds Reserve Requirement, the Trustee shall apply all amounts in excess of the Refunding Bonds Reserve Requirement as a credit against the next succeeding transfer required with respect to the Refunding Bonds pursuant to Section 3.03(a). At the Request of the Agency, all amounts in the Refunding Bonds Reserve Account shall either (a) be transferred by the Trustee, on or before the fifth (5th) Business Day preceding the final interest payment date for the Refunding Bonds, as a credit against the transfer required on such date with respect to the Refunding Bonds pursuant to Section 3.03(a), or (b) transferred, following the final interest payment date for the Refunding Bonds, to the Agency to be deposited pro rata (based on the deposits made pursuant to Section 2.04(e) and (f)) of the Original Loan Agreement in the Redevelopment Fund and the Low and Moderate Income Housing Fund. Notwithstanding the foregoing provisions of this paragraph, however, no amounts shall be withdrawn from the Refunding Bonds Reserve Account and credited or transferred to the Agency pursuant to this paragraph during any period in which an Event of Default shall have occurred and be continuing hereunder.]

[The Agency shall have the right at any time to release funds from the Refunding Bonds Reserve Account, or to satisfy the Refunding Loan Reserve Requirement, in whole or in part, by tendering to the Trustee a Qualified Reserve Account Credit Instrument in an amount not less than the amount so to be released, provided that the amount on deposit in the Refunding Bonds Reserve Account after such substitution, taking into consideration all cash and all Qualified Reserve Account Credit Instruments on deposit therein, is equal to or greater than the Refunding Bonds Reserve Requirement. Upon tender of such a Qualified Reserve Account Credit Instrument to the Trustee, the Trustee shall transfer the amount of cash in the Refunding Bonds Reserve Account, if any, replaced by such Qualified Reserve Account Credit Instrument, to the Agency free and clear of the lien of the Loan Agreement. Any funds so released shall be deposited pro rata (based on the deposits made pursuant to Section 2.04(e) and (f)) of the Original Loan Agreement in the Redevelopment Fund and the Low and Moderate Income Housing Fund. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this Section 2.05.]

[All moneys in the Refunding Bonds Reserve Account shall be invested by the Trustee in accordance with Section 10.06 of the 2005 Indenture.]

[Subject to the prior approval of the Bond Insurer, the Refunding Bonds Reserve Requirement shall be satisfied initially, in part, by the 2005 Del Paso Heights Reserve Instrument held by the Trustee.]

[NOTE, SUBJECT TO CHANGE: The following provisions must be modified to conform to the terms of a surety reserve bond, if any, provided in connection with the Refunding Bonds.]

[Except with respect to any Qualified Reserve Account Credit Instrument that expires on the final maturity date of the Refunding Bonds, at least fifteen days prior to the expiration of any

Qualified Reserve Account Credit Instrument, the Agency shall be obligated either (i) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds such that the amount on deposit in the Refunding Bonds Reserve Account is equal to the Refunding Bonds Reserve Requirement (without taking into account such expiring Qualified Reserve Fund Credit Instrument). In the event that the Agency shall fail to take action as specified in clause (i) or (ii) of the preceding sentence, the Trustee shall, prior to the expiration thereof, draw upon the Qualified Reserve Account Credit Instrument in full and deposit the proceeds of such draw in the Refunding Bonds Reserve Account.]

[If the Refunding Bonds Reserve Requirement shall at any time be maintained in the Refunding Bonds Reserve Account in the form of two or more Qualified Reserve Account Credit Instruments, the Trustee shall draw on such Instruments pro-rata to make any payment then required to be made from the Refunding Bonds Reserve Account. In the event that the Trustee shall at any time draw funds under a Qualified Reserve Account Credit Instrument to make any payment then required to be made from the Refunding Bonds Reserve Account, the Tax Revenues thereafter received by the Agency, to the extent remaining after making the other deposits (if any) then required to be made pursuant to Section 3.03(a) of the Original Loan Agreement, shall be transferred by the Agency to the Trustee to be used to reinstate the Qualified Reserve Account Credit Instrument in accordance with the 2005 Indenture.]

ARTICLE III

TAX REVENUES; CONTINUING DISCLOSURE; MISCELLANEOUS

Section 3.01. Use of Tax Revenues for Refunding Loan. The Refunding Loan constitutes Parity Debt under the Loan Agreement and Tax Revenues necessary to pay the Refunding Loan Payments or to be on deposit in the Refunding Bonds Reserve Account shall be applied in the same manner and to the same extent as described in Article III of the Original Loan Agreement with respect to the Loan.

Section 3.02. Continuing Disclosure. The Agency hereby covenants and agrees that it will assist the Authority and the City in complying with any carrying out any provision applicable to the Agency contained in the Continuing Disclosure Certificate of the Agency relating to the Refunding Bonds. Notwithstanding any other provision of this Loan Agreement, failure of the Agency to comply with its obligations under this Section 3.02 shall not be an Event of Default under the Loan Agreement. However, any Participating Underwriter (within the meaning of the Continuing Disclosure Certificate) or any holder or beneficial owner of the Refunding Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations under this Section 3.02.

Section 3.03. Effect of Amendment; Ratification. Except as otherwise expressly amended by this First Amendment to Loan Agreement, all agreements, conditions, covenants and terms of the Original Loan Agreement shall continue in full force and effect and are hereby approved, confirmed and ratified by the Authority, the Agency and the City.

REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO

By _____

CITY OF SACRAMENTO

By _____

SACRAMENTO CITY FINANCING
AUTHORITY

By _____

EXHIBIT A
SCHEDULE OF PRIOR LOAN PAYMENTS

[to come]