AMENDMENT NO. 1 TO
MEMORANDUM OF UNDERSTANDING
(R Street Expansion Project)

This Amendment No. 1 to Memorandum of Understanding (this "Amendment"), dated as of _____, 2007, is entered into by and between **CITY OF SACRAMENTO**, a public body, corporate and politic ("City") and **CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**, a unit of the State and Consumer Services Agency of the State of California ("CalPERS"), who agree as follows:

1. Background and Purpose.

1.1 Background. City and CalPERS entered into that certain Memorandum of Understanding, dated June 12, 2001 (City Agreement No. 2001-095), (the "MOU"), setting forth certain understandings and agreements of the parties regarding the development and construction of a portion of certain real property (the "Site") owned by CalPERS, located within the corporate limits of the City, as more fully described in the MOU. Among other matters, the MOU memorialized CalPERS' intention to develop a portion of the Site for office uses (the "Office Component"), and to develop or facilitate the development of the remainder of the Site for residential uses (the "Residential Component"), all as more fully set forth in the MOU. CalPERS has substantially completed development and construction of the Office Component.

1.2 Purpose of Amendment. The purpose of this Amendment is to amend the MOU to revise the description of the Residential Component and the schedule for development and construction of the Residential Component to conform such description and schedule to CalPERS' current development plans.

2. Recitals. Recital H of the MOU is hereby deleted and replaced in its entirety with the following:

> "H. CalPERS recognizes that the R Street Corridor Plan includes policies and implementation measures to link development approvals of office projects with development approvals of residential projects to create new mixed use neighborhoods. Furthermore, CalPERS acknowledges that the City is reluctant to abandon the streets and alleys without an agreement memorializing CalPERS' intent to carry out the construction of the Residential Component. Attached to this MOU is a revised Exhibit L which incorporates a Phasing Plan for the Residential Component, which conforms to CalPERS' development plans and schedule as of the effective date of Amendment No. 1 to this MOU. Neither Exhibit L in particular nor this MOU generally is intended to restrict CalPERS' ability to develop additional residential projects on the Site."

3. Exhibits. Section 1 of the MOU is hereby deleted and replaced in its entirety with the following:

"1. CalPERS is the owner of the Site as shown on the Map of the Site which is attached hereto as **Exhibit A (Revised 2007)**, and which is further described in the Legal Description of the Site, attached hereto as **Exhibit B (Revised 2007)**."

Accordingly, the Map of the Site, attached to the MOU as Exhibit A thereto is hereby deleted and replaced in its entirety with the new Map of the Site, **Exhibit A (Revised 2007)**, a copy of which is attached hereto and incorporated herein by reference; and the Legal Description of the Site, attached to the MOU as Exhibit B thereto is hereby deleted and replaced in its entirety with the new Legal Description of the Site, **Exhibit B (Revised 2007)**, a copy of which is attached hereto and incorporated herein by reference.

4. Uses. Section 11 of the MOU is hereby deleted and replaced in its entirety with the following:

"11. CalPERS acknowledges that the City's R Street Corridor Plan calls for "Intensive Mixed Uses" and "Residential Mixed Uses" (both as defined in the R Street Corridor Plan) for the Site. The City acknowledges that, given the undertakings of CalPERS as set forth in particular in this Paragraph 11, and more generally in this MOU, the approved Master Plan will provide for office and residential uses which constitute Intensive Mixed Uses and Residential Mixed Uses that are substantially in conformity with the R Street Corridor Plan.

CalPERS agrees that it shall:

a. establish a mutually agreeable phasing plan for development approvals, design, financing, site preparation and construction on the portion of the Site to be developed with the Residential Component, in accordance with Exhibit L;

b. effectuate such phasing plan on a schedule consistent with Exhibit L and with market demand for planned residential unit type and count;

c. implement development and construction of up to 420,000 gross square feet, with a minimum of 180,000 gross square feet of residential space on the blocks from 3rd to 7th on R Street. This MOU memorializes CalPERS' intent to commence construction of the Residential Component not later than December 31, 2006."

5. Phasing Plan. The "Intended CalPERS Office / Housing Phasing Plan and CalPERS Phasing Plan Commitment", attached to the MOU as Exhibit L, is hereby deleted in its entirety and replaced with the "Residential Phasing of the Master Plan", attached hereto and labeled **Exhibit L (Revised 2007)**. It is CalPERS' intent to construct the Residential Component of the Project in accordance with the Phasing Plan set forth in said Exhibit L. Accordingly,

CalPERS authorized commencement of construction of the Residential Component prior to December 31, 2006.

6. Ratification. Except as specifically amended as set forth above, all other terms and conditions of the MOU shall remain unchanged and in full force and effect.

7. Effective Date. The "Effective Date" of this Amendment shall be the date this Amendment is last signed by the parties hereto.

IN WITNESS WHEREOF, the parties have caused this Amendment No. 1 to Memorandum of Understanding to be executed and attested by their proper officers as of _____, 200__.

Dated: 9-20-07

CalPERS:

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

By: _____

Chief Executive Officer

Dated: _____

CITY:

CITY OF SACRAMENTO

By: _____

City Manager

APPROVED AS TO FORM:

By: _____

Dep City Attorney 9-25-07

ATTEST:

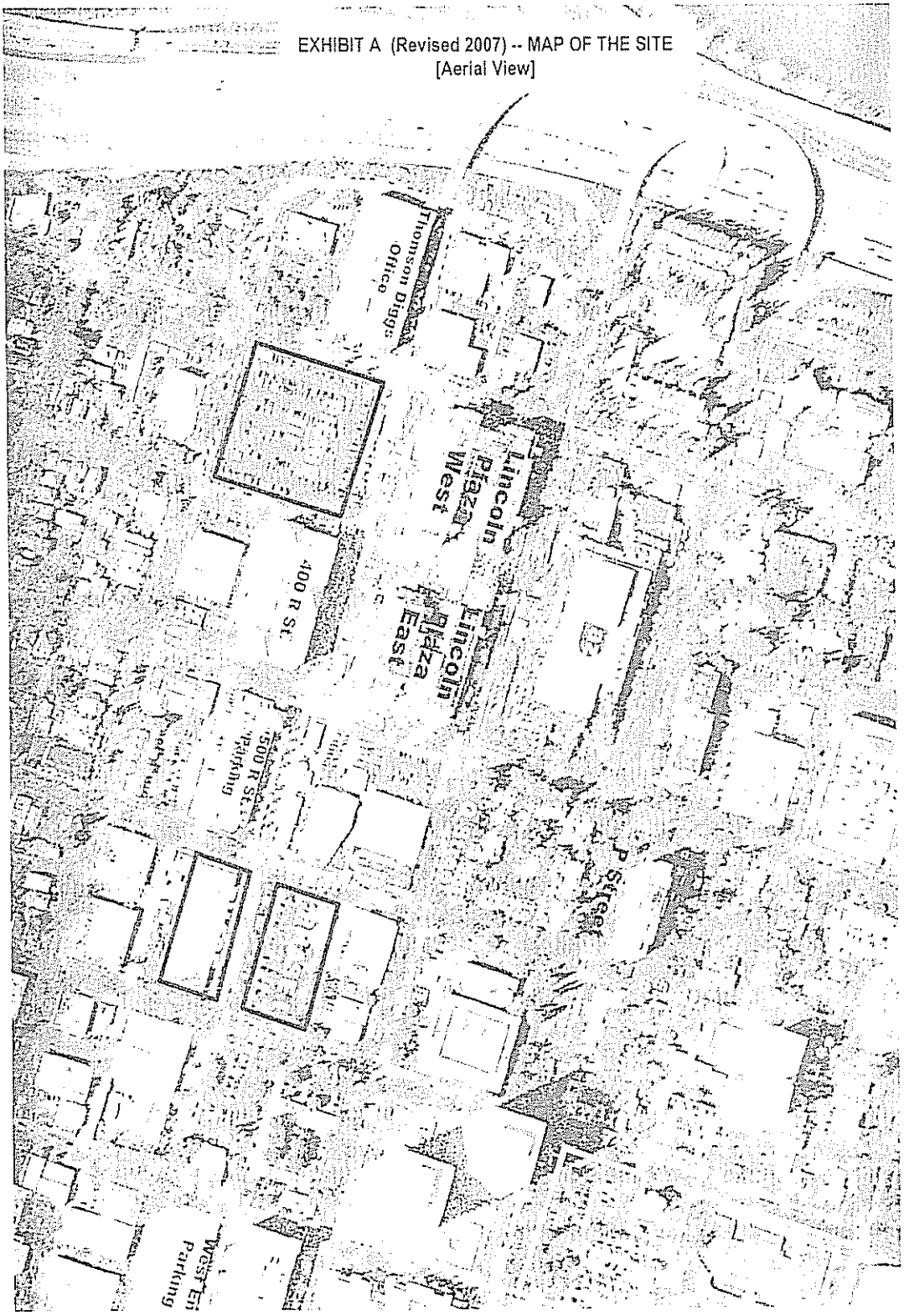
By: _____

City Clerk

EXHIBIT A (REVISED 2007)

MAP OF THE SITE

EXHIBIT A (Revised 2007) -- MAP OF THE SITE
[Aerial View]



R Street Corridor

EXHIBIT A (Revised 2007) -- MAP OF THE SITE
Phase I - South Capitol Lofts

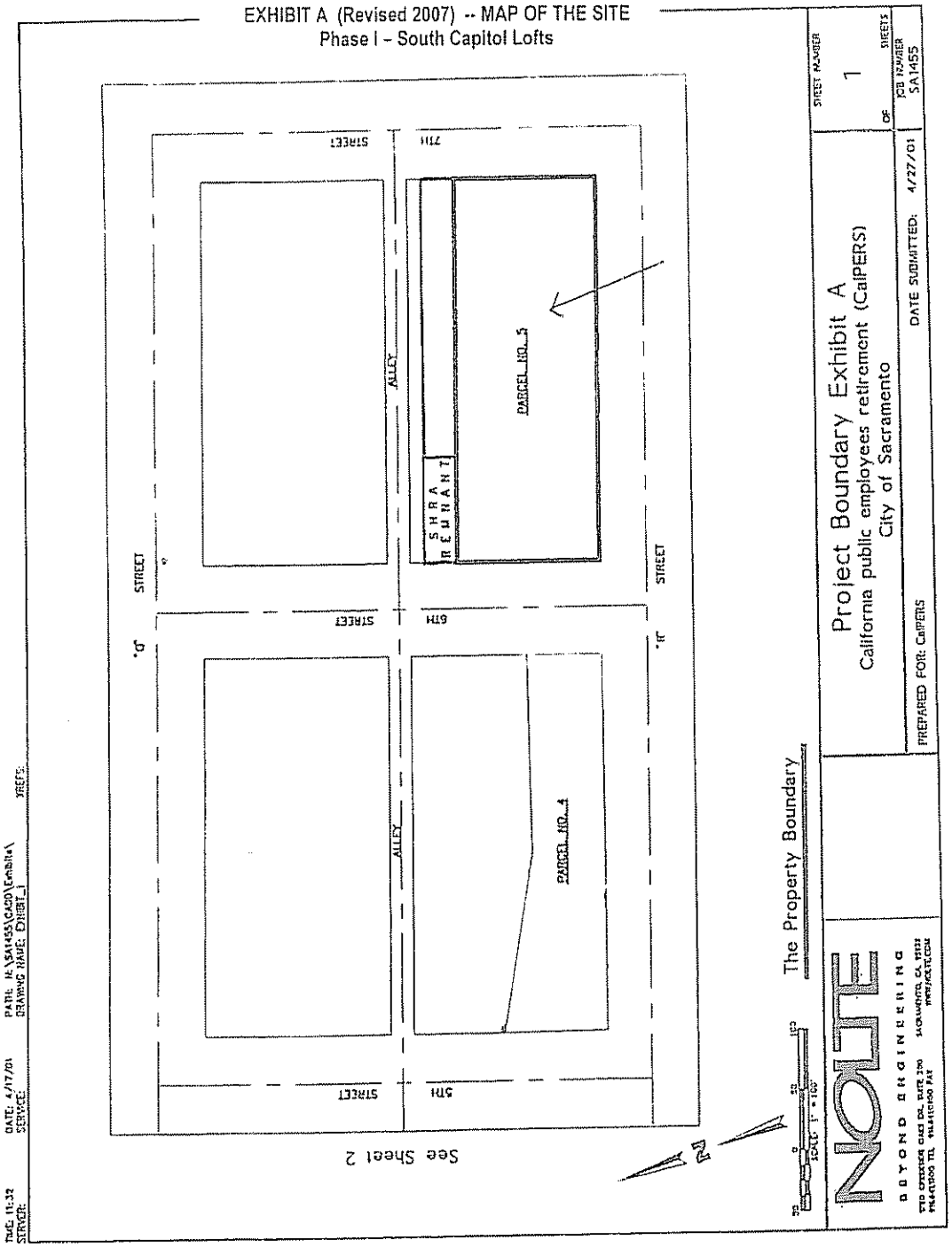


EXHIBIT A (Revised 2007) – MAP OF THE SITE
Phase II – Seventh Street Lofts

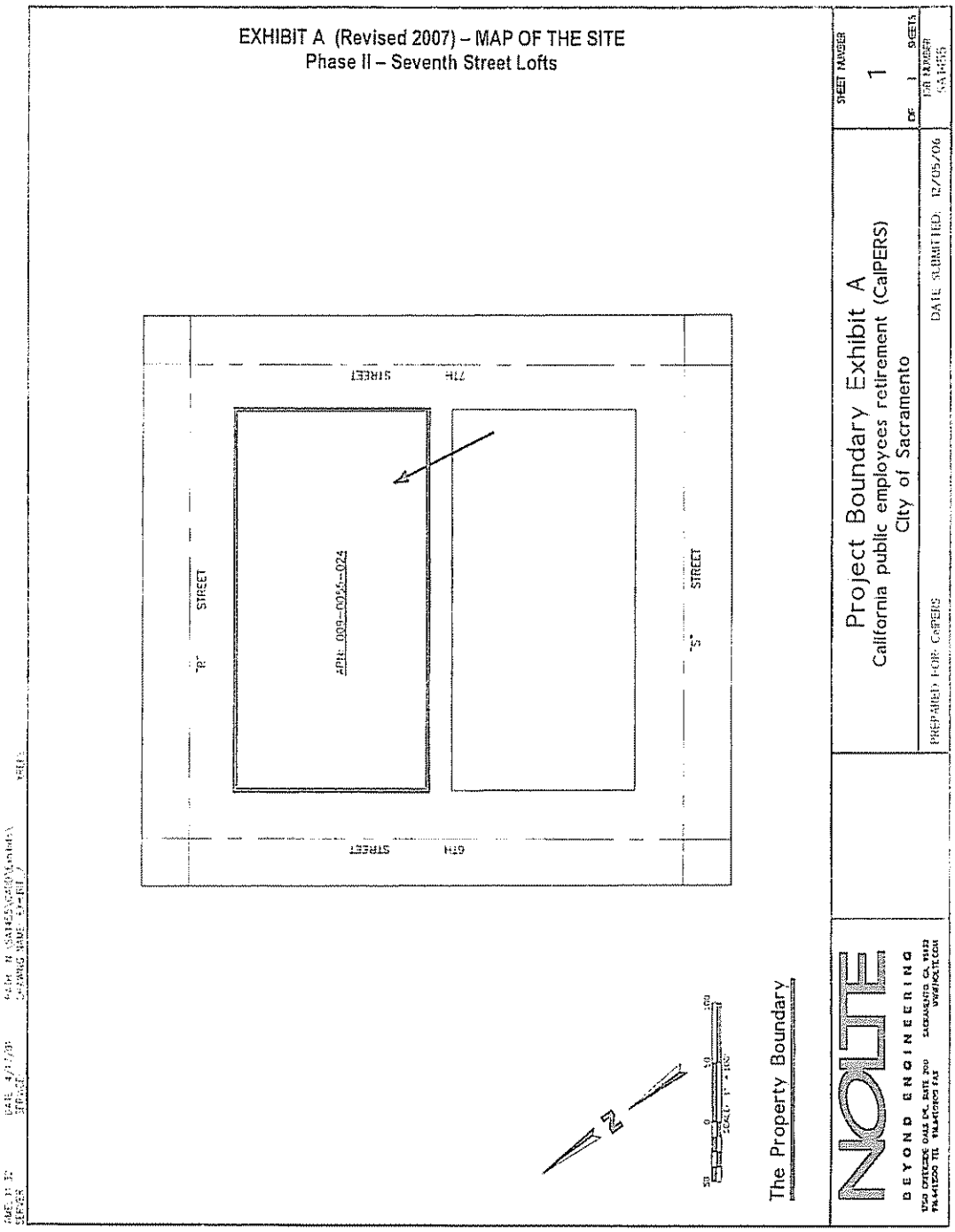


EXHIBIT A (Revised 2007) – MAP OF THE SITE
Phase III – 300 R Street

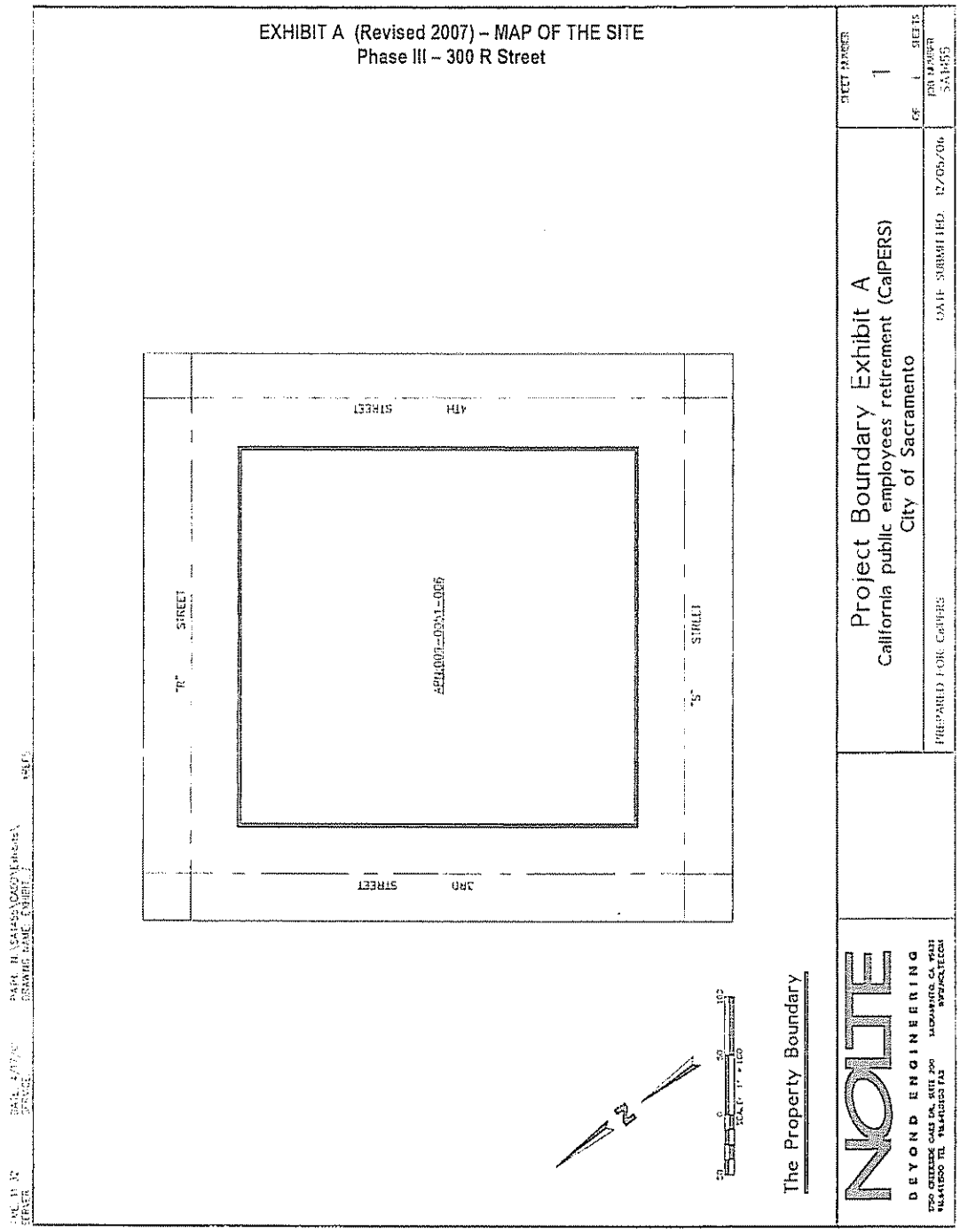


EXHIBIT B (REVISED 2007)

LEGAL DESCRIPTION OF THE SITE

EXHIBIT B (Revised 2007) – LEGAL DESCRIPTION
Phase I – South Capitol Lofts

SHRA Parcel
Legal Description

THE LAND REFERRED TO IS SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF SACRAMENTO, CITY OF SACRAMENTO, AND DESCRIBED AS FOLLOWS:

LOTS 5 THROUGH 8, IN THE BLOCK BOUNDED BY "Q" AND "R", 6TH AND 7TH STREETS, IN THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT OR PLAN THEREOF, DESCRIBED AS FOLLOWS:

BEGINNING AT THE POINT OF INTERSECTION OF THE WESTERLY LINE OF 7TH STREET AND THE SOUTHERLY LINE OF THE ALLY 20 0 FEET WIDE LYING BETWEEN 6TH AND 7TH STREETS, SAID POINT OF BEGINNING BEING THE NORTHEAST CORNER OF SAID LOT 5; THENCE FROM SAID POINT OF BEGINNING NORTH 71 DEGREES 35' 47" WEST ALONG THE SOUTHERLY LINE OF SAID ALLEY AND ALONG THE NORTHERLY LINE OF SAID LOTS 5, 6, 7, AND 8, A DISTANCE OF 320 645 FEET TO THE NORTHWEST CORNER OF LOT 8 AT THE INTERSECTION OF SAID SOUTHERLY LINE OF SAID ALLEY WITH THE EASTERLY LINE OF 6TH STREET; THENCE SOUTH 18 DEGREES 29' 18" WEST ALONG SAID EASTERLY LINE OF 6TH STREET; AND ALONG THE WESTERLY LINE OF SAID LOT 8, A DISTANCE OF 40 29 FEET; THENCE SOUTH 71 DEGREES 35' 47" EAST, CROSSING SAID LOTS 5, 6, 7, & 8, A DISTANCE OF 320 625 FEET TO A POINT ON SAID WESTERLY LINE OF 7TH STREET; AND NORTH 18 DEGREES 31' 08" EAST ALONG SAID WESTERLY LINE OF 7TH STREET, AND ALONG THE EASTERLY LINE OF SAID LOT 5, A DISTANCE OF 40 29 FEET TO THE POINT OF BEGINNING

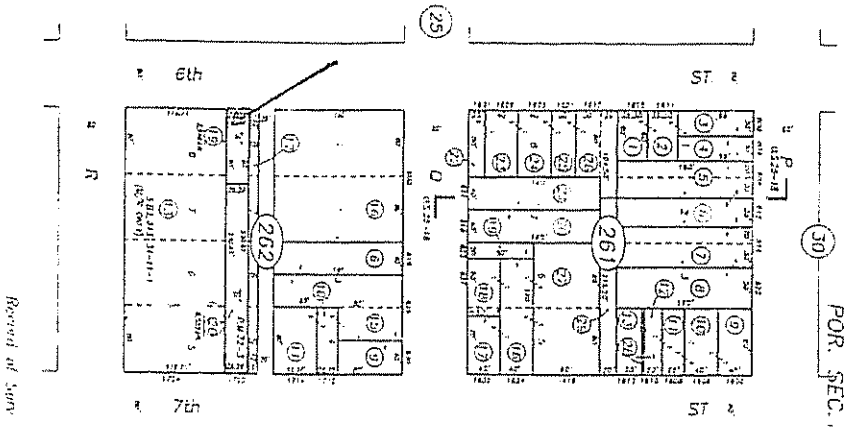


EXHIBIT B (Revised 2007) – LEGAL DESCRIPTION
Phase I – South Capitol Lofts

"Messick" Parcel
Legal Description

Parcel "B" as shown on the Parcel Map entitled "The South 28 29 feet of the North 40 29 feet of Lots 5, 6, 7, and 8 in the block bounded by 6th and 7th Streets Q and R Streets of the City of Sacramento, California, according to the Map or Plan thereof", filed in the office of the Recorder of Sacramento County California on August 6, 1982, in Book 72 of Parcel Maps, Map No 3

APN: 006-0262-020

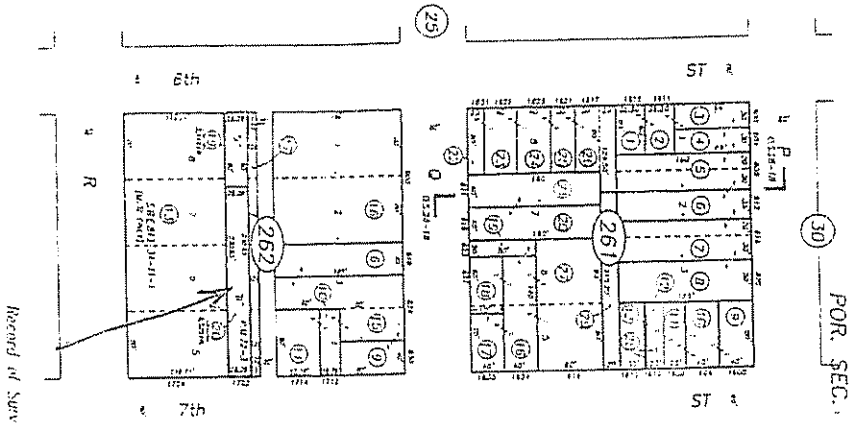
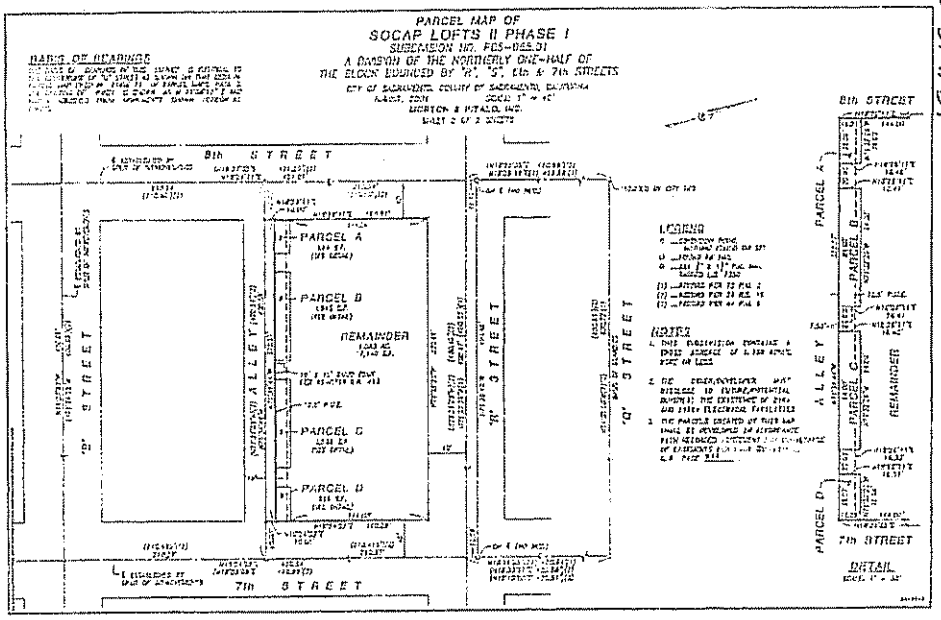


EXHIBIT B (Revised 2007) – LEGAL DESCRIPTION
Phase II – Seventh Street Lofts

Remainder parcel, as shown on the Parcel Map entitled "Socap Lofts II PhaseI, Subdivision No P05-065 01, file for record August 14,2006, in Book 194 of Parcel Maps, Map No 19, records of Sacramento County

Apn: 009-0061-022 includes Other Property



194.19-2

Description: Sacramento,CA Parcel Map 194.19 Page: 2 of 2
Order: 0 Comment:

EXHIBIT B (Revised 2007) – LEGAL DESCRIPTION
Phase III – 300 R Street

Lots 1, 2, 3, 4, 5, 6, 7 and 8 in the block bounded by 3rd and 4th and "R" and "S" Streets of the City of Sacramento according to the official plat thereof, together with the abandoned alley in said block

APN: 009-0051-006

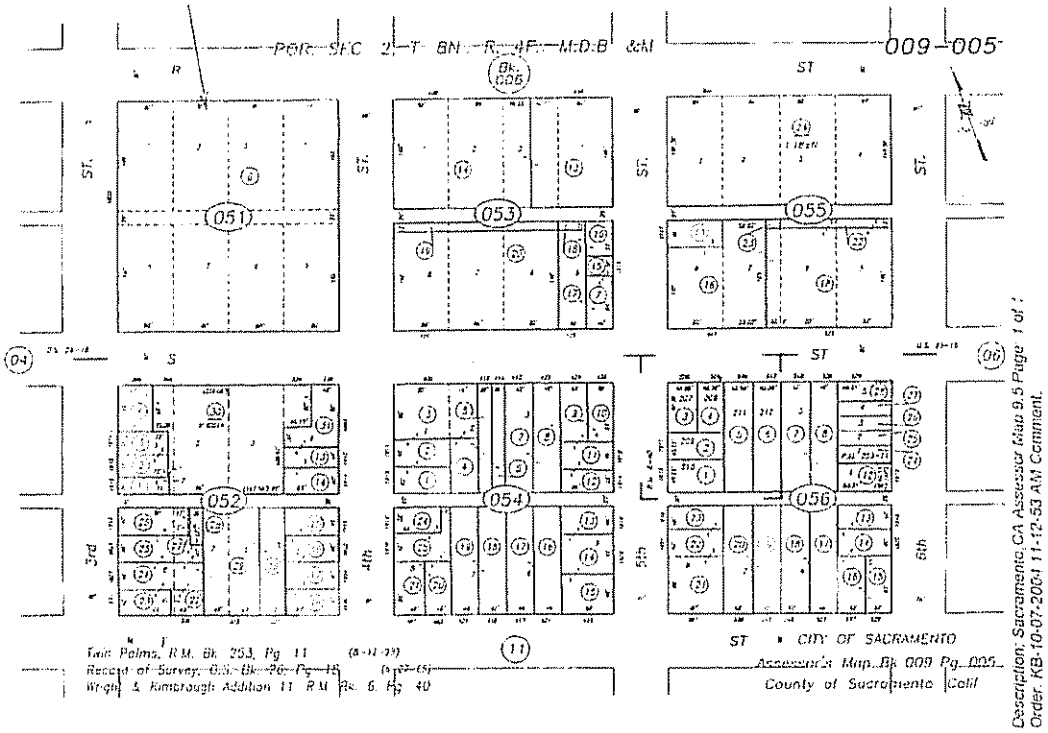


EXHIBIT L (REVISED 2007)

RESIDENTIAL PHASING OF THE MASTER PLAN

Phase One - Residential Development – SoCap Lofts

- North side of R Street between 6th & 7th Streets
- 36 Single Family Detached high density three story lofts
- 74,520 gross square footage
- October 2006 - Anticipated start of construction
- Summer 2007 – Anticipated first occupancy
- December 2007 – Anticipated project completion

Phase Two - Residential Development – Seventh Street Lofts *

- South side of R Street between 6th & 7th Streets
- 36 Single Family Detached high density lofts
- 74,520 gross square footage
- Spring 2008 - Anticipated start of construction
- Spring 2009 – Anticipated first occupancy
- Summer 2009 – Anticipated project completion

Phase Three - Residential Mixed Use Development – 300 R **

- Full City block between R, S, 3rd, & 4th Streets
- 300 +/- Multi-family units over podium parking
- 270,000 approximate net residential square footage
- 14,500 square foot of retail
- 325 parking spaces in internal multi-story garage
- Summer 2009 - Anticipated start of construction
- Summer 2011 – Anticipated first occupancy
- Spring 2012 – Anticipated project completion

* This property is owned by a private entity of which CalPERS is an entity member. Replacement of existing warehouse/office building with homes is approved by the City of Sacramento but the current tenant does not anticipate vacating the premises until the end of 2007. Vacancy delays or changes in market conditions could impact the delivery schedule.

** This property is owned by a private entity of which CalPERS is an entity member. This mixed use development is subject to approval by the City of Sacramento. Delays in developer processing or approval of the project by the City or changes in market conditions could substantially impact the delivery schedule.

*** This Exhibit L is not intended to restrict CalPERS' ability to develop additional residential projects on the Site.