
SECOND AMENDMENT TO NORTH SACRAMENTO ADVANCE REPAYMENT
AGREEMENT

Dated as of June 1, 2006

by and between the

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

and the

CITY OF SACRAMENTO

Relating to the

Sacramento City Financing Authority
2006 Capital Improvement Revenue Bonds, Series A
(Community Reinvestment Capital Improvement Program)

Sacramento City Financing Authority
2006 Taxable Capital Improvement Revenue Bonds, Series B
(Community Reinvestment Capital Improvement Program)

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SECOND AMENDMENT TO
NORTH SACRAMENTO
ADVANCE REPAYMENT AGREEMENT

This SECOND AMENDMENT TO NORTH SACRAMENTO ADVANCE REPAYMENT AGREEMENT (the "Second Amendment to Advance Repayment Agreement") is made and entered into as of June 1, 2006, by and between 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") 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 Agency is authorized pursuant to the Community Redevelopment Law, being Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the "Law") to undertake redevelopment activities within and of benefit to its North Sacramento Redevelopment Project (the "Redevelopment Project");

WHEREAS, the Agency previously undertook certain of such redevelopment activities and the City advanced funds to the Agency to finance such redevelopment activities pursuant to that certain North Sacramento Advance Payment Agreement, dated as of December 1, 1999 (the "Original Advance Repayment Agreement") by and between the Agency and the City;

WHEREAS, the City previously advanced funds to the Agency to refinance such redevelopment activities pursuant to that certain First Amendment to North Sacramento Advance Repayment Agreement, dated as of June 1, 2005, by and between the Agency and the City, amending the Original Advance Repayment Agreement (the "First Amendment to Advance Repayment Agreement");

WHEREAS, the Agency desires to undertake certain additional redevelopment activities and the City is willing to advance funds to the Agency in an amount equal to the 2006 Proportionate Share of the proceeds of the 2006 Bonds, being the aggregate principal amount of _____ Dollars (\$_____) (the "2006 Advance") to finance such redevelopment activities;

WHEREAS, in order to obtain funds to make the 2006 Advance, the City is leasing certain City-owned properties (together, the "City-owned Property") to the Sacramento City Financing Authority (the "Authority") and using a portion of the proceeds of the Authority's purchase of the Sixth Amendment to Master Project Lease, dated as of May 1, 2006, between the Authority and the City to fund the 2006 Advance to the Agency;

WHEREAS, the Authority will fund such purchase with a portion of the proceeds of its 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program) (the "2006 Series A Bonds") and 2006 Taxable Capital Improvement Revenue Bonds, Series B (Community Reinvestment Capital Improvement Program) (the "2006 Series B Bonds" and, collectively with the 2006 Series A Bonds, the "2006 Bonds");

WHEREAS, debt service on the 2006 Bonds will be paid in part with the proceeds of certain lease payments (the "Lease Payments") to be paid by the City in consideration of the leaseback of certain City-owned Property by the Authority to the City pursuant to a Master Project Lease, dated as of December 1, 1999, between the City and the Authority, as amended (the "Master Project Lease");

WHEREAS, the Agency desires to repay the 2006 Advance to the City in installments sufficient to meet the City's Lease Payment obligations under the Master Project Lease attributable to the portion of the proceeds of the 2006 Bonds used by the City to fund the 2006 Advance to the Agency;

WHEREAS, in accordance with Section 2.06 of the Original Advance Repayment Agreement, the Agency may incur Agreement Parity Debt;

WHEREAS, the requirements of Section 2.06 of the Original Advance Repayment Agreement have been satisfied with respect to the 2006 Advance;

WHEREAS, pursuant to this Second Amendment to Advance Repayment Agreement, the City will advance to the Agency the 2006 Advance and the Agency will become obligated hereunder to make scheduled payments of principal and interest (the "2006 Advance Payments") to the Trustee to pay a portion of the principal and interest on the 2006 Bonds; and

WHEREAS, all acts and proceedings required by law necessary to make this Second Amendment to Advance Repayment Agreement, when executed by the Agency and the City, the valid, binding and legal obligation of the Agency and to constitute this Second Amendment to Advance Repayment Agreement as Agreement Parity Debt 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 Second Amendment to Advance Repayment 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) Except as provided herein, as the context requires, the terms which are defined in Section 1.01 of the Original Advance Repayment Agreement shall have the same definitions, respectively, in this Second Amendment to Advance Repayment Agreement that are given to such terms in Section 1.01 of the Original Advance Repayment Agreement.

(b) Unless the context otherwise requires and except as provided herein, the terms defined in this section shall for all purposes hereof and of the Original Advance Repayment 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:

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

“Agreement Parity Debt” means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency on a parity to the Advance pursuant to Section 2.06 of the Original Advance Repayment Agreement.

“First Amendment to Advance Repayment Agreement” means the First Amendment to North Sacramento Advance Repayment Agreement, dated as of June 1, 2005, by and between the Agency and the City, amending the Original Advance Repayment Agreement.

“Master Project Lease” means that certain Master Project Lease, dated as of December 1, 1999, by and between the Authority, as lessor, and the City, as lessee, as amended.

“Master Site Lease” means that certain Master Site Lease, dated as of December 1, 1999, by and between the City, as lessor, and the Authority, as lessee, as amended.

“Original Advance Repayment Agreement” means the North Sacramento Advance Repayment Agreement, dated as of December 1, 1999, by and between the Agency and the City.

“Second Amended Allocable Share” means a percentage allocable to this Second Amendment to Advance Repayment Agreement in relation to the entire issue of 2006 Bonds, which allocation may be made on any reasonable basis and may be different than the 2006 Proportionate Share.

“Second Amendment to Advance Repayment Agreement” means this Second Amendment to North Sacramento Advance Repayment Agreement, dated as of June 1, 2006, by and between the Agency and the City, amending the Original Advance Repayment Agreement.

“2006 Advance” means the advance described in Section 2.01 hereof and funded by proceeds of the 2006 Bonds, which shall constitute Agreement Parity Debt under the Advance Agreement; provided that, as the context requires within the Original Advance Repayment Agreement, “2006 Advance” shall be deemed to be included in the definition of “Advance” given such term in the First Amendment to Advance Repayment Agreement.

“2006 Advance Payments” means payments of principal and interest payable under and as more fully described in Section 2.02 of this Second Amendment to Advance Repayment Agreement by the Agency to the Trustee, as assignee of the Authority under the 2006 Indenture, with respect to the 2006 Advance.

“2006 Bonds” means, collectively, the Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement

Program) and the Sacramento City Financing Authority 2006 Taxable Capital Improvement Revenue Bonds, Series B (Community Reinvestment Capital Improvement Program) issued and at any time outstanding under the 2006 Indenture; provided that, except as provided herein and as the context requires within the Original Advance Repayment Agreement and herein, "2006 Bonds" shall be deemed to be included in the definition of "Bonds" given such term in the Original Advance Repayment Agreement.

"2006 Bond Year" means each twelve-month period extending from December 2 in one calendar year to December 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall began on the 2006 Closing Date, and end on December 1, 2006; provided that, as the context requires within the Original Advance Repayment Agreement, "2006 Bond Year" shall be deemed to be included in the definition of "Bond Year" given such term in the Original Advance Repayment Agreement.

"2006 Closing Date" means the date of delivery of the 2006 Bonds; provided that, as the context requires within the Original Advance Repayment Agreement, "2006 Closing Date" shall be deemed to be included in the definition of "Closing Date" given such term in the Original Advance Repayment Agreement.

"2006 Indenture" means the Indenture, dated as of June 1, 2006, by and between the Authority and the Trustee, authorizing the issuance of the 2006 Bonds, as originally executed and delivered and as the same may from time to time be amended or supplemented in accordance with its terms; provided that, as the context requires within the Original Advance Repayment Agreement, "2006 Indenture" shall be deemed to be included in the definition of "Indenture" given such term in the Original Advance Repayment Agreement.

"2006 Interest Payment Date" means June 1 and December 1 of each year that any 2006 Bonds are Outstanding, commencing _____ 1, 200_, being the respective dates upon which interest and/or principal are payable on the 2006 Bonds; provided that, as the context requires within the Original Advance Repayment Agreement, "2006 Interest Payment Date" shall be deemed to be included in the definition of "Interest Payment Date" given such term in the Original Advance Repayment Agreement.

"2006 Proportionate Share" means ___%, being the percentage of the original principal amount of the proceeds of the 2006 Bonds used to make the 2006 Advance to the Agency pursuant to this Second Amendment to Advance Repayment Agreement; provided that, as the context requires within the Original Advance Repayment Agreement, "2006 Proportionate Share" shall be deemed to be included in the definition of "Proportionate Share" given such term in the Original Advance Repayment Agreement.

"2006 Series A Bonds" means the Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program).

"2006 Series A Redevelopment Account" means the account by that name within the Redevelopment Fund established pursuant to Section 2.05.

“2006 Series B Bonds” means the Sacramento City Financing Authority 2006 Taxable Capital Improvement Revenue Bonds, Series B (Community Reinvestment Capital Improvement Program).

“2006 Series B Redevelopment Account” means the account by that name within the Redevelopment Fund established pursuant to Section 2.05.

“2006 Trustee” means The Bank of New York Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character set forth in the 2006 Indenture, at its Principal Corporate Trust Office (as defined in the 2006 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 2006 Indenture; provided that, as the context requires within the Original Advance Repayment Agreement, “2006 Trustee” shall be deemed to be included in the definition of “Trustee” given such term in the Original Advance Repayment Agreement.

ARTICLE II

THE ADVANCE AND CERTAIN ADVANCE TERMS

Section 2.01. Authorization and Terms of 2006 Advance. The City hereby agrees to advance the 2006 Advance to the Agency under and subject to the terms of this Second Amendment to Advance Agreement, the Bond Law and the Redevelopment Law. This Second Amendment to Advance Agreement constitutes a continuing agreement with the City to secure the full and final payment of the 2006 Advance, subject to the covenants, agreements, provisions and conditions of the Advance Agreement.

Section 2.02. 2006 Advance Payments.

The principal of the 2006 Advance shall be payable in installments on December 1 in each of the years and in the amounts, and interest on the 2006 Advance shall be payable in installments on December 1 and on June 1 in each of the years and in the amounts, as follows and such principal and interest installments shall constitute the 2006 Advance Payments:

<u>Date</u>	<u>Principal (December 1)</u>	<u>Interest</u>	<u>Total Debt Service</u>
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<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 2006 Advance shall be prepaid pursuant to Section 2.03 hereof, the foregoing schedule of principal installment payments for the 2006 Advance Payments shall be reduced pro rata by installment as provided in Section 2.03 hereof.

Interest on each installment of principal of the 2006 Advance 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 2006 Bonds to but not including the 2006 Interest Payment Date 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 2006 Bonds from and including the 2006 Interest Payment Date with respect to which such principal or interest is payable to but not including the date of actual payment.

Except as amended by this Second Amendment to Advance Repayment Agreement, all other terms and conditions relating to the installment payments of the Advance pursuant to Section 2.02 of the Original Advance Repayment Agreement shall apply to the 2006 Advance Payments.

Section 2.03. Optional Prepayment of the 2006 Advance. [The 2006 Advance shall not be subject to optional prepayment prior to December 1, 20___. The principal of the 2006 Advance shall be subject to optional prepayment on or after December 1, 20___, in whole or in part on any date, by such principal installments or portions thereof as shall be determined by the Agency (which determination shall not be inconsistent with any requirement for the selection of the allocable 2006 Bonds under the 2006 Indenture), from any available source of funds, at a prepayment price equal to the principal amount of the 2006 Bonds to be redeemed from the proceeds of such prepayment pursuant to Section 2.03(b) of the 2006 Indenture, without premium, but with accrued interest thereon to the redemption date of the 2006 Bonds so to be redeemed.]

The Agency shall be required to give the Trustee written notice of its intention to prepay the 2006 Advance 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 2006 Indenture.

In the event that a portion of the principal of the 2006 Advance 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 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.

Section 2.04. Application of 2006 Advance Proceeds and Other Funds. On the 2006 Closing Date the total proceeds of the 2006 Advance (which equals the principal amount of the

2006 Advance (\$ _____), [plus/less the net original issue premium/discount associated with the 2006 Advance (\$ _____)], shall be disbursed as follows:

(a) The City shall cause the Trustee to deposit into the 2006 Series A Costs of Issuance Account and 2006 Series B Costs of Issuance Account, each established and held under the 2006 Indenture, the amount of \$ _____ and \$ _____, respectively.

(b) The City shall cause the Trustee to transfer to the Agency for deposit in the 2006 Series A Redevelopment Account and the 2006 Series B Redevelopment Account the amount of \$ _____ and \$ _____, respectively.

In addition to the foregoing, the Trustee shall be deemed to have distributed to the Agency on the 2006 Closing Date the Second Amended Allocable Share of the amount of the bond insurance premium (\$ _____), the Second Amended Allocable Share of the Underwriters' discount (\$ _____) and the Second Amended Allocable Share of deposit for the 2006 Series A Reserve Subaccount (\$ _____) and in the 2006 Series B Reserve Subaccount (\$ _____), each subaccount established and held under the 2006 Indenture), which amounts were paid for and on behalf of the Agency from the total proceeds of the 2006 Advance.

Section 2.05. Redevelopment Fund.

(a) There is hereby created within the Redevelopment Fund a 2006 Series A Redevelopment Account and a 2006 Series B Redevelopment Account. Except as amended by this Second Amendment to Advance Repayment Agreement, all other terms and conditions relating to the Redevelopment Fund pursuant to the Original Advance Repayment Agreement shall apply to this Second Amendment to Advance Repayment Agreement.

ARTICLE III

TAX REVENUES

Section 3.01. Use of Tax Revenues for 2006 Advance. The 2006 Advance constitutes Agreement Parity Debt under the Advance Agreement and Tax Revenues necessary to pay the 2006 Advance Payments shall be applied in the same manner and to the same extent as described in Article III of the Original Advance Repayment Agreement with respect to the Advance.

ARTICLE IV

OTHER COVENANTS OF THE AGENCY

Section 4.01. Tax Covenants. The Agency shall comply with Sections 4.09, 4.10, 4.11, 4.12, 4.13, 4.14 and 4.15 of the Original Advance Repayment Agreement in relation to the portion of the 2006 Advance that is attributable to the 2006 Series A Bonds; provided that, as the context requires within Section 4.14, "Tax Certificate" shall be deemed to include the definition given such term in the 2006 Indenture. The portion of the 2006 Advance that is attributable to the 2006 Series B Bonds shall not be subject to Sections 4.09, 4.10, 4.11, 4.12, 4.13, 4.14 and 4.15 of the Original Advance Repayment Agreement.

ARTICLE V

MISCELLANEOUS

Section 5.01. Notices. All written notices to be given under the Advance Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon receipt after deposit in the United States mail, postage prepaid or, in the case of any notice to the City or in the case of personal delivery to any person, upon actual receipt at the address set forth below:

If to the City: City of Sacramento
 c/o City Treasurer
 915 I Street
 HCH, 3rd Floor #0900
 Sacramento, California 95814-2704

with a copy to:

City Attorney
City of Sacramento
915 I Street, 4th Floor
Sacramento, California 95814-2704

If to the Agency: Redevelopment Agency of the City of Sacramento
 630 "I" Street
 Sacramento, California 95814
 Attention: Executive Director

Section 5.02. Effect of Amendment; Ratification. Except as otherwise expressly amended by this Second Amendment to Advance Repayment Agreement, all agreements, conditions, covenants and terms of the Original Advance Repayment Agreement and the First Amendment to Advance Repayment Agreement shall continue in full force and effect and are hereby approved, confirmed and ratified by the Agency and the City.

REDEVELOPMENT AGENCY OF THE CITY OF
SACRAMENTO

By _____
Executive Director

CITY OF SACRAMENTO

By _____
Thomas P. Friery
City Treasurer

APPROVED AS TO FORM:

Agency Counsel