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SECOND AMENDMENT
TO THE
INCINERATION FACILITIES LEASE AGREEMENT

among

THE BOROUGH OF NAUGATUCK, CONNECTICUT,
as Lessor

and

THE WATER POLLUTION CONTROL AUTHORITY
OF THE BOROUGH OF NAUGATUCK,
as Lessor

and

NAUGATUCK ENVIRONMENTAL TECHNOLOGIES LLC,
as Lessee

Dated as of

March 28, 2003

SECOND AMENDMENT
TO THE
INCINERATION FACILITIES LEASE AGREEMENT

This SECOND AMENDMENT TO THE INCINERATION FACILITIES LEASE AGREEMENT is made and dated as of March 28, 2003 among the Borough of Naugatuck, Connecticut, a political subdivision organized and existing under the laws of the State of Connecticut, the Water Pollution Control Authority of the Borough of Naugatuck, a water pollution control authority established by the Borough of Naugatuck pursuant to Chapter 103 of the Connecticut General Statutes (the "WPCA"; the WPCA and the Borough of Naugatuck, Connecticut are collectively referred to herein as the "Lessor") and Naugatuck Environmental Technologies LLC, a limited liability corporation organized and existing under the laws of the State of Connecticut and authorized to do business in the State of Connecticut (the "Lessee").

RECITALS

WHEREAS, the Lessor and the Lessee have heretofore executed an Incineration Facilities Lease Agreement dated October 25, 2001, as amended by a certain First Amendment to the Incineration Facilities Lease Agreement dated June 4, 2002 (as amended, the "Lease Agreement"; capitalized terms used but not defined herein are as defined for purposes of the Lease Agreement); and

WHEREAS, the Lessee has heretofore proposed certain reductions in the scope of the ICI Design/Build Work required under the Lease Agreement and commensurate reductions in the Fixed Design/Build Price and Reference Price with respect thereto; and

WHEREAS, following the review of such proposed changes by the Lessor Engineer, the Lessor has determined to accept the Lessee's proposal as set forth herein;

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. Amendment of the Lease Agreement. Each of the following sections of the Lease Agreement is hereby amended, in relevant part, as set forth below; in each case, language to be deleted from the provision is stricken-out and language to be added thereto is double underscored:

(a) Amendment of Subsection 10.5(C) of the Lease Agreement. Subsection 10.5(C) of the Lease Agreement to read, in its entirety, as follows:

(C) Fixed ICI Design/Build Price. ~~Subject to Section 4.5, t~~ The Fixed ICI Design/Build Price is an amount equal to \$16,956,561, which amount reflects the application of adjustment required by Section 4.5(C) as of the Commencement Date. The parties acknowledge that the foregoing amount reflects a reduction in the scope of ICI Design/Build Work relating to certain odor control improvements and SCADA system improvements at the Incineration Facilities from that required to be designed and constructed by the

Lessee as of the Commencement Date. The Lessee hereby confirms that, notwithstanding these reductions in the ICI Design/Build Work, it shall continue to comply with the Performance Guarantees, including the odor guarantee specified in Section 7.3. (1) ~~\$16,979,165~~ multiplied by (2) a fraction, the denominator of which is the Consumer Price Index for the month of August, 2001, and the numerator of which is the Consumer Price Index for the month in which the Financing Commitment Date occurs; ~~provided however, that the Consumer Price Index for the month in which the Financing Commitment Date occurs shall be prorated such that the Fixed ICI Design/Build Price escalates only through such date and not through such entire month.~~

(b) Amendment of Subsection 13.3(H) of the Lease Agreement. Subsection 13.3(H) of the Lease Agreement to read, in its entirety, as follows:

(H) Reference Price. "Reference Price" as used herein shall mean:

(1) for any Annual Period during which the Lessee is leasing its employees under the Shared Services Agreement, the difference between (1) ~~\$2,265,000~~ \$2,259,136, which amount reflects prices as of the Contract Date (as such amount shall be adjusted annually by the Adjustment Factor and as otherwise provided in this Lease Agreement) and (2) the amounts set forth in Appendix 25; or

(2) for any Annual Period during which the Lessee is not leasing its employees under the Shared Services Agreement, the difference between (1) ~~\$2,972,000~~ \$2,966,136, which amount reflects prices as of the Contract Date (as such amount shall be adjusted annually by the Adjustment Factor and as otherwise provided in this Lease Agreement) and (2) the amounts set forth in Appendix 25.

(c) Amendment of Section 7.0 of Appendix 2 to the Lease Agreement. Section 7.0 of Appendix 2 to the Lease Agreement to read, in its entirety, as follows:

7.0 INCINERATION FACILITIES IMPROVEMENTS FOR ODOR CONTROL

The Initial Capital Improvements for odor control at the sludge processing area of the Incineration Facilities shall include:

- ~~• Replacement of rehabilitation of covers and the scrubber for the sludge holding tanks.~~
- ~~• Installation of a chemical treatment system for the sludge holding tanks.~~
- ~~• Installation of air containment baffles within the sludge dewatering building to minimize the escape of malodorous air and maintain negative air pressure within this building.~~

- Installation of vent connections on the two incinerator feed pump bins, the foreign sludge receiving station, and the cake silo (total of 4 points). The vent lines will be routed to the existing scrubber.
- Installation of an air ducting system (ducts and blower) to convey air from the sludge dewatering building to a new fluidized bed incinerator for use as combustion makeup air or to a new odor scrubber.

(d) Amendment of Table 6-2-2 in Section 2.0 of Appendix 6 to the Lease Agreement. Table 6-2-2 in Section 2.0 of Appendix 6 to the Lease Agreement, to read, in its entirety, as set forth in Attachment A to this Second Amendment.

(e) Amendment of Table 6-6-1 in Section 6.0 of Appendix 6 to the Lease Agreement. Table 6-6-1 in Section 6.0 of Appendix 6 to the Lease Agreement, to read, in its entirety, as set forth in Attachment B to this Second Amendment.

(f) Amendment of Section 1.7 of Appendix 10 to the Lease Agreement. Section 1.7 of Appendix 10 to the Lease Agreement to read, in its entirety, as follows:

1.7 Deductibles

The following deductibles shall be applicable to the Required Leasehold Period Insurance and shall be paid by the Lessee:

~~Commercial General Liability – \$250,000.~~

Automobile - ~~\$250,000~~ \$500,000 per occurrence.

Umbrella - \$10,000 self insured retention, if not covered by the underlayer of insurance.

Contractors Pollution Liability - \$250,000 each incident.

~~Railroad – part of CGL (\$250,000).~~

Effective as of March 1, 2003, the self-insured retention (SIR) for Commercial General Liability is \$2,000,000.

Any ~~changes~~ increases to the foregoing deductibles or SIRs shall be agreed upon by the Lessee and the Lessor.

(g) Amendment of Appendix 21 to the Lease Agreement. Appendix 21 to the Lease Agreement, to read, in its entirety, as set forth in Attachment C to this Second Amendment.

(h) Amendment of Section 2.0 of Appendix 24 to the Lease Agreement. Section 2.0 of Appendix 24 to the Lease Agreement, to read, in its entirety, as set forth in Attachment D to this Second Amendment.

Section 2. Entire Agreement. This Second Amendment, and the Lease Agreement, to the extent not modified hereby, set forth the entire understanding of the parties hereto with respect to the subject matter hereof and supercedes all prior understandings and communications, whether written or oral with respect to such subject matter.

Section 3. Severability. The invalidity or inability to enforce any provision of this Second Amendment will not affect the other provisions, and this Second Amendment will be construed in all respects to the extent possible to fulfill the purposes of this Second Amendment as if such invalid or unenforceable provision were omitted. To the extent any provision of this Second Amendment is held to be invalid or unenforceable, the parties agree to negotiate in good faith in an effort to adopt revised provisions designed to reflect the original intention of the parties and the purposes of the Second Amendment.

Section 4. Singular and Plural. Singular words shall connote the plural as well as the singular, and vice versa (except as indicated), as may be appropriate.

Section 5. References; Headings. Unless otherwise indicated, references within this Second Amendment to articles, sections or subsections are references to articles, sections or subsections in or to the Lease Agreement. The headings preceding the text of the articles, sections or subsections of this Second Amendment shall be solely for convenience of reference and shall not affect its meaning, construction or effect.

Section 6. Successors. This Second Amendment shall be binding upon and inure to the benefit of, the Lessor and the Lessee, and their respective successors and permitted assigns.

Section 7. Third Party Beneficiaries. The provisions of this Second Amendment are solely for the benefit of the Lessor and the Lessee and nothing in this Second Amendment shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Second Amendment or any provision contained herein.

Section 8. Governing Law. This Second Amendment shall be interpreted and construed in accordance with the applicable laws of the State.

Section 9. Counterparts; Effective Date. This Second Amendment may be executed in any number of original counterparts. All such counterparts shall constitute but one and the same instrument. This Second Amendment shall be immediately effective upon the completed execution hereof.

IN WITNESS WHEREOF, the parties have caused this Second Amendment to be executed and delivered by their duly authorized officers or representatives as of the date first above written.

THE BOROUGH OF NAUGATUCK, CONNECTICUT,
as Lessor

ATTEST:

By: _____
Joan B. Taf
Mayor

THE WATER POLLUTION CONTROL AUTHORITY
OF THE BOROUGH OF NAUGATUCK, as Lessor

ATTEST:

By: _____
Ronald Merancy
Chairman

NAUGATUCK ENVIRONMENTAL TECHNOLOGIES
LLC, as Lessee

ATTEST:

By: _____
Steven J. Kruger
Vice-President

Attachment A to the Second Amendment

2.0 INCINERATION SCADA SYSTEM

Table 6-2-2
Commencement Date Work

Milestone Description	Projected Number of Days from Commencement Date	Drawdown Percentage of Fixed ICI Design/Build Price	Cumulative Drawdown Percentage of Fixed ICI Design/Build Price	Maximum Dollar Drawdown of Fixed ICI Design/Build Price	Maximum Cumulative Dollar Drawdown of Fixed ICI Design/Build Price
Electrical System Design Submittal	210	40 <u>10.3</u>	30 <u>30.4</u>	94,688	280,488
Deliver 300 <u>125</u> KW Generator	330	40 <u>7.8</u>	40 <u>38.2</u>	94,688 <u>72,188</u>	375,175 <u>352,676</u>
Deliver MCC	360	40 <u>10.3</u>	50 <u>48.5</u>	94,688	469,863 <u>447,364</u>
Terminate Cable	390	40 <u>10.3</u>	60 <u>58.8</u>	94,688	564,551 <u>542,052</u>
SCADA Factory Test	450	40 <u>10.3</u>	70 <u>69</u>	94,688	659,238 <u>636,740</u>
Complete Installation Electrical Checkout	510	40 <u>10.3</u>	80 <u>79.3</u>	94,688	753,926 <u>731,428</u>
Substantial Completion	570	40 <u>10.3</u>	90 <u>89.5</u>	94,688	848,614 <u>826,116</u>
Commission SCADA System	600	5 <u>5.2</u>	95 <u>94.8</u>	48,238	896,851 <u>874,354</u>
SCADA Acceptance	820	5 <u>5.2</u>	100	48,238	945,089 <u>922,592</u>
Total		100		945,089 <u>922,592</u>	

Attachment B to the Second Amendment

6.0 ODOR CONTROL

Table 6-6-1
Commencement Date Work

Milestone Description	Projected Number of Days from Commencement Date	Drawdown Percentage of Fixed ICI Design/Build Price	Cumulative Drawdown Percentage of Fixed ICI Design/Build Price	Maximum Dollar Drawdown of Fixed ICI Design/Build Price	Maximum Cumulative Dollar Drawdown of Fixed ICI Design/Build Price
Preliminary Engineering and Equipment Specs	30	40 <u>16</u>	40 <u>16</u>	26,388	26,388
Place Order for Air Make-up Unit	90	40 <u>16</u>	20 <u>31</u>	26,388	52,775
Receive Air Make-up Unit	210	20 <u>31</u>	40 <u>61</u>	50,988	103,763
Install Pressure Relief Dampers	450	15	55	38,688	142,451
Install Air Make-up Unit	480	20	75	50,988	193,438
<u>Install Vent Connections on the Two Incinerator Feed Pump Bins, the Foreign Sludge Receiving Station, and the Cake Silo and Route to the Existing Scrubber and Tie Duct Work to FBI Air Intake</u>	540	40 <u>16</u>	85 <u>78</u>	26,388	<u>219,826</u> <u>130,152</u>
Substantial Completion	660	40 <u>15</u>	95 <u>92</u>	26,388 <u>24,788</u>	246,214 <u>154,940</u>
Commission and Accept Odor Control	820	5 <u>8</u>	100	14,088	260,301 <u>169,028</u>
Total		100		260,301 <u>169,028</u>	

Attachment C to the Second Amendment

Incineration Facilities Lease Agreement
Example Base Rent and Percentage Rent Calculations

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APPENDIX 21
EXAMPLE BASE RENT AND PERCENTAGE RENT CALCULATIONS

APPENDIX 21

EXAMPLE BASE RENT AND PERCENTAGE RENT CALCULATION

1.0 BASE RENT CALCULATIONS

Example Base Rent calculations are provided in Appendix 24. Assuming a Commencement Date of August 15, 2002, and other assumptions specified in Appendix 24, the example calculations provide the following Base Rent determinations:

<u>Contract Year</u>	<u>Assumed Base Rent</u>
7 (July 1, 2008 through June 30, 2009)	\$4,048,283.56
8 (July 1, 2009 through June 30, 2010)	\$4,172,177.80
10 (July 1, 2011 through June 30, 2012)	\$4,416,323.20
11 (July 1, 2012 through June 30, 2013)	\$4,534,420.52

The results of these example Base Rent calculations are incorporated in the example Percentage Rent calculations provided below.

2.0 PERCENTAGE RENT CALCULATIONS

Beginning with Annual Period ("AP") 6, the Lessee shall pay the Lessor Percentage Rent for any Annual Period there is an Annual Distributable Net Revenue Surplus, in accordance with Section 13.3 of the Lease Agreement.

The calculation of Percentage Rent for any one - year involves the inclusion of the Reference Price for such year in the calculation. Pursuant to Section 13.3(H) of this Agreement, the Reference Price is to be adjusted for each Annual Period (beginning August 15, 2002 through August 14, 2003) by the Adjustment Factor defined in Section 13.5 of the Lease Agreement.

2.1 Example Calculation 1: Percentage Rent for Annual Period 7 (Standard Calculation)

Assumptions

Commencement Date = August 15, 2002

Annual Period 7 = August 15, 2008 through August 14, 2009

Contract Year 7 = July 1, 2008 through June 30, 2009

Contract Year 8 = July 1, 2009 through June 30, 2010

Assume AF_{YR8} = Adjustment Factor for Contract Year 8 = $1 + \left(\frac{CPI_{JUL\ 2009} - CPI_{JUN\ 2008}}{CPI_{JUN\ 2008}} \right)$

$CPI_{JUL\ 2007} = 120$

$CPI_{JUN\ 2008} = 125$

Incineration Facilities Lease Agreement
Example Base Rent and Percentage Rent Calculations

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$$AF_{YR8} = 1 + \left(\frac{125 - 120}{120} \right) = 1.042$$

Base Rent for Contract Year 7 = \$4,048,283.56 (derived from Appendix 24 calculations)

Base Rent for Contract Year 8 = \$4,172,177.80 (derived from Appendix 24 calculations)

Assume Revenues for Annual Period 8 = \$8,000,000

Assume Cumulative Carryforward Deficit = \$0

Assume Annual Reference Price $_{AP7}$ = \$2,980,585.48

Annual Reference Price Adjustment $_{AP7}$ = \$330,000 (from Appendix 25)

Calculations For Annual Percentage Rent

A. Incineration Facilities Cost = Base Rent + (Reference Price – Reference Price Adjustment) *(Note: Base Rent must be prorated and put in Annual Period terms)*

B. Base Rent Prorated:
Base Rent Annual Period 8 =

Contract Year 7¹ (August 15, 2008 through June 30, 2009) +
Contract Year 8 (July 1, 2009 through August 14, 2009)

Annual Base Rent in Percent:

a. Contract Year 7

$$\left(\left(\frac{\text{August 15, 2008 - June 30, 2009}}{366} \right) \times 100 \right) \times \text{Contract Year 7 (July 1, 2008 through June 30, 2009)}$$

$$\left(\left(\frac{321_{\text{Days}}}{366} \right) \times 100 \right) \times \$4,048,283.56$$

$$87.7\% \times \$4,048,283.56 = \mathbf{\$3,550,344.68}$$

Annual Base Rent in Percent:

b. Contract Year 8

$$\left(\left(\frac{\text{July 1, 2009 - August 14, 2009}}{365} \right) \times 100 \right) \times \text{Contract Year 8 (July 1, 2009 through June 30, 2010)}$$

¹ Contract Year 7 is a leap year

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Example Base Rent and Percentage Rent Calculations

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$$\left(\left(\frac{45 \text{ Days}}{365} \right) \times 100 \right) \times \$4,172,177.80$$
$$12.33\% \times \$4,172,177.80 = \mathbf{\$514,429.52}$$

$$\text{Base Rent Annual Period 8} = a + b$$
$$\$3,550,344.68 + \$514,429.52 =$$
$$\mathbf{\$4,064,774.20}$$

$$\text{Incineration Facilities Cost for Annual Period 8} =$$
$$\$4,064,774.20 + (\$2,980,585.48 - \$330,000) =$$
$$\$4,064,774.20 + (\$2,650,585.48) =$$
$$\mathbf{\$6,715,359.68}$$

C. Annual Distributable Net Revenue Surplus for Annual Period 8 =
(Revenues) – (Incineration Facilities Cost + Cumulative Carryforward Deficit) =
(\$8,000,000) – (\$6,715,359.68 + \$0) =
 $\mathbf{\$1,284,640.32}$

D. Percentage Rent for Annual Period 8 Payable to the Lessor =
(\$1,284,640.32) x (0.30) =
 $\mathbf{\$385,392.10}$

2.1 Example Calculation 2: Percentage Rent for Annual Period 10 (Including Cumulative Carryforward Deficit)

Assumptions

Commencement Date = August 15, 2002

Annual Period 10 = August 15, 2011 through August 14, 2012

Contract Year 10 = July 1, 2011 through June 30, 2012

Contract Year 11 = July 1, 2012 through June 30, 2013

$$\text{Assumed AF}_{\text{YR11}} = \text{Adjustment Factor for Contract Year 11} = 1 + \left(\frac{\text{CPI}_{\text{JUL 2012}} - \text{CPI}_{\text{JUN 2011}}}{\text{CPI}_{\text{JUL 2011}}} \right)$$

$$\text{CPI}_{\text{JUL 2011}} = 140$$

$$\text{CPI}_{\text{JUN 2012}} = 145$$

$$\text{AF}_{\text{YR11}} = 1 + \frac{(145 - 140)}{140} = 1.036$$

Base Rent for Contract Year 10 = \$4,416,323.20 (derived from Appendix 24)

Base Rent for Contract Year 11 = \$4,534,420.52 (derived from Appendix 24)

Assume Revenues for Annual Period 10 = \$10,000,000

Assume Cumulative Carryforward Deficit = \$100,000

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Example Base Rent and Percentage Rent Calculations

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Assumed Annual Reference Price $_{AP11}$ = \$3,352,753.31

Annual Reference Price Adjustment $_{AP11}$ = \$330,000 (from Appendix 25)

Calculations For Annual Percentage Rent

A. Incineration Facilities Cost = Base Rent + (Reference Price – Reference Price Adjustment) *(Note that the Base Rent must be prorated and put in Annual Terms)*

B. Base Rent Prorated
Base Rent Annual Period 11 =
Contract Year 10 (August 15, 2011 through June 30, 2012) +
Contract Year 11 (July 1, 2012 through August 14, 2012)

Annual Base Rent in Percent:

a. Contract Year 10

$$\left(\left(\frac{\text{August 15, 2011 - June 30, 2012}}{365} \right) \times 100 \right) \times \text{Contract Year 10 (July 1, 2011 through June 30, 2012)}$$

$$\left(\left(\frac{320_{\text{Days}}}{365} \right) \times 100 \right) \times \$4,416,323.20$$

$$87.67\% \times \$4,416,323.20 =$$

\$3,871,790.55

Annual Base Rent in Percent:

b. Contract Year 11

$$\left(\left(\frac{\text{July 1, 2012 - August 14, 2012}}{366} \right) \times 100 \right) \times \text{Contract Year 11 (July 1, 2012 through June 30, 2013)}$$

$$\left(\left(\frac{45_{\text{Days}}}{366} \right) \times 100 \right) \times \$4,534,420.52$$

$$12.30\% \times \$4,534,420.52 =$$

\$557,733.72

Base Rent Annual Period 11 = a + b

$$\$3,871,790.55 + \$557,733.72 =$$

\$4,429,524.27

Incineration Facilities Cost for Annual Period 11 =

$$\$4,429,524.27 + (\$3,352,753.31 - \$330,000) =$$

$$\$4,429,524.27 + (\$3,022,753.31) =$$

\$7,452,277.58

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Example Base Rent and Percentage Rent Calculations

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- C. Annual Distributable Net Revenue Surplus for Annual Period 11 =
(Revenues) – (Incineration Facilities Cost + Cumulative Carryforward Deficit) =
(\$10,000,000) – (\$7,452,277.58 + \$100,000) =
\$10,000,000 – \$7,552,277.58 =
\$2,447,722.42
- D. Percentage Rent for Annual Period 11 Payable to the Lessor =
(\$2,447,722.42)x(0.40) =
\$979,088.97

Attachment D to the Second Amendment

Incineration Facilities Lease Agreement
Base Rent Schedule

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**ADDENDUM TO
APPENDIX 24**

**BASE RENT SCHEDULE:
SECTION 2.0 - EXAMPLE BASE RENT CALCULATION**

2.0 EXAMPLE BASE RENT CALCULATION

2.1 Example 1: Base Rent for Contract Year 3

Assumptions

Commencement Date = August 15, 2002

Contract Year 1 = August 15, 2002 through June 30, 2003

Contract Year 2 = July 1, 2003 through June 30, 2004

Contract Year 3 = July 1, 2004 through June 30, 2005

$$AF_{YR2} = \text{Adjustment Factor for Contract Year 2} = 1 + \left(\frac{CPI_{JUN2003} - CPI_{JUL2002}}{CPI_{JUL2002}} \right)$$

Assume $CPI_{JUL 2002} = 100$

Assume $CPI_{JUN 2003} = 104$

$$AF_{YR2} = 1 + \left(\frac{104 - 100}{100} \right) = 1.040$$

$$AF_{YR3} = \text{Adjustment Factor for Contract Year 3} = 1 + \left(\frac{CPI_{JUN2004} - CPI_{JUL2003}}{CPI_{JUL2003}} \right)$$

Assume $CPI_{JUL 2003} = 105$

Assume $CPI_{JUN 2004} = 109$

$$AF_{YR2} = 1 + \left(\frac{109 - 105}{105} \right) = 1.038$$

Element 1 for Months 1-11 = \$106,100 (Month 1) and \$193,477 (Months 2-11) (in each case, no adjustment)

Element 1 for Months 12-23 =
 $(\$193,477) \times (AF_{YR2}) =$
 $(\$193,477) \times (1.040) = \$201,216.08$

Element 1 for Months 24-35 =
 $(\$201,216.08) \times (AF_{YR3}) =$
 $(\$201,216.08) \times (1.038) = \$208,862.29$

Element 2 for Months 24-33 = \$216,960 (See Element 2; Table 24-1; Base Rent Schedule)

Element 2 for Months 34-35 = \$181,061 (See Element 2; Table 24-1; Base Rent Schedule)

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Base Rent Schedule

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Base Rent Calculation

Base Rent for Contract Year 3 = (Element 1 + Element 2) for Months 24-35:

Month	Year	Element 1	Element 2	Base Rent
24. July 2004	3	\$208,862.29	\$216,960	\$425,822.29
25. August 2004	3	\$208,862.29	\$216,960	\$425,822.29
26. September 2004	3	\$208,862.29	\$216,960	\$425,822.29
27. October 2004	3	\$208,862.29	\$216,960	\$425,822.29
28. November 2004	3	\$208,862.29	\$216,960	\$425,822.29
29. December 2004	3	\$208,862.29	\$216,960	\$425,822.29
30. January 2005	3	\$208,862.29	\$216,960	\$425,822.29
31. February 2005	3	\$208,862.29	\$216,960	\$425,822.29
32. March 2005	3	\$208,862.29	\$216,960	\$425,822.29
33. April 2005	3	\$208,862.29	\$216,960	\$425,822.29
34. May 2005	3	\$208,862.29	\$181,061	\$389,923.29
35. June 2005	3	\$208,862.29	\$181,061	\$389,923.29
Total Contract Year 3		\$2,506,347.48	\$2,531,722.00	\$5,038,069.48

2.2 Example 2: Base Rent for Contract Year 8

Assumptions

Commencement Date = August 15, 2002

Contract Year 7 = July 1, 2008 through June 30, 2009

Contract Year 8 = July 1, 2009 through June 30, 2010

$$AF_{YR8} = \text{Adjustment Factor for Contract Year 8} = 1 + \left(\frac{CPI_{JUN2009} - CPI_{JUL2008}}{CPI_{JUL2008}} \right)$$

Assume $CPI_{JUL 2008} = 120$

Assume $CPI_{JUN 2009} = 125$

$$AF_{YR8} = 1 + \left(\frac{125 - 120}{120} \right) = 1.042$$

Assumed Element 1 Contract Year 7 (Months 72-83) = \$244,810.13

Element 1 for Months 84-95 =

$$(\$244,810.13) \times (AF_{YR8}) =$$

$$(\$244,810.13) \times (1.042) = \$255,092.16$$

Element 2 for Months 84-93 = \$92,551

(See Element 2; Table 24-1; Base Rent Schedule)

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Element 2 for Months 94-95 = \$92,781 (See Element 2; Table 24-1; Base Rent Schedule)

Base Rent Calculation

Base Rent for Contract Year 8 = (Element 1 + Element 2) for Months 84-95:

Month	Year	Element 1	Element 2	Base Rent
84. July 2009	8	\$255,092.15	\$92,551	\$347,643.15
85. August 2009	8	\$255,092.15	\$92,551	\$347,643.15
86. September 2009	8	\$255,092.15	\$92,551	\$347,643.15
87. October 2009	8	\$255,092.15	\$92,551	\$347,643.15
88. November 2009	8	\$255,092.15	\$92,551	\$347,643.15
89. December 2009	8	\$255,092.15	\$92,551	\$347,643.15
90. January 2010	8	\$255,092.15	\$92,551	\$347,643.15
91. February 2010	8	\$255,092.15	\$92,551	\$347,643.15
92. March 2010	8	\$255,092.15	\$92,551	\$347,643.15
93. April 2010	8	\$255,092.15	\$92,551	\$347,643.15
94. May 2010	8	\$255,092.15	\$92,781	\$347,873.15
95. June 2010	8	\$255,092.15	\$92,781	\$347,873.15
Total Contract Year 8		\$3,061,105.80	\$1,111,072.00	\$4,172,177.80

2.3 Example 3: Base Rent for Contract Year 11

Assumptions

Commencement Date = August 15, 2002

Contract Year 10 = July 1, 2011 through June 30, 2012

Contract Year 11 = July 1, 2012 through June 30, 2013

$$AF_{YR11} = \text{Adjustment Factor for Contract Year 11} = 1 + \left(\frac{CPI_{JUN2012} - CPI_{JUL2011}}{CPI_{JUL2011}} \right)$$

Assume $CPI_{JUL 2011} = 140$

Assume $CPI_{JUN 2012} = 145$

$$AF_{YR11} = 1 + \left(\frac{145 - 140}{140} \right) = 1.036$$

Assume Element 1 for Contract Year 10 (Months 108-119) = \$275,378.10

$$\begin{aligned} \text{Element 1 for Months 120-131} &= \\ &(\$275,378.10) \times (AF_{YR11}) = \end{aligned}$$

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$$(\$275,378.10) \times (1.036) = \$285,291.71$$

Element 2 for Months 120-129 = \$92,598 (See *Element 2; Table 24-1; Base Rent Schedule*)

Element 2 for Months 130-131 = \$92,470 (See *Element 2; Table 24-1; Base Rent Schedule*)

Base Rent Calculation

Base Rent for Contract Year 11 = (Element 1 + Element 2) for Months 120-131:

Month	Year	Element 1	Element 2	Base Rent
120. July 2012	11	\$285,291.71	\$92,598	\$377,889.71
121. August 2012	11	\$285,291.71	\$92,598	\$377,889.71
122. September 2012	11	\$285,291.71	\$92,598	\$377,889.71
123. October 2012	11	\$285,291.71	\$92,598	\$377,889.71
124. November 2012	11	\$285,291.71	\$92,598	\$377,889.71
125. December 2012	11	\$285,291.71	\$92,598	\$377,889.71
126. January 2013	11	\$285,291.71	\$92,598	\$377,889.71
127. February 2013	11	\$285,291.71	\$92,598	\$377,889.71
128. March 2013	11	\$285,291.71	\$92,598	\$377,889.71
129. April 2013	11	\$285,291.71	\$92,598	\$377,889.71
130. May 2013	11	\$285,291.71	\$92,470	\$377,761.71
131. June 2013	11	\$285,291.71	\$92,470	\$377,761.71
Total Contract Year 11		\$3,423,500.52	\$1,110,920.00	\$4,534,420.52