

City Council Report

915 I Street, 1st Floor

www.CityofSacramento.org

Meeting Date: 6/25/2013

Report Type: Staff/Discussion

Report ID: 2013-00009

Title: Issuance of Special Tax Refunding Revenue Bonds for North Natomas Community Facilities District No. 4 (Series A, B, C, and D)

Location: District 1

Issue: Council authorization is required for the issuance of the North Natomas CFD 4, Special Tax Refunding Bonds, Series E (2013), and the execution of related documents and other activities to complete the financing.

Recommendation: Pass a Resolution 1) authorizing the issuance, sale, and delivery of City of Sacramento 2013 Special Tax Refunding Revenue Bonds, Series E (CFD No. 4 Series A, B, C, and D); 2) authorizing the execution and delivery of a Trust Agreement, a Preliminary Official Statement, and a Final Official Statement; and 3) approving certain other actions necessary for the issuance, sale, and delivery of these bonds.

Contact: Janelle Gray, Debt Manager, (916) 808-8296; Damien Charléty, Debt Analyst, (916) 808-5517, Office of the City Treasurer

Presenter: Damien Charléty, Debt Analyst, (916) 808-5517, Office of the City Treasurer

Department: City Treasurer

Division: City Treasurer

Dept ID: 05001011

Attachments:

- 1-Description/Analysis
- 2-Resolution North Natomas CFD No. 4 Refunding Bonds, Series E (2013)
- 3-Fifth Supplemental Indenture
- 4-Bond Purchase Contract
- 5-Preliminary Official Statement
- 6-Form of Continuing Disclosure Certificate
- 7-Escrow Agreement
- 8-Agreement for Bond Counsel Services
- 9-Presentation

City Attorney Review

Not Approved as to Form
Joseph Cerullo
6/19/2013 2:51:17 PM

City Treasurer Review

Reviewed for Impact on Cash and Debt
Janelle Gray
6/18/2013 6:17:23 PM

Approvals/Acknowledgements

Department Director or Designee: Janelle Gray - 6/19/2013 12:20:25 PM

Description/Analysis

Issue: In accordance with the City's Debt Management Policy, the City Treasurer's Office monitors the City's outstanding debt to determine whether refunding one or more series of bonds might yield potential economic savings over the bonds' remaining life.

As part of this monitoring, staff has identified four series of bonds that provide the opportunity to achieve economic savings under current interest-rate conditions. Those bonds were issued for the North Natomas Community Facilities District No.4 ("CFD 4"), which covers Drainage Basin Nos. 1, 2, and 4. The series under consideration for refunding are Series A, issued in 1999; Series B, issued in 2001; Series C, issued in 2003; and Series D, issued in 2006.

CFD 4 consists of mostly developed residential areas but also includes parks, schools, and some commercial properties, along with a limited number of undeveloped parcels.

Policy Considerations: Approval of the recommendation authorizes the City Treasurer to take the actions necessary to refund the outstanding CFD 4 bonds for Series A, B, C, and D.

Based on market conditions at the time of the pricing of the refunding bonds, currently scheduled for the week of July 22, 2013, the City Treasurer may elect to exclude certain series from the refunding if sufficient savings are not realized.

Economic Impacts: Not applicable.

Environmental Considerations: Approval of the recommendation is not a "project" subject to CEQA because it (a) has no potential to cause a significant effect on the environment, and (b) concerns government fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. (Cal. Code Regs., tit. 14, §§ 15061(b)(3) and 15378(b)(4).).

Sustainability: Not applicable.

Commission/Committee Action: None.

Rationale for Recommendation: Analysis indicates that at current rates the combined refunding of the outstanding balances of the CFD 4 Series A, B, C, and D bonds will generate net-present-value savings.

Financial Considerations: Using data from June 11, 2013, the potential net present value of the savings for all four issues combined is approximately \$7.6 million over the remaining life of the four series of bonds, which equates to savings of 10% of the refunded bonds, although the savings for each issue being refunded vary and the actual savings won't be known until after the pricing of the refunding bonds.

Based on that June 11, 2013 data, current projected savings for Series D are expected to be limited; however, when evaluating whether to include the Series D bonds in the refunding, the City Treasurer will weigh multiple factors to determine the course of action most beneficial to the district's property owners.

Emerging Small Business Development (ESBD): Not applicable.

RESOLUTION NO. 2013-_____

Adopted by the Sacramento City Council

June 25, 2013

AUTHORIZING (1) THE ISSUANCE OF NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4, CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA SPECIAL TAX REFUNDING BONDS, SERIES E (2013); (2) THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL INDENTURE, A BOND PURCHASE CONTRACT, AN OFFICIAL STATEMENT, A CONTINUING DISCLOSURE CERTIFICATE, AN ESCROW AGREEMENT, AND AN AGREEMENT FOR BOND COUNSEL SERVICES IN CONNECTION WITH THE BONDS; AND (3) CERTAIN OTHER ACTIONS IN CONNECTION WITH THE BONDS

BACKGROUND:

- A.** At an election held in the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California (the "**CFD**") on November 5, 1998, the qualified electors in the CFD duly authorized the issuance of \$85,000,000 principal amount of special tax bonds under the Mello Roos Community Facilities Act of 1982 (Government Code sections 53311 through 53368) as amended (the "**Act**") for the purpose of financing the acquisition and construction of certain public facilities.
- B.** At the election, the qualified electors in the CFD also authorized the levy and collection of a special tax under the Act to be used to pay the interest on, principal of, and redemption premiums (if any) on, such bonds.
- C.** On February 24, 1999, the City of Sacramento (the "**City**") issued the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California Special Tax Bonds, Series A (1999) in the principal amount of \$16,215,000 (the "**Series A Bonds**").
- D.** On April 19, 2001, the City issued the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California Special Tax Bonds, Series B (2001) in the principal amount of \$12,750,000 (the "**Series B Bonds**").

- E. On October 28, 2003, the City issued the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California Special Tax Bonds, Series C (2003) in the principal amount of \$29,765,000 (the "**Series C Bonds**").
- F. On December 7, 2006, the City issued the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California Special Tax Bonds, Series D (2006) in the principal amount of \$26,210,000 (the "**Series D Bonds**" and, collectively with the Series A Bonds, Series B Bonds, and Series C Bonds, the "**Prior Bonds**").
- G. The Act authorizes the City to issue bonds for the purpose of refunding the Prior Bonds.
- H. The Sacramento City Council (the "**City Council**") has determined to authorize the issuance of the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California Special Tax Refunding Bonds, Series E (2013) (the "**Bonds**") under the Act for the purpose of refunding all or a portion of the outstanding Prior Bonds and has determined that the issuance of the Bonds is prudent in the management of the City's fiscal affairs.
- I. The City desires to sell the Bonds to Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"), and the City Council has determined that a private (i.e., negotiated) sale of the Bonds to the Underwriter under the Act will result in a lower overall cost to the City.
- J. In furtherance of the City's issuance of the Bonds, forms of the following documents have been filed with the Sacramento City Clerk (the "**Clerk**") for the City Council's consideration and approval:
- A Fifth Supplemental Indenture (the "**Supplemental Indenture**") supplementing and amending the Master Indenture dated as of February 1, 1999 (the "**Master Indenture**" and, together with the Supplemental Indenture, the "**Indenture**"), between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"), under the terms of which the Bonds are to be issued and secured.
 - A Bond Purchase Contract, under the terms of which, among other things, the City agrees to sell the Bonds to the Underwriter and the Underwriter agrees to purchase the Bonds (the "**Bond Purchase Contract**").

- A preliminary form of an Official Statement describing the Bonds (the "**Preliminary Official Statement**").
- A Continuing Disclosure Certificate obligating the City to provide certain ongoing disclosure with respect to the Bonds (the "**Continuing Disclosure Certificate**").
- An Escrow Agreement, between the City and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "**Escrow Agent**"), providing for the defeasance and redemption of the Prior Bonds to be refunded (the "**Escrow Agreement**").
- An Agreement for Bond Counsel Services under which the firm of Orrick, Herrington & Sutcliffe LLP will provide legal services to the City as bond counsel with respect to the Bonds (the "**Agreement for Bond Counsel Services**").

K. All acts, conditions, and things required by California law to exist, to have happened, and to have been performed before and in connection with the consummation of the financing authorized by this resolution do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the City is now duly authorized and empowered, under each requirement of law, to authorize the execution and delivery of certain documents in order to further implement the financing in the manner and upon the terms provided in this resolution.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The statements in paragraphs A through K of the Background are true.

Section 2. The City Council hereby authorizes and approves the issuance of the Bonds in accordance with the Indenture in an aggregate principal amount not to exceed \$80,000,000. The final maturity date of the Bonds may not be later than the final maturity date of the Prior Bonds. The total interest cost to maturity on the Bonds plus the principal amount of the Bonds may not exceed the total interest cost to maturity on the Prior Bonds to be refunded plus the principal amount of the Prior Bonds to be refunded.

Section 3. The City Council hereby determines that the value of the real property within the CFD that will be subject to the levy of a special tax under the Act to pay debt service on the Bonds (based upon the full cash value as shown on the ad valorem assessment roll) is at least three times the sum of

the following: the principal amount of the Bonds, plus the principal amount of all other bonds outstanding that are secured by a special tax levied under the Act on property within the CFD, plus the principal amount of all other bonds outstanding that are secured by special assessments levied on property within the CFD. Accordingly the limitations of section 53345.8(a) of the Act have been duly satisfied.

Section 4. The City Council hereby approves the Supplemental Indenture and its terms and conditions. The date, maturity date or dates, fixed interest rates, interest-payment dates, forms, registration privileges, place or places of payment, terms of redemption and number of Bonds, and other terms of the Bonds are to be as provided in the Supplemental Indenture as finally executed and delivered.

- (a) The Sacramento City Treasurer or his designee (the "**Treasurer**") is hereby authorized and directed to execute and deliver to the Trustee, on the City's behalf, the Supplemental Indenture in substantially the form on file with the Clerk, with any changes the Treasurer may require or approve with the concurrence of the City Attorney, and with approval to be conclusively evidenced by the execution and delivery of the Supplemental Indenture.
- (b) The City Council hereby authorizes and directs the Treasurer to execute and deliver to the Trustee, on the City's behalf, written instructions providing for the delivery of the Bonds to the Underwriter in accordance with the Bond Purchase Contract upon payment by the Underwriter of the purchase price of the Bonds (the "**Instructions**").
- (c) The Bonds are to be executed by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the Clerk, and each of the Bonds must be in the form set forth in, and otherwise be in accordance with, the Indenture. When the Bonds are so executed, the Treasurer shall deliver them to the Trustee under the Indenture for authentication by the Trustee. The Trustee is then to deliver the Bonds to the Underwriter in accordance with the Instructions.

Section 5. The City Council hereby approves the Bond Purchase Contract and authorizes the Treasurer to execute and deliver it to the Underwriter on the City's behalf in substantially the form on file with the Clerk, with any changes the Treasurer may require or approve with the concurrence of the City Attorney, and with approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Contract, all subject to the following: the true interest cost for the Bonds may not exceed 5.00% and

the Underwriter's compensation may not exceed 1.00% of the principal amount of the Bonds.

Section 6. The City Council hereby approves the Preliminary Official Statement and authorizes the Underwriter to distribute it.

- (a) The City Council hereby authorizes and directs the Treasurer to execute and deliver to the Underwriter on the City's behalf a certificate deeming the Preliminary Official Statement, in substantially the form on file with the Clerk and with any changes the Treasurer approves in the interest of the City with the concurrence of the City Attorney, to be final within the meaning of Securities Exchange Commission Rule 15c2-12.
- (c) The City Council hereby authorizes and directs the Treasurer to execute and deliver to the Underwriter, on the City's behalf, a final form of the Official Statement describing the Bonds (the "**Final Official Statement**") in substantially the form of the Preliminary Official Statement, with any changes the Treasurer may require or approve with the concurrence of the City Attorney, and with such approval to be conclusively evidenced by the execution and delivery of the Final Official Statement.
- (b) The City Council hereby authorizes the Underwriter to distribute the Final Official Statement.

Section 7. The City Council hereby approves the Continuing Disclosure Certificate and authorizes and directs the Treasurer to execute and deliver it to the Underwriter on the City's behalf in substantially the form on file with the Clerk, with any changes the Treasurer may require or approve with the concurrence of the City Attorney, and with approval to be conclusively evidenced by the execution and delivery of the Continuing Disclosure Certificate.

Section 8. The City Council hereby approves the Escrow Agreement and authorizes and directs the Treasurer to execute and deliver it to the Escrow Agent on the City's behalf in substantially the form on file with the Clerk, with any changes the Treasurer may require or approve with the concurrence of the City Attorney, and with approval to be conclusively evidenced by the execution and delivery of the Escrow Agreement.

Section 9. The City Council hereby approves the Agreement for Bond Counsel Services and authorizes and directs the Sacramento City Attorney or his designee (the "**City Attorney**") to execute and deliver it to Orrick, Herrington & Sutcliffe LLP on the City's behalf in substantially the form on

file with the Clerk, with any changes the City Attorney may require or approve, and with approval to be conclusively evidenced by the execution and delivery of the Agreement for Bond Counsel Services.

Section 10. The officers of the City, each acting alone, are hereby authorized and directed to do any and all things and to execute and deliver any and all documents and agreements they consider necessary or advisable to carry out, give effect to, and comply with, the terms and intent of this resolution, the Indenture, the Bond Purchase Contract, the Preliminary Official Statement, the Final Official Statement, the Continuing Disclosure Certificate, the Escrow Agreement, and the Bonds. This authorization includes the execution and delivery of any documents required to obtain bond insurance, a reserve fund insurance policy, or a reserve fund surety for and of any documents necessary to refund the Prior Bonds; it also includes the purchase of bond insurance, a reserve fund insurance policy, or a reserve fund surety. All actions previously taken by those officers are hereby ratified, confirmed, and approved.

Section 11. This resolution takes effect when adopted.

FIFTH SUPPLEMENTAL INDENTURE

by and between the

CITY OF SACRAMENTO

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,

as Trustee

Relating to the

[\$[PRINCIPAL AMOUNT]

NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA
SPECIAL TAX REFUNDING BONDS, SERIES E (2013)

Dated as of July 1, 2013

TABLE OF CONTENTS

		Page
ARTICLE I	DEFINITIONS.....	2
	SECTION 1.01. Definitions.....	2
ARTICLE II	ISSUANCE OF SERIES E (2013) BONDS.....	4
	SECTION 2.01. Authorization of Series E (2013) Bonds.....	4
	SECTION 2.02. Terms of Series E (2013) Bonds.....	4
	SECTION 2.03. Redemption Prices of Series E (2013) Bonds.....	6
	SECTION 2.04. Form of Series E (2013) Bonds	7
	SECTION 2.05. Use of Depository for Series E (2013) Bonds	7
	SECTION 2.06. Application of Proceeds of Sale of Series E (2013) Bonds	9
ARTICLE III	MISCELLANEOUS	9
	SECTION 3.01. Authority for Fifth Supplemental Indenture	9
	SECTION 3.02. Terms of Series E (2013) Bonds Subject to the Master Indenture	9
	SECTION 3.03. Amendments to the Master Indenture.....	9
	SECTION 3.04. Covenant Regarding Additional Bonds	12
	SECTION 3.05. Allocation of Series E (2013) Bonds to Refunding of Refunded Bonds.....	12
	SECTION 3.06. E-mail and Facsimile Instructions	12
	SECTION 3.07. Effective Date of Fifth Supplemental Indenture.....	13
EXHIBIT A – FORM OF SERIES E (2013) BONDS		A-1
EXHIBIT B – ALLOCATION OF SERIES E (2013) BONDS TO REFUNDED BONDS....		B-1

An extra section break has been inserted above this paragraph. Do not delete this section break if you plan to add text after the Table of Contents/Authorities. Deleting this break will cause Table of Contents/Authorities headers and footers to appear on any pages following the Table of Contents/Authorities.

FIFTH SUPPLEMENTAL INDENTURE

This Fifth Supplemental Indenture (the “Fifth Supplemental Indenture”), dated as of July 1, 2013, by and between 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 Bank of New York Mellon Trust Company, N.A. (successor to BNY Western Trust Company), a national banking association duly organized and existing under and by virtue of the laws of the United States and authorized to accept and execute trusts of the character herein set forth, as trustee (the “Trustee”);

WITNESSETH:

WHEREAS, the City and the Trustee duly executed a Master Indenture (the “Master Indenture”), dated as of February 1, 1999, which Master Indenture authorized the issuance of \$85,000,000 aggregate principal amount of North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds (the “Original Bonds”) and provided for the issuance of the Original Bonds in series; and

WHEREAS, the City and the Trustee duly executed a First Supplemental Indenture (the “First Supplemental Indenture”), dated as of February 1, 1999, which First Supplemental Indenture prescribed the terms, conditions and form of \$16,215,000 aggregate principal amount of Series A (1999) of the Original Bonds (the “Series A (1999) Bonds”); and

WHEREAS, the City and the Trustee duly executed a Second Supplemental Indenture (the “Second Supplemental Indenture”), dated as of April 1, 2001, which Second Supplemental Indenture prescribed the terms, conditions and form of \$12,750,000 aggregate principal amount of Series B (2001) of the Original Bonds (the “Series B (2001) Bonds”); and

WHEREAS, the City and the Trustee duly executed a Third Supplemental Indenture (the “Third Supplemental Indenture”), dated as of October 1, 2003, which Third Supplemental Indenture prescribed the terms, conditions and form of \$29,765,000 aggregate principal amount of Series C (2003) of the Original Bonds (the “Series C (2003) Bonds”); and

WHEREAS, the City and the Trustee duly executed a Fourth Supplemental Indenture (the “Fourth Supplemental Indenture”), dated as of November 1, 2006, which Fourth Supplemental Indenture prescribed the terms, conditions and form of \$26,210,000 aggregate principal amount of Series D (2006) of the Original Bonds (the “Series D (2006) Bonds”); and

WHEREAS, the City has determined to prescribe the terms, conditions and form of \$[PRINCIPAL AMOUNT] aggregate principal amount of North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California Special Tax Refunding Bonds, Series E (2013) (the “Series E (2013) Bonds”) under the Master Indenture for the purpose of refunding the outstanding principal amount of the Series A (1999) Bonds, Series B (2001) Bonds, Series C (2003) Bonds, and [Series D (2006) Bonds] (collectively, the “Refunded Bonds”); and

WHEREAS, Section 8.01(b)(iv) of the Master Indenture authorizes the City and the Trustee to supplement and amend the Master Indenture, without the consent of any Holders (as defined in the Master Indenture), for the purpose of authorizing, under and subject to the Law (as defined in the Master Indenture), any refunding bonds for any of the Bonds (as defined in the Master Indenture) and to provide the conditions and terms under which such refunding bonds may be issued; and

WHEREAS, in accordance with Section 8.01(b)(iv) of the Master Indenture, the City and the Trustee have determined to supplement and amend the Master Indenture in the manner set forth in this Fifth Supplemental Indenture, including Section 3.03 of this Fifth Supplemental Indenture; and

WHEREAS, the City has determined that all things necessary to cause the Series E (2013) Bonds, when duly executed by the City and authenticated by the Trustee and delivered as provided herein, to be legal and valid special tax obligations of the City enforceable in accordance with their terms, and to constitute this Fifth Supplemental Indenture a valid agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery hereof and the execution and delivery of the Series E (2013) Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS FIFTH SUPPLEMENTAL INDENTURE WITNESSETH, that in order to secure the payment of the interest on and the principal of and the redemption premiums, if any, on all Series E (2013) Bonds at any time issued and outstanding hereunder according to their tenor, and to secure the observance and performance of all the agreements, conditions, covenants and terms therein and herein set forth, and to declare the conditions and terms upon and subject to which the Series E (2013) Bonds shall be issued and received, and in consideration of the premises and of the mutual agreements and covenants contained herein and of the purchase and acceptance of the Series E (2013) Bonds by the respective registered owners thereof from time to time, and for other valuable considerations, the receipt whereof is hereby acknowledged, the City does hereby agree and covenant with the Trustee, for the benefit of the respective registered owners from time to time of the Series E (2013) Bonds, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions.

(a) All terms which are defined in Section 1.01 of the Master Indenture shall (except as otherwise provided herein) have the same definitions in this Fifth Supplemental Indenture that are given to such terms in Section 1.01 of the Master Indenture.

(b) Unless the context otherwise requires, the terms defined in this subsection shall for all purposes hereof and of the Master Indenture and of the Series E (2013) Bonds 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:

City Treasurer

“City Treasurer” means the Treasurer of the City.

Escrow Agent

“Escrow Agent” means The Bank of New York Mellon Trust Company, N.A., as escrow agent under the Escrow Agreement.

Escrow Agreement

“Escrow Agreement” means that certain Escrow Agreement, dated as of July 1, 2013, between the City and the Escrow Agent relating to the Refunded Bonds.

Fifth Supplemental Indenture

“Fifth Supplemental Indenture” means this Fifth Supplemental Indenture dated as of July 1, 2013, by and between the City and the Trustee entered into under and pursuant to the Law and the Master Indenture.

Master Indenture

“Master Indenture” means the Master Indenture dated as of February 1, 1999, by and between the City and the Trustee entered into under and pursuant to the Law.

Refunded Bonds

“Refunded Bonds” has the meaning given to such term in the recitals to this Fifth Supplemental Indenture.

Series E (2013) Bonds

“Series E (2013) Bonds” means the Bonds referred to by that name authorized to be issued by Article II hereof.

Series E (2013) Bonds Costs of Issuance Account

“Series E (2013) Bonds Costs of Issuance Account” means the account in the Costs of Issuance Fund by that name established pursuant to Section [2.06(d)] hereof for the Series E (2013) Bonds.

Trustee

“Trustee” means The Bank of New York Mellon Trust Company, N.A. (successor to BNY Western Trust Company), a national banking association duly organized and existing under and by virtue of the laws of the United States and authorized to accept and execute trusts

of the character set forth in the Master Indenture, at its Principal Corporate Trust Office, 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 the Master Indenture.

ARTICLE II

ISSUANCE OF SERIES E (2013) BONDS

SECTION 2.01. Authorization of Series E (2013) Bonds. The City Council has reviewed all proceedings heretofore taken relative to the authorization of the Series E (2013) Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of the Series E (2013) Bonds do exist, have happened and have been performed in due time, form and manner as required by the Law, and the City is now authorized, pursuant to each and every requirement of the Law and the Master Indenture and hereof, to issue the Series E (2013) Bonds in the form and manner provided herein to provide funds to refund the Refunded Bonds and pay the Costs of Issuance of the Series E (2013) Bonds, which Series E (2013) Bonds shall be entitled to the benefit, protection and security of the Law and the Master Indenture and hereof.

SECTION 2.02. Terms of Series E (2013) Bonds. The Series E (2013) Bonds shall be issued in the aggregate principal amount of \$[PRINCIPAL AMOUNT], shall be designated the “North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Refunding Bonds, Series E (2013),” shall be dated the date of the original delivery thereof, shall be issued in fully registered form in denominations of five thousand dollars (\$5,000) or any integral multiple thereof, shall mature on the dates and in the principal amounts and bear interest (computed on a 360-day year of twelve 30-day calendar months) at the rates per annum, payable on [March 1, 2014], and semiannually thereafter on March 1 and September 1 in each year, as follows:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
	\$	%

* Term Bonds

Sinking Fund Account Payments are hereby established for the mandatory redemption and payment of the Series E (2013) Bonds, which payments shall become due during the years ending on the dates and in the amounts set forth in the following schedules (except that if any of the Series E (2013) Bonds shall have been optionally redeemed pursuant to Section 2.03 hereof, the amounts of the Sinking Fund Account Payments for the Series E (2013) Bonds shall be reduced proportionately by the principal amount of all such Series E (2013) Bonds so optionally redeemed), namely:

(a) The Series E (2013) Bonds maturing on September 1, 20__, are subject to mandatory redemption from Sinking Fund Account Payments on or after September 1, 20__, as follows:

<u>Year Ending September 1</u>	<u>Sinking Fund Account Payment</u>
	\$

(Maturity)

(b) The Series E (2013) Bonds maturing on September 1, 20__, are subject to mandatory redemption from Sinking Fund Account Payments on or after September 1, 20__, as follows:

<u>Year Ending September 1</u>	<u>Sinking Fund Account Payment</u>
	\$

(Maturity)

All such Sinking Fund Account Payments shall be deposited in the Sinking Fund Account. All money in the Sinking Fund Account representing such Sinking Fund Account Payments shall be used and withdrawn by the Trustee (upon receipt of a Written Request of the

City) at any time for the purchase of the Term Series E (2013) Bonds at public or private sale as and when and at such prices (including brokerage and other charges) as the City may in its discretion determine, but not to exceed the principal amount of such Term Series E (2013) Bonds. All money in the Sinking Fund Account representing such Sinking Fund Account Payments on September 1 of each year during the period beginning on September 1, 20__, and ending on September 1, 20__, both dates inclusive, for the Term Series E (2013) Bonds maturing on September 1, 20__, and on September 1 of each year during the period beginning on September 1, 20__, and ending on September 1, 20__, both dates inclusive, for the Term Series E (2013) Bonds maturing on September 1, 20__, shall be used and withdrawn by the Trustee on each such September 1 for the mandatory redemption or payment of the respective Term Series E (2013) Bonds; and the City hereby agrees and covenants with the Holders of the Term Series E (2013) Bonds to call and redeem in accordance with Article IV of the Master Indenture, or pay, the Term Series E (2013) Bonds from the Sinking Fund Account Payments deposited in the Sinking Fund Account pursuant to this paragraph whenever on September 1 of any year, beginning on September 1, 20__, with respect to the Term Series E (2013) Bonds maturing on September 1, 20__, and beginning on September 1, 20__, with respect to the Term Series E (2013) Bonds maturing on September 1, 20__, there is money in the Sinking Fund Account available for such purpose.

SECTION 2.03. Redemption Prices of Series E (2013) Bonds.

(a) The Term Series E (2013) Bonds are subject to mandatory redemption by the City prior to their stated maturity date as provided in Section 2.02 hereof solely from Sinking Fund Account Payments deposited in the Sinking Fund Account, upon mailed notice as provided in the Master Indenture, at a redemption price of one hundred per cent (100%) of the principal amount thereof called for redemption, together with accrued interest thereon to the date of redemption, without premium.

(b) The Series E (2013) Bonds maturing on or after September 1, 20__, are subject to optional redemption by the City prior to their respective stated maturity dates, as a whole or in part on any date on or after [March 1, 20__], from any source of available funds, upon mailed notice as provided in the Master Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

(c) The Series E (2013) Bonds are subject to extraordinary redemption by the City prior to their respective stated maturity dates, as a whole or in part on any [interest payment date], solely from prepayments of the Special Tax, upon mailed notice as provided in the Master Indenture, at the following redemption prices (expressed as a percentage of the principal amount of Series E (2013) Bonds or portions thereof called for redemption), together with accrued interest thereon to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
Any interest payment date from March 1, 2014 through September 1, 20__	103%
March 1, 20__ and September 1, 20__	102%
March 1, 20__ and September 1, 20__	101%
March 1, 20__ and any interest payment date thereafter	100%

(d) Notwithstanding anything to the contrary contained in the Master Indenture, with respect to any notice of redemption of Series E (2013) Bonds pursuant to Section 2.03(b) or Section 2.03(c) of this Fifth Supplemental Indenture, unless, upon the giving of such notice, such Series E (2013) Bonds shall be deemed to have been paid within the meaning of Article X of the Master Indenture, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Series E (2013) Bonds to be redeemed, and that if such amounts shall not have been so received the notice shall be of no force and effect and the City shall not be required to redeem such Series E (2013) Bonds. In the event that any such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to the Holders of the Series E (2013) Bonds to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given. Such failure to redeem such Series E (2013) Bonds shall not constitute an Event of Default.

(e) Notwithstanding anything to the contrary contained in the Master Indenture, any notice of redemption of Series E (2013) Bonds pursuant to Section 2.03(b) or Section 2.03(c) of this Fifth Supplemental Indenture may be rescinded by written notice given to the Trustee by the City no later than five Business Days prior to the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of such redemption was given.

SECTION 2.04. Form of Series E (2013) Bonds. The Series E (2013) Bonds and the authentication and registration endorsements and the assignment and the DTC endorsement to appear thereon shall be substantially in the forms set forth in Exhibit A hereto, with such variations, insertions, or omissions as are appropriate and not inconsistent herewith.

SECTION 2.05. Use of Depository for Series E (2013) Bonds.

(a) The Series E (2013) Bonds shall be initially registered in the name of “Cede & Co.,” as nominee of The Depository Trust Company, New York, New York, and shall be initially issued as one Series E (2013) Bond for each maturity in the principal amounts set forth in Section 2.02 hereof, and The Depository Trust Company, New York, New York, is hereby appointed depository for the Series E (2013) Bonds. After such initial registration, registered ownership of the Series E (2013) Bonds, or any portion thereof, may not thereafter be transferred except:

(i) To any successor of Cede & Co., as nominee of The Depository Trust Company, or its nominee, or to any substitute depository designated pursuant to clause (ii) of this subsection (a “Substitute Depository”); provided, that any successor of Cede & Co., as nominee of The Depository Trust Company, or any Substitute Depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(ii) To any Substitute Depository not objected to by the Trustee, upon (1) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the City to substitute another depository for The Depository Trust Company (or its successor) because The Depository Trust Company or its successor (or any Substitute Depository or its successor) is no longer able to carry out its functions as depository; provided, that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any person as provided below, upon (1) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the City to remove The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) hereof, upon receipt of the Outstanding Series E (2013) Bonds by the Trustee, together with a Written Request of the City to the Trustee, new Series E (2013) Bonds shall be executed and delivered in the same aggregate principal amounts and maturities of the Series E (2013) Bonds then Outstanding, registered in the name of such successor or such Substitute Depository, or their nominees, as the case may be, all as specified in such Written Request of the City. In the case of any transfer pursuant to clause (iii) of subsection (a) hereof, upon receipt of the Outstanding Series E (2013) Bonds by the Trustee, together with a Written Request of the City to the Trustee, new Series E (2013) Bonds shall be executed and delivered in such denominations numbered in the manner determined by the Trustee and registered in the names of such persons as are requested in such Written Request of the City, subject to the limitations of Section 2.02 hereof, and thereafter, the Series E (2013) Bonds shall be transferred pursuant to Section 3.03 of the Master Indenture; provided, that the Trustee shall not be required to deliver such new Series E (2013) Bonds on a date prior to sixty (60) days after receipt of such Written Request of the City.

(c) The City and the Trustee shall be entitled to treat the person in whose name any Series E (2013) Bond is registered as the owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by the City or the Trustee; and the City and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Series E (2013) Bonds, and neither the City nor the Trustee shall have any responsibility or obligation, legal or otherwise, to the beneficial owners or to any other party, including The Depository Trust Company or its successor (or any Substitute Depository or its successor), except to The Depository Trust Company or its successor (or any Substitute Depository or its successor) as a Holder of any Series E (2013) Bonds.

(d) So long as the Outstanding Series E (2013) Bonds are registered in the name of Cede & Co. or its registered assigns, the City and the Trustee shall cooperate with Cede & Co., as sole Holder, or its registered assigns, in effecting payment of the interest on and the principal of and the redemption premiums, if any, on the Series E (2013) Bonds by arranging for the payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

SECTION 2.06. Application of Proceeds of Sale of Series E (2013) Bonds. Upon the receipt of payment of the purchase price of the Series E (2013) Bonds when the same shall have been duly sold by the City, the Trustee shall (upon receipt of a Written Request of the City) set aside and deposit or transfer such purchase price of the Series E (2013) Bonds in the following accounts and funds (or in a temporary account or fund in its books used to facilitate such transfers) in the following order:

(a) The Trustee shall deposit \$[_____] in the Bond Reserve Fund, which [is the amount sufficient to increase the deposit therein] [is equal] to the Required Bond Reserve;

(b) The Trustee shall transfer the amount of \$_____ to the Escrow Agent for deposit in accordance with the Escrow Agreement.

(c) The Trustee shall transfer to the City Treasurer for deposit in the “Series E (2013) Bonds Costs of Issuance Account” in the Costs of Issuance Fund (which account is hereby established) the amount of \$_____, and the proceeds deposited therein shall be applied by the City Treasurer in the manner provided by law for payment of the Costs of Issuance of the Series E (2013) Bonds.

ARTICLE III

MISCELLANEOUS

SECTION 3.01. Authority for Fifth Supplemental Indenture. This Fifth Supplemental Indenture is executed under and pursuant to the provisions of the Law and is supplemental to and amends the Master Indenture and is executed in accordance with Articles II and VIII of the Master Indenture.

SECTION 3.02. Terms of Series E (2013) Bonds Subject to the Master Indenture. Except as expressly provided in this Fifth Supplemental Indenture, every agreement, condition, covenant and term contained in the Master Indenture shall apply to this Fifth Supplemental Indenture and to the Series E (2013) Bonds with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Fifth Supplemental Indenture.

SECTION 3.03. Amendments to the Master Indenture. The Master Indenture is hereby amended as follows (additions shown in ***bold italicized*** text and deletions shown in ~~strike through~~ text for convenience):

(a) The definition of “Bonds, Serial Bonds, Term Bonds” set forth in Section 1.01 of the Master Indenture is hereby amended to read in full as follows:

“Bonds, Serial Bonds, Term Bonds

“Bonds” means the ~~eighty five million dollars~~ (\$85,000,000) aggregate principal amount of special tax bonds of the City at any time Outstanding hereunder that are executed, authenticated and delivered in accordance with the provisions hereof. “Serial Bonds” means Bonds for which no Sinking Fund Account Payments are established. “Term Bonds” means Bonds which are redeemable or payable on or before their specified maturity date or dates from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity date or dates.”

(b) [Note: This must be re-characterized as a springing amendment if less than all of the outstanding bonds are refunded] The definition of “Required Bond Reserve” set forth in Section 1.01 of the Master Indenture is hereby amended to read in full as follows:

“Required Bond Reserve

“Required Bond Reserve” means, as of any date of calculation, the least of (a) ten per cent (10%) of the original principal amount of the Bonds, or (b) the maximum Debt Service payable hereunder in the current or any future Bond Year, or (c) one hundred twenty-five per cent (125%) of the average Debt Service payable hereunder in the current and in all future Bond Years, all as determined by the City under the Code and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to ~~“AAA”~~ “AA” or higher assigned by Fitch or ~~“Aaa”~~ “Aa” or higher assigned by Moody’s or ~~“AAA”~~ “AA” or higher assigned by Standard & Poor’s.”

(c) Section 2.01(a) of the Master Indenture is hereby amended to read in full as follows:

“(a) The City Council has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Law, and the City is now authorized, pursuant to each and every requirement of the Law and hereof, to issue the Bonds ~~in the~~

~~aggregate principal amount of eighty five million dollars (\$85,000,000)~~ in one or more Series as from time to time shall be authorized and established by the City pursuant to the Law and pursuant hereto and pursuant to one or more Supplemental Indentures, which Series shall be entitled to the benefit, protection and security hereof. The Bonds shall be designated the “North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds,” together with such further appropriate particular designation added to or incorporated in the title of the Bonds of each Series as the City may determine or as shall be required by the Law, and each Bond shall bear upon its face the designation so determined for the Series to which it belongs. Additionally, the Bonds may contain or have endorsed thereon such other descriptive provisions, specifications and words not inconsistent with the provisions hereof as may be desirable or necessary to comply with custom or the rules of any securities exchange or commission or brokerage board or otherwise as may be determined by the City prior to the delivery thereof.”

(d) Section 2.01(b) of the Master Indenture is hereby amended to read in full as follows:

“(b) The purpose for which the Bonds are to be issued is to provide funds to pay costs of the acquisition and construction of the Facilities, including the payment of costs incidental to or connected with such acquisition and construction, ~~and payment of~~ *pay* the Costs of Issuance, *and/or, subject to the Law, refund any Bonds Outstanding hereunder.*”

(e) Section 2.02(a)(1) of the Master Indenture is hereby amended to read in full as follows:

“(1) The purpose for which such Series is to be issued; provided, that the proceeds of sale of such Series shall be applied solely for the purpose of providing funds to pay the costs of financing or refinancing the acquisition and construction of the Facilities, including the payment of costs incidental to or connected with such acquisition and construction, ~~and payment of~~ Costs of Issuance, *and/or, subject to the Law, refunding any Bonds Outstanding hereunder;*”

(f) [Note: This must be re-characterized as a springing amendment if less than all of the outstanding bonds are refunded] Section 6.09 of the Master Indenture is hereby amended to read in full as follows:

“SECTION 6.09. Levy and Collection of the Special Tax. The City, so long as any Bonds are Outstanding, will annually levy the Special

Tax against all Taxable Land in the Community Facilities District and make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Bond Redemption Fund, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained herein, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund (or to reinstate any surety bond issued in whole or partial satisfaction thereof) and to pay all current Expenses as they become due and payable in accordance with the provisions and terms hereof. ***In determining the amount of the annual levy of the Special Tax, as required by the preceding sentence, the City shall take into account any amount of money expected to be released from the Bond Reserve Fund and deposited in the Bond Redemption Fund pursuant to Section 5.02(2) as a result of the amount of money on deposit in the Bond Reserve Fund being in excess of the Required Bond Reserve.*** The Special Tax shall be collected in the same manner as ordinary ad valorem property taxes for the County of Sacramento are collected and, except as otherwise provided in Section 6.10 or by the Law, shall be subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

SECTION 3.04. Covenant Regarding Additional Bonds. Notwithstanding anything to the contrary contained in the Indenture, for so long as the Series E (2013) Bonds are Outstanding, the City hereby agrees that it will not issue any additional Bonds (other than the Series E (2013) Bonds) under the Indenture except for the purpose of refunding any Bonds (including the Series E (2013) Bonds) then Outstanding under the Master Indenture.

SECTION 3.05. Allocation of Series E (2013) Bonds to Refunding of Refunded Bonds. For the purpose of determining the Annual Costs (as defined in the Special Tax Formula) for each Tax Zone, as required by the Special Tax Formula, the City hereby allocates the Series E (2013) Bonds to the refunding of the various series of Refunded Bonds as set forth in Exhibit B hereto.

SECTION 3.06. E-mail and Facsimile Instructions. With respect to all matters relating to the Series E (2013) Bonds and this Fifth Supplemental Indenture, the Trustee agrees to accept and act upon instructions or directions sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon

such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 3.07. Effective Date of Fifth Supplemental Indenture. This Fifth Supplemental Indenture shall take effect from and after its execution and delivery.

IN WITNESS WHEREOF, the City has caused this Fifth Supplemental Indenture to be signed in its name by the City Treasurer, and The Bank of New York Mellon Trust Company, N.A., as Trustee, in token of its acceptance of the trusts created hereunder, has caused this Fifth Supplemental Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the date and year first above written.

CITY OF SACRAMENTO

By _____
Russell T. Fehr
City Treasurer

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
as Trustee

By _____
Authorized Officer

EXHIBIT A

[FORM OF SERIES E (2013) BONDS]

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SACRAMENTO

NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA
SPECIAL TAX REFUNDING BOND, SERIES E (2013)

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated as of</u>	<u>CUSIP</u>
_____%	September 1, 20__	July __, 2013	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS

The City of Sacramento, a municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "City"), for value received hereby promises to pay (but only out of the proceeds of the Special Tax hereinafter referred to and certain other funds hereinafter referred to) to the registered owner set forth above on the maturity date set forth above (subject to any right of prior redemption hereinafter provided for) the principal amount set forth above, together with interest thereon from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is authenticated on a day during the period from the sixteenth (16th) day of the month next preceding an interest payment date to such interest payment date, both dates inclusive, in which event it shall bear interest from such interest payment date, or unless this Bond is registered on a day on or before the fifteenth (15th) day of the month next preceding the first interest payment date on the Bonds, in which event it shall bear interest from its date) until the principal hereof shall have been paid, at the interest rate per annum set forth above (computed on a 360-day year of twelve 30-day calendar months), payable on [March 1, 2014], and semiannually thereafter on March 1 and September 1 in each year. The interest on and principal of and redemption premium, if any, on this Bond are payable in lawful money of the United States of America at the Principal Corporate Trust Office (as that term is defined in the Indentures hereinafter referred to, and herein the "Principal Corporate Trust Office") of The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), in San Francisco, California. The interest on this Bond due on or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books, required to be kept by the Trustee, as the registered owner hereof at the close of business on the fifteenth (15th) day of the month next preceding each

interest payment date, such interest to be paid by check mailed by first class mail to such registered owner at his address as it appears on such books, except that in the case of a registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds, payment shall be made at such owner's option by federal wire transfer of immediately available funds according to written instructions provided by such owner to the Trustee prior to the fifteenth (15th) day of the month next preceding such interest payment date to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the United States of America. The principal of and redemption premium, if any, on this Bond shall be payable only to the person whose name appears in such registration books as the registered owner hereof, such principal and redemption premium, if any, to be paid only on the surrender of this Bond at the Principal Corporate Trust Office of the Trustee at maturity or on redemption prior to maturity.

This bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$[PRINCIPAL AMOUNT] issued by the City Council of the City for the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California (the "Community Facilities District") located in the City, designated the "North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Refunding Bonds, Series E (2013)" (the "Series E (2013) Bonds"), under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 et seq. of the Government Code of the State of California), and all laws amendatory thereof or supplemental thereto (the "Law"), and under and pursuant to a Master Indenture, dated as of February 1, 1999, by and between the City and the Trustee, which Master Indenture authorized the issuance in various series from time to time of "North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds" (the "Bonds"), and a Fifth Supplemental Indenture (the "Fifth Supplemental Indenture," and together with the Master Indenture, the "Indentures") supplemental thereto, dated as of July 1, 2013, by and between the City and the Trustee, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, denominations, maturities, interest rates or redemption provisions of the Series E (2013) Bonds). All the Series E (2013) Bonds are payable on a parity with all other Bonds issued under the Master Indenture in accordance with the terms and conditions of the Indentures (copies of which are on file at the office of the City Clerk and at the above-mentioned office of the Trustee), and reference is hereby made to the Law and to the Indentures and any and all amendments thereof and supplements thereto for a description of the terms on which the Series E (2013) Bonds are issued and for the rights of the registered owners of the Series E (2013) Bonds; and all the terms of the Law and the Indentures are hereby incorporated herein and constitute a contract between the City and the registered owner from time to time of this Series E (2013) Bond, to all the provisions of which the registered owner of this Series E (2013) Bond, by his acceptance hereof, agrees and consents; and each taker and subsequent registered owner hereof shall have recourse to all the provisions of the Law and the Indentures and shall be bound by all the conditions and terms thereof.

The Series E (2013) Bonds are issued to provide funds to refund certain of the outstanding Bonds, including depositing funds in the Bond Reserve Fund to satisfy the Required Bond Reserve, and to pay the Costs of Issuance (as that term is defined in the Indentures) of the Series E (2013) Bonds in accordance with the Indentures and are special tax obligations of the

City, and the interest on and principal of and redemption premiums, if any, on the Series E (2013) Bonds are payable solely from the proceeds of the Special Tax (as that term is defined in the Indentures, and herein the “Special Tax”) and certain other funds as provided in the Indentures for such payment, and the City is not obligated to pay them except from the proceeds of the Special Tax and such other funds. The General Fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on or the principal of or the redemption premiums, if any, on the Series E (2013) Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or the principal of or the redemption premiums, if any, on the Series E (2013) Bonds. The Series E (2013) Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts except the money in the Special Tax Fund and certain other funds established under the Indentures, and neither the payment of the interest on or the principal of or the redemption premiums, if any, on the Series E (2013) Bonds is a general debt, liability or obligation of the City. Additional Bonds payable on a parity with the Series E (2013) Bonds from the proceeds of the Special Tax may be issued subject to the conditions and limitations contained in the Indentures.

The Series E (2013) Bonds are subject to mandatory redemption by the City prior to their stated maturity date in part on September 1 in each of the years 20__ through 20__, both years inclusive, with respect to the Term Series E (2013) Bonds maturing on September 1, 20__, and on September 1 in each of the years 20__ through 20__, both years inclusive, with respect to the Term Series E (2013) Bonds maturing on September 1, 20__, solely from Sinking Fund Account Payments deposited in the Sinking Fund Account (as those terms are defined in and as provided in the Indentures), upon mailed notice as provided herein, at a redemption price of one hundred per cent (100%) of the principal amount thereof called for redemption, together with accrued interest thereon to the date of redemption, without premium.

The Series E (2013) Bonds maturing on or after September 1, 20__, are subject to optional redemption by the City prior to their respective stated maturity dates, as a whole or in part on any date on or after [March 1, 20__], from any source of available funds, upon mailed notice as provided in the Indentures, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

The Series E (2013) Bonds are subject to extraordinary redemption by the City prior to their respective stated maturity dates, as a whole or in part on any [interest payment date], solely from prepayments of the Special Tax, upon mailed notice as provided in the Indentures, at the following redemption prices (expressed as a percentage of the principal amount of Series E (2013) Bonds or portions thereof called for redemption), together with accrued interest thereon to the date of redemption:

Redemption Date	Redemption Price
Any interest payment date from March 1, 2014 through September 1, 20__	103%
March 1, 20__ and September 1, 20__	102%
March 1, 20__ and September 1, 20__	101%
March 1, 20__ and any interest payment date thereafter	100%

If less than all the Series E (2013) Bonds are to be redeemed at the option of the City at any one time, the City shall select the maturity date or dates of the Series E (2013) Bonds to be redeemed, and if less than all the Series E (2013) Bonds of any one maturity date are to be redeemed at any one time, the Trustee shall select the Series E (2013) Bonds or portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars (\$5,000) in any manner that it deems appropriate.

Notice of redemption of any Series E (2013) Bond or any portion thereof shall be mailed by first class mail not less than thirty (30) days nor more than ninety (90) days before the redemption date to the registered owner thereof and to all securities information services selected by the City in accordance with the Indentures and to the original purchaser or underwriter of the Series E (2013) Bonds, but neither failure to receive any such notice nor any immaterial defect contained therein shall affect the sufficiency or validity of such proceedings for redemption. If a notice of redemption has been duly given as aforesaid, then this Series E (2013) Bond or the portion thereof to be redeemed shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated interest on this Series E (2013) Bond or the portion thereof to be redeemed shall cease to accrue and the registered owner of this Series E (2013) Bond shall have no rights in respect hereof except to receive payment of the redemption price of this Series E (2013) Bond or the portion thereof to be redeemed, and upon surrender of this Series E (2013) Bond if redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the registered owner hereof at the expense of the City a new Series E (2013) Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of this Series E (2013) Bond so surrendered.

The City has covenanted that, so long as any Series E (2013) Bonds are outstanding, it will annually levy the Special Tax against all Taxable Land (as that term is defined in the Indentures) in the Community Facilities District and make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Bond Redemption Fund (as that term is defined in the Indentures), after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Indentures, and which in any event will be sufficient to pay the interest on and the principal of and the Sinking Fund Account Payments, if any, for and the redemption premiums, if any, on the Series E (2013) Bonds as they become due and payable and to replenish the Bond Reserve Fund (or to reinstate any surety bond issued in whole or partial satisfaction

thereof) established under the Indentures and to pay all Expenses (as that term is defined in the Indentures) as they become due and payable in accordance with the provisions of the Indentures.

The Series E (2013) Bonds are issuable in the form of fully registered Bonds in denominations of five thousand dollars (\$5,000) or any integral multiple thereof. The registered owner of any Series E (2013) Bond or Bonds may surrender the same (together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney) in exchange for an equal aggregate principal amount of Series E (2013) Bonds of any other authorized denominations in the manner, subject to the conditions and upon payment of the charges provided in the Indentures.

The registration of this Series E (2013) Bond is transferable on the registration books kept by the Trustee by the registered owner hereof or by his duly authorized attorney upon surrender of this Series E (2013) Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new Series E (2013) Bond or Bonds of authorized denominations in the same aggregate principal amount will be issued to the transferee in exchange therefor in the manner, subject to the conditions and upon payment of the charges provided in the Indentures. The City and the Trustee may deem and treat the person in whose name this Series E (2013) Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the interest hereon and principal hereof and redemption premium, if any, hereon and for all other purposes.

The rights and obligations of the City and of the registered owners of the Series E (2013) Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Indentures, but no such amendment shall (1) extend the maturity of this Series E (2013) Bond or reduce the interest rate hereon or otherwise alter or impair the obligation of the City to pay the interest hereon or the principal hereof or any Sinking Fund Account Payment herefor or the redemption premium, if any, hereon at the time and place and at the rate and in the currency and from the funds provided herein without the express written consent of the registered owner of this Series E (2013) Bond, or (2) permit the issuance by the City of any obligations payable from the proceeds of the Special Tax other than as provided in the Indentures, or jeopardize the ability of the City to levy and collect the Special Tax, or (3) reduce the percentage of Series E (2013) Bonds required for the written consent to an amendment or supplement of the Indentures, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto; all as more fully set forth in the Indentures.

The Series E (2013) Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction, and neither the City Council of the City nor the City nor any officer or employee thereof shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Series E (2013) Bonds otherwise than from the proceeds of the Special Tax and the other funds as provided in the Indentures.

This Series E (2013) Bond shall not be entitled to any benefits under the Indentures or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been signed by the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Series E (2013) Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Series E (2013) Bond, together with all other obligations of the City, does not exceed any limit prescribed by the laws of the State of California and is not in excess of the amount of Series E (2013) Bonds permitted to be issued under the Indentures.

IN WITNESS WHEREOF, the City of Sacramento has caused this Series E (2013) Bond to be executed in its name and on its behalf by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the City Clerk, and has caused its seal to be impressed or imprinted hereon, and has caused this Series E (2013) Bond to be dated July __, 2013.

CITY OF SACRAMENTO

By _____
Mayor

(Seal)

Countersigned:

City Clerk

[FORM OF CERTIFICATE OF AUTHENTICATION AND
REGISTRATION TO APPEAR ON SERIES E (2013) BONDS]

This is one of the Series E (2013) Bonds described in the within-mentioned Indentures which has been authenticated and registered on the date indicated below.

Date: _____

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By _____
Authorized Signatory

[FORM OF ASSIGNMENT TO APPEAR ON SERIES E (2013) BONDS]

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within Series E (2013) Bond and do(es) hereby irrevocably constitute and appoint _____ attorney to transfer the same on the bond register of the Trustee, with full power of substitution in the premises.

Dated: _____

SIGNATURE GUARANTEED BY:

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Series E (2013) Bond in every particular, without alteration or enlargement or any change whatsoever, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: _____

[FORM OF DTC ENDORSEMENT TO APPEAR ON SERIES E (2013) BONDS]

Unless this Series E (2013) Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to The Bank of New York Mellon Trust Company, N.A. for registration of transfer, exchange, or payment, and any Series E (2013) Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co., has an interest herein.

EXHIBIT B

ALLOCATION OF SERIES E (2013) BONDS TO REFUNDED BONDS

[SEE ATTACHED]

BOND PURCHASE CONTRACT

\$ _____
**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
STATE OF CALIFORNIA
SPECIAL TAX REFUNDING BONDS, SERIES E (2013)**

_____, 2013

City of Sacramento
915 I Street
Sacramento, California 95814

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**") offers to enter into this Bond Purchase Contract (this "**Purchase Contract**") with the City of Sacramento (the "**City**"), with respect to the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California (the "**CFD**").

Upon your acceptance of this offer, this Purchase Contract will be binding upon the City and the Underwriter. Terms not otherwise defined herein have the same meanings as set forth in the Indenture described below.

This offer is made subject to the acceptance by the City of this Purchase Contract on or before 11:59 p.m. on the date first set forth above.

1. Purchase and Sale of Bonds. Upon the terms and conditions and in reliance upon the representations, warranties, and covenants herein, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to sell to the Underwriter, all (but not less than all) of \$_____ aggregate principal amount of the special tax refunding bonds captioned above (the "**Bonds**") at a purchase price (the "**Purchase Price**") of \$_____ (being an amount equal to the par amount of the Bonds (\$_____)) plus an original issue premium of \$_____, and less an Underwriter's discount of \$_____.

2. Authorizing Instruments.

The Bonds will be issued by the City under:

- The Mello-Roos Community Facilities Act of 1982, as amended (the "**Act**");
- A resolution of the City Council of the City, adopted on _____, 2013 (the "**Resolution of Issuance**"); and
- A Master Indenture dated as of February 1, 1999, by and between the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the

“Trustee”), as supplemented and amended to date, and as supplemented and amended by a Fifth Supplemental Indenture dated as of July 1, 2013 (the “**Fifth Supplemental Indenture**” and, collectively, the “**Indenture**”), by and between the City and the Trustee.

3. Terms of the Bonds. The Bonds are payable from special taxes (the “**Special Taxes**”) levied under the Act on taxable property in the CFD. The Bonds will mature on the dates and in the principal amounts, and will bear interest at the rates, as set forth on Exhibit A hereto. The Underwriter agrees to make a bona fide public offering of all of the Bonds at the offering prices set forth on Exhibit A.

4. Preliminary Official Statement; Official Statement; Continuing Disclosure.

(a) The City agrees to deliver to the Underwriter as many copies of the Official Statement relating to the Bonds, dated the date of this Purchase Contract (as supplemented and amended from time to time, the “**Final Official Statement**”), as the Underwriter may reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (“**Rule 15c2-12**”). The City agrees to deliver such Final Official Statements within seven business days after the execution of this Purchase Contract, and in sufficient time to accompany any confirmation that requires payment from a customer. The Underwriter agrees to deposit the Final Official Statement with the Municipal Securities Rulemaking Board (the “**MSRB**”), which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of Rule 15c2-12, on or as soon as practicable after the Closing Date (as defined in Section 7 below). The Underwriter agrees to deliver a copy of the Final Official Statement to each of its customers purchasing Bonds no later than the settlement date of the transaction.

(b) The City has authorized and approved the Preliminary Official Statement relating to the Bonds dated _____, 2013 (the “**Preliminary Official Statement**”) and the Final Official Statement, and consents to their distribution and use by the Underwriter.

(c) In connection with issuance of the Bonds, and in order to assist the Underwriter with complying with Rule 15c2-12, the City will execute a continuing disclosure certificate (the “**Continuing Disclosure Certificate**”), under which the City will provide certain financial and operating data relating to the CFD as required by Rule 15c2-12. The form of the Continuing Disclosure Certificate will be attached as an appendix to the Preliminary and Final Official Statements.

5. Representations and Warranties of the City. The City makes the following representations and warranties to the Underwriter.

(a) Due Organization and Authority. The CFD has been duly formed and is validly existing as a community facilities district under the Act.

(b) Full Right, Power, and Authority. The City Council of the City has the full legal right, power, and authority to adopt the Resolution of Issuance, and the City has the full legal right, power, and authority -

(i) to enter into this Purchase Contract, the Fifth Supplemental Indenture and the Continuing Disclosure Certificate (collectively, the “**City Documents**”);

- (ii) to issue, sell, and deliver the Bonds,
- (iii) to secure the Bonds in the manner contemplated in the Indenture, and
- (iv) to carry out and consummate all other transactions on its part contemplated by the City Documents.

The City has complied with all provisions of applicable law, including the Act, in all matters relating to the adoption of the Resolution of Issuance, the formation of the CFD, the incurrence of bonded indebtedness for the CFD, and the levy of the Special Taxes within the CFD.

(c) Authorization of Documents; Consents and Approvals. The City Council has duly authorized:

- (i) the execution and delivery of the City Documents and the Final Official Statement, and the execution, delivery, and due performance of the City's obligations under the Bonds and the City Documents; and
- (ii) the taking of any and all such action as may be required on the part of the City to carry out, give effect to, and consummate the transactions on its part contemplated by the Bonds and the City Documents.

Except as may be required under blue sky or other securities laws of any state, all consents or approvals necessary to be obtained by the City in connection with the foregoing have been received, and the consents or approvals so received are still in full force and effect.

(d) Due Adoption of Resolution and Enforceability of Documents. The Resolution of Issuance has been duly adopted by the City Council and is in full force and effect; and the City Documents, when executed and delivered by the City and the other parties, will constitute legal, valid, and binding obligations of the City, enforceable against the City in accordance with their terms, except as enforceability thereof may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights generally and by the application of equitable principles.

(e) Enforceability of Bonds. When delivered to the Underwriter, the Bonds will have been duly authorized by the City and duly executed, issued, and delivered by the City, and will constitute legal, valid, and binding obligations of the City enforceable against the City in accordance with their terms, except as enforceability thereof may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights generally and by the application of equitable principles, and will be entitled to the benefit and security of the Resolution of Issuance and the Indenture.

(f) Preliminary and Final Official Statement. The information contained in the Preliminary Official Statement relating to the City and the CFD is true and correct in all material respects as of the date of the Preliminary Official Statement, and such information in the Final Official Statement will be, true, and correct in all material respects as of the Closing Date. The Preliminary Official Statement does not as of its date, and the Final Official Statement will not as of the Closing Date, contain any untrue

or misleading statement of a material fact relating to the City and the CFD, or omit to state any material fact relating to the City and the CFD necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) Supplements or Amendments to Official Statement. The City shall promptly notify the Underwriter in writing if, at any time prior to the earlier of (i) receipt of notice from the Underwriter that Final Official Statement is no longer required to be delivered under Rule 15c2-12 or (ii) the Closing Date (as described in Section 7 below), any event known to the officers of the City participating in the issuance of the Bonds occurs as a result of which the Final Official Statement as then amended or supplemented might include an untrue statement of a material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Any information supplied by the City for inclusion in any amendments or supplements to the Final Official Statement will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) No Conflicts. To the current, actual knowledge of the City, the adoption of the Resolution of Issuance, the issuance of the Bonds, the execution and delivery of the City Documents, the consummation of the transactions on the part of the City contemplated herein or therein, and the compliance by the City with the provisions hereof or thereof, will not conflict with, or constitute on the part of the City a violation of, or a breach of or default under -

(i) any material indenture, mortgage, commitment, note, or other agreement or instrument to which the City is a party or by which it is bound;

(ii) any provision of the Act or the State Constitution; or

(iii) any existing law, rule, regulation, ordinance, judgment, order, or decree to which the City (or the members of the City Council or any of its officers in their capacities as such) is subject,

that would have a material adverse affect on the ability of the City to perform its obligations under the Bonds and the City Documents.

(i) No Defaults. The City has never been in default at any time, as to principal of or interest on any obligation it has issued, which may have an adverse effect on the ability of the City to consummate the transactions on its part contained in the Bonds and the City Documents, except as specifically disclosed in the Final Official Statement; and other than the Bonds, the City has not entered into any contract or arrangement of any kind which might give rise to any lien or encumbrance on any of the Special Taxes.

(j) No Litigation. To the current, actual knowledge of the City, except as is specifically disclosed in the Final Official Statement, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or public body -

(i) that questions in any way the powers of the City Council;

(ii) that questions in any way the validity of any proceeding taken by the City Council in connection with the issuance of the Bonds;

(iii) that contests in any way the completeness or accuracy of the Final Official Statement;

(iv) wherein an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the financial condition of the City or on the transactions contemplated by this Purchase Contract or the Final Official Statement;

(v) that is likely to adversely affect the validity or enforceability of the Resolution of Issuance or the City Documents;

(vi) that questions in any way the exclusion from gross income of the recipients thereof of the interest on the Bonds for federal income tax purposes; or

(vii) that questions in any way the status of the Bonds under State tax laws or regulations.

(k) Certificates of the City. Any certificate signed by an official of the City authorized to execute such certificate and delivered to the Underwriter in connection with the transactions contemplated by this Purchase Contract shall be deemed a representation and warranty by the City to the Underwriter as to the truth of the statements therein contained.

(l) Security for the Bonds. The payment of debt service on the Bonds will be paid from the Special Taxes received by the City under the Indenture.

(m) Levy of Special Taxes. The Special Taxes have been and will be levied in accordance with the Rate and Method of Apportionment of Special Taxes relating to the CFD, and are secured by a lien on the property on which they are levied.

(n) Pledge of Special Taxes. The Indenture creates a valid pledge of, and first lien upon, the Special Taxes deposited thereunder and the moneys in certain funds and accounts established thereunder, subject in all cases to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(o) Prior Continuing Disclosure Undertakings. Except as may be disclosed in the Final Official Statement, the City has never failed to comply in all material respects with previous undertakings under Rule 15c2-12.

(p) Prior Bonded Assessment and Special Tax Liens. Except as disclosed in the Final Official Statement, there are, to the City's current and actual knowledge, no entities with outstanding assessment or special tax liens against any of the properties within the CFD.

6. Blue Sky. The City covenants with the Underwriter that the City will cooperate with the Underwriter (at the cost of the Underwriter) in qualifying the Bonds for offer and sale under the securities or Blue Sky laws of such jurisdictions of the United States as the Underwriter may reasonably request; provided, however, that the City shall not be required to consent to suit or to service of process, or to qualify to do business, in any jurisdiction. The City consents to the use by the Underwriter of the City Documents in the course of its compliance with the securities or Blue Sky laws of the various jurisdictions of the documents relating to the Bonds.

7. Closing.

(a) At 9:00 a.m. on _____, 2013, or at such other time or date as may be agreed upon by the City and the Underwriter (the "**Closing Date**"), the City will deliver or cause to be delivered to the Underwriter the Bonds in definitive form, duly executed by the authorized officers of the City, and authenticated by the Trustee, together with the other documents hereinafter mentioned, and the Underwriter will accept such delivery and pay the Purchase Price of the Bonds by making a wire transfer in federal funds payable to the order of the Trustee.

(b) The activities relating to the final execution and delivery of the Bonds and the payment therefor and the delivery of the resolutions, certificates, opinions, and other instruments as described in Section 9 of this Purchase Contract shall occur at the offices of Orrick, Herrington & Sutcliffe LLP, in Sacramento, California. The payment for the Bonds and simultaneous delivery of the Bonds to the Underwriter is herein referred to as the "**Closing**." The Bonds will be delivered as fully registered Bonds initially in denominations of \$5,000 each and any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, and will be made available for checking by the Underwriter at such place as the Underwriter and the Trustee agree not less than 24 hours prior to the Closing.

8. Termination Events. The Underwriter has the right to cancel its obligations to purchase the Bonds if between the date hereof and the Closing Date any of the following events occurs:

(a) the House of Representatives or the Senate of the Congress of the United States, or a committee of either, has pending before it, or passes or recommends favorably, legislation introduced previous to the date hereof, which legislation, if enacted in its form as introduced or as amended, would have the purpose or effect of imposing federal income taxation upon revenues or other income of the general character to be derived by the City or by any similar body under the Resolution of Issuance, the Indenture or the Act, or upon interest received on obligations of the general character of the Bonds, or of causing interest on obligations of the general character of the Bonds to be includable in gross income for purposes of federal income taxation, and such legislation, in the Underwriter's opinion, materially adversely affects the market price of the Bonds; or

(b) a tentative decision with respect to legislation is reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or legislation is favorably reported or re-reported by such a committee or introduced, by amendment or otherwise, in or passed by the House of Representatives or the Senate, or recommended to the Congress of the United States for passage by the President of

the United States, or enacted or a decision by a federal court of the United States or the United States Tax Court is rendered, or a ruling, release, order, regulation, or official statement (tentative, proposed or final) by or on behalf of the United States Treasury Department, the Internal Revenue Service, or other governmental agency is made or proposed to be made having the purpose or effect, or any other action or event occurs that has the purpose or effect, directly or indirectly, that (i) adversely affects the federal income tax consequences of owning the Bonds, including causing interest on the Bonds to be included in gross income for purposes of federal income taxation, or (ii) imposes federal income taxation upon revenues or other income of the general character to be derived by the City under the Resolution of Issuance or the Indenture, or upon interest received on obligations of the general character of the Bonds, or the Bonds, or (iii) which, in the opinion of the Underwriter, materially adversely affects the market price of or market for the Bonds; or

(c) legislation is enacted, or actively considered for enactment with an effective date prior to the Closing, or a decision by a court of the United States is rendered, the effect of which is that the Bonds are not exempt from the registration, qualification, or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Resolution of Issuance or the Indenture, as the case may be, is not exempt from the Trust Indenture Act of 1939, as amended and as then in effect; or

(d) a stop order, ruling, regulation, or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter is issued or made or any other event occurs, the effect of which is that the issuance, offering, or sale of the Bonds, or the execution and delivery of the Indenture as contemplated hereby or by the Final Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(e) any event occurs or any information becomes known to the Underwriter that causes the Underwriter to reasonably believe that the Final Official Statement as then amended or supplemented includes an untrue statement of a material fact, or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or

(f) there occurs any outbreak of hostilities or any national or international calamity or crisis, including a financial crisis, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the Bonds; or

(g) there is in force a general suspension of trading on the New York Stock Exchange, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the Bonds; or

(h) a general banking moratorium is declared by federal, New York, or State authorities; or

(i) any proceeding is pending or threatened by the Securities and Exchange Commission against the City; or

(j) additional material restrictions not in force as of the date hereof are imposed upon trading in securities generally by any governmental authority or by any national securities exchange which adversely affects the Underwriter's ability to sell the Bonds; or

(k) the New York Stock Exchange or other national securities exchange, or any governmental authority, imposes, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increases materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriter; or

(l) an amendment to the federal or State constitution is enacted or action is taken by any federal or State court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the City, its property, income, or securities (or interest thereon), the validity or enforceability of the Special Taxes or the ability of the City to issue the Bonds, or the levy of any of the Special Taxes, as contemplated by the Resolution of Issuance, the Indenture, this Purchase Agreement, and the Final Official Statement.

9. Conditions to Closing. The obligations of the Underwriter to purchase the Bonds shall be subject (i) to the performance by the City of its obligations to be performed hereunder at and prior to the Closing, (ii) to the accuracy as of the date hereof and as of the time of the Closing of the representations and warranties of the City herein, and (iii) to the following conditions, including the delivery by the City of such documents as are enumerated herein in form and substance satisfactory to the Underwriter:

(a) At the time of Closing, (i) the Final Official Statement, the Resolution of Issuance, the Indenture, the Continuing Disclosure Certificate, and this Purchase Contract shall be in full force and effect and shall not have been amended, modified, or supplemented except as may have been agreed to in writing by the Underwriter, and (ii) the CFD shall have been duly formed and there shall be in full force and effect such resolutions as, in the opinion of Orrick, Herrington & Sutcliffe LLP ("**Bond Counsel**"), are necessary in connection with the transactions contemplated hereby, including but not limited to the Resolution of Issuance.

(b) The Underwriter shall receive the Bonds at or prior to the Closing. The terms of the Bonds delivered shall in all instances be as described in Final Official Statement.

(c) At or prior to the Closing, the Underwriter shall receive the following documents in such number of counterparts as are agreeable to the Underwriter and the City:

(i) A final approving opinion of Bond Counsel dated the Closing Date substantially in the form attached as Appendix F to the Final Official Statement, together with a letter addressed to the Underwriter to the effect that such opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to the Underwriter.

(ii) A letter or letters of Bond Counsel addressed to the Underwriter in substantially the form attached hereto as Exhibit F.

(iii) A letter of Jones Hall, A Professional Law Corporation, as counsel to the Underwriter ("**Underwriter's Counsel**"), addressed to the City and the Underwriter, stating:

(A) without passing upon or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Final Official Statement and making no representation that Underwriter's Counsel has independently verified the accuracy, completeness, or fairness of any such statements, based upon the information made available to them in the course of their participation in the preparation of the Final Official Statement, nothing has come to such counsel's attention which would lead them to believe that the Final Official Statement, including the cover page (but excluding therefrom (i) the appendices thereto, financial statements and statistical data, and information regarding The Depository Trust Company and its book entry system, as to which no opinion need be expressed) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(B) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(iv) An opinion, dated the Closing Date and addressed to the Underwriter, of the City Attorney, in substantially the form attached hereto as Exhibit G.

(v) The Final Official Statement executed on behalf of the City by a duly authorized officer.

(vi) A certified copies of the Resolution of Issuance.

(vii) Specimen Bonds.

(viii) Evidence that Internal Revenue Service Form 8038 has been executed by the City and will be filed with the Internal Revenue Service.

(ix) Executed copies of the City Documents.

(x) A tax certificate executed by the City in form and substance satisfactory to Bond Counsel.

(xi) In connection with printing and distribution of the Preliminary Official Statement, an executed certificate of the City in the form attached hereto as Exhibit B.

(xii) A closing certificate of the City, in form and substance as set forth in Exhibit C hereto, dated as of the Closing Date.

(xiii) A certificate of NBS Government Finance Group, Temecula, California, as Special Tax Consultant, in form and substance as set forth in Exhibit D hereto, dated as of the Closing Date.

(xiv) A certificate of the City, in form and substance acceptable to the Underwriter and Underwriter's Counsel, dated as of the Closing Date, in connection with the prior continuing disclosure obligations of the City.

(xv) A certificate of the Trustee, in form and substance as set forth in Exhibit E hereto, dated as of the Closing Date.

(xvi) An opinion of counsel to the Trustee, dated as of the Closing Date, in form and substance satisfactory to the Underwriter and Bond Counsel.

(xvii) Evidence that the Bonds have been assigned a rating of "_____" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and that such rating has not been withdrawn or downgraded.

(xviii) Such additional legal opinions, certificates, proceedings, instruments, and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the City with legal requirements, the truth and accuracy, as of the time of Closing, of the representations of the City herein contained, and the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City.

If the City is unable to satisfy the conditions to the obligations of the Underwriter contained in this Purchase Contract, or if the obligations of the Underwriter to purchase and accept delivery of the Bonds are terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the City shall be under further obligation hereunder; except that their respective obligations to pay expenses, as provided in Section 12 hereof shall continue in full force and effect.

10. Conditions to the City's Obligations. The obligations of the City hereunder are subject to the performance by the Underwriter of its obligations hereunder and the Underwriter's delivery of an issue-price certificate in form and substance reasonably satisfactory to Bond Counsel.

11. Survival of Representations, Warranties, and Agreements. All representations, warranties, and agreements of the City hereunder shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter, and shall survive the Closing.

12. Expenses. The City shall pay or cause to be paid all reasonable expenses incident to the issuance of the Bonds and to the performance of its obligations under this Purchase Contract, including but not limited to (i) costs of delivery of the Bonds and this Purchase Contract, (ii) costs of printing the Preliminary Official Statement, the Final Official

Statement, any amendment or supplement to the Preliminary Official Statement or Final Official Statement, and (iii) fees and disbursements of Bond Counsel, any financial advisor and other consultants, including the fees and expenses of the rating agency, Special Tax Consultant and the Trustee.

The Underwriter shall pay all advertising expenses in connection with the public offering of the Bonds, and all other expenses incurred by it in connection with its public offering and distribution of the Bonds, including without limitation the fees and expenses of its counsel.

13. No Fiduciary Duty. The City and the Underwriter acknowledge and agree that -

(i) the purchase and sale of the Bonds under this Purchase Contract is an arm’s-length commercial transaction between the City and the Underwriter;

(ii) in connection therewith, and with the discussions, undertakings, and procedures leading up to the consummation of the purchase and sale of the Bonds under this Purchase Contract, the Underwriter is and has been acting solely as principal and is not acting as the agent or fiduciary of the City;

(iii) the Underwriter has not assumed a fiduciary responsibility in favor of the City with respect to (a) the offering of the Bonds contemplated hereby or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the City on other matters), or (b) any other obligation to the City with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract; and

(iv) the City and the Underwriter have consulted their own legal, financial, and other advisors to the extent they have deemed appropriate in connection with this transaction.

Nothing in this section is intended to limit the Underwriter’s obligations of fair dealing under MSRB Rule G-17.

14. Notices. Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to:

City of Sacramento
915 I Street
Historic City Hall, 3rd Floor
Sacramento, California 95814
Attention: City Treasurer

Any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to:

Stifel Nicolaus & Company, Incorporated
One Ferry Building
San Francisco, California 94111
Attention: Public Finance Department

15. Benefit. This Purchase Contract is made solely for the benefit of the City and the Underwriter (including the successors or assigns of the Underwriter), and no other person, including any purchaser of the Bonds, shall acquire or have any right hereunder or by virtue hereof.

16. Governing Law. This Purchase Contract shall be governed by and construed in accordance with the laws of the State of California.

17. Effective Date. This Purchase Contract shall become effective upon acceptance hereof by the City.

18. Counterparts. This Purchase Contract may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

19. Severability. If any provision of this Purchase Contract is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____
Authorized Representative

Accepted and agreed to as of
the date first above written:

CITY OF SACRAMENTO

By: _____
Russell T. Fehr,
City Treasurer

Time of Execution: _____

EXHIBIT A

\$ _____
NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
STATE OF CALIFORNIA
SPECIAL TAX REFUNDING BONDS, SERIES E (2013)

\$ _____ Serial Bonds

<u>Maturity</u> (September 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
----------------------------------	-----------------------------------	--------------------------------	--------------	--------------

_____ C = Priced to the optional redemption date of _____ 1, 20__.

EXHIBIT B

**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
STATE OF CALIFORNIA
SPECIAL TAX REFUNDING BONDS, SERIES E (2013)**

CERTIFICATE REGARDING PRELIMINARY OFFICIAL STATEMENT

I, Russell T. Fehr, hereby state and certify as follows:

(i) I am the duly appointed, qualified, and acting Treasurer of the City of Sacramento (the "City"), a municipal corporation duly organized and existing under its charter and the Constitution and laws of the State. As such, I am familiar with the facts herein certified and am authorized and qualified to certify those facts.

(ii) With respect to the above-captioned bonds (the "Bonds"), the City has deemed the Preliminary Official Statement dated _____, 2013, including the cover page and all appendices thereto, to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, except for information permitted to be omitted therefrom by Rule 15c2-12.

Dated as of _____, 2013

CITY OF SACRAMENTO

By _____
Russell T. Fehr,
City Treasurer

EXHIBIT C

\$ _____
NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
STATE OF CALIFORNIA
SPECIAL TAX REFUNDING BONDS, SERIES E (2013)

CITY CLOSING CERTIFICATE

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the City of Sacramento (the "City") and is authorized to execute this Certificate in connection with the issuance of the bonds captioned above (the "Bonds"), and further hereby certifies and reconfirms on behalf of the City as follows:

(1) The representations, warranties, and covenants of the City contained in that certain Bond Purchase Contract between the City and Stifel, Nicolaus & Company, Incorporated, dated _____, 2013 (the "Purchase Contract"), are true and correct and in all material respects as of the date hereof as if made on the date hereof.

(2) The City has complied with all agreements, covenants, and conditions to be complied with by the City under the Indenture and the Purchase Contract as of the date hereof.

Capitalized terms not defined herein have the same meaning as is set forth in the Purchase Contract.

Dated: _____, 2013

CITY OF SACRAMENTO

By: _____
Russell T. Fehr,
City Treasurer

EXHIBIT D

\$ _____
NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
STATE OF CALIFORNIA
SPECIAL TAX REFUNDING BONDS, SERIES E (2013)

CERTIFICATE OF SPECIAL TAX CONSULTANT

NBS Government Finance Group (the "Special Tax Consultant"), Temecula, California, was retained as Special Tax Consultant and has reviewed the Rate and Method of Apportionment of Special Tax (the "Rate and Method of Apportionment") for the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, all as set forth in Appendix B to the Official Statement (the "Official Statement") dated _____, 2013, relating to the bonds captioned above (the "Bonds"), and the summaries and descriptions of each Rate and Method of Apportionment contained in the Official Statement.

Based upon such review, the Special Tax Consultant hereby certifies as follows:

(a) The Special Tax levied under the Rate and Method of Apportionment, if levied in the maximum amounts permitted pursuant to the special tax formula set forth in the Rate and Method of Apportionment on the date hereof, would be levied in a combined amount equal to the projected debt service on the Bonds, provided that the annual debt service figures in the debt service schedules contained in the Official Statement, which were relied upon by Special Tax Consultant, are substantially true and correct.

Although the Special Tax, if levied in the maximum amounts pursuant to the special tax formula set forth in the Rate and Method of Apportionment, would be levied in an amount equal to the projected debt service on the Bonds, no representation is made herein as to actual amounts that will be collected in future years.

(b) Except as disclosed in the Final Official Statement, there are, to the best of the Special Tax Consultant's knowledge, after reasonable and diligent investigation of records made available by the County, no entities with outstanding assessment or special tax liens against any of the properties within the CFD.

(c) All summaries of and information with respect to the Rate and Method of Apportionment in the Official Statement, the information in Tables 1 through 11 in the Official Statement, and all other information provided by the Special Tax Consultant for inclusion in the Official Statement, are true and correct as of the date of the Official Statement and as of the date hereof.

Capitalized terms not defined herein have the same meanings as is set forth in the Official Statement.

Dated: _____, 2013

NBS GOVERNMENT FINANCE GROUP

By: _____

Title: _____

EXHIBIT E

\$ _____
**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
STATE OF CALIFORNIA
SPECIAL TAX REFUNDING BONDS, SERIES E (2013)**

CERTIFICATE OF TRUSTEE

The undersigned hereby states and certifies that he or she is an authorized officer of The Bank of New York Mellon Trust Company, N.A. (the "Bank"), as trustee under a Master Indenture dated as of February 1, 1999, by and between the City and BNY Western Trust Company (predecessor-in-interest to the Bank), as supplemented and amended to date, and as supplemented by a Fifth Supplemental Indenture dated as of July 1, 2013 (as supplemented and amended, the "Indenture"), by and between the City and the Bank, as trustee, relating to the bonds captioned above (the "Bonds"), and as escrow agent under the Escrow Agreement dated as of July 1, 2013 (the "Escrow Agreement"), by and between the City and the Bank, with respect to the refunding of certain outstanding special tax bonds of the City.

As such, the undersigned is familiar with the following facts and is authorized and qualified to certify the following facts on behalf of the Bank:

(1) The Bank is duly organized and existing as a national banking association under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Indenture and the Escrow Agreement, and to perform its duties under the Indenture and the Escrow Agreement .

(2) The Indenture and the Escrow Agreement have been duly authorized, executed, and delivered by the Bank.

(3) To the best knowledge of the Bank, after due inquiry, there is no action, suit, proceeding, or investigation, at law or in equity, before or by any court or governmental agency, public board, or body pending against the Bank or threatened against the Bank that, in the reasonable judgment of the Bank, would affect the existence of the Bank or in any way contesting or affecting the validity or enforceability of the Indenture or contesting the powers of the Bank or its authority to enter into and perform its obligations under the Indenture and the Escrow Agreement.

Dated: _____, 2013

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
as Trustee and Escrow Agent

By _____
Authorized Officer

EXHIBIT F

SUPPLEMENTAL OPINION OF BOND COUNSEL

[Closing Date]

Stifel, Nicolaus & Company, Incorporated
San Francisco, California

North Natomas Community Facilities District No. 4
City of Sacramento, County of Sacramento
State of California
Special Tax Refunding Bonds, Series E (2013)

(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as Underwriter, pursuant to Section 9(c)(ii) of the Bond Purchase Contract, dated _____, 2013 (the "Purchase Contract"), between you and the City of Sacramento (the "City"), providing for the purchase of \$_____ principal amount of North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Refunding Bonds, Series E (2013) (the "Bonds"). The Bonds are being issued pursuant to a Master Indenture, dated as of February 1, 1999 as supplemented and amended (the "Master Indenture"), including as supplemented and amended by a Fifth Supplemental Indenture, dated as of July 1, 2013 (the "Fifth Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), each by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture or, if not defined in the Indenture, in the Purchase Contract.

In connection with our role as bond counsel to the City, we have reviewed the Indenture; the Purchase Contract; the Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by the City; opinions of counsel to the City and the Trustee; certificates of the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to provide the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in

the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Tax Certificate and the Purchase Contract and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. We express no opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the rate and method of apportionment of the Special Tax or the validity of the Special Tax levied upon any individual parcel. Finally, we undertake no responsibility for the accuracy, except as expressly set forth in numbered paragraph 3 below, completeness or fairness of the Official Statement, dated _____, 2013 (the "Official Statement"), or other offering material relating to the Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

2. The Purchase Contract has been duly executed and delivered by, and is a valid and binding agreement of, the City.

3. The statements contained in the Official Statement under the captions "THE BONDS," "SECURITY FOR THE BONDS," and "LEGAL MATTERS – Tax Exemption" and contained in APPENDIX C – "SUMMARY OF THE INDENTURE" and APPENDIX F – "PROPOSED FORM OF OPINION OF BOND COUNSEL," excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Indenture, and the form and content of our final legal opinion as bond counsel to the City concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the City, are accurate in all material respects.

This letter is furnished by us as bond counsel to the City. No attorney-client relationship has existed or exists between our firm and you in connection with the Bonds or by virtue of this letter. Our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this letter. This letter is delivered to you as underwriter of the Bonds is solely for your benefit as such underwriter and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by the owners of Bonds or any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

EXHIBIT G

OPINION OF THE CITY ATTORNEY

Stifel, Nicolaus & Company, Incorporated
One Ferry Building, Suite 275
San Francisco, California 94111

Re: **North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Refunding Bonds, Series E (2013)**

Ladies and Gentlemen:

We have been acting as legal counsel for the City of Sacramento (the “**City**”) in connection with the issuance and delivery of \$_____ principal amount of North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Refunding Bonds, Series E (2013) (the “**Bonds**”). The Bonds are being issued under a Master Indenture dated as of February 1, 1999, by and between the City and BNY Western Trust Company, as supplemented and amended to date, and as supplemented by a Fifth Supplemental Indenture dated as of July 1, 2013 (as supplemented and amended, the “**Indenture**”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee. We are providing this opinion to you in connection with the Bond Purchase Contract, dated _____, 2013, between the City and Stifel, Nicolaus & Company, Incorporated (the “**Purchase Contract**”), which among other things provides for the purchase of the Bonds in the aggregate principal amount of \$_____. Unless otherwise defined in this opinion, or unless the context otherwise requires, the capitalized terms used below have the meanings given them in the Indenture or, if not defined in the Indenture, in the Purchase Contract.

This opinion is governed by, and is to be interpreted in accordance with, the Legal Opinions Accord included in the *Third-Party Legal Opinion Report of the ABA Section of Business Law (1991)*. This opinion is also governed by, and is to be interpreted in accordance with, the “California Provisions” set out in the *Business Law Section of the State Bar of California Report on the Third-Party Legal Opinion Report of the ABA Section of Business Law (dated May 1992)*. As a consequence, this opinion is subject to a number of qualifications, exceptions, definitions, limitations on coverage, understandings, and other matters, all as more particularly described in the Legal Opinions Accord and the California Provisions, and it must be read in conjunction with those documents.

We have examined the Indenture and the Purchase Contract (collectively, the “**City Documents**”) and the Bonds. Based on that examination and on our examination of such other information, papers, and documents as we considered necessary or advisable to examine before rendering an opinion (including the Constitution and laws of the State and the governing instruments, ordinances, and public proceedings of the City), we have concluded that the following statements are accurate as of the date of this opinion:

1. The City is a charter city duly organized and validly existing under its charter and the Constitution and laws of the State, with full right and lawful authority (a) to adopt the Resolution of Issuance; (b) to sign and deliver the City Documents, the Bonds, and all

- related documents; (c) to perform its obligations under the documents identified in clause (b) of this paragraph; and (d) to issue the Bonds.
2. The North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, is a community facilities district duly organized and validly existing under the laws of the State, including the Mello-Roos Community Facilities Act of 1982 set out in the California Government Code beginning with section 53311 (the “**Mello-Roos Act**”).
 3. The City has duly and validly authorized, executed, and delivered the City Documents and the Bonds. Hence, the City Documents and the Bonds constitute legal, valid, and binding obligations of the City, enforceable against the City in accordance with their terms, except as enforcement may be limited by—
 - (a) bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors’ rights generally (including but not limited to fraudulent conveyance laws); or
 - (b) general principles of equity, including but not limited to concepts of materiality, reasonableness, and good faith and fair dealing; or
 - (c) the possible unavailability of specific performance or injunctive relief, whether in a proceeding in equity or at law; or
 - (d) the exercise of judicial discretion in appropriate cases or the limitations on legal remedies against public entities in the State.
 4. At a public meeting called and held according to law with all public notice required by law and at which a quorum was present and acting throughout, the Sacramento City Council (the “**City Council**”) duly adopted the Resolution of Issuance, which is in full force and effect and has not been amended, modified, or rescinded.
 5. The City Council’s adoption of the Resolution of Issuance; the City’s execution and delivery of the City Documents, the Bonds, the Final Official Statement, and all related documents; the consummation of the transactions described in the Resolution of Issuance, the City Documents, and all related documents; and the City’s compliance with the Resolution of Issuance, the City Documents, the Bonds, and all related documents do not and will not in any material way—
 - (a) conflict with, or constitute on the part of the City a violation of, or a breach of or default under, any material indenture, mortgage, commitment, note, or other agreement or instrument to which the City is a party or by which it is bound; or
 - (b) violate the City’s charter, the Mello-Roos Act, or the State Constitution; or
 - (c) violate any existing law, rule, regulation, ordinance, judgment, order, or decree that applies to the City or to the members of the City Council or any of the City’s officers in his or her capacity as an officer.
 6. Except as described in the Official Statement, to our current, actual knowledge the City has

not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or public body—

- (a) that questions in any way the powers of the City Council in connection with the issuance of the Bonds; or
- (b) that questions in any way the validity of any proceeding taken by the City Council in connection with the issuance of the Bonds; or
- (c) in which an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the financial condition of the City or on the transactions described in the Purchase Contract; or
- (d) that is likely to adversely affect the validity or enforceability of the Resolution of Issuance, the Bonds, or the City Documents; or
- (e) that questions in any other way the status of the Bonds under State tax laws or regulations.

• • •

We express no opinion about any indemnification or contribution provision in the City Documents. We also express no opinion about the City's financial capacity or lack of financial capacity. Finally, we express no opinion about the state or federal laws that pertain to the tax-exempt status of the Bonds.

Sincerely yours,

James Sanchez
City Attorney

By: _____
Joseph Cerullo
Senior Deputy City Attorney

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2013

NEW ISSUE

Rating: S&P: "_____"
See "RATING."

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "LEGAL MATTERS – Tax Exemption."

\$ _____ *
**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
STATE OF CALIFORNIA
SPECIAL TAX REFUNDING BONDS, SERIES E (2013)**

Dated: Date of Delivery

Due: September 1, as shown on inside cover.

Authority for Issuance. The bonds captioned above (the "Bonds") are being issued by the City of Sacramento (the "City"), under authority conferred on it by its North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California (the "District"), under the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), a resolution of the City Council of the City adopted on June 25, 2013, and a Master Indenture dated as of February 1, 1999, by and between the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as supplemented and amended to date, and as supplemented and amended by a Fifth Supplemental Indenture dated as of July 1, 2013 (collectively, the "Indenture"), by and between the City and the Trustee. See "THE BONDS – Authority for Issuance."

Security and Sources of Payment. The Bonds are secured by and payable from proceeds of Special Taxes (as defined in this Official Statement) levied on property within the District according to the rate and method of apportionment of special tax approved by the City Council and the eligible landowner voters in the District. The Bonds are also secured by and payable from moneys on deposit in certain funds held by the Trustee under the Indenture. See "SECURITY FOR THE BONDS."

Use of Proceeds. The Bonds are being issued to (a) refund certain outstanding series of special tax bonds of the City previously issued for the District, (b) fund a debt service reserve fund for the Bonds and (c) pay the costs of issuing the Bonds. See "FINANCING PLAN."

Bond Terms. Interest on the Bonds is payable on March 1, 2014, and semiannually thereafter on each March 1 and September 1. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. The Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. See "THE BONDS – General Bond Terms" and "APPENDIX D – DTC and the Book-Entry Only System."

Redemption. The Bonds are subject to optional redemption, extraordinary redemption from prepaid Special Taxes, and mandatory sinking fund redemption before maturity. See "THE BONDS - Redemption."

THE BONDS ARE SPECIAL TAX OBLIGATIONS OF THE CITY AND THE INTEREST ON AND PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE BONDS ARE PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAXES AND THE OTHER FUNDS PROVIDED IN THE INDENTURE FOR SUCH PAYMENT. THE CITY IS NOT OBLIGATED TO PAY THE BONDS EXCEPT FROM THE PROCEEDS OF THE SPECIAL TAXES AND SUCH OTHER FUNDS. THE GENERAL FUND OF THE CITY IS NOT LIABLE AND THE FULL FAITH AND CREDIT OF THE CITY IS NOT PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS, AND NO TAX OR ASSESSMENT OTHER THAN THE SPECIAL TAX WILL EVER BE LEVIED OR COLLECTED TO PAY THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THE PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE MONEY IN THE SPECIAL TAX FUND AND SUCH OTHER FUNDS. THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS IS NOT A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE CITY.

MATURITY SCHEDULE

(see inside cover)

This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the Bonds involves risks that may not be appropriate for some investors. See "BONDOWNERS' RISKS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Orrick, Herrington & Sutcliffe LLP, bond counsel to the City, and subject to certain other conditions. Certain legal matters will be passed upon for the City by the Office of the City Attorney. Jones Hall, A Professional Law Corporation, San Francisco, California, is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery on or about _____, 2013.



This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

The date of this Official Statement is: _____, 2013.

* Preliminary; subject to change.

MATURITY SCHEDULE*

\$ _____
(Base CUSIP†: _____)

Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP†
---------------------------	---------------------	------------------	-------	--------

† Copyright 2013, American Bankers Association. CUSIP data in this Official Statement are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of CUSIP data.

* Preliminary; subject to change.

CITY OF SACRAMENTO

CITY COUNCIL

Kevin Johnson, *Mayor*
Angelique Ashby, *Vice Mayor, District 1*
Allen Wayne Warren, *District 2*
Steve Cohn, *District 3*
Steve Hansen, *District 4*
Jay Schenirer, *District 5*
Kevin McCarty, *District 6*
Darrell Fong, *District 7*
Bonnie Pannell, *District 8*

ADMINISTRATIVE OFFICERS

John F. Shirey, *City Manager*
John Dangberg, *Assistant City Manager*
Russell T. Fehr, *City Treasurer*
Shirley Concolino, MMC, *City Clerk*
Leyne Milstein, *Finance Director*
James C. Sanchez, *City Attorney*

PROFESSIONAL SERVICES

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP

UNDERWRITER'S COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

SPECIAL TAX CONSULTANT

NBS Government Finance Group
Temecula, California

VERIFICATION AGENT

Causey Demgen & Moore, P.C.
Denver, Colorado

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement. If given or made, such other information or representation must not be relied on as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement constitutes neither an offer to sell nor the solicitation of an offer to buy in any state in which the offer or solicitation is not authorized or the person making the offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make the offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion it contains are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City, the District, any other parties described in this Official Statement, or in the condition of property within the District since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose. It is not a contract with the purchasers of the Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions, and do not purport to be complete statements, of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may overallocate or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue that market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as an agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds Exempt from Securities Laws Registration. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance on exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. The statements are generally identifiable by terminology such as "plan," "expect," "estimate," or "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN FORWARD-LOOKING STATEMENTS MADE IN THIS OFFICIAL STATEMENT INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY THE STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH THE STATEMENTS ARE BASED OCCUR.

Internet Site. The City maintains an Internet website, but the information that it contains is not incorporated in this Official Statement.

[REGIONAL MAP]

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION	1	Direct and Overlapping Governmental	
FINANCING PLAN	3	Obligations	33
Refunding Plan	3	BOND OWNERS' RISKS	36
Estimated Sources and Uses of Funds ..	4	Limited Obligation to Pay Debt Service ..	36
THE BONDS	5	Levy and Collection of the Special Taxes	
Authority for Issuance	5	36
General Bond Terms	5	Limitations Relating To Allocated Share Of	
Redemption	6	Annual Costs	37
Registration, Transfer and Exchange	8	Payment of Special Taxes Is Not a	
No Issuance of Additional Bonds	8	Personal Obligation of the Property	
Debt Service Schedule	9	Owners	37
SECURITY FOR THE BONDS	10	Property Values	38
General	10	Other Possible Claims Upon the Property	
Limited Obligation	10	Values	41
Special Taxes	10	Enforcement of Special Taxes on	
Rate and Method	11	Governmentally Owned Properties	41
Covenant to Foreclose	13	Depletion of Bond Reserve Fund	43
Special Tax Fund	15	Bankruptcy Delays	43
Investment of Moneys in Funds	17	Disclosure to Future Purchasers	43
THE DISTRICT	20	No Acceleration	43
Formation and Background	20	Loss of Tax Exemption	44
Location and Description	20	Voter Initiatives	44
Tax Zones	20	Secondary Market for Bonds	45
Special Tax Revenues and Projected Debt		LEGAL MATTERS	46
Service Coverage	21	Legal Opinions	46
Allocated Share of Annual Costs and		Tax Exemption	46
Limited Obligations of Each Tax Zone	22	No Litigation	48
Land Use and Development Status	24	CONTINUING DISCLOSURE	48
Assessed Property Values and Value-to-		VERIFICATION OF MATHEMATICAL	
Burden Ratios	27	ACCURACY	49
Value-to-Burden Ratios	28	RATING	49
Major Property Owners	31	UNDERWRITING	49
Delinquencies	32	PROFESSIONAL FEES	50
Potential Consequences of Special Tax			
Delinquencies	32		
APPENDIX A – General Information About the City of Sacramento and Sacramento County			
APPENDIX B – Rate and Method of Apportionment			
APPENDIX C – Summary of the Indenture			
APPENDIX D – DTC and the Book-Entry Only System			
APPENDIX E – Form of Issuer Continuing Disclosure Certificate			
APPENDIX F – Proposed Form of Opinion of Bond Counsel			
APPENDIX G – District Boundary Map			

OFFICIAL STATEMENT

\$ _____ *

**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
STATE OF CALIFORNIA
SPECIAL TAX REFUNDING BONDS, SERIES E (2013)**

INTRODUCTION

This Official Statement, including the cover page, inside cover and attached appendices, is provided to furnish information regarding the bonds captioned above (the “**Bonds**”) to be issued by the City of Sacramento (the “**City**”), under authority conferred on it by its North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California (the “**District**”).

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, the inside cover and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms used but not defined in this Official Statement have the definitions given in the Indenture (as defined below).

Authority for Issuance of the Bonds. The Bonds are being issued under the Mello-Roos Community Facilities Act of 1982, as amended (the “**Act**”), a resolution of the City Council of the City adopted on June 25, 2013 (the “**Resolution of Issuance**”), and a Master Indenture dated as of February 1, 1999, by and between the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “**Trustee**”), as supplemented and amended to date, and as supplemented and amended by a Fifth Supplemental Indenture dated as of July 1, 2013 (collectively, the “**Indenture**”), by and between the City and the Trustee. See “THE BONDS – Authority for Issuance.”

The District. The District currently includes 8,770 parcels developed with single-family detached homes, condominiums, and commercial/retail properties, that are currently subject to the levy of the Special Taxes (as defined below). The District is located in the northern part of the City, adjacent to its border with the County of Sacramento (the “**County**”), in an area known as North Natomas.

The District was formed and established by the City Council of the City (the “**City Council**”) under the Act, a resolution adopted by the City Council following a public hearing, and a landowner election at which the qualified electors of the District authorized the City to incur bonded indebtedness for the District and approved the levy of special taxes. See “THE DISTRICT – Formation and Background.”

The City. For economic and demographic information regarding the area in and around the City, see “APPENDIX A.”

Purpose of the Bonds. The Bonds are being issued to (a) refund certain outstanding series of special tax bonds of the City previously issued for the District (the “**Prior Bonds**”), (b) fund a debt service reserve fund for the Bonds and (c) pay the costs of issuing the Bonds. See “FINANCING PLAN.”

Redemption of Bonds Before Maturity. The Bonds are subject to optional redemption, extraordinary redemption from prepaid Special Taxes, and mandatory sinking fund redemption before maturity. See “THE BONDS – Redemption.”

Security and Sources of Payment for the Bonds. The City annually levies special taxes on the property in the District (the “**Special Taxes**”) in accordance with the Rate and Method of Apportionment of Special Tax (the “**Rate and Method**”) approved by the qualified electors of the District. The Bonds are secured by and payable from the proceeds of the Special Taxes. The Bonds will also be secured by and payable from moneys on deposit in certain funds established and held by the Trustee under the Indenture. See “SECURITY FOR THE BONDS.”

Limited Obligations of Each Tax Zone. The Rate and Method delineates four Tax Zones within the District, and provides that each Tax Zone is responsible only for its allocated share of the “Annual Costs” for each year (generally defined as debt service, administrative expenses, replenishment of the bond reserve fund, and delinquencies for the previous fiscal year plus those anticipated in the current fiscal year). Accordingly, although the Bonds are payable on a parity from available money in the Special Tax Fund, a type of limited cross-collateralization exists among Tax Zones, in that each Tax Zone’s responsibility for Annual Costs is limited to that Tax Zone’s allocated share. See “SECURITY FOR THE BONDS – Rate and Method,” APPENDIX B and “THE DISTRICT – Allocated Share of Annual Costs and Limited Obligations of Each Tax Zone.”

Covenant to Foreclose. The City has covenanted in the Indenture to cause foreclosure proceedings to be commenced and prosecuted against parcels with delinquent installments of the Special Taxes under certain conditions. See “SECURITY FOR THE BONDS – Covenant to Foreclose.”

Risk Factors Associated with Purchasing the Bonds. Investment in the Bonds involves risks that may not be appropriate for some investors. See “BOND OWNERS’ RISKS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Bonds.

FINANCING PLAN

Refunding Plan

The Prior Bonds consist of four series of special tax bonds previously issued for the purpose of financing certain public improvements within the District, as follows:

- North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds, Series A (1999) (the "**Series A Bonds**"), which were issued in the original principal amount of \$16,215,000 and are currently outstanding in the principal amount of \$11,455,000;
- North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds, Series B (2001) (the "**Series B Bonds**"), which were issued in the original principal amount of \$12,750,000 and are currently outstanding in the principal amount of \$12,300,000;
- North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds, Series C (2003) (the "**Series C Bonds**"), which were issued in the original principal amount of \$29,765,000 and are currently outstanding in the principal amount of \$27,930,000; and
- North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds, Series D (2006) (the "**Series D Bonds**"), which were issued in the original principal amount of \$26,210,000 and are currently outstanding in the principal amount of \$24,175,000.

See "THE DISTRICT – Formation and Background."

All the outstanding Prior Bonds will be redeemed in full, on a current basis, on September 1, 2013 (the "**Redemption Date**"), at the redemption prices listed below (expressed as a percentage of the principal amount of each series to be redeemed), together with interest coming due and payable on the Redemption Date.

Series A Bonds	100%
Series B Bonds	100%
Series C Bonds	101%
Series D Bonds	103%

In order to accomplish the refunding plan, a portion of the net proceeds of the Bonds, together with certain other funds on hand with respect to the Prior Bonds, will be transferred to The Bank of New York Mellon Trust Company, N.A., as escrow agent for the Prior Bonds (the "**Escrow Agent**"), for deposit into an escrow fund (the "**Escrow Fund**") to be established under an Escrow Agreement dated as of July 1, 2013, between the City and the Escrow Agent.

The Escrow Agent will hold the amounts on deposit in the Escrow Fund in cash, uninvested. These funds will be sufficient to pay and redeem the Prior Bonds in full on the Redemption Date. See "VERIFICATION OF MATHEMATICAL ACCURACY."

Amounts on deposit in the Escrow Fund are not available to pay debt service on the Bonds.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds related to the Bonds is set forth below.

SOURCES

Principal Amount of Bonds	\$
<i>Plus/Less: Net Original Issue Premium/Discount</i>	
<i>Plus: Funds Related to Prior Bonds</i>	
<i>Total Sources</i>	\$

USES

Deposit into Escrow Fund [1]	\$
Deposit into Bond Reserve Fund [2]	
Deposit into Costs of Issuance Account [3]	
Underwriter's Discount	
<i>Total Uses</i>	\$

[1] Will be used to defease and refund the Prior Bonds. See “–Refunding Plan” above.

[2] Equal to the Reserve Requirement with respect to the Bonds as of their date of delivery.

[3] Includes, among other things, the fees and expenses of Bond Counsel, the cost of printing the Preliminary Official Statement and Final Official Statement, fees and expenses of the Trustee and Escrow Agent, and fees of the Verification Agent, rating agency, and Special Tax Consultant.

THE BONDS

This section generally describes the terms of the Bonds contained in the Indenture, which is summarized in more detail in APPENDIX C. Capitalized terms used but not defined in this section are defined in APPENDIX C.

Authority for Issuance

The Bonds are issued under the Act, the Resolution of Issuance and the Indenture. Under the Resolution of Issuance, the Bonds may be issued in a maximum principal amount of \$_____.

General Bond Terms

Dated Date, Maturity and Authorized Denominations. The Bonds will be dated their date of delivery and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple of \$5,000.

Calculation of Interest. Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will bear interest at the annual rates set forth on the inside cover page of this Official Statement, payable semiannually on each March 1 and September 1, commencing March 1, 2014 (each, an “**Interest Payment Date**”).

Each Bond will bear interest from the Interest Payment Date next preceding its date of authentication, unless it is authenticated on a day during the period from the 16th day of the month next preceding an Interest Payment Date to such Interest Payment Date, both dates inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on a day on or before the 15th day of the month next preceding the first Interest Payment Date, in which event it will bear interest from its date; provided, that if at the time of authentication of any Bond interest is then in default on any Outstanding Bonds, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

DTC and Book-Entry Only System. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered initially in the name of Cede & Co. (DTC’s partnership nominee). See APPENDIX D – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Payments of Interest and Principal. *For so long as DTC is used as depository for the Bonds, principal of, premium, if any, and interest payments on the Bonds will be made solely to DTC or its nominee, Cede & Co., as registered owner of the Bonds, for distribution to the beneficial owners of the Bonds in accordance with the procedures adopted by DTC.*

Payment of interest on the Bonds due on or before the maturity or prior redemption thereof will be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to the Indenture as the registered owner thereof at the close of business as of the 15th day of the month next preceding each Interest Payment Date, such interest to be paid by check mailed by first class mail to such registered owner at his address as it appears on such books (except that in the case of a Holder of \$1,000,000 or more in aggregate principal amount of Outstanding Bonds, payment will be made at such Holder’s option by federal wire transfer of immediately available funds according to written instructions provided by such Holder to the Trustee at least 15 days before such

interest payment date to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the United States of America).

Payment of the principal of and redemption premiums, if any, on the Bonds will be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to the Indenture as the registered owner thereof, such principal and redemption premiums, if any, to be paid only on the surrender of the Bonds at the Principal Corporate Trust Office of the Trustee at maturity or on redemption prior to maturity.

Redemption

Optional Redemption. The Bonds maturing on or after September 1, 20__, are subject to optional redemption by the City prior to their respective stated maturity dates, as a whole or in part on any date on or after March 1, 20__, from any source of available funds, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

Extraordinary Redemption from Special Tax Prepayments. The Bonds are subject to extraordinary redemption by the City prior to their respective stated maturity dates, as a whole or in part on any Interest Payment Date, solely from prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at the following redemption prices (expressed as a percentage of the principal amount of Bonds or portions thereof called for redemption), together with accrued interest thereon to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date through March 1, 20__	%
September 1, 20__ and March 1, 20__	
September 1, 20__ and any Interest Payment Date thereafter	100%

Mandatory Sinking Fund Redemption. Under the Indenture, Sinking Fund Account Payments are established for the mandatory redemption and payment of the Bonds maturing on September 1, 20__, which will become due during the years ending on the dates and in the amounts set forth in the table below.

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount To Be Redeemed</u>
---	--

(Maturity)

However, if any of the Bonds maturing on September 1, 20__ are optionally redeemed as described above, the amounts of the Sinking Fund Account Payments for the Bonds maturing on September 1, 20__ will be reduced proportionately by the principal amount of all such Bonds so optionally redeemed.

Selection of Bonds for Redemption. If less than all the Outstanding Bonds are to be redeemed at the option of the City at any one time, the City will select the maturity date or dates of the Bonds to be redeemed, and if less than all the Outstanding Bonds of any one maturity date are to be

redeemed at any one time, the Trustee will select the Bonds or the portions thereof of such maturity date to be redeemed in integral multiples of \$5,000 in any manner that it deems appropriate.

Notice of Redemption. The Trustee will mail a notice of redemption pursuant to the respective Holders of all Bonds selected for redemption in whole or in part and to all securities depositories and securities information services selected by the City and designated to the Trustee in writing to comply with custom or the rules of any securities exchange or commission or brokerage board or otherwise as may be determined by the City in its sole discretion and to the original underwriter or first purchaser of the Bonds selected for redemption.

Any notice required to be given by mail to any Holders or to any securities depositories or securities information services or to the original underwriter or first purchaser of the Bonds (including without limitation redemption notices) will be given by mailing a copy of such notice, first class postage prepaid, to such Holders at their addresses appearing in the registration books required to be kept by the Trustee or to such securities depositories or securities information services or to such underwriter not less than 30 days nor more than 90 days following the action or prior to the event concerning which notice thereof is required to be given; provided, that neither failure to receive any such notice nor any immaterial defect contained therein will affect the sufficiency or validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

However, while the Bonds are subject to DTC's book-entry system, the Trustee will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the City and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Indenture.

Conditional Redemption Notice and Rescission of Redemption. With respect to any notice of optional or extraordinary redemption of the Bonds, unless, upon the giving of such notice, such Bonds are deemed to have been paid within the meaning of the defeasance provisions of the Indenture, such redemption notice will state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such amounts have not been so received, the notice will be of no force and effect and the City will not be required to redeem such Bonds. If any such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice to the Holders of the Bonds to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given. Such failure to redeem such Bonds will not constitute an Event of Default under the Indenture.

Any notice of optional or extraordinary redemption of Bonds may be rescinded by written notice given to the Trustee by the City no later than 5 Business Days prior to the date specified for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of such redemption was given.

Effect of Redemption. If notice of redemption has been duly given as required by the Indenture, and money for the payment of the principal of and redemption premiums, if any, on, together with interest to the redemption date on, the Bonds or portions thereof so called for redemption is held by the Trustee, then on the redemption date designated in such notice, such Bonds or such portions

thereof will become due and payable, and from and after the date so designated interest on the Bonds or such portions thereof so called for redemption will cease to accrue and the Holders of such Bonds will have no rights in respect thereof except to receive payment of the principal or such portions thereof and the redemption premiums, if any, thereon and the interest accrued thereon to the redemption date.

Registration, Transfer and Exchange

The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds. The Bonds are subject to transfer and exchange under the conditions set forth in the Indenture.

The provisions of the Indenture regarding the exchange and transfer of the Bonds apply only during any period in which the Bonds are not subject to DTC's book-entry system. While the Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX D – DTC and the Book-Entry Only System."

No Issuance of Additional Bonds

The City will covenant in the Fifth Supplemental Indenture that, for so long as the Bonds are Outstanding, it will not issue any additional bonds except for the purpose of refunding any Bonds then Outstanding.

Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemptions), assuming there are no optional redemptions.

Payment Date	Principal	Interest	Debt Service	Total Debt Service
3/1/14				
9/1/14				
3/1/15				
9/1/15				
3/1/16				
9/1/16				
3/1/17				
9/1/17				
3/1/18				
9/1/18				
3/1/19				
9/1/19				
3/1/20				
9/1/20				
3/1/21				
9/1/21				
3/1/22				
9/1/22				
3/1/23				
9/1/23				
3/1/24				
9/1/24				
3/1/25				
9/1/25				
3/1/26				
9/1/26				
3/1/27				
9/1/27				
3/1/28				
9/1/28				
3/1/29				
9/1/29				
3/1/30				
9/1/30				
3/1/31				
9/1/31				
3/1/32				
9/1/32				
3/1/33				
9/1/33				

SECURITY FOR THE BONDS

This section generally describes the security for the Bonds set forth in the Indenture, which is summarized in more detail in APPENDIX C. Capitalized terms used but not defined in the section are defined in APPENDIX C.

General

The Bonds are secured by and payable from the proceeds of the Special Taxes and moneys deposited in the Bond Redemption Fund and Bond Reserve Fund, and in the Special Tax Fund until disbursed as provided in the Indenture.

The “**Special Tax**” is defined in the Indenture as the special tax authorized to be levied and collected annually on all Taxable Land in the District under the Act at the special election held in the District.

Limited Obligation

The Bonds are special tax obligations of the City and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Taxes and the other funds provided in the Indenture for such payment. The City is not obligated to pay the Bonds except from the proceeds of the Special Taxes and such other funds. The general fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax will ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds.

The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any of the property of the City or any of its income or receipts except the money in the Special Tax Fund and such other funds. The payment of the interest on or principal of or redemption premiums, if any, on the Bonds is not a general debt, liability or obligation of the City.

Special Taxes

Covenant to Levy Special Taxes. So long as any Bonds are Outstanding, under the Indenture, the City agrees to annually levy the Special Tax against all Taxable Land in the District and make provision for the collection of the Special Tax in amounts that will be sufficient, together with the money then on deposit in the Bond Redemption Fund, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Indenture, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund (or to reinstate any surety bond issued in whole or partial satisfaction thereof) and to pay all current Expenses as they become due and payable in accordance with the provisions and terms of the Indenture.

In determining the amount of the annual levy of the Special Tax, the Indenture requires the City to take into account any amount of money expected to be released from the Bond Reserve Fund and deposited into the Bond Redemption Fund as a result of excess funds in the Bond Reserve Fund.

Manner of Collection. The Special Tax will be collected in the same manner as ordinary ad valorem property taxes for the County are collected and, except as otherwise provided in the Indenture or the Act, will be subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

Because the Special Tax levy is limited to the maximum Special Tax rates set forth in the Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the receipts of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the Bonds.

Rate and Method

The following is a summary of certain provisions of the Rate and Method. This summary does not purport to be comprehensive and reference should be made to the Rate and Method attached as APPENDIX B. All capitalized terms not defined in this section have the meanings provided in the Rate and Method.

Classification of Parcels. By May 1 of each Fiscal Year, using the definitions set forth in the Rate and Methods, the parcel records of the Assessor's Secured Tax Roll as of January 1, and other City development approval records, the City will classify the parcels in the District as follows:

1. Each Parcel will be classified as a Tax-Exempt Parcel, Taxable Parcel or Reimbursement Parcel.

However, Taxable Parcels that are acquired by a public agency after the District is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Act. An exception to this may be made if Public Parcels, such as a school site, are relocated and the previously Tax-Exempt Parcels of comparable acreage become Taxable Parcels. This trading of Parcels will be permitted to the extent that there is no net loss in maximum Special Tax revenue.

2. Each Taxable Parcel will be identified according to the Tax Zone that it is located in.

3. Each Taxable Parcel within its specified Tax Zone will be further classified as a Developed Parcel, Developable Parcel, Development-Restricted Parcel, Veteran Developed Parcel or Prepayment Parcel. Once classified as a Developed Parcel, no Parcel will be removed from the Developed classification unless the special use permit expires, is revoked, is otherwise terminated, or the Parcel is classified as a Veteran Developed Parcel, or becomes a Prepayment Parcel.

4. If a Final Subdivision Map has Detached Residential Units with different lot size groups (e.g. 4,500 square foot lots and 6,000 square foot lots), each Developed Parcel will be further classified according to the calculated median lot size in each of the lot size groups. This is to avoid an outlying lot size in a Developed Parcel from paying a different tax rate.

Assignment of Maximum Annual Special Tax. The City will assign the appropriate Maximum Annual Special Tax for the Fiscal Year of the tax levy to each Taxable Parcel as follows (except Prepayment Parcels, as further set forth below):

1. *Developed Parcels and Veteran Developed Parcels.* Attachment 1 to the Rate and Method shows the Maximum Special Tax Rates per unit for Developed Parcels and Veteran

Developed Parcels by Fiscal Year. The only change in the Maximum Annual Special Tax for a Developed Parcel will be if a Prepayment occurs after the Development Year in accordance with the Rate and Method.

2. Developable Parcels. Attachment 1 to the Rate and Method shows the Maximum Special Tax Rates for Developable Parcels by Fiscal Year. Recorded Final Use Parcels will be taxed per Net Acre. Recorded Large Lot Parcels will be taxed per Gross Developable Acre.

3. Development-Restricted Parcels. The Maximum Special Tax Rates for Development-Restricted Parcels is shown in the far right column of Attachment 1 to the Rate and Method. Tentative Map Parcels and Unmapped Parcels will be taxed per Gross Acre.

Reimbursement Parcels. The Maximum Special Tax Rate for a Reimbursement Parcel will be set to zero until it is reclassified as a Developed Parcel.

Conversion of a Public Parcel to a Taxable Parcel. If a Public Parcel is not needed for public use and is converted to a taxable use, it will become subject to the Special Tax. The Maximum Annual Special Tax for such a Parcel will be assigned as described above.

Reclassification of a Non-Participating Parcel from Tax-Exempt status to Taxable status. Once a Non-Participating Parcel records a Master Parcel Map, the Parcel must be reclassified as a Taxable Parcel, and will be classified as a Developable Parcel, or a Parcel of higher tax status. The Maximum Annual Special Tax for such a Parcel will be assigned as described above.

Annexation Parcels. Parcels annexing to the District will have their Maximum Special Tax rate assigned by following the procedures described above.

Calculating Annual Special Taxes. The City will compute the Annual Costs for each Tax Zone, and determine the Maximum Annual Special Tax for each parcel based on the assignment in the Special Tax described above. The City will then determine the tax levy for each parcel using the following process:

A. Compute the share of Annual Costs for each Tax Zone by the following steps:

- Determine share of total facilities costs funded by District bonds for each Tax Zone. For each series of bonds issued, the share of total facilities costs funded by District bonds will be set at the time of sale of bonds, and will be used until all bonds for that issue have been retired.

- Add the total pay-as-you-go expenditures for the present and prior year for each Tax Zone.

- Add the allocation of bond-funded costs and pay-as-you-go expenditures for each Tax Zone.

- Determine the percentage share of bond-funded facilities cost and pay-as-you-go expenditures for each Tax Zone. Calculate this by dividing the result of the last step by total bond-funded costs and pay-as-you-go expenditures in the District.

- Multiply Annual Costs by the percentage share to determine the allocation of Annual Costs for each Tax Zone.

B. For each Tax Zone, calculate the Special Tax for each Taxable Parcel by the following steps:

- Determine if sufficient special tax revenues are available by taxing each Developed Parcel at 100% of its Maximum Annual Special Tax. If revenues are greater than the Annual Costs assigned to the Tax Zone, the tax is reduced proportionately against Developed Parcels until the tax levy is set at an amount sufficient to cover Annual Costs.

- If revenues from taxing Developed Parcels at 100% of their Maximum Annual Special Tax are not sufficient, the City will then proportionately levy the tax on Developable Parcels up to 100% of their Maximum Annual Special Tax until the tax levy is set at an amount sufficient to cover each Tax Zone's Annual Costs.

- If revenues from taxing Developed and Developable Parcels is not sufficient, Development-Restricted Parcels will be levied up to 100% of their Maximum Annual Special Tax.

- If revenues are still not sufficient to pay for the Annual Cost, the City will then proportionately tax Veteran Developed Parcels up to 100% of the Maximum Special Annual Tax until the tax levy is set at an amount sufficient to cover Annual Costs.

C. Levy on each Taxable Parcel the amount calculated above.

D. Prepare the Tax Collection Schedule listing the Special Tax levy for each Taxable Parcel and send it to the County Auditor-Controller requesting that it be placed on the general secured property tax roll for the Fiscal Year. The Tax Collection Schedule will not be sent later than the date required by the Auditor-Controller for such inclusion.

Prepayment of Special Tax. The Rate and Method provides that, with a Prepayment, a landowner may permanently satisfy the Special Tax obligation for one or more parcels, under the conditions set forth in the Rate and Method. By exercising the right to Prepayment, a landowner can eliminate the future annual Special Tax liability for one or more parcels.

Covenant to Foreclose

Sale of Property for Nonpayment of Taxes. The Indenture provides that the Special Taxes are to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ad valorem property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Foreclosure Under the Act. Under Section 53356.1 of the Act, if any delinquency occurs in the payment of the Special Tax, the City may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale.

Under the Indenture, the City makes the following covenants for the benefit of the Owners of the Bonds regarding enforcement of the Special Taxes.

The City will annually on or before October 1 of each year review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and

(a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by \$1,000 or more in order to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and

(b) on the further basis of such review, if the City determines that the total amount so collected is less than 95% of the total amount of the special tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of all the delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale;

provided, that any actions taken to enforce delinquent Special Tax liens will be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Act; and provided further, that the City will not be obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City receives 100% of the amount of such installment from the County pursuant to the so-called "Teeter Plan" (as described below).

Teeter Plan. The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in the California Revenue and Taxation Code beginning at Section 4701. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected.

The County currently includes the District in the Teeter Plan, and thus the City currently receives 100% of Special Taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

So long as the Teeter Plan remains in effect and the County continues to include the District in the Teeter Plan, the City's receipt of revenues with respect to the levy of Special Taxes will not be dependent upon actual collections of Special Taxes by the County.

However, under the statute creating the Teeter Plan, the Board of Supervisors of the County could, under certain circumstances, terminate the Teeter Plan in its entirety. In addition, the Board of Supervisors of the County could terminate the Teeter Plan with respect to the District if the delinquency rate for all ad valorem property taxes levied within the District in any year exceeds 3%, and for individual parcels within the District. If the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of ad valorem property taxes in the District would depend upon the collections of the ad valorem property taxes and delinquency rates experienced with respect to the parcels within the District.

Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays. No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act

does not require the City to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.5 of the Act, the City, as judgment creditor, is entitled to purchase any property sold at foreclosure using a “credit bid,” where the City could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Taxes. If the City becomes the purchaser under a credit bid, the City must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent on the nature of the defense, if any, put forth by the debtor and the Superior Court calendar. In addition, the ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the “**FDIC**”). See “**BOND OWNERS' RISKS - Bankruptcy and Foreclosure Delays.**”

Special Tax Fund

Establishment and Deposits. Under the Indenture, the City agrees and covenants that all proceeds of the Special Tax, when and as received, will be received and held by it in trust under the Indenture, and will be deposited as and when received in the Special Tax Fund, which has been established in the treasury of the City, and which the City agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding. All money in the Special Tax Fund will be accounted for separately and apart from all other accounts, funds, money or other resources of the City, and will be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture and described below.

Disbursements. All money in the Special Tax Fund will be set aside by the Treasurer in the following respective funds (each of which the City agrees and covenants in the Indenture to maintain with the Treasurer or the Trustee, as the case may be, so long as any Bonds are Outstanding) in the following order of priority, and all money in each of such funds will be applied, used and withdrawn only for the purposes set forth below:

Bond Redemption Fund. First, to the Bond Redemption Fund, which is maintained by the Trustee.

Deposits. On or before each March 1 and September 1, the Treasurer will, from the money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such March 1 or September 1, as the case may be.

On or before each September 1, the Treasurer will, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on such September 1 plus the Sinking Fund Account Payments required to be made on such September 1 into the Sinking Fund Account.

All of these payments will be made without priority of any payment over any other payment, and if the money in the Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds on such date, or if the money in the Bond Redemption Fund on any September 1 is not equal to the amount of principal of the Bonds becoming due on such date plus the amount of the Sinking Fund Account Payments becoming due on such date, as the case may be, then such money will be applied pro rata in such proportion as such interest and principal and Sinking Fund Account Payments bear to each other.

No deposit need be made into the Bond Redemption Fund if the amount of money contained therein is at least equal to the amount required by the Indenture to be deposited therein at the times and in the amounts provided in the Indenture.

Disbursements. All money in the Bond Redemption Fund will be used and withdrawn by the Trustee solely to pay the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity), plus the principal of and redemption premiums, if any, on the Bonds as they mature or upon the prior redemption thereof, except that any money in the Sinking Fund Account will be used only to purchase or redeem or retire Term Bonds.

Bond Reserve Fund. Second, to the Bond Reserve Fund, which is maintained by the Trustee.

Deposits. On or before each September 1, the Treasurer will, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Reserve Fund such amount of money as required to restore the Bond Reserve Fund to an amount equal to the Required Bond Reserve. For this purpose, all investments in the Bond Reserve Fund will be valued on or before September 1 of each year at face value if such investments mature within 12 months from the date of valuation, or if such investments mature more than 12 months after the date of valuation, at the price at which such investments are redeemable by the holder at his option, if so redeemable, or if not so redeemable, at the lesser of (i) the cost of such investments, or (ii) the market value of such investments.

No deposit need be made into the Bond Reserve Fund if the amount contained in such fund is at least equal to the Required Bond Reserve.

In making any valuations described above, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system and rely thereon.

On the Closing Date, City will deposit a portion of the proceeds of the Bonds equal to \$_____ into the Bond Reserve Fund, which equals the Required Bond Reserve. See "FINANCING PLAN – Estimated Sources and Uses of Funds."

Required Bond Reserve. The Indenture defines "**Required Bond Reserve**," as of any date of calculation, as the least of

- (a) 10% of the original principal amount of the Bonds, or
- (b) the maximum Debt Service payable under the Indenture in the current or any future Bond Year, or

(c) 125% of the average Debt Service payable under the Indenture in the current and in all future Bond Years, all as determined by the City under the Code and specified in writing to the Trustee;

provided, that all or a portion of such requirement may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "AAA" or higher assigned by Fitch or "Aaa" or higher assigned by Moody's or "AAA" or higher assigned by Standard & Poor's.

Disbursements. All money in the Bond Reserve Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Bonds if there is insufficient money in the Bond Redemption Fund available for this purpose.

If, as a result of any of the valuations described above, it is determined that the amount of money in the Bond Reserve Fund exceeds the Required Bond Reserve, the Trustee will withdraw the amount of money representing such excess from Bond Reserve Fund and deposit such amount of money in the Bond Redemption Fund.

Expense Fund. Third, to the Expense Fund, which is maintained by the Treasurer.

Deposits. On each September 1, the Treasurer will, from the then-remaining money in the Special Tax Fund, transfer to and deposit in the Expense Fund a sum equal to the amount required by the City for the payment of budgeted Expenses during the 12-month period beginning on such date, or to reimburse the City for the payment of unbudgeted Expenses during the prior 12-month period.

Disbursements. All money in the Expense Fund will be used and withdrawn by the Treasurer only for transfer to or for the account of the City to pay budgeted Expenses as provided in the Indenture, or to reimburse the City for the payment of unbudgeted Expenses as provided in the Indenture, or to pay interest on or principal of or redemption premiums, if any, on the Bonds if no other money is available therefor.

All money remaining in the Special Tax Fund on each September 1, after transferring all of the sums required to be transferred therefrom on or prior to such date under the Indenture as described above, will be withdrawn from the Special Tax Fund by the Treasurer for and deposited in the Community Facilities Fund, which the City agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding. All money in the Community Facilities Fund will be used and withdrawn by the City solely for the benefit of the District in accordance with the Act; provided, that the Treasurer will not make any such withdrawal of money in the Special Tax Fund if and when (to the Treasurer's actual knowledge) an Event of Default is then existing under the Indenture.

Investment of Moneys in Funds

All money held by the Treasurer in any fund established under the Indenture will be deposited by the Treasurer in time or demand deposits in any state or nationally chartered bank or trust company, including the Trustee or its affiliates, or in any state or federal savings and loan association, and will be secured at all times by such obligations as are required by law to the fullest extent required by law;

provided, that all money in the Special Tax Fund and the Expense Fund may be invested by the Treasurer in Legal Investments.

All money held by the Trustee in the Bond Redemption Fund will be invested by the Trustee pursuant to a Written Request of the City received by the Trustee at least two days before making any such investment in those Legal Investments specified in such Written Request of the City that mature not later than the date on which it is estimated that such money will be required to be paid out under the Indenture.

All money held by the Trustee in the Bond Reserve Fund will be invested by the Trustee pursuant to a Written Request of the City received by the Trustee at least two days before making any such investment in those Federal Securities specified in such Written Request of the City that mature not more than five years from the date of purchase by the Trustee, or the final maturity date of any Outstanding Bonds, whichever is earlier.

See APPENDIX C for further details regarding the investment of funds held under the Indenture.

DISTRICT MAP

THE DISTRICT

Formation and Background

Formation. The District was formed under the Act by resolution of the City Council adopted on October 20, 1998. On November 5, 1998, the eligible landowner voters of the District, by more than a two-thirds majority, authorized the issuance of Bonds in a maximum principal amount of \$85,000,000 to finance the acquisition and construction of authorized facilities. The Rate and Method for the District is summarized above (see “SECURITY FOR THE BONDS – Rate and Method”) and attached as APPENDIX B.

Prior Bonds. The Prior Bonds were issued by the City to finance the acquisition and construction of certain public capital improvements serving the property within the District, consisting generally of sewer and storm drain facilities.

The District has no additional bonding authorization under the landowner-approved maximum bonding capacity (but may issue bonds for the purpose of partially refunding the Bonds). See “THE BONDS – No Issuance of Additional Bonds.”

Location and Description

The District is located in the northeast corner of the North Natomas Community Plan area in the northern part of the City, adjacent to the County border, and comprises North Natomas Drainage Basins 1, 2, and 4. The District is bounded by Interstate 5 and Highway 99 on the west, Del Paso Road on the south, the City limits on the east, and Elkhorn Boulevard on the north. The northeast corner of the area, designated as North Natomas Drainage Basin 3, is not included in the District.

Land uses within the District comprise a mix of residential and non-residential uses on nearly 1,860 gross developable acres. Basin 1 is a mix of residential, commercial and office uses. Basins 2 and 4 are primarily residential areas with a limited amount of retail land use. Public uses include neighborhood and community parks, a regional park, schools, civic facilities, and drainage facilities.

For demographic information regarding the area within and surrounding the District, see APPENDIX A. The boundary map showing the boundaries of the District is attached as APPENDIX G.

Tax Zones

Four separate Tax Zones are delineated within the District:

- Tax Zone IA and Tax Zone IB are located in Basin I, which was divided into two tax zones due to the size of the basin area, property ownership and anticipated phasing of development.
- Tax Zone II corresponds to Basin 2.
- Tax Zone IV corresponds to Basin 4.

On March 13, 2001 the City Council adopted a resolution adjusting the boundary between Tax Zone IA and Tax Zone II in order to more closely conform the Tax Zone boundaries to the boundary between the drainage watershed of Basin 1 and Basin 2, based on further engineering studies, shifting approximately 1.15 gross acres from Tax Zone IA to Tax Zone II.

Special Tax Revenues and Projected Debt Service Coverage

The Rate and Method is structured to produce Special Tax revenues from Maximum Special Taxes which, when applied to the projected debt service on the Bonds, is anticipated to result in a debt service coverage ratio of 110%.

The following table presents the projected Special Tax revenues by Tax Zone, the scheduled annual debt service on the Bonds, and the resulting projected debt service coverage, assuming there are no prepayments of any Special Taxes or redemption of the Bonds.

**TABLE 1
Projected Debt Service Coverage by Tax Zone**

Year Ending September 1	Zone IA			Zone IB			Zone II			Zone IV		
	Maximum Tax	Debt Service	Coverage Ratio	Maximum Tax	Debt Service	Coverage Ratio	Maximum Tax	Debt Service	Coverage Ratio	Maximum Tax	Debt Service	Coverage Ratio
2014												
2015												
2016												
2017												
2018												
2019												
2020												
2021												
2022												
2023												
2024												
2025												
2026												
2027												
2028												
2029												
2030												
2031												
2032												
2033												

Allocated Share of Annual Costs and Limited Obligations of Each Tax Zone

Allocated Share of Annual Costs. The Rate and Method provides that each Tax Zone is responsible for its "allocated share" of the Annual Costs for each year. Annual Costs include debt service, administrative expenses, replenishment of the bond reserve fund, delinquencies for the previous fiscal year plus those anticipated in the current fiscal year, and any pay-as-you-go expenditures in such fiscal year. Each Tax Zone's "allocated share" of Annual Costs is generally determined based on each Tax Zone's share of total proceeds of each series of the Prior Bonds, as determined at the time of issuance of each series of Prior Bonds, plus pay-as-you-go expenditures. See "SECURITY FOR THE BONDS – Rate and Method" and APPENDIX B.

Accordingly, although the Bonds are payable on a parity from available money in the Special Tax Fund, a type of limited cross-collateralization exists among Tax Zones, in that each Tax Zone's responsibility for Annual Costs is limited to that Tax Zone's allocated share.

For example, one of the components of Annual Costs is bond reserve fund replenishment. In order to maintain the Bond Reserve Fund at the required level, it is possible that the delinquencies attributable to property owners in one Tax Zone will be partially payable from Special Taxes collected from property owners in other Tax Zones, since amounts required to replenish the Bond Reserve Fund are included in the definition of Annual Costs. If this happens, the amount charged to each Tax Zone to pay such delinquencies will be limited by the allocated share of Annual Costs attributable to such Tax Zones and the maximum Special Taxes which may be collected in such Tax Zones.

The table below sets forth each Tax Zone's allocated share of Annual Costs as of the date of issuance of the Bonds, which corresponds to each Tax Zone's allocated share of Annual Costs as of the date of issuance of the each related series of the Prior Bonds.

TABLE 2A
Calculation of Allocated Share of Annual Costs by Tax Zone

	Series A	Series B	Series C	Series D
Original Bond Amount	\$16,215,000	\$12,750,000	\$29,765,000	\$26,210,000
Tax Zone				
<u>Zone IA</u>				
Bonds	\$8,147,630	\$6,435,000	\$9,235,000	\$0
Allocated Share	50.2%	50.5%	31.0%	0.0%
<u>Zone IB</u>				
Bonds	\$0	\$0	\$9,075,000	\$26,210,000
Allocated Share	0.0%	0.0%	30.5%	100.0%
<u>Zone II</u>				
Bonds	\$0	\$0	\$11,455,000	\$0
Allocated Share	0.0%	0.0%	38.5%	0.0%
<u>Zone IV</u>				
Bonds	\$8,067,370	\$6,315,000	\$0	\$0
Allocated Share	49.8%	49.5%	0.0%	0.0%
<u>Total All Zones</u>				
Bonds	\$16,215,000	\$12,750,000	\$29,765,000	\$26,210,000
Allocated Share	100.0%	100.0%	100.0%	100.0%

Source: City of Sacramento and NBS.

Changes to Allocated Shares Over Time. As the Bonds mature, the initial allocated share of Annual Costs will be maintained for each Tax Zone as determined at the time of issuance of each series of the Prior Bonds, and the relative responsibility for the Annual Costs to be borne by each Tax Zone will change. See “–Special Tax Revenues and Projected Debt Service Coverage” above for a depiction of the change in each Tax Zone’s responsibility for the Special Taxes as the Bonds mature.

Future Reclassification of Parcels as Veteran Developed Parcels. Under the Rate and Method, a parcel that has been classified as Developed or Developable Parcel for 30 years will be reclassified as "Veteran Developed Parcel." See “SECURITY FOR THE BONDS – Rate and Method.”

A Veteran Developed Parcel is only subject to the Special Tax if there is a shortfall in the revenues generated from all other Taxable Parcels to pay for the Annual Costs. The table below shows that fiscal year 2030-31 is the first fiscal year some parcels in the District will become Veteran Developed Parcels.

TABLE 2B
Estimated First Year Parcels Will Be Classified as Veteran Developed Parcels

Tax Zones	IA, IV	IB, II
First Fiscal Year of Special Tax Levy	2000-01	2003-04
First Fiscal Year Parcels Will Be Reclassified as Veteran Developed	2030-31	2033-34

Source: City of Sacramento and NBS.

Land Use and Development Status

Development Status. The following table provides a summary of land uses in the District and the current development status of such land uses for Fiscal Year 2012-13. In addition, this table presents the amount of Taxable versus Tax Exempt property in the District.

With the exception of single-family residential, the amount of developable and developed property is represented in acres. The single family residential information is expressed in units (including condominium and townhomes) because the District administrator does not record corresponding acreage once the unit becomes Taxable.

TABLE 3
Summary of Estimated Acres and Units [1]

	TAXABLE PROPERTY [2]			TAX-EXEMPT PROPERTY		
	Residential		Non-Residential	Schools / Civic Uses / Parks / Other [4]	Prepayment Parcels	Total Tax-Exempt
Tax Basis	Single Family [3] units	Multi- Family acres	Retail / Commercial / Employment acres	acres	acres	acres
Tax Zone IA						
Developed Units	2,475					
Developed Acres		23	52	89		89
Developable Acres						
Tax Zone IB						
Developed Units	3,211					
Developed Acres		27	38	483		483
Developable Acres			78			
Development Restricted			36			
Non-Participating [5]			187			
Tax Zone II						
Developed Units	1,162					
Developed Acres		31	186			
Developable Acres			16	94		94
Tax Zone IV						
Developed Units	1,870					
Developed Acres		7	10		10	212
Developable Acres				102		111
Totals	8,718	87	603	767	10	989

[1] Based on best available information as of January 2013.

[2] All acres are net of public ownership, homeowner association ownership and dedicated major and minor right-of-way.

[3] Includes condominiums and townhomes.

[4] Includes open space, parks, and roadways. Since the majority of acreage is never Developable, all acreage is shown as Developed.

[5] Represents currently undeveloped property. See "–Undeveloped Property and Anticipated Future Development" below.

Source: City of Sacramento, NBS.

Land Use Summary and Share of Special Taxes by Land Use and Development Status.

The tables below summarize land use and development status of the property in the District, and each Tax Zone's share of the Special Tax by land use and development status.

Because each Tax Zone is responsible on for its respective allocated share of Special Taxes, only a limited cross-collateralization exists among Tax Zones, in that each Tax Zone's responsibility for Annual Costs is limited to that Tax Zone's allocated share. In addition, each Tax Zone's responsibility for Annual Costs is anticipated to change over the life of the Bonds. See “– Allocated Share of Annual Costs and Limited Obligations of Each Tax Zone” above.

**TABLE 4A
Land Use Summary By Tax Zone**

Land Use [1]	Tax Zone IA	Tax Zone IB	Tax Zone II	Tax Zone IV	Total
Developed	2,488 parcels	3,225 parcels	1,166 parcels	1,874 parcels	8,753 parcels
Residential	2,475 parcels	3,215 parcels	1,166 parcels	1,870 parcels	8,726 parcels
Non-Residential	13 parcels	10 parcels		4 parcels	27 parcels
Developable		12 parcels	2 parcels		14 parcels
Development-Restricted		3 parcels			3 parcels
Non-Participating [2]		186.85 acres			186.85 acres

[1] Based on development status reported for Fiscal Year 2012-13.

[2] Represents property for which a master parcel map has not yet been issued, and is therefore treated as non-taxable under the Rate and Method.

Source: City of Sacramento and NBS.

**Table 4B
Share of Special Taxes by
Development Status and Land Use**

Tax Zone and Land Uses/Classification	Number of Parcels [1]	% of Total	Share of 2013-14 Special Tax Levy [1]	% of Total
Tax Zone IA				
Developed				
Condo	245	2.8%	\$ 63,606.90	1.1%
Detached Residential	2,230	25.4	1,299,472.16	22.6
Commercial/Retail	13	0.1	334,688.70	5.8
Subtotal	2,488	28.4	1,697,767.76	29.5
Tax Zone IB				
Developable				
Final Use Parcel	3	0.0	2,624.06	0.0
Large Lot Parcel	9	0.1	8,835.74	0.2
Developed				
Condo	677	7.7	223,410.00	3.9
Detached Residential	2,534	28.9	1,617,660.00	28.1
Commercial/Retail	14	0.2	370,739.16	6.4
Development Restricted [2]	3	0.0	--	0.0
Subtotal	3,240	36.9	2,223,268.96	38.6
Non-participating	21	0.0	--	0.0
Tax Zone II				
Developable				
Final Use Parcel	2	0.0	--	0.0
Developed				
Detached Residential	1,162	13.2	650,668.88	11.3
Commercial/Retail	4	0.0	136,978.34	2.4
Subtotal	1,168	13.3	787,647.22	13.7
Tax Zone IV				
Developed				
Condo	200	2.3	49,256.00	0.9
Detached Residential	1,670	19.0	931,833.88	16.2
Commercial/Retail	4	0.0	69,236.06	1.2
Subtotal	1,874	21.4	1,050,325.94	18.2
TOTAL:	8,770	100.0%	\$5,759,009.88	100.0%

[1] Based on development status reported for fiscal year 2012-13 and estimated tax levy requirements.

[2] Represents property for which a master parcel map has not yet been issued, and is therefore treated as non-taxable under the Rate and Method.

Source: NBS, City of Sacramento.

Developed Property Without Improvement Value. Approximately _____ parcels, predominantly in Tax Zone IB are currently classified as “Developed Property” but do not have home or other structural improvements. Such parcels represent approximately ____% of the anticipated 2013-14 Special Tax levy represented by Zone IB (____%) and Zone __ (____%).

Undeveloped Property and Anticipated Future Development. Approximately 185 acres of land (consisting of 21 assessor’s parcels) in Tax Zone IB is currently classified as “Non-participating” under the Rate and Method. This property is currently owned by certain entities controlled by Mr. Kern W. Schumacher, and is currently zoned and designated for development as _____, accordingly to land use entitlements filed with the City.

Development of the Non-participating properties in Tax Zone IB is currently subject to restrictions due to the current flood insurance rate map designation for properties in the North Natomas area. See “BOND OWNERS’ RISK – Property Values – Flood Risk.”

Once these development restrictions are lifted, if the Non-participating properties in Tax Zone IB are reclassified as Taxable Property under the Rate and Method, the approximate maximum annual Special Taxes that could be generated by this property are currently projected to be as follows: if reclassified as Development Restricted, approximately \$250,000; if reclassified as Developable or Developed, approximately \$1,000,000.

Assessed Property Values and Value-to-Burden Ratios

Assessed Value. Article XIII A of the California Constitution (Proposition 13) defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under ‘full cash value’, or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Because of the general limitation to 2% per year in increases in full cash value of properties that remain in the same ownership, the county tax roll does not reflect values uniformly proportional to actual market values. No assurance can be given that should a parcel with delinquent installments be foreclosed and sold for the amount of the delinquency, that any bid will be received for such property, or if a bid is received that such bid will be sufficient to pay such delinquent installments.

No Appraisal. The City has not obtained an appraisal to estimated the current market value of any property in the District.

Historic Assessed Values. The following table details historical assessed values in each Tax Zone within the District for the current Fiscal Year and the prior four Fiscal Years.

**Table 5
Summary of Assessed Values for Taxable Property
Fiscal Years 2008-09 through 2012-13**

	2008-09	2009-10 (1)	2010-11	2011-12	2012-13
Tax Zone IA	\$965,986,408	\$804,265,829	\$756,261,925	\$712,325,850	\$660,673,262
Tax Zone IB	840,405,432	702,242,165	680,252,628	638,734,854	596,673,265
Tax Zone II	452,547,988	343,659,309	325,553,191	310,675,228	295,204,364
Tax Zone IV	680,731,153	587,198,408	529,601,343	499,424,859	465,630,220
Totals:	\$2,939,670,981	\$2,437,365,711	\$2,291,669,087	\$2,161,160,791	\$2,018,181,111

(1) For Fiscal Year 2009-10 assessed values were reduced significantly by the County Assessor to reflect the sharp decline in actual property values.
Source: NBS, based on information provided by the County assessor as of January 1 preceding each Fiscal Year.

Value-to-Burden Ratios

General Information Regarding Value-to-Burden Ratios. In comparing the aggregate assessed value of the real property within the District and the principal amount of the Bonds, it should be noted that an individual parcel may only be foreclosed upon to pay delinquent installments of the Special Taxes attributable to that parcel. The principal amount of the Bonds is not allocated pro-rata among the parcels within each tax Zone the District; rather, the total Special Taxes have been allocated among the parcels within each Tax Zone in the District according to the Rate and Method.

The value-to-burden ratio on bonds secured by special taxes will generally vary over the life of those bonds as a result of changes in the value of the property that is security for the special taxes and the principal amount of the Bonds.

Economic and other factors beyond the property owners' control, such as economic recession, deflation of land values, financial difficulty or bankruptcy by one or more property owners, or the complete or partial destruction of taxable property caused by, among other possibilities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District. See "BOND OWNERS' RISKS – Property Values" and "BOND OWNERS' RISKS – Bankruptcy Delays." Property in the District is currently subject to development restrictions due to risk of flooding. See "BOND OWNERS' RISKS – Property Values – Flood Risks."

Value-to-Burden Ratio Distribution. The following table sets forth the distribution of assessed value-to-burden ratios among taxable parcels in each Tax Zone based on Fiscal Year 2012-13 assessed values, and the burden of the Bonds and overlapping special tax and assessment debt.

**Table 6
Assessed Values and Value to Burden Ratios by Land Use**

Tax Zone and Land Uses	No. of Parcels	Assessed Value (1)	% of Total	Pro Rata Share of Bonds * (2)	% of Total *	Overlapping Land-Secured Debt (3)	Value to Burden Ratio * (4)
Tax Zone IA							
Developed							
Condo	245	\$30,490,837	1.5%	\$772,537	1.0%	1,203,956	25.3:1
Detached Residential	2,230	521,353,494	25.9	15,782,717	20.8	21,203,239	24.6:1
Commercial/Retail	13	108,828,931	5.4	4,064,956	5.4	5,366,029	20.3:1
Subtotal	2,488	660,673,262	32.7	20,620,210	27.2	27,773,224	23.8:1
Tax Zone IB							
Developable							
Final Use Parcel	3	1,666,454	0.1	38,587	0.1	98,686	16.9:1
Large Lot Parcel	9	7,940,573	0.4	129,931	0.2	142,219	55.8:1
Developed							
Condo	677	55,169,325	2.7	3,285,292	4.3	4,073,878	13.5:1
Detached Residential	2,534	429,068,385	21.3	23,788,040	31.3	28,625,638	15.0:1
Commercial/Retail	14	102,782,951	5.1	5,451,799	7.2	5,899,862	17.4:1
Development Restricted	3	45,577	0.0	--	0.0	390	117.0:1
Subtotal	3,240	596,673,265	29.6	32,693,650	43.1	38,840,673	15.4:1
Non-Participating	21	--	--	--	--	--	--
Tax Zone II							
Developable							
Final Use Parcel	2	924,912	0.0	--	0.0	--	--
Developed							
Detached Residential	1,162	251,565,156	12.5	8,883,006	11.7	11,784,805	21.3:1
Commercial/Retail	4	42,714,296	2.1	1,870,044	2.5	2,427,091	17.6:1
Subtotal	1,168	295,204,364	14.6	10,753,050	14.2	14,211,895	20.8:1
Tax Zone IV							
Developed							
Condo	200	21,429,968	1.1	553,048	0.7	868,468	24.7:1
Detached Residential	1,670	418,879,182	20.7	10,462,658	13.8	15,237,331	27.5:1
Commercial/Retail	4	25,321,070	1.3	777,384	1.0	1,089,375	23.2:1
Subtotal	1,874	465,630,220	23.1	11,793,090	15.5	17,195,174	27.1:1
TOTAL:	8,770	\$2,018,181,111		\$75,860,000		\$98,020,965	20.6:1

* Preliminary; subject to change.

(1) Based on County Assessor Roll for fiscal year 2012-13.

(2) Allocated based on the share of the Fiscal Year 2012-13 Special Tax levy multiplied by the outstanding occupant of Bonds. See “– Special Tax Revenues and Projected Debt Service Coverage” above.

(3) Includes other overlapping community facilities district bonded debt. See “–Direct and Overlapping Governmental Obligations” below.

(4) Actual value-to-lien ratio per parcel may vary.

Source: NBS.

The following tables set forth the distribution of assessed value-to-burden ratios among taxable parcels in each Tax Zone by value-to-burden category.

Table 7
Assessed Values by Value-to-Debt Burden Category
Tax Zone IA, IB, II, & IV

Value-to-Debt Burden Category	No. of Parcels	Fiscal Year 2012-13 Assessed Value(1)	Share of Bonds(2)*	Share of Total Direct and Overlapping Bonded Debt*	Percent of Total *
25.00:1 and above					
IA	1,080	\$295,512,201	\$7,485,145	\$10,209,072	10.4%
IB	169	98,434,958	2,433,120	2,787,492	2.8
II	224	62,728,557	1,662,699	2,227,337	2.3
IV	1,218	339,001,618	7,646,483	11,330,484	11.6
Subtotal	2,691	795,677,334	19,227,447	26,554,385	27.1
20.00:1 to 24.99:1					
IA	1,058	288,920,449	9,520,474	12,919,566	13.2
IB	522	143,668,256	5,400,647	6,496,786	6.6
II	485	150,283,292	4,998,205	6,763,666	6.9
IV	569	111,437,164	3,432,253	4,854,876	5.0
Subtotal	2,634	694,309,161	23,351,579	31,034,895	31.7
15.00:1 to 19.99:1					
IA	327	71,357,587	2,876,548	3,862,060	3.9
IB	1,501	306,096,998	14,328,023	17,435,175	17.8
II	394	72,457,832	3,045,838	4,027,754	4.1
IV	82	9,989,332	369,992	527,575	0.5
Subtotal	2,304	459,901,749	20,620,402	25,852,564	26.4
10.00:1 to 14.99:1					
IA	12	1,887,237	133,515	155,665	0.2
IB	173	30,678,019	1,800,867	2,177,477	2.2
II	36	4,902,178	287,894	373,012	0.4
IV	2	5,202,106	336,066	469,369	0.5
Subtotal	223	42,669,540	2,558,341	3,175,524	3.2
9.99:1 and under					
IA	11	2,995,788	604,528	626,860	0.6%
IB	875	17,795,034	8,730,993	9,943,743	10.1%
II	29	4,832,505	758,415	820,126	0.8%
IV	3	-	8,296	12,869	0.0%
Subtotal	918	25,623,327	10,102,232	11,403,598	11.6%
Grand Total	8,770	\$2,018,181,111	\$75,860,000	\$98,020,965	100.0%

* Preliminary; subject to change.

(1) Based on County Assessor Roll for fiscal year 2012-13.

(2) Allocated based on the share of the Fiscal Year 2012-13 Special Tax levy multiplied by the outstanding occupant of Bonds. See “– Special Tax Revenues and Projected Debt Service Coverage” above.

Source: NBS, based on information provided by the County assessor.

Major Property Owners

The table below shows the major property owners who owned land representing 1% or more of the Fiscal Year 2012-13 Special Tax levy.

**Table 8
Major Property Owners**

Property Owner Name (1)	Property Description	Number of Parcels	Fiscal Year 2012-13 Special Taxes	Percent of Fiscal Year 2012-13 Special Taxes
Tax Zone IA				
SCI Pk Plc Fund, 1-35 LLC	Commercial	3	\$126,065	2.2%
Miramonte Ray LLC/Miramonte KS LLC	Residential	1	64,416	1.1
Park Place Market LLC	Commercial	5	58,720	1.0
Roman Catholic Bishop Sacramento	Residential	1	37,364	0.6
Trovas Ray LLC/Trovas KS LLC	Residential	1	36,382	0.6
All other owners		2,477	1,374,820	23.9
Total Tax Zone IA		2,488	1,697,768	29.5
Tax Zone IB				
KB Home Sacramento Incorporated	Residential	278	167,879	2.9
Homecoming at Creekside LLC	Residential	3	138,786	2.4
North Natomas Unified School District	Public and Utilities	1	137,368	2.4
Shea Homes Incorporated	Residential	262	86,460	1.5
North Natomas Town Center LLC	Commercial	9	80,344	1.4
Grupe Investments Company Incorporated	Residential	100	59,400	1.0
KB Home North Bay Inc.	Residential	87	51,470	0.9
Wells Fargo Bank	Residential	41	32,076	0.6
David Pick Family Partnership Limited Ptnrshp	Residential	68	22,440	0.4
All other owners		2,391	1,447,046	25.1
Total Tax Zone IB		3,240	2,223,269	38.6
Tax Zone II				
Carefree Natomas Limited Partnership	Residential	2	94,720	1.6
Sabrina Plaza LLC	Residential	2	42,258	0.7
All other owners		1,164	650,669	11.3
Total Tax Zone II		1,168	787,647	13.7
Tax Zone IV				
Natomas Park Center LLC	Commercial	1	29,685	0.5
SI XIII LLC	Residential	1	27,610	0.5
All other owners		1,872	993,032	17.2
Total Tax Zone IV		1,874	1,050,326	18.2
Total All Tax Zones (2)		8,770	\$5,759,010	100.0%

(1) Ownership information is based on County Assessor Roll for fiscal year 2012-13.

(2) Totals may not sum due to rounding.

Source: NBS, based on County Assessor Roll for fiscal year 2012-13.

Delinquencies

The table below shows the collections and delinquencies of the Special Taxes within the District since Fiscal Year 2007-08, with updated delinquency amounts as of May 28, 2013.

Table 9
Special Tax Collections and Delinquencies
Fiscal Years 2007-08 through 2012-13

Fiscal Year	Subject Fiscal Year [1]					As of May 28, 2013		
	Aggregate Annual Special Tax	Total Annual Special Taxes Collected	Parcels Delinquent	Fiscal Year Amount Delinquent	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008-09	\$5,461,610	\$5,305,653	343	\$155,957	2.86%	3	\$885	0.02%
2009-10	5,516,856	5,370,016	258	146,840	2.66	--	--	0.00
2010-11	5,607,873	5,531,950	139	75,923	1.35	12	5,859	0.10
2011-12	5,756,477	5,704,541	126	51,936	0.90	27	11,619	0.20
2012-13 [2]	5,759,010	5,650,593	304	108,417	1.88	304	108,417	1.88

[1] Delinquency information as of June 30 in the fiscal year in which the Special Taxes were levied, except Fiscal Year 2012-13. Does not include any penalties, interest or fees.

[2] Represents preliminary data regarding collections of the first and second installments. Collections for Fiscal Year 2012-13 are still in process and will be finalized after June 30, 2013. The figures shown are as of May 28, 2013 and not the June 30 fiscal year end.

Source: NBS.

Enforcement Actions. The City has taken actions to enforce delinquent Special Taxes within the District in the past (including sending letters to the delinquent property owners) and the City may strip Special Taxes from the property tax rolls. To date, the City has not filed any Superior Court actions for foreclosure.

Potential Consequences of Special Tax Delinquencies

General. Future delinquencies in the payment of property taxes (including the Special Taxes) with respect to property in the District could result in shortfalls in revenues available to pay debt service on the Bonds, draws on the Reserve Fund established for the Bonds, and perhaps, ultimately, a default in the payment on the Bonds. See "BOND OWNERS' RISKS."

Special Tax Enforcement and Collection Procedures. The City could receive additional funds for the payment of debt service through foreclosures sales of delinquent property, but no assurance can be given as to the amount foreclosure sale proceeds or when foreclosure sale proceeds would be received. The City has covenanted in the Indenture to take certain enforcement actions and commence and pursue foreclosure proceedings against delinquent parcels under the terms and conditions described herein. See "SECURITY FOR THE BONDS — Covenant to Foreclose."

Foreclosure actions would include, among other steps, formal action to authorize commencement of foreclosure proceedings, mailing multiple demand letters to the record owners of the delinquent parcels advising them of the consequences of failing to pay the applicable special taxes and contacting secured lenders to obtain payment. If these efforts were unsuccessful, they would be followed (as needed) by the filing of an action to foreclose in superior court against each parcel that remained delinquent.

Limitations on Increases in Special Tax Levy. If owners are delinquent in the payment of Special Taxes, the City may not increase Special Tax levies to make up for delinquencies for prior Fiscal Years above the Maximum Special Tax rates specified in each Rate and Method. See "SECURITY FOR THE BONDS – Rate and Method." In addition, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in shortfalls in revenues available to pay debt service on the Bonds. See "BOND OWNERS' RISKS."

Direct and Overlapping Governmental Obligations

Overlapping Debt Statement. The direct and overlapping obligations affecting the property currently classified as property in the District as of November 1, 2012, are shown in the following table. The table was prepared by California Municipal Statistics, Inc., and is included for general information purposes only. *The City has not reviewed this report for completeness or accuracy and makes no representation in connection this schedule.*

**Table 10
North Natomas Community Facilities District No. 4
Direct and Overlapping Governmental Obligations**

2012-13 Assessed Valuation: \$2,011,615,735 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: (1)</u>	<u>% Applicable</u>	<u>Debt 11/1/12</u>
Sacramento Area Flood Control District Consolidated Capital Assessment District Bonds	4.1%	\$ 8,121,600
Sacramento Area Flood Control District Operations and Maintenance Assessment District Bonds	1.9	63,077
City of Sacramento North Natomas CFD No. 97-01 Mello-Roos Act Bonds	45.4	13,976,289
City of Sacramento North Natomas CFD No. 4 Mello-Roos Act Bonds	100.0	75,860,000 (2)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$98,020,966

- (1) Excludes tax and revenue anticipation notes.
- (2) Represents the lien of the Prior Bonds.

Ratios to 2012-13 Assessed Valuation:

Direct Debt (\$75,860,000)	3.8%
Total Direct and Overlapping Tax and Assessment Debt	4.9%

Source: California Municipal Statistics, Inc.

Overlapping Bonded Districts. As shown in the table above, District is also encompassed within certain overlapping districts with outstanding debt secured by special taxes and assessments, as described below.

Community Facilities District No. 97-01. All of the parcels within the District are subject to a lien of special taxes associated with the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 ("CFD No. 97-01"), which covers a large portion of the North Natomas area that includes the District and other property.

The eligible landowners of CFD No. 97-01 approved a maximum bond authorization of \$35,000,000, all of which CFD No. 97-01 has issued. The outstanding principal amount applicable to the property within the District for Fiscal Year 2012-13 is set forth on the table above.

SAFCA Assessment Districts No. 1 and No. 2. Parcels within the District are also subject to annual assessments (the "SAFCA Assessments") established by the Sacramento Area Flood Control Agency ("SAFCA") Assessment District No. 1 and Assessment District No. 2, which cover a larger area that includes the District and other property.

The amount of each of the SAFCA Assessments is based on the development status of the parcels within SAFCA subject to the special tax. The SAFCA Assessment for developed properties includes an assessment per acre and per footprint building square foot; the SAFCA Assessment for undeveloped properties is based on an assessment per acre for each vacant land use.

The outstanding principal amount of bonds issued by SAFCA that is applicable to the property within the District for Fiscal Year 2012-13 is set forth on the table above.

Other Mello-Roos and Assessment Districts. In addition, landscaping and lighting assessment districts or community facilities districts have been formed and may be formed within the North Natomas Financing Plan Area to fund services such as transportation and air quality mitigation, the maintenance of parks, roadway landscaping, and landscaping of connective use acreage within detention basins. If additional service districts are formed that include the District, the special taxes and assessments levied therein will be an additional encumbrance on the property in the District. Formation of additional districts would require the approval of the affected property owners or registered voters.

Estimated Tax Burden. The following table sets forth the estimated total tax burden on an average single family detached home in each Tax Zone within the District, based on actual tax rates for Fiscal Year 2012-13.

**Table 11
Fiscal Year 2012-13 Tax Rates on Average Single-Family Home
(Average Developed Single Family Detached Units)**

Assessed Valuations and Property Taxes	Tax Zone IA	Tax Zone IB	Tax Zone II	Tax Zone IV	
Assessed Value (1)	\$233,896	\$208,413	\$216,493	\$250,826	
Homeowner's Exemption	(7,000)	(7,000)	(7,000)	(7,000)	
Net Assessed Value (2)	\$226,896	\$201,413	\$209,493	\$243,826	
Ad Valorem Property Taxes	Percent of Total AV				
General Purposes	1.00%	\$2,269	\$2,014	\$2,095	\$2,438
Los Rios Community College District (GO Bonds)	0.19	438	389	404	471
Natomas Unified School District (GO Bonds)	0.20	447	397	413	481
Total Ad Valorem Property Taxes		3,154	2,800	2,912	3,390
Assessments, Special Taxes and Parcel Charges (3)					
North Natomas TMA CFD #9901		\$24	\$24	\$24	\$24
North Natomas Neighborhood Landscaping CFD 9902 A		10	10	10	10
North Natomas Landscaping CFD #3		72	72	72	72
Citywide L & L Assessment District		75	75	75	75
Sacramento Library Services Tax		29	29	59	29
North Natomas CFD 97-01		117	117	29	117
North Natomas CFD No. 4		583	644	117	558
Reclamation District #1000 M & O		30	25	560	51
SAFCA Consolidated Capital Assessment		63	98	29	212
SAFCA O & M Assessment #1		9	15	128	34
Total Assessments, Special Taxes and Parcel Charges (4)		\$1,012	\$1,109	\$1,102	\$1,181
Total Property Taxes (5)		\$4,166	\$3,909	\$4,015	\$4,571
Total Effective Tax Rate (6)		1.78%	1.88%	1.85%	1.82%

- (1) Fiscal Year 2012-13 assessed valuation for an average single family detached homes within the District. Excludes properties with zero assessed values.
 - (2) Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption. Not all residences qualify for the exemption.
 - (3) All charges and special assessments are based on a lot size of less than one acre.
 - (4) Totals may not sum due to rounding.
 - (5) Districts are included in the Overlapping Land-Secured Debt referenced in Table 10 above.
 - (6) Total Effective Tax Rate is based on the average assessed value of single family homes, not including home owner's exemption.
- Source: NBS.

BOND OWNERS' RISKS

The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. Below is a discussion of some of the risks that should be considered before making an investment decision. This discussion does not purport to be comprehensive, definitive or a complete statement of all factors that may be considered as risks in evaluating the credit quality of the Bonds.

Limited Obligation to Pay Debt Service

The City has no obligation to pay principal of, or interest on, the Bonds if Special Tax collections are delinquent or insufficient, other than from amounts, if any, derived from the foreclosure and sale of parcels for Special Tax delinquencies. The City is not obligated to advance funds to pay debt service on the Bonds.

Levy and Collection of the Special Taxes

General. The principal source of payment of principal of, and interest on, the Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the District.

Limitation on Special Tax Rate. The annual levy of the Special Tax on any parcel is limited to the maximum Special Tax rates authorized in the Rate and Method. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Taxes, together with other available funds, will not be sufficient to pay debt service on the Bonds.

No Relationship Between Property Value and Special Tax Levy. Because the Special Tax formula set forth in the Rate and Method is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular taxable parcels and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the taxable parcels and their proportionate share of debt service on the Bonds, and certainly not a direct relationship.

Factors that Could Lead to Special Tax Deficiencies. The following are some of the factors that might cause the levy of the Special Tax on any particular taxable parcel to vary from the Special Tax that might otherwise be expected:

Transfers to Governmental Entities. The number of taxable parcels could be reduced through the acquisition of property by a governmental entity (by exercise of its rights as mortgage guarantor, or for other reasons) and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.

Property Tax Delinquencies. Failure of the owners of property in the District to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Taxes. For a summary of Special Tax collections and delinquency rates in the District, see "THE DISTRICT – Delinquencies."

Delays Following Delinquencies and Foreclosure Sales. The Indenture provides that the Special Tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure contained in the Indenture and in the Act (see "SECURITY FOR THE BONDS – Covenant to Foreclose"), is subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ordinary ad valorem property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to the City pending such sales or the prosecution of foreclosure proceedings and receipt of the proceeds of sale.

Limitations Relating To Allocated Share Of Annual Costs

Each Tax Zone is responsible only for its "allocated share" of the Annual Costs (including debt service, administrative expenses, bond reserve fund replenishment, current and anticipated delinquencies, and any pay-as-you-go expenditures), which is generally determined based on each Tax Zone's share of the proceeds of the Prior Bonds, as determined at the time of issuance of each series of the Prior Bonds, plus that Zone's pay-as-you-go expenditures.

Accordingly, although the Bonds are payable from available money in the Special Tax Fund, cross-collateralization among Tax Zones is somewhat limited, in that each Tax Zone's Maximum Special Tax is limited to that Tax Zone's allocated share of Annual Costs. Disproportionate delinquencies in one Tax Zone, while causing amounts for Bond Reserve Fund replenishment and current and anticipated delinquencies to be included in Annual Costs, can never be entirely covered by the other Tax Zones. The Maximum Special Tax in those Tax Zones is limited to their proportionate share of Annual Costs and thus, necessarily, a portion of the levy for those purposes must always be levied back on the Tax Zone experiencing the disproportionate delinquencies.

See "THE DISTRICT – Allocated Share of Annual Costs and Limited Obligations of Each Tax Zone.

As the Bonds mature, the relative responsibility for the Annual Costs to be borne by each Tax Zone will change. See "THE DISTRICT – Special Tax Revenues and Projected Debt Service Coverage" for a depiction of the change in each Tax Zone's responsibility for the Special Taxes as the Bonds mature.

In addition, Tax Zone IB contains a higher proportion of undeveloped property relative to the other Tax Zones.

Payment of Special Taxes Is Not a Personal Obligation of the Property Owners

Property owners are not personally obligated to pay their Special Taxes. Rather, the Special Taxes are obligations only against the parcels against which they are levied. If, after a default in the payment of the Special Tax and a foreclosure sale, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the parcel, the City has no personal recourse against the any property owner.

Property Values

The value of property in the District is a critical factor in determining the investment quality of the Bonds. If a parcel owner defaults in the payment of the Special Taxes, the City's only remedy is to foreclose on the delinquent property.

The following is a discussion of specific risk factors that could affect the value of property in the District.

Prolonged Economic Downturn. Land values in and around the City have been adversely affected by current economic conditions. To the extent that the economic downturn is prolonged, property values could remain flat for an indefinite period, or decrease.

Declines in home values in the District could also result in property owners' unwillingness or inability to pay mortgage payments, as well as ad valorem property taxes and Special Taxes, when due. Under such circumstances, bankruptcies are likely to increase. Bankruptcy by property owners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings.

Risks Related to Mortgage Loans. Although residential projects in which the homes are built and occupied by homeowners are typically viewed as providing bondholders with strong credits, some home owners, especially those who purchased during the period from 2004 through 2007, may face challenges in making their mortgage and tax payments on a timely basis because of their initial high loan-to-value ratios, creative mortgage loan structures, and current negative equity levels.

Recent events in the United States and worldwide capital markets have adversely affected the availability of mortgage loans to homeowners, including potential buyers of homes within the Districts. Any such unavailability could hinder the ability of the current homeowners to resell their homes, and adversely affect the market prices available to current homeowners.

Flood Risk. Land within the Natomas Basin north of downtown Sacramento, including land within the District, has historically been subject to periodic flooding. To mitigate flood risk, a system of levees has been constructed around the basin's perimeter. The City also participates in the National Flood Insurance Program, which is administered by the Federal Emergency Management Agency ("**FEMA**") and makes federally backed flood insurance available to communities that adopt and enforce floodplain-management regulations meeting or exceeding federal requirements. Under this program, the flood-insurance rates and construction restrictions that apply to a community depend on its risk of flooding, as shown by zone designations on a Flood Insurance Rate Map ("**FIRM**"). For communities protected by levees, FEMA's regulations require a certification that the levees meet federal requirements for design, construction, maintenance, and operation, so as to protect against a 100-year flood, i.e., a flood with a 1% chance of occurring in any year. (See the National Flood Insurance Act of 1968, set out in 42 U.S.C. § 4001 et seq.; see also FEMA's implementing regulations, set out in 44 C.F.R. Parts 59.1, 60, and 61.)

In 2006, primarily because of concern about a phenomenon known as "underseepage," the United States Army Corps of Engineers (the "**Corps**") determined that it could no longer certify the Natomas Basin levee system as providing protection from a 100-year flood. In 2008, the Corps completed additional analysis and determined that the levee system may not provide protection from a flood with a 3% chance of occurring in any year.

Based on the Corps's determinations, FEMA concluded in 2008 that the Natomas Basin is a "Special Flood Hazard Area" and designated the basin as Zone AE on the basin's FIRM, indicating a 1% annual risk of flooding and a 26% chance of flooding over the term of a 30-year mortgage. As a result, since December 2008 property owners in the Natomas Basin have been required to carry flood insurance for their homes and businesses, and new development has been severely limited: among other things, with some limited exceptions the lowest floor of new building must be one foot above the "base flood elevation," which is the level to which water could rise during a 100-year flood. In addition, properties that suffer "substantial damage" are currently subject to stringent restrictions on rebuilding: if a structure suffers a catastrophic event and the restoration cost equals or exceeds 50% of the structure's pre-damage value, then in most cases the structure must be brought into compliance with regulations that govern new construction on land designated as Zone AE, including the requirement that the lowest floor be one foot above base flood elevation. Because the base flood elevation in the Natomas Basin is 33 feet NGVD29 datum, the Zone AE designation has effectively stopped both new private construction and the restoration of substantially damaged/improved existing buildings. (See Sacramento City Code, chapter 15.104.)

Working with the Corps and other agencies, SAFCA is currently carrying out the Natomas Levee Improvement Program (the "NLIP") to address the deficiencies in the levee system. The immediate goal of the NLIP is to provide the Natomas Basin with protection against 100-year floods as soon as possible; the long-term goal is to achieve protection against 200-year floods, i.e., floods with a 0.5% chance of occurring in any year. According to SAFCA's *A99 Eligibility Summary Report* dated June 20, 2012, work on "all critical features" of the NLIP is at least 50% complete. The remaining work is chiefly the responsibility of the Corps but cannot begin until Congress authorizes it.

In early December 2012, in reliance on SAFCA's *A99 Eligibility Summary Report*, the City, Sacramento County, and Sutter County requested that FEMA preapprove a revision of the Natomas Basin FIRM from Zone AE to Zone A99, with final approval contingent on congressional authorization of the Corps's remaining work. Zone A99 is an interim designation that will allow limited construction within the Natomas Basin—including construction within District—while the improvements needed to provide protection against 100-year floods are under construction. Property owners would still need to maintain flood insurance until FEMA changes the basin's designation on the FIRM from Zone A99 to Zone X (Shaded). Designation as Zone X (Shaded) will indicate that the Natomas Basin is an area of moderate flood risk where flood insurance is not required and the construction restrictions for a Special Flood Hazard Area do not apply.

Although SAFCA currently expects that improvements needed to achieve protection against 100-year floods will be completed by 2019, completion could be delayed for a variety of reasons, including longer-than-expected construction periods, higher-than-expected construction bids, and delays in receiving state or federal funding. If substantial flooding occurs before the City receives Zone A99 designation in North Natomas, then the cost to repair or replace damaged structures could be prohibitive, or the repair or replacement may not occur for other reasons, such as impracticability. Under any of these circumstances, there could be substantial delinquencies in the payment of Special Taxes, and the value of the parcels in the District could depreciate or disappear.

Other Natural Disasters. The value of the property in the District can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements, and private improvements and the continued habitability and enjoyment of such private improvements.

The areas in and surrounding the District, like those in much of California, may be subject to unpredictable seismic activity.

Other natural disasters could include, without limitation, landslides, floods, wildfires, droughts, or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail substantial repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude repair or replacement. Under any of these circumstances there could be substantial delinquencies in the payment of Special Taxes, and the value of the parcels in the District may well depreciate or disappear.

Hazardous Substances. One of the most serious risks in terms of the potential reduction in the property values is a claim with regard to a hazardous substance. In general, the owners and operators of property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property in the District be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Although the City is not aware that the owner or operator of any property in the District has such a current liability, it is possible that current liabilities do exist. Further, it is possible that liabilities may arise in the future resulting from the current existence on the parcel of a substance that is currently classified as hazardous but has not been released or the release of which is not currently threatened, or liabilities may arise in the future resulting from the current existence on the parcel of a substance that is not currently classified as hazardous but may be so classified in the future. Further, these liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the property values that would otherwise be realized upon a delinquency.

The City has no information as to the existence of any hazardous substances within the District.

Other Factors. Other factors that could adversely affect property values in the District include, among others, relocation of employers out of the area; shortages of water, electricity, natural gas, or other utilities; and destruction of property caused by man-made disasters, including but not limited to natural gas pipeline explosions.

Other Possible Claims Upon the Property Values

While the Special Taxes are secured by the taxable parcels in the District, the security only extends to the value of the property that is not subject to priority and parity liens and similar claims.

For information on the outstanding governmental obligations affecting the property in the District, see “THE DISTRICT – Direct and Overlapping Governmental Obligations.”

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels within the District, and may be secured by a lien on a parity with the lien of the Special Taxes securing the Bonds.

In general, the Special Taxes and all other taxes, assessments, and charges also collected on the tax roll are on parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments, or charges is sought by some other procedure, such as foreclosure and sale. If proceedings are brought to foreclose a delinquency, the Special Taxes will generally be on parity with the other taxes, assessments, and charges and will share the proceeds of the foreclosure proceedings on a pro-rata basis.

Enforcement of Special Taxes on Governmentally Owned Properties

General. The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “**FDIC**”), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Federal courts have held, based on the Supremacy Clause of the United States Constitution, that in the absence of congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government’s interest.

The Supremacy Clause of the United States Constitution reads as follows:

“This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to the Special Taxes but does not pay the Special Taxes, the applicable City cannot foreclose on the parcel to collect the delinquent taxes.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Cir. 1979) 597 F.2d 174, the United States Court of Appeal for the Ninth Circuit held that the Federal National Mortgage Association (“**FNMA**”) is a federal instrumentality for purposes of this doctrine, not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes. No assurance can be given as to the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. If any financial institution making any loan secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan (or loans) goes into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "**Policy Statement**") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay or recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure, or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special taxes and assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula, which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001, in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale.

Exemptions Under Rate and Method of Apportionment and the Mello-Roos Act. Certain properties are exempt from the Special Tax in accordance with each Rate and Method and the Act, which provides that properties or entities of the state, federal, or local government are exempt from the Special Taxes; provided, however, that property within the District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Taxes, will continue to be subject to the Special Taxes.

In addition, although the Act provides that if property subject to the Special Taxes is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Taxes with

respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Taxes. The Act further provides that no other properties or entities are exempt from the Special Taxes unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

Depletion of Bond Reserve Fund

The City will maintain the Bond Reserve Fund for the Bonds, which will be used to pay principal of, and interest on, the Bonds if insufficient funds are available from Special Tax receipts. See "SECURITY FOR THE BONDS – Bond Reserve Fund."

If funds in the Bond Reserve Fund are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax levied for this purpose. However, no replenishment from the proceeds of a Special Tax levy can occur so long as the proceeds that are collected from the levy of the Special Taxes against property within the District at the maximum Special Tax rates, together with other available funds, remain insufficient to pay all such amounts. Thus, it is possible that the Bond Reserve Fund will be depleted and not be replenished by the levy of the Special Taxes.

Bankruptcy Delays

The payment of the Special Taxes, and the ability of the City to foreclose the lien of delinquent unpaid Special Taxes, may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by State laws relating to judicial foreclosure.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights; by the application of equitable principles; and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

Disclosure to Future Purchasers

The City has recorded, in the Office of the County Recorder, a notice of the Special Tax lien with respect to the District. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider the obligations represented by the Special Taxes in the purchase of a parcel of land or a home in the District, or the lending of money secured by property in the District.

No Acceleration

The Bonds do not contain a provision allowing for acceleration if a payment default or other default occurs under the Indenture.

Loss of Tax Exemption

As discussed under the caption “LEGAL MATTERS – Tax Exemption,” interest on the Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the City in violation of its covenants in the Indenture.

The Indenture does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Bonds were to be includable in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption. See “THE BONDS – Redemption.”

In addition, Congress has considered in the past, is currently considering, and may consider in the future, legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation.

Voter Initiatives

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, which was approved in the general election held on November 5, 1996, and Proposition 26, which was approved on November 2, 2010.

Any such initiative may affect the collection of fees, taxes, and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Bonds.

In 1996, Proposition 218, the “Right to Vote on Taxes Act,” added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments, and property-related fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIIC of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Article XIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes (“special taxes”) require a two-thirds vote.

The Special Taxes and the Bonds were each authorized by not less than a two-thirds vote of the landowners within the District who constituted the qualified electors at the time of the voted authorization. The City believes, therefore, that issuance of the Bonds does not require the conduct of further proceedings under the Mello-Roos Act, Proposition 218, or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 have undergone and are likely to undergo further judicial and legislative scrutiny, the outcome of which cannot be predicted.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

LEGAL MATTERS

Legal Opinions

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("**Bond Counsel**"). A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX F hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Jones Hall, A Professional Law Corporation, San Francisco, California, will pass upon certain legal matters for the Underwriter. The office of the City Attorney will pass upon certain legal matters for the City.

Tax Exemption

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "**Code**") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX F.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("**Premium Bonds**") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should

consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration's proposed 2014 budget includes a legislative proposal which, for tax years beginning after December 31, 2013, would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("**IRS**") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and their appointed counsel, including the

Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

No Litigation

The City will certify at the time the Bonds are issued that no litigation is pending or threatened concerning the validity of the Bonds and that no action, suit or proceeding is known by the City to be pending that would restrain or enjoin the delivery of the Bonds, or contest or affect the validity of the Bonds, or any proceedings of the City taken with respect to the Bonds.

CONTINUING DISCLOSURE

The City will covenant in a continuing disclosure certificate (the “**Continuing Disclosure Certificate**”), for the benefit of owners of the Bonds, to provide certain financial information and operating data relating to the District (the “**Annual Report**”) by not later than nine months following the end of the City’s Fiscal Year (currently March 31 based on the City’s Fiscal Year ending June 30), commencing March 31, 2014, with the report for the Fiscal Year ending June 30, 2013, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the “**Rule**”). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in the Continuing Disclosure Certificate, the form of which is attached as APPENDIX E.

A default under the Continuing Disclosure Certificate will not, by itself, constitute an Event of Default under the Indenture, and the sole remedy under the Continuing Disclosure Certificate in the event of any failure of the City to comply will be an action to compel specific performance.

The City has entered into a number of prior continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations, and has provided annual financial information and event notices in accordance with those undertakings. During the past five years, the City substantially complied with the requirements of its continuing disclosure undertakings, but with certain minor or technical exceptions. For example, in certain continuing disclosure filings the City provided links to the City’s website where documents could be downloaded, instead of submitting the documents as part of the filing itself; with respect to certain bonds involving the Sacramento Housing and Redevelopment Agency (“**SHRA**”), and also with respect to bonds of SHRA itself, the posting of the SHRA’s audited financial statements occurred after the due date; and certain filings related to bonds issued by SHRA and by the Sacramento City Financing Authority did not expressly include all the required information.

The City has made filings to correct all known instances of non-compliance during the last five years, to the extent the relevant information is available, including the filing of documents that had previously been provided by link only. The City believes it has established processes to ensure that in the future it will make its continuing disclosure filings as required.

VERIFICATION OF MATHEMATICAL ACCURACY

Causey Demgen & Moore, P.C., Denver, Colorado, as verification agent (the “**Verification Agent**”), upon delivery of the Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the City, relating to (a) the sufficiency of the anticipated amount of proceeds of the Bonds and other funds available to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the Prior Bonds, and (b) the yields on the amount of proceeds held and invested prior to redemption of the Prior Bonds and on the Bonds, as considered by Bond Counsel in connection with the opinion rendered by Bond Counsel, so not cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code, as amended.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

RATING

Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“**S&P**”), has assigned its municipal bond rating of “___” to the Bonds.

This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it, as well as on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement). There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”), at a purchase price of \$_____ (which represents the aggregate principal amount of the Bonds (\$_____), plus/less a net original issue premium/discount of \$_____, and less an Underwriter’s discount of \$_____).

The purchase agreement relating to the Bonds provides that the Underwriter will purchase all the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

PROFESSIONAL FEES

In connection with the issuance of the Bonds, fees or compensation payable to certain professionals are contingent upon the issuance and delivery of the Bonds. Those professionals include:

- the Underwriter;
- Orrick, Herrington & Sutcliffe LLP, as Bond Counsel;
- Jones Hall, A Professional Law Corporation, as Underwriter's Counsel;
- A portion of the fees of NBS Government Finance Group, as Special Tax Consultant; and
- The Bank of New York Mellon Trust Company, N.A., as Trustee and Escrow Agent.

EXECUTION

The execution and delivery of the Official Statement by the City have been duly authorized by the City Council.

CITY OF SACRAMENTO

By: _____
Russell T. Fehr,
City Treasurer

APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF SACRAMENTO AND SACRAMENTO COUNTY

The following information is included only for the purpose of supplying general information about the City of Sacramento and Sacramento County. This information is provided only for general informational purposes and provides prospective investors limited information about this region and its economic base. The Bonds are not a debt of the City, the County, the State, or any political subdivision of the State, and the City, the County, the State, and the State's political subdivisions are not liable therefor, individually or collectively.

General Description and Background

The City. The City of Sacramento (the “**City**”) is located at the confluence of the Sacramento and American Rivers in the south-central portion of the Sacramento Valley, a part of the State’s Central Valley. The City was incorporated in 1849, although it had been settled in the 1830s. In 1854, the City became the location of the Capitol of the State of California (the “**State**”). Today, State government employees and governmental-related activities contribute substantially to the City’s economy. The City also serves as the county seat of Sacramento County (the “**County**”).

The City operates under a City Charter, adopted in 1920, that currently provides for a nine member elected City Council including an elected Mayor. There are no other elected City officials. The City Council appoints the City Manager, City Attorney, City Clerk, and City Treasurer to carry out its adopted policies. Members of the City Council serve terms of four years. The Mayor is chairperson of the City Council and is elected in at-large City elections. City Council members are elected by eight individual districts.

The City provides a number of municipal services, including administration, police, fire, library, recreation, parking, public works, and utilities such as water production and distribution, refuse collection, storm drainage, and maintenance.

The County. The County was incorporated in 1850 as one of the original 27 counties of the State. The City is the County's largest city. The County is the major component of the Sacramento-Arden Arcade-Roseville Metropolitan Statistical Area (“**MSA**”), which includes Sacramento, El Dorado, Placer, and Yolo Counties.

The County comprises approximately 994 square miles in the middle of the 400-mile-long Central Valley, which is the State’s prime agricultural region. The County is bordered by Contra Costa and San Joaquin Counties on the south, Amador and El Dorado Counties on the east, Placer and Sutter Counties on the north, and Yolo and Solano Counties on the west. The County extends from the low delta lands between the Sacramento and San Joaquin Rivers north to about ten miles beyond the State Capitol and east to the foothills of the Sierra Nevada. The southernmost portion of the County has direct access to the San Francisco Bay.

Population

The following sets forth population estimates for the City, the County, and the State as of January 1 for the years set forth below.

CITY OF SACRAMENTO, SACRAMENTO COUNTY AND STATE OF CALIFORNIA Estimated Population

Year (January 1)	City of Sacramento	Sacramento County	State of California
1990 ⁽¹⁾	369,365	1,041,219	29,758,213
2000 ⁽¹⁾	407,018	1,223,499	33,873,086
2009	463,633	1,406,168	36,966,713
2010	466,740	1,417,259	37,223,900
2011	469,477	1,427,961	37,427,946
2012	470,437	1,433,525	37,668,804
2013	473,509	1,445,806	37,966,471

(1) As of April 1.

Source: State of California Department of Finance, Demographic Research Unit.

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 and after is not comparable to those of prior years.

A summary of historic taxable sales within the City during the past five years in which data are available is shown in the following table. Total taxable sales during calendar year 2011 in the City were reported to be \$5,291,975,000, a 6.96% increase over the total taxable sales of \$4,947,448,000 reported during calendar year 2010. Figures for calendar year 2012 are not yet available.

CITY OF SACRAMENTO Taxable Transactions (Figures in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	5,584	4,037,475	12,012	5,947,753
2008	6,166	3,780,349	12,235	5,704,418
2009 ⁽¹⁾	7,485	3,371,643	10,910	4,949,165
2010 ⁽¹⁾	7,976	3,456,380	11,491	4,947,448
2011 ⁽¹⁾	7,655	3,702,978	11,105	5,291,975

(1) Not comparable to prior years. Beginning in 2009, the "Retail" category includes "Food Services."

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

A summary of historic taxable sales within the County during the past five years in which data are available is shown in the following table. Total taxable sales during calendar year 2011 in the County were reported to be \$18,003,765,000, a 6.5% increase over the total taxable sales of \$16,904,528,000 reported during calendar year 2010. Figures for calendar year 2012 are not yet available.

**COUNTY OF SACRAMENTO
Taxable Transactions
(Figures in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	15,724	14,253,867	35,023	20,560,510
2008	17,363	12,973,537	35,547	19,331,847
2009 ⁽¹⁾	22,197	11,252,319	31,644	16,563,853
2010 ⁽¹⁾	23,158	11,615,687	32,789	16,904,528
2011 ⁽¹⁾	22,198	12,502,808	31,682	18,003,765

(1) Not comparable to prior years. Beginning in 2009, the "Retail" category includes "Food Services."
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Employment and Industry

The unemployment rate in the Sacramento-Arden Arcade-Roseville Metropolitan Statistical Area (MSA) was 8.3% in April 2013, down from a revised 9.2% in March 2013, and below the year-ago estimate of 10.3%. This compares with an unadjusted unemployment rate of 8.5% for California and 7.1% for the nation during the same period. The unemployment rate was 8.6% in El Dorado County, 7.2% in Placer County, 8.3% in Sacramento County, and 9.4% in Yolo County.

The table below provides information about employment rates and employment by industry type for the MSA for calendar years 2008 through 2012.

SACRAMENTO-ARDEN ARCADE-ROSEVILLE MSA El Dorado, Placer, Sacramento, Yolo Counties Employment by Industry Annual Averages

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Civilian Labor Force ⁽¹⁾	1,047,000	1,052,000	1,049,900	1,044,300	1,048,000
Employment	973,200	935,200	918,700	920,300	938,700
Unemployment	73,800	116,800	131,200	124,000	109,300
Unemployment Rate	7.0%	11.1%	12.5%	11.9%	10.4%
Wage and Salary Employment ⁽²⁾					
Agriculture	8,200	8,300	8,100	8,200	8,600
Mining and Logging	700	400	400	400	400
Construction	56,200	43,500	38,400	36,800	37,300
Manufacturing	38,700	34,400	32,800	33,900	33,900
Wholesale Trade	26,500	24,100	22,800	24,500	25,300
Retail Trade	95,100	87,600	88,000	90,900	91,600
Transportation, Warehousing and Utilities	25,100	23,200	21,700	21,600	21,900
Information	19,200	18,300	17,200	15,600	15,300
Finance and Insurance	43,100	40,200	36,100	35,000	35,300
Real Estate and Rental and Leasing	14,100	12,700	12,200	12,200	12,300
Professional and Business Services	110,100	101,100	102,200	107,700	110,600
Educational and Health Services	99,700	99,800	99,400	104,500	105,500
Leisure and Hospitality	85,900	81,900	80,200	82,500	83,300
Other Services	29,600	28,800	28,100	27,800	28,200
Federal Government	12,500	13,300	14,600	13,900	13,700
State Government	111,400	111,900	110,900	108,900	108,100
Local Government	114,300	110,200	104,700	99,500	99,500
Total, All Industries ⁽³⁾	890,200	839,700	817,900	823,800	831,000

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The major private-sector employers in the region in and around the City as of June 30, 2012, are shown below.

CITY OF SACRAMENTO AND SURROUNDING REGION MAJOR EMPLOYERS (As of June 30, 2012)

Employer Name	No. of Employees
State of California	69,763 ⁽¹⁾
Sacramento County	11,450
University of California, Davis Health System	7,725
Dignity Health	7,069
Intel Corporation	6,633
Kaiser Permanente	6,360
Sutter Health Sacramento Sierra Region	5,765
Elk Grove Unified School District	5,021
Sacramento City Unified School District	5,000
San Juan Unified School District	4,700
City of Sacramento	4,083

(1) Includes full-time, intermittent, and part-time employees.

Source: *City of Sacramento, Comprehensive Annual Financial Report (CAFR), dated June 30, 2012.*

The major employers in the County as of June 2013 are shown below.

**COUNTY OF SACRAMENTO
MAJOR EMPLOYERS - LISTED ALPHABETICALLY
(As of June 2013)**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Aerojet-General Corp	Rancho Cordova	Aerospace Industries (Mfrs)
American River College	Sacramento	Schools-Cooking
AMPAC FINE CHEMICALS LLC	Rancho Cordova	Chemicals-Manufacturers
California Dept of Transport	Sacramento	Government Offices-Us
California Prison Ind Auth	Folsom	State Govt-Correctional Institutions
California State University	Sacramento	Schools-Universities & Colleges Academic
Corrections Dept	Sacramento	State Govt-Correctional Institutions
CSUS	Sacramento	Schools-Universities & Colleges Academic
Delta Dental	Rancho Cordova	Insurance
Disabled American Veterans	Sacramento	Veterans' & Military Organizations
Employment Development Dept	Sacramento	Government-Job Training/Voc Rehab Svcs
Environmental Protection Agcy	Sacramento	State Government-Environmental Programs
Exposition & Fair	Sacramento	Government Offices-State
Gen Corp Inc	Rancho Cordova	Marketing Programs & Services
IBEW	Sacramento	Labor Organizations
Intel Corp	Folsom	Semiconductor Devices (Mfrs)
Mercy Hospitals Regional Rehab	Sacramento	Hospitals
Mercy San Juan Hospital	Carmichael	Medical Centers
Municipal Services Agency	Sacramento	Government Offices-County
Sacramento Bee	Sacramento	Newspapers (Publishers/Mfrs)
Sacramento Kings	Sacramento	Sports Teams
Sacramento Regional Transit	Sacramento	Alternative Fuels
Securitas Security Svc USA	Sacramento	Security Guard & Patrol Service
UC Davis Medical Ctr	Sacramento	Hospitals
Water Resource Dept	Sacramento	State Government-Environmental Programs

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2013 2nd Edition.

Building and Construction

Provided below are the building permits and valuations for the City for calendar years 2008 through 2012.

CITY OF SACRAMENTO Total Building Permit Valuations (Valuations in Thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Permit Valuation					
New Single Family	\$165,420.0	\$25,845.2	\$15,543.2	\$11,615.9	\$25,833.0
New Multi Family	68,035.0	5,898.3	14,384.3	30,285.8	41,453.6
Res. Alterations/Additions	<u>99,934.1</u>	<u>95,547.3</u>	<u>96,241.6</u>	<u>110,787.5</u>	<u>78,739.6</u>
Total Residential	333,389.1	127,290.7	126,169.2	152,689.2	146,026.2
New Commercial	185,320.7	36,498.8	18,290.7	16,197.1	32,837.5
New Industrial	7,168.8	0.0	0.0	3,232.4	0.0
New Other	51,656.4	24,834.1	17,387.2	1,324.4	2,327.5
Com. Alterations/Additions	<u>235,977.5</u>	<u>166,964.3</u>	<u>110,195.2</u>	<u>140,159.1</u>	<u>115,028.9</u>
Total Nonresidential	480,123.3	228,297.3	145,873.1	160,913.0	150,193.9
Permits for New Dwelling Units					
Single Family	921	148	95	65	169
Multiple Family	<u>698</u>	<u>68</u>	<u>96</u>	<u>234</u>	<u>286</u>
TOTAL	1,619	216	191	299	455

Source: Construction Industry Research Board, Building Permit Summary.

Provided below are the building permits and valuations for the County for calendar years 2008 through 2012.

COUNTY OF SACRAMENTO Total Building Permit Valuations (Valuations in Thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Permit Valuation					
New Single family	\$381,937.3	\$199,795.8	\$199,008.8	\$189,634.5	\$248,826.3
New Multi family	113,690.7	8,310.0	32,680.9	64,390.8	48,632.8
Res. Alterations/Additions	<u>208,941.5</u>	<u>173,522.6</u>	<u>181,074.7</u>	<u>202,757.1</u>	<u>143,291.7</u>
Total Residential	704,569.5	381,628.4	412,764.5	456,782.4	440,750.8
New Commercial	486,728.2	76,831.2	52,031.6	77,164.9	155,651.6
New Industrial	40,037.4	3,892.4	2,481.3	3,232.4	648.1
New Other	124,950.7	57,847.7	56,735.4	3,290.1	3,788.0
Com. Alterations/Additions	<u>513,791.8</u>	<u>369,332.1</u>	<u>242,724.5</u>	<u>287,939.6</u>	<u>248,426.0</u>
Total Nonresidential	\$1,165,508.1	\$507,903.4	353,972.8	371,627.0	408,513.7
Permits for New Dwelling Units					
Single Family	1,933	881	843	727	1,290
Multiple Family	<u>1,231</u>	<u>92</u>	<u>338</u>	<u>606</u>	<u>343</u>
TOTAL	3,164	973	1,181	1,333	1,633

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state, and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2008 through 2012.

COUNTY OF SACRAMENTO Effective Buying Income 2008 through 2012

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000s' Omitted)</u>	<u>Median Household Effective Buying Income</u>
2008	City of Sacramento	\$9,180,905	\$40,769
	Sacramento County	30,497,550	46,903
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Sacramento	\$9,390,475	\$41,578
	Sacramento County	31,079,118	47,353
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Sacramento	\$8,865,690	\$39,011
	Sacramento County	28,891,811	44,449
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Sacramento	\$8,673,273	\$38,456
	Sacramento County	28,869,888	44,185
	California	814,578,458	41,062
	United States	6,438,704,664	41,253
2012	City of Sacramento	\$8,948,300	\$39,220
	Sacramento County	28,956,570	43,682
	California	864,088,828	47,307
	United States	6,737,867,730	41,358

Source: The Nielsen Company (US), Inc.

Transportation

Sacramento's strategic location and broad transportation network have contributed to the City's economic growth. The City is traversed by the main east-west and north-south freeways serving northern and central California. Interstate 80 connects the City with the San Francisco Bay Area, Reno, Nevada, and points east. U.S. 50 carries traffic from Sacramento to the Lake Tahoe area. Interstate 5 is the main north-south route through the interior of California; it runs from Mexico to Canada. State 99 parallels Interstate 5 through central California and passes through Sacramento.

The Union Pacific Railroad, a transcontinental line, has junctions in Sacramento and is connected to the Burlington Northern and Santa Fe Railway via the Central California Traction Company. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound and the Sacramento Regional Transit District. The Sacramento Regional Transit District also provides light-rail service within the City. The Port of Sacramento, located 79 nautical miles northeast of San Francisco, provides direct ocean freight service to all major United States and world ports. Via a deep water channel, ships can reach the Port of Sacramento from San Francisco in less than eight hours. The major rail links serving the City connect with the Port, and Interstate 80 and Interstate 5 are immediately adjacent to it.

Trucking services are offered through facilities of interstate common carriers operating terminals in the area and by contract carriers of general commodities. Greyhound Bus Lines also provides passenger and package service stations located in the City.

Sacramento International Airport is about 12 miles northwest of the City's downtown. The airport is served by 13 major carriers and one commuter carrier. Executive Airport, located in the City, is a full-service, 540-acre facility serving general aviation and providing a wide array of facilities and services.

APPENDIX B
RATE AND METHOD OF APPORTIONMENT

APPENDIX C
SUMMARY OF THE INDENTURE

APPENDIX D

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds (herein, the “Securities”) to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Securities and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Securities (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Securities (the “Agent”) takes any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated

subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX E

FORM OF ISSUER CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

\$ _____
**NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
STATE OF CALIFORNIA
SPECIAL TAX REFUNDING BONDS, SERIES E (2013)**

This Continuing Disclosure Certificate (this “**Certificate**”) is executed and delivered by the CITY OF SACRAMENTO (the “**City**”) in connection with the issuance of the bonds captioned above (the “**Bonds**”). The Bonds are being issued under a Master Indenture dated as of February 1, 1999, by and between the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “**Trustee**”), as supplemented and amended to date, and as supplemented and amended by a Fifth Supplemental Indenture dated as of July 1, 2013 (collectively, the “**Indenture**”), by and between the City and the Trustee. The City hereby covenants and agrees as follows:

1. *Purpose of the Disclosure Certificate.* The City has executed and delivered this Certificate for the benefit of the holders and beneficial owners of the Bonds and to assist the Participating Underwriter in complying with the Rule.
2. *Definitions.* In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this section, the following capitalized terms have the following meanings:
 - (a) “**Annual Report**” means any Annual Report provided by the City in accordance with and as described in Sections 3 and 4.
 - (b) “**Annual Report Date**” means the date that is nine months after the end of the City’s fiscal year. As of the date of this Certificate, the City’s fiscal year ends on June 30, and the Annual Report Date is March 31.
 - (c) “**District**” means the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California.
 - (d) “**Dissemination Agent**” initially means the City. It also means any other person or entity the City may subsequently appoint in writing as Dissemination Agent for the Bonds, but only if the person or entity has delivered to the City a written acceptance of the appointment (in which the person or entity agrees to be subject to this Certificate) and the acceptance has not been withdrawn. The City may discharge any appointed Dissemination Agent with or without appointing a successor Dissemination Agent, and, if the City does not appoint a successor, then “Dissemination Agent” will again mean the City.
 - (e) “**Listed Events**” means any of the events listed in Section 5(a).
 - (f) “**MSRB**” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

- (g) “**Official Statement**” means the final official statement dated _____, 2013, executed by the City in connection with the issuance of the Bonds.
- (h) “**Participating Underwriter**” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.
- (i) “**Rule**” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time (17 C.F.R. § 240.15c2-12).

3. *Provision of Annual Reports.*

- (a) Except as provided in Section 3(b), and until the City’s obligations under this Certificate terminate, the City shall provide to the MSRB, on or before each Annual Report Date, commencing March 31, 2014, an Annual Report that covers the preceding fiscal year. The Annual Report must comply with Section 4 and be in an electronic format as prescribed by the MSRB.
- (b) The City may appoint a Dissemination Agent to provide Annual Reports to the MSRB on or before each Annual Report Date. If the City appoints a Dissemination Agent, then the City shall cause the Dissemination Agent to provide Annual Reports in accordance with the following procedures:
 - (1) Each year, the City shall provide the Annual Report to the Dissemination Agent at least 15 business days before the Annual Report Date. If the Dissemination Agent has not received the Annual Report by the 15th business day before the Annual Report Date, then the Dissemination Agent shall contact the City to determine if and when the City will be able to provide the Annual Report. If the City cannot or does not provide the Annual Report to the Dissemination Agent in sufficient time to allow the Dissemination Agent to file the Annual Report with the MSRB by the Annual Report Date, then the Dissemination Agent shall file with the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.
 - (2) The Dissemination Agent shall also do the following:
 - (A) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing-disclosure reports;
 - (B) file a report with the City and the Participating Underwriter certifying that the Annual Report has been provided as required by this Certificate and stating the date it was provided; and
 - (C) file Event Notices as required by Section 5(b).
- (c) The Annual Report may be submitted as a single document or as separate documents composing a package and may include by reference other information as provided in Section 4. The City’s audited financial statements may be submitted separately from the

balance of the Annual Report, and later than the Annual Report Date, if not available by that date.

- (d) If the City's fiscal year changes, then the City shall give notice of the change in the same manner that is required under Section 5(b) for notice of a Listed Event.

4. *Content of Annual Reports.* The Annual Report must contain or incorporate by reference the following documents and information:

- (a) The City's audited financial statements for the most recently completed fiscal year, prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, together with the following statement:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES AND EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY, OTHER THAN NET SPECIAL TAXES, ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD, OR SELL THE BONDS.

- (b) To the extent not included in the City's audited financial statements, the following information:

- (i) A maturity schedule for the outstanding Bonds, and a listing of Bonds redeemed prior to maturity during the prior fiscal year.
- (ii) Balances in each of the following funds established pursuant to the Indenture as of the close of the prior fiscal year:
 - (I) the Bond Redemption Fund (with a statement of the debt service requirement to be discharged by said Fund prior to the receipt of expected additional special tax revenue); and
 - (II) the Bond Reserve Fund.
- (iii) A statement of the debt service requirements for the Bonds for the prior fiscal year.
- (iv) A statement of the total special tax levied in the prior fiscal year.
- (v) A statement of the actual special tax collections for the District for the prior fiscal year.
- (vi) The following information (to the extent that it is no longer reported in the City's annual filings with the California Debt and Investment Advisory Commission regarding the Bonds):

- (I) the Reserve Requirement for the prior fiscal year;
 - (II) a statement as to the status of any foreclosure actions with respect to delinquent payments of the Special Tax; and
 - (III) a statement of any discontinuance of the County's Teeter Plan with respect to any taxable property in the District.
- (c) In addition to the information expressly required to be provided under Section 4(b), the City shall provide any other information that is necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.
- (d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, that are available to the public on the MSRB's web site or are filed with the Securities and Exchange Commission. The City shall clearly identify the documents included by reference.

5. *Reporting of Listed Events.*

- (a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:
- (1) Principal and interest-payment delinquencies.
 - (2) Non-payment-related defaults, if material.
 - (3) Unscheduled draws on debt-service reserves reflecting financial difficulties.
 - (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
 - (5) Substitution of credit or liquidity providers, or their failure to perform.
 - (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
 - (7) Modifications to rights of security holders, if material.
 - (8) Bond calls, if material, and tender offers.
 - (9) Defeasances.
 - (10) Release, substitution, or sale of property securing repayment of the securities, if material.
 - (11) Rating changes.
 - (12) Bankruptcy, insolvency, receivership, or similar event of the City.

- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
 - (14) Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.
- (b) Upon the occurrence of a Listed Event, the Dissemination Agent shall file a notice of the occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days (as "business days" is defined for purposes of the Rule) after the occurrence of the Listed Event. But notice of Listed Events described in Sections 5(a)(8) and 5(a)(9) need not be given under this section any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.
 - (c) The events described in Sections 5(a)(2), 5(a)(7), 5(a)(8) (if a bond call), 5(a)(10), 5(a)(13), and 5(a)(14) contain the qualifier "if material," and Section 5(a)(6) also contains the qualifier "material" with respect to certain notices, determinations, or other events affecting the tax status of the Bonds. The Dissemination Agent shall file a notice in the same manner as is set forth in Section 5(b) for any such Listed Event only to the extent the City determines that the event's occurrence is material under applicable federal securities law. Upon occurrence of any of these Listed Events, the City shall determine, as soon as possible, whether the event would be material under the Rule. If the event is determined to be material, then the Dissemination Agent shall file a notice in the same manner as is required by Section 5(b) for notice of a Listed Event.
 - (d) For purposes of this Certificate, any Listed Event described in Section 5(a)(12) is considered to occur when any of the following occur: (1) the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority; or (2) the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.
6. *Identifying Information for Filings with the MSRB.* All documents provided to the MSRB under this Certificate must be accompanied by identifying information as prescribed by the MSRB.
 7. *Termination of Reporting Obligation.* The City's obligations under this Certificate terminate upon the legal defeasance, prior redemption, or payment in full of all the Bonds. If termination occurs before the final maturity of the Bonds, then the City shall give notice of termination in the same manner as is required by Section 5(b) for notice of a Listed Event.
 8. *Amendment and Waiver.*
 - (a) The City may amend this Certificate or may waive any provision of this Certificate if the following conditions are satisfied:

- (1) If the amendment or waiver relates to Sections 3(a), 4, or 5(a), then it may only be made in connection with a change in circumstances that arises from a change in legal requirements; a change in law; a change in the identity, nature, or status of an obligated person with respect to the Bonds; or a change in the type of business such an obligated person conducts.
 - (2) The undertakings in this Certificate, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.
 - (3) The proposed amendment or waiver either (A) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders; or (B) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.
 - (b) If the annual financial information or operating data to be provided in the Annual Report is amended under this Section 8, then the first annual financial information filed containing the amended operating data or financial information must explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.
 - (c) If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made must present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison must include a discussion of the differences in the accounting principles and of the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the City's ability to meet its obligations. To the extent reasonably feasible, the comparison must be quantitative. A notice of the change in the accounting principles must be filed in the same manner as is required by Section 5(b) for notice of a Listed Event.
10. **Additional Information.** This Certificate does not prevent the City from disseminating any information, including information in any Annual Report or a notice of a Listed Event, that is in addition to the information required by this Certificate, whether the dissemination is by a means of communication set forth in this Certificate or by any other means. If the City includes any information in any Annual Report or notice of a Listed Event in addition to the information specifically required by this Certificate, then the City will not be obligated under this Certificate to update the information or include it in any future Annual Report or notice of a Listed Event.
 11. **Default.** If the City fails to comply with its obligations under this Certificate, then the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations. A default under this Certificate is not an Event of Default under the Indenture, and the sole remedy under this Certificate for the City's failure to comply with this Certificate is an action to compel performance.

12. *Duties, Immunities, and Liabilities of Appointed Dissemination Agent.* If the City appoints a person or entity to act as Dissemination Agent, then the appointed Dissemination Agent will have only the duties specified in this Certificate, and the City shall indemnify and save the appointed Dissemination Agent and its directors, officers, employees, and agents, harmless against any liability, claim, demand, damage, or cost (including reasonable attorneys' fees) that may arise out of the Dissemination Agent's exercise or performance of its powers and duties under this Certificate, except for liabilities, claims, demands, damages, and costs arising from the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent is not obligated to review any information provided to it under this Certificate and is not acting in any fiduciary capacity for the City, the Trustee, the Owners, or any other person in connection with the Bonds. The City's obligations under this Section 12 will survive resignation or removal of the Dissemination Agent and payment of the Bonds.
13. *Beneficiaries.* This Certificate inures solely to the benefit of the City, the Trustee, any appointed Dissemination Agent, the Participating Underwriter, and holders and beneficial owners from time to time of the Bonds, and it creates no rights in any other person or entity.

Date: _____, 2013

CITY OF SACRAMENTO

By: _____
Russell T. Fehr,
City Treasurer

ATTEST:
Sacramento City Clerk

By: _____

APPROVED AS TO FORM:
Sacramento City Attorney

By: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Sacramento

Name of Bond Issue: North Natomas Community Facilities District No. 4
City of Sacramento, County of Sacramento, State of California
Special Tax Refunding Bonds, Series E (2013)

Date of Issuance: _____, 2013

NOTICE IS HEREBY GIVEN that the City of Sacramento has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated _____, 2013. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____
Its: _____

APPENDIX F
PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX G
DISTRICT BOUNDARY MAP

FORM OF ISSUER CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

**§ _____
NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
STATE OF CALIFORNIA
SPECIAL TAX REFUNDING BONDS, SERIES E (2013)**

This Continuing Disclosure Certificate (this “**Certificate**”) is executed and delivered by the CITY OF SACRAMENTO (the “**City**”) in connection with the issuance of the bonds captioned above (the “**Bonds**”). The Bonds are being issued under a Master Indenture dated as of February 1, 1999, by and between the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “**Trustee**”), as supplemented and amended to date, and as supplemented and amended by a Fifth Supplemental Indenture dated as of July 1, 2013 (collectively, the “**Indenture**”), by and between the City and the Trustee. The City hereby covenants and agrees as follows:

1. *Purpose of the Disclosure Certificate.* The City has executed and delivered this Certificate for the benefit of the holders and beneficial owners of the Bonds and to assist the Participating Underwriter in complying with the Rule.
2. *Definitions.* In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this section, the following capitalized terms have the following meanings:
 - (a) “**Annual Report**” means any Annual Report provided by the City in accordance with and as described in Sections 3 and 4.
 - (b) “**Annual Report Date**” means the date that is nine months after the end of the City’s fiscal year. As of the date of this Certificate, the City’s fiscal year ends on June 30, and the Annual Report Date is March 31.
 - (c) “**District**” means the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California.
 - (d) “**Dissemination Agent**” initially means the City. It also means any other person or entity the City may subsequently appoint in writing as Dissemination Agent for the Bonds, but only if the person or entity has delivered to the City a written acceptance of the appointment (in which the person or entity agrees to be subject to this Certificate) and the acceptance has not been withdrawn. The City may discharge any appointed Dissemination Agent with or without appointing a successor Dissemination Agent, and, if the City does not appoint a successor, then “Dissemination Agent” will again mean the City.
 - (e) “**Listed Events**” means any of the events listed in Section 5(a).
 - (f) “**MSRB**” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

- (g) “**Official Statement**” means the final official statement dated _____, 2013, executed by the City in connection with the issuance of the Bonds.
- (h) “**Participating Underwriter**” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.
- (i) “**Rule**” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time (17 C.F.R. § 240.15c2-12).

3. *Provision of Annual Reports.*

- (a) Except as provided in Section 3(b), and until the City’s obligations under this Certificate terminate, the City shall provide to the MSRB, on or before each Annual Report Date, commencing March 31, 2014, an Annual Report that covers the preceding fiscal year. The Annual Report must comply with Section 4 and be in an electronic format as prescribed by the MSRB.
- (b) The City may appoint a Dissemination Agent to provide Annual Reports to the MSRB on or before each Annual Report Date. If the City appoints a Dissemination Agent, then the City shall cause the Dissemination Agent to provide Annual Reports in accordance with the following procedures:
 - (1) Each year, the City shall provide the Annual Report to the Dissemination Agent at least 15 business days before the Annual Report Date. If the Dissemination Agent has not received the Annual Report by the 15th business day before the Annual Report Date, then the Dissemination Agent shall contact the City to determine if and when the City will be able to provide the Annual Report. If the City cannot or does not provide the Annual Report to the Dissemination Agent in sufficient time to allow the Dissemination Agent to file the Annual Report with the MSRB by the Annual Report Date, then the Dissemination Agent shall file with the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.
 - (2) The Dissemination Agent shall also do the following:
 - (A) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing-disclosure reports;
 - (B) file a report with the City and the Participating Underwriter certifying that the Annual Report has been provided as required by this Certificate and stating the date it was provided; and
 - (C) file Event Notices as required by Section 5(b).
- (c) The Annual Report may be submitted as a single document or as separate documents composing a package and may include by reference other information as provided in Section 4. The City’s audited financial statements may be submitted separately from the

balance of the Annual Report, and later than the Annual Report Date, if not available by that date.

- (d) If the City's fiscal year changes, then the City shall give notice of the change in the same manner that is required under Section 5(b) for notice of a Listed Event.

4. *Content of Annual Reports.* The Annual Report must contain or incorporate by reference the following documents and information:

- (a) The City's audited financial statements for the most recently completed fiscal year, prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, together with the following statement:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES AND EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY, OTHER THAN NET SPECIAL TAXES, ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD, OR SELL THE BONDS.

- (b) To the extent not included in the City's audited financial statements, the following information:

- (i) A maturity schedule for the outstanding Bonds, and a listing of Bonds redeemed prior to maturity during the prior fiscal year.
- (ii) Balances in each of the following funds established pursuant to the Indenture as of the close of the prior fiscal year:
 - (I) the Bond Redemption Fund (with a statement of the debt service requirement to be discharged by said Fund prior to the receipt of expected additional special tax revenue); and
 - (II) the Bond Reserve Fund.
- (iii) A statement of the debt service requirements for the Bonds for the prior fiscal year.
- (iv) A statement of the total special tax levied in the prior fiscal year.
- (v) A statement of the actual special tax collections for the District for the prior fiscal year.
- (vi) The following information (to the extent that it is no longer reported in the City's annual filings with the California Debt and Investment Advisory Commission regarding the Bonds):

- (I) the Reserve Requirement for the prior fiscal year;
 - (II) a statement as to the status of any foreclosure actions with respect to delinquent payments of the Special Tax; and
 - (III) a statement of any discontinuance of the County's Teeter Plan with respect to any taxable property in the District.
- (c) In addition to the information expressly required to be provided under Section 4(b), the City shall provide any other information that is necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.
- (d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, that are available to the public on the MSRB's web site or are filed with the Securities and Exchange Commission. The City shall clearly identify the documents included by reference.

5. *Reporting of Listed Events.*

- (a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:
- (1) Principal and interest-payment delinquencies.
 - (2) Non-payment-related defaults, if material.
 - (3) Unscheduled draws on debt-service reserves reflecting financial difficulties.
 - (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
 - (5) Substitution of credit or liquidity providers, or their failure to perform.
 - (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
 - (7) Modifications to rights of security holders, if material.
 - (8) Bond calls, if material, and tender offers.
 - (9) Defeasances.
 - (10) Release, substitution, or sale of property securing repayment of the securities, if material.
 - (11) Rating changes.
 - (12) Bankruptcy, insolvency, receivership, or similar event of the City.

- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
 - (14) Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.
- (b) Upon the occurrence of a Listed Event, the Dissemination Agent shall file a notice of the occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days (as "business days" is defined for purposes of the Rule) after the occurrence of the Listed Event. But notice of Listed Events described in Sections 5(a)(8) and 5(a)(9) need not be given under this section any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.
 - (c) The events described in Sections 5(a)(2), 5(a)(7), 5(a)(8) (if a bond call), 5(a)(10), 5(a)(13), and 5(a)(14) contain the qualifier "if material," and Section 5(a)(6) also contains the qualifier "material" with respect to certain notices, determinations, or other events affecting the tax status of the Bonds. The Dissemination Agent shall file a notice in the same manner as is set forth in Section 5(b) for any such Listed Event only to the extent the City determines that the event's occurrence is material under applicable federal securities law. Upon occurrence of any of these Listed Events, the City shall determine, as soon as possible, whether the event would be material under the Rule. If the event is determined to be material, then the Dissemination Agent shall file a notice in the same manner as is required by Section 5(b) for notice of a Listed Event.
 - (d) For purposes of this Certificate, any Listed Event described in Section 5(a)(12) is considered to occur when any of the following occur: (1) the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority; or (2) the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.
- 6. *Identifying Information for Filings with the MSRB.* All documents provided to the MSRB under this Certificate must be accompanied by identifying information as prescribed by the MSRB.
 - 7. *Termination of Reporting Obligation.* The City's obligations under this Certificate terminate upon the legal defeasance, prior redemption, or payment in full of all the Bonds. If termination occurs before the final maturity of the Bonds, then the City shall give notice of termination in the same manner as is required by Section 5(b) for notice of a Listed Event.
 - 8. *Amendment and Waiver.*
 - (a) The City may amend this Certificate or may waive any provision of this Certificate if the following conditions are satisfied:

- (1) If the amendment or waiver relates to Sections 3(a), 4, or 5(a), then it may only be made in connection with a change in circumstances that arises from a change in legal requirements; a change in law; a change in the identity, nature, or status of an obligated person with respect to the Bonds; or a change in the type of business such an obligated person conducts.
 - (2) The undertakings in this Certificate, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.
 - (3) The proposed amendment or waiver either (A) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders; or (B) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.
 - (b) If the annual financial information or operating data to be provided in the Annual Report is amended under this Section 8, then the first annual financial information filed containing the amended operating data or financial information must explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.
 - (c) If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made must present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison must include a discussion of the differences in the accounting principles and of the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the City's ability to meet its obligations. To the extent reasonably feasible, the comparison must be quantitative. A notice of the change in the accounting principles must be filed in the same manner as is required by Section 5(b) for notice of a Listed Event.
10. *Additional Information.* This Certificate does not prevent the City from disseminating any information, including information in any Annual Report or a notice of a Listed Event, that is in addition to the information required by this Certificate, whether the dissemination is by a means of communication set forth in this Certificate or by any other means. If the City includes any information in any Annual Report or notice of a Listed Event in addition to the information specifically required by this Certificate, then the City will not be obligated under this Certificate to update the information or include it in any future Annual Report or notice of a Listed Event.
 11. *Default.* If the City fails to comply with its obligations under this Certificate, then the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations. A default under this Certificate is not an Event of Default under the Indenture, and the sole remedy under this Certificate for the City's failure to comply with this Certificate is an action to compel performance.

12. *Duties, Immunities, and Liabilities of Appointed Dissemination Agent.* If the City appoints a person or entity to act as Dissemination Agent, then the appointed Dissemination Agent will have only the duties specified in this Certificate, and the City shall indemnify and save the appointed Dissemination Agent and its directors, officers, employees, and agents, harmless against any liability, claim, demand, damage, or cost (including reasonable attorneys' fees) that may arise out of the Dissemination Agent's exercise or performance of its powers and duties under this Certificate, except for liabilities, claims, demands, damages, and costs arising from the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent is not obligated to review any information provided to it under this Certificate and is not acting in any fiduciary capacity for the City, the Trustee, the Owners, or any other person in connection with the Bonds. The City's obligations under this Section 12 will survive resignation or removal of the Dissemination Agent and payment of the Bonds.
13. *Beneficiaries.* This Certificate inures solely to the benefit of the City, the Trustee, any appointed Dissemination Agent, the Participating Underwriter, and holders and beneficial owners from time to time of the Bonds, and it creates no rights in any other person or entity.

Date: _____, 2013

CITY OF SACRAMENTO

By: _____
 Russell T. Fehr,
 City Treasurer

ATTEST:
 Sacramento City Clerk

By: _____

APPROVED AS TO FORM:
 Sacramento City Attorney

By: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Sacramento

Name of Bond Issue: North Natomas Community Facilities District No. 4
City of Sacramento, County of Sacramento, State of California
Special Tax Refunding Bonds, Series E (2013)

Date of Issuance: _____, 2013

NOTICE IS HEREBY GIVEN that the City of Sacramento has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated _____, 2013. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____
Its: _____

ESCROW AGREEMENT

between the

CITY OF SACRAMENTO

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Escrow Agent

Dated as of July 1, 2013

RELATING TO THE

NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA
SPECIAL TAX BONDS
SERIES A (1999), SERIES B (2001), SERIES C (2003), AND SERIES D (2006)

ESCROW AGREEMENT

This Escrow Agreement (the “Escrow Agreement”), dated as of July 1, 2013, between the City of Sacramento, a California municipal corporation (the “City”), and The Bank of New York Mellon 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 being qualified to accept and administer the trusts hereby created, as escrow agent (the “Escrow Agent”);

WITNESSETH:

WHEREAS, the City duly issued \$16,215,000 aggregate principal amount of its North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California Special Tax Bonds, Series A (1999) (the “Series A Bonds”) under the terms of a Master Indenture, dated as of February 1, 1999 (the “Master Indenture”), as supplemented by a First Supplemental Indenture, dated as of February 1, 1999 (the “First Supplemental Indenture”), each between the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee thereunder (the “Trustee”), of which \$11,455,000 is currently outstanding; and

WHEREAS, the City duly issued \$12,750,000 aggregate principal amount of its North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California Special Tax Bonds, Series B (2001) (the “Series B Bonds”) under the terms of the Master Indenture, as supplemented by a Second Supplemental Indenture, dated as of April 1, 2001 (the “Second Supplemental Indenture”), between the City and the Trustee, of which \$12,300,000 is currently outstanding; and

WHEREAS, the City duly issued \$29,765,000 aggregate principal amount of its North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California Special Tax Bonds, Series C (2003) (the “Series C Bonds”) under the terms of the Master Indenture, as supplemented by a Third Supplemental Indenture, dated as of October 1, 2003 (the “Third Supplemental Indenture”), between the City and the Trustee, of which \$27,930,000 is currently outstanding; and

WHEREAS, the City duly issued \$26,210,000 aggregate principal amount of its North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California Special Tax Bonds, Series D (2006) (the “Series D Bonds” and, collectively with the Series A Bonds, the Series B Bonds, and the Series C Bonds, the “Prior Bonds”) under the terms of the Master Indenture, as supplemented by a Fourth Supplemental Indenture, dated as of November 1, 2006 (the “Fourth Supplemental Indenture” and, collectively with the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, and the Third Supplemental Indenture, the “Indenture”), between the City and the Trustee, of which \$24,175,000 is currently outstanding; and

WHEREAS, the City has determined to refund the entire outstanding principal amount of the Series A Bonds (the “Refunded Series A Bonds”), the entire outstanding principal amount of the Series B Bonds (the “Refunded Series B Bonds”), the entire outstanding principal amount of the Series C Bonds (the “Refunded Series C Bonds”), and the entire outstanding principal amount of the Series D Bonds (the “Refunded Series D Bonds” and, collectively with

the Refunded Series A Bonds, the Refunded Series B Bonds, and the Refunded Series C Bonds, the “Refunded Bonds”) in accordance with the terms of the Indenture from a portion of the proceeds of sale of the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds, Series E (2013) (the “Refunding Bonds”) issued under the terms of the Master Indenture, as supplemented and amended by a Fifth Supplemental Indenture, dated as of July 1, 2013, between the City and the Trustee; and

WHEREAS, the City has taken action to cause to be delivered to the Escrow Agent on the date hereof from the proceeds of sale of the Refunding Bonds the sum of \$_____ and from the money remaining in the funds relating to the Prior Bonds the sum of \$_____, which total amount equals to \$_____ and has been deposited by the Escrow Agent in the Escrow Fund hereinafter referred to and which will be held by the Escrow Agent in the Escrow Fund [as uninvested money] and will be sufficient in accordance with the Indenture, as certified by Causey Demgen & Moore, P.C. (the “Verification Agent”), to provide for: (1) the payment of accrued interest on the Refunded Bonds due on September 1, 2013 (the “Redemption Date”); (2) the payment at maturity of the Refunded Series C Bonds and the Refunded Series D Bonds maturing on the Redemption Date; (3) the redemption of the Refunded Series A Bonds on the Redemption Date at a redemption price equal to 100% of the principal amount of the Refunded Series A Bonds (the “Refunded Series A Bonds Redemption Price”); (4) the redemption of the Refunded Series B Bonds on the Redemption Date at a redemption price equal to 100% of the principal amount of the Refunded Series B Bonds (the “Refunded Series B Bonds Redemption Price”); (5) the redemption of the Refunded Series C Bonds maturing after the Redemption Date (the “Redeemed Series C Bonds”) on the Redemption Date at a redemption price equal to 101% of the principal amount of the Redeemed Series C Bonds (the “Redeemed Series C Bonds Redemption Price”); and (6) the redemption of the Refunded Series D Bonds maturing after the Redemption Date (the “Redeemed Series D Bonds”) on the Redemption Date at a redemption price equal to 103% of the principal amount of the Redeemed Series D Bonds (the “Redeemed Series D Bonds Redemption Price”);

NOW, THEREFORE, the City and the Escrow Agent hereby agree as follows:

SECTION 1. Establishment, Maintenance and Use of Escrow Fund. The Escrow Agent agrees to establish and maintain the Escrow Fund (the “Escrow Fund”) until the Refunded Bonds have been paid and redeemed as provided in Section 2 hereof. The Escrow Agent agrees to hold the entire deposit to the Escrow Fund as [uninvested money] and to hold such uninvested money in the Escrow Fund at all times as a separate trust account wholly segregated from all other securities, investments or money held by it; and the Escrow Agent will not invest any money at any time on deposit in the Escrow Fund. All money in the Escrow Fund is hereby irrevocably pledged to secure the payment and redemption of the Refunded Bonds as provided in Section 2 hereof; provided, that any money held in the Escrow Fund that is not used for the payment and redemption of the Refunded Bonds as provided in Section 2 hereof shall be repaid to the City free from the trust created by the Escrow Agreement.

SECTION 2. Payment from the Escrow Fund. The Escrow Agent (as successor Trustee under the Indenture) is hereby irrevocably instructed to, and the Escrow Agent hereby agrees to, use the money in the Escrow Fund to provide for: (1) the payment of accrued interest on the Refunded Bonds due on the Redemption Date; (2) the payment at maturity of the

Refunded Series C Bonds and the Refunded Series D Bonds maturing on the Redemption Date; (3) the redemption of the Refunded Series A Bonds on the Redemption Date at the “Refunded Series A Bonds Redemption Price; (4) the redemption of the Refunded Series B Bonds on the Redemption Date at the Refunded Series B Bonds Redemption Price; (5) the redemption of the Redeemed Series C Bonds on the Redemption Date at the Redeemed Series C Bonds Redemption Price; and (6) the redemption of the Redeemed Series D Bonds on the Redemption Date at the Redeemed Series D Bonds Redemption Price).

SECTION 3. [Reserved].

SECTION 4. Notice of Redemption. The City hereby irrevocably instructs the Escrow Agent, and the Escrow Agent (as successor Trustee under the Indenture) agrees, to give timely notice of the redemption of the Refunded Series A Bonds, the Refunded Series B Bonds, the Redeemed Series C Bonds, and the Redeemed Series D Bonds in accordance with the Indenture in the form attached hereto as Exhibit A.

SECTION 5. Compensation and Indemnification of the Escrow Agent.

(a) The City shall pay the Escrow Agent fees for its services hereunder and shall reimburse the Escrow Agent for its out-of-pocket expenses (including but not limited to the fees and expenses, if any, of its counsel or accountants) incurred by the Escrow Agent in connection with these services, all as previously agreed upon by the City and the Escrow Agent; provided, that these fees and expenses shall in no event be deducted from the Escrow Fund.

(b) The City agrees to indemnify the Escrow Agent, its agents and its officers or employees for, and hold the Escrow Agent, its agents and its officers or employees harmless from, all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind (including, without limitation, reasonable fees and disbursements of counsel or accountants for the Escrow Agent) which may be imposed on, incurred by, or asserted against the Escrow Agent or such other party at any time by reason of its performance of Escrow Agent’s services, in any transaction arising out of the Escrow Agreement or any of the transactions contemplated herein, unless due to the negligence or willful misconduct of the particular indemnified party.

SECTION 6. Functions of the Escrow Agent.

(a) The Escrow Agent undertakes to perform only such duties as are expressly and specifically set forth in the Escrow Agreement and no implied duties or obligations shall be read into the Escrow Agreement against the Escrow Agent.

(b) The Escrow Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, and shall be protected and indemnified as stated in the Escrow Agreement, in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document, report or opinion furnished to the Escrow Agent and reasonably believed by the Escrow Agent to have been signed or presented by the proper party, and the Escrow Agent need not investigate any fact or matter stated in such notice, instruction, request, certificate, document, report or opinion.

(c) The Escrow Agent shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages, even if parties know of the possibility of such damages. The Escrow Agent shall have no duty or responsibility under the Escrow Agreement in the case of any default in the performance of covenants or agreements contained in the Indentures or in the case of the receipt of any written demand with respect to such default. The Escrow Agent shall not be required to resolve conflicting demands to money or property in its possession under the Escrow Agreement.

(d) The Escrow Agent may consult with counsel of its own choice (who may be counsel to the City) and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action in accordance with such opinion of counsel. The Escrow Agent shall be fully protected in relying on any such opinion of counsel and need not independently review or evaluate any such opinion of counsel in any respect.

(e) The Escrow Agent shall not be responsible for any of the recitals or representations contained herein or in the Indenture.

(f) The Escrow Agent may engage or be interested in any financial or other transaction with the City.

(g) The Escrow Agent shall not be liable for the accuracy of the calculations as to the sufficiency of the money in the Escrow Fund to make the payments provided in Section 2 hereof.

(h) The Escrow Agent shall not be liable for any action or omission of the City under the Escrow Agreement, the Indenture or otherwise relating to the Refunded Bonds.

(i) Whenever in the administration of the trusts hereby created the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be deemed to be conclusively proved and established by a certificate of an authorized representative of the City, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or suffered by it under the provisions of the Escrow Agreement upon the faith thereof.

(j) The Escrow Agent may at any time resign by giving written notice to the City of such resignation, whereupon the City shall promptly appoint a successor Escrow Agent by the resignation date. Resignation of the Escrow Agent will be effective sixty (60) days after notice of the resignation is given as stated above or upon appointment of a successor Escrow Agent, whichever first occurs. If the City does not appoint a successor Escrow Agent by the resignation effective date, the resigning Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent (or may deposit with the court the money or investments or other property held by it in trust hereunder), which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Agent. After receiving a notice of resignation of an Escrow Agent, the City may appoint a temporary Escrow Agent to replace the resigning Escrow Agent until the City appoints a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the City shall immediately and without further act be superseded by the successor Escrow Agent so appointed.

(k) The Escrow Agent (and its affiliates) may act as principal, agent, sponsor, depository or advisor with respect to the holding and making of any investments provided herein.

(l) The Escrow Agent's rights to indemnification and compensation hereunder shall survive its resignation or removal and the termination of this Escrow Agreement.

(m) No provision of this Escrow Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

(n) The Escrow Agent shall have no liability or responsibility for the sufficiency of funds in the Escrow Fund to make payments required by this Escrow Agreement.

SECTION 7. Merger or Consolidation of the Escrow Agent. Any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent and vested with all of the title to the Escrow Fund and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8. Amendment of the Escrow Agreement. The Escrow Agreement may not be amended by the parties hereto unless there shall first have been filed with the City and the Escrow Agent (i) an unqualified opinion of a nationally recognized bond counsel that such amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Refunded Bonds and the Refunding Bonds, and (ii) unless such amendment is not materially adverse to the interests of the registered owners of the Refunded Bonds, the written consent of the registered owners of all Refunded Bonds.

SECTION 9. Notices. All notices and communications hereunder shall be in writing and shall be deemed to be duly given if received or sent by first class mail, as follows:

If to the City:

City of Sacramento
915 I Street, Historic City Hall, 3rd Floor
Sacramento, CA 95814
Attention: City Treasurer

If to the Escrow Agent:

The Bank of New York Mellon Trust Company, N.A.
100 Pine Street, Suite 3100
San Francisco, California 94111
Attention: Corporate Trust Services

SECTION 10. Severability. If any section, paragraph, sentence, clause or provision of the Escrow Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of the Escrow Agreement.

SECTION 11. Execution. The Escrow Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same agreement.

SECTION 12. Applicable Law. This Escrow Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the City and the Escrow Agent have caused the Escrow Agreement to be executed each on its behalf as of the day and year first above written.

CITY OF SACRAMENTO

By _____
Russell T. Fehr, City Treasurer

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Escrow Agent

By _____
Authorized Officer

EXHIBIT A

FORM OF REDEMPTION NOTICE

NOTICE OF REDEMPTION

NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA
SPECIAL TAX BONDS, SERIES _____

NOTICE IS HEREBY GIVEN to the registered owners of the above-referenced bonds identified in the table below (the "Bonds") dated _____ and issued under the Master Indenture, dated as of February 1, 1999, as supplemented (the "Indenture"), between The Bank of New York Mellon Trust Company, N.A. (successor to BNY Western Trust Company), as trustee (the "Trustee") and the City of Sacramento (the "City") that, pursuant to the Indenture, the Bonds have been called for redemption on September 1, 2013 (the "Redemption Date") at a redemption price of ____% of the principal amount thereof (the "Redemption Price"), together with the accrued interest thereon to the Redemption Date.

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal Amount</u> <u>Outstanding</u>	<u>CUSIP Number</u>	<u>Principal Amount</u> <u>Redeemed</u>
	\$		\$

Interest on the Bonds shall cease to accrue from and after the Redemption Date. Payment of the Redemption Price, together with the accrued interest thereon to the Redemption Date, will become due and payable on the Redemption Date upon presentation and surrender of the Bonds, in person or by mail, at the office of the Trustee, as follows:

The Bank of New York Mellon Trust Company, N.A.
[ADDRESS TO BE FILLED IN BY TRUSTEE]
Attention: Corporate Trust Department

If the Bonds are mailed, the use of registered, insured mail is recommended.

Failure to submit a completed IRS Form W-9 will result in a 28% back-up withholding to the holder pursuant to the Comprehensive National Energy Policy Act of 1992.

The above-referenced CUSIP numbers are provided for the convenience of the owners of the Bonds, the City and the Trustee assume no responsibility for any error of any nature relating to such numbers.

Dated: _____.

By The Bank of New York Mellon Trust Company, as
Trustee

AGREEMENT FOR BOND COUNSEL SERVICES

NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA
SPECIAL TAX REFUNDING BONDS, SERIES E (2013)

This agreement for bond-counsel services, dated as of _____ 1, 2013, for reference, is between the CITY OF SACRAMENTO, a California municipal corporation (the “City”); and ORRICK, HERRINGTON & SUTCLIFFE LLP, a California limited-liability partnership (“Orrick”).

Background

The City desires to engage the services of Orrick in connection with the City’s authorization, issuance, sale, and delivery of one or more series of bonds (the “**Refunding Bonds**”) for the purpose of refunding the outstanding special-tax bonds the City previously issued for the North Natomas Community Facilities District No. 4, City of Sacramento, County of Sacramento, State of California (the “**Refunded Bonds**”). The City and Orrick desire to enter into this agreement to evidence the engagement of Orrick in connection with the Refunding Bonds and to specify the terms of the engagement. Orrick possesses the necessary professional capabilities and resources to provide the legal services required by the City as described in this agreement.

With these background facts in mind, the City and Orrick hereby agree as follows:

1. The City retains Orrick as special counsel to perform, and Orrick shall perform, the following legal services for the City in connection with the Refunding Bonds:
 - (a) Consultation with representatives of the City (including the City Treasurer and the City Attorney), the underwriter and its counsel, and others with respect to the timing, terms, and legal structure of the Refunding Bonds.
 - (b) Preparation of documents that are required for the authorization, issuance, sale, and delivery of the Refunding Bonds and are to be adopted or entered into by the City, including an authorizing resolution and an indenture or similar document (the “**Major Legal Documents**”). The Major Legal Documents do not include the official statement, purchase contract, and continuing disclosure certificate/agreement, which, except as provided in sections 1(d) and 2(b) below, will be prepared by the underwriter’s counsel.
 - (c) Review of the official statement as it relates to summaries of the Major Legal Documents and the portion of the official statement concerning certain tax matters on which Orrick will render an opinion in accordance with section 1(f).
 - (d) Preparation of the following for inclusion in the official statement: summaries of the Major Legal Documents and the portion of the official statement concerning certain tax matters on which Orrick will render an opinion in accordance with section 1(f).
 - (e) Attendance at such meetings or hearings of the City Council and at such working-group meetings or conference calls as the City may request, and assistance to the City’s staff in

preparation of such explanations or presentations to the City Council as the City may request.

- (f) Rendering of Orrick's customary form of final approving opinion to the City on the validity of the Refunding Bonds and the tax-exempt status of interest on the Refunding Bonds.
 - (g) Rendering of Orrick's customary form of supplemental opinion to the underwriter on the accuracy of summaries of the Major Legal Documents contained in the official statement and of the tax portion of the final legal opinion and certain other matters.
 - (h) After issuance of the Refunding Bonds, preparation and delivery to the City of a transcript of the legal proceedings for the Refunding Bonds in both loose-leaf and CD ROM formats.
 - (i) After issuance of the Refunding Bonds, telephone consultations with the City's officials and staff to answer questions about the facts and circumstances concerning the Refunding Bonds.
2. The services of Orrick under this agreement do not include the following, although Orrick may provide such services under separate agreement with the City:
- (a) Legal services in connection with any litigation or other legal or administrative proceeding, audit, or investigation involving any of the Refunding Bonds, the Refunded Bonds, or any related matter.
 - (b) Legal Services in connection with the preparation, content, or dissemination of the official statement (except as provided in section 1(d)).
 - (c) Legal services related to compliance with the California Environmental Quality Act.
 - (d) Legal services in connection with arbitrage-rebate compliance respecting the Refunding Bonds or the Refunded Bonds.
 - (e) Legal services relating to state blue-sky laws or to title to, or perfection of security interests in, real or personal property; or
 - (f) financial analysis or advice.
3. Orrick and the City acknowledge that the City retains the full-time services of the City Attorney and City Attorney's Office to render day-to-day and ongoing legal services to the City. Orrick shall circulate documents to, and coordinate its services with, the City Attorney to the extent requested by the City or the City Attorney. Orrick may assume that the City Attorney or one of the attorneys in the City Attorney's Office has reviewed all documents and matters submitted to the City Council for adoption or approval, or to the City's officers for execution, before those documents and matters are adopted, approved, or executed.

4. As consideration for the services set forth in section 1, the City shall pay to Orrick the following fees and disbursements:
 - (a) As legal fees, the City shall pay Orrick a flat amount of \$95,000 assuming a closing by August 1, 2013.
 - (b) As payment of disbursements, including preparation and distribution of a transcript in loose-leaf and CD ROM formats, a flat amount of \$2,500.
 - (c) Except as provided in section 5 respecting termination of this agreement by the City, payment of legal fees and expense reimbursement are contingent upon the issuance, sale, and delivery of the Refunding Bonds, and the amounts owed will be due and payable forthwith upon presentation of an invoice by Orrick following such issuance, sale, and delivery.
5. Either party may, at any time, terminate this agreement and all legal services to be rendered under it, with or without cause, by giving written notice to the other party. In that event, all finished and unfinished documents that Orrick has prepared for the City's adoption, approval, or execution will, at the option of the City, become the City's property, and Orrick shall deliver them to the City or to any party the City may designate, all subject to the condition that Orrick will have no liability whatsoever for any subsequent use of the documents. If the City terminates this agreement, then the City shall pay Orrick forthwith for all satisfactory work at its standard hourly rates but not to exceed the flat amount specified in section 4(a) above, subject to the following: if the City terminates for cause, then any compensation is to be adjusted in the light of the facts and circumstances involved in the termination. If not sooner terminated, this agreement and all legal services to be rendered under it will terminate upon issuance and sale of the Refunding Bonds, except that the City will remain liable for any unpaid fees and expenses due under section 4 above. Upon termination, Orrick will have no future duty of any kind to the City with respect to the Refunding Bonds, except as provided in sections 1(h) and 1(i) above.
6. Role of Bond Counsel.
 - (a) The role of bond counsel in financings, generally, is to prepare or review documents and to coordinate the procedures for authorization of the issuance, sale, and delivery of bonds and to provide an expert legal opinion with respect to the validity of the bonds and other subjects addressed by the opinion. Consistent with the historical origin and unique role of bond counsel, and the reliance thereon by the public-finance market generally, Orrick's role as bond counsel under this agreement is not the partisan role of an advocate. Instead, Orrick's role is to provide legal documents needed for the issuance, sale, and delivery of the Refunding Bonds and to provide an opinion that represents an objective judgment on the matters addressed therein.
 - (b) In performing its services as bond counsel in connection with the Refunding Bonds, Orrick shall act as special counsel to the City with respect to issuance of the Refunding Bonds. In that capacity, Orrick shall assist the City's staff in representing the City, but only with respect to the sufficiency of the legal documents for the issuance, sale, and

delivery of the Refunding Bonds and in a manner not inconsistent with the role of bond counsel described in section 6(a) above.

- (c) Orrick's function and responsibility under this agreement, and as bond counsel with respect to the issuance of the Refunding Bonds, terminates upon the issuance, sale, and delivery of the Refunding Bonds (unless terminated sooner as provided in section 5 above), except as provided in sections 1(h) and 1(i) above. Orrick's services as bond counsel through issuance, sale, and delivery of the Refunding Bonds are limited to those contracted for explicitly in this agreement. Any engagement of Orrick with respect to rebate compliance, disclosure, or any other matter is separate from its engagement as bond counsel through issuance of the Refunding Bonds. However, unless otherwise provided, any such post-issuance engagement with respect to the Refunding Bonds will continue on the same basis set forth in this section 6.
7. The City acknowledges that Orrick regularly performs legal services for many private and public entities in connection with a wide variety of matters. For example, Orrick has represented, is representing, and expects to represent in the future other public entities (such as the County of Sacramento, the Sacramento Municipal Utility District, and the State of California), bond underwriters (such as Stifel, Nicolaus & Company, Incorporated), trustees, rating agencies, insurers, banks, credit-enhancement providers, lenders, contractors, suppliers, financial and other consultants and advisors, accountants, investment providers/brokers, providers/brokers of derivative products, and others who may have a role or interest in the Refunding Bonds or who may be involved with, or adverse to, the City in this or some other matter. Orrick shall not represent any such entity (i.e., other private and public entities) in connection with the Refunding Bonds without the City's express written consent. Given the special, limited role of bond counsel described in section 6 above, the City (a) acknowledges that no conflict of interest exists or would exist in connection with any matter other than the Refunding Bonds; (b) waives any such conflict of interest that might appear actually or potentially to exist, now or in the future, by virtue of this agreement or any such other attorney-client relationship that Orrick may have had, may have, or may enter into; and (c) consents to any and all such relationships subject to the condition that the City's separate written consent and a separate conflict-waiver letter will be required to be obtained by Orrick if Orrick concurrently represents the City and any other entity in connection with the issuance, sale, and delivery of the Refunding Bonds.
8. Nothing in this agreement or in any of the documents expressly or impliedly contemplated by this agreement is intended to give, or is to be construed to give, any person or entity other than the City and Orrick any legal or equitable right or claim under, or in respect of, this agreement, and this agreement inures to the sole and exclusive benefit of the City and Orrick. Orrick may not assign its obligations under this agreement without the express written consent of the City, except to a successor partnership or corporation to which all or substantially all of the assets and operations of Orrick are transferred. The City may not assign its rights and obligations under this agreement without the express written consent of Orrick. All references to Orrick and the City in this agreement refer to their respective successors and assignees and will bind and inure to the benefit of their successors and assignees whether so expressed or not.

9. The parties may sign this agreement in counterparts, each of which will be considered an original, but all of which will constitute the same agreement.
10. To be effective, notices pertaining to this agreement must be sent by the U.S. Postal Service, first class, postage prepaid, addressed as follows:

If to the City:

City of Sacramento
915 "I" Street
Historic City Hall, Third Floor
Sacramento, CA 95814-2704
Attention: City Treasurer

and

City Attorney's Office
P.O. Box 1948
Sacramento, CA 95812-1948
Attention: Joseph Cerullo

If to Orrick:

Orrick, Herrington & Sutcliffe LLP
400 Capitol Mall, Suite 3000
Sacramento, CA 95814
Attention: Jenna Magan

11. This agreement is effective on the date both parties have signed it, as indicated by the dates in the signature blocks below.

(Signature Page Follows)

City of Sacramento

Orrick, Herrington & Sutcliffe LLP

By: _____
James Sanchez, City Attorney
Date: June __, 2013

By: _____
Jenna Magan, Partner
Date: June __, 2013

Approved as to Form
Sacramento City Attorney

By: _____
Joseph P. Cerullo
Senior Deputy City Attorney

North Natomas CFD No. 4

Key District Facts

- 1,860 gross developable acres
- 8,770 participating parcels
- largely residential, mostly developed
- 4 separate Tax Zones, 3 drainage basins

Four Series Of Bonds

Series A

- issued in 1999
- original principal \$ 16,215,000

Series B

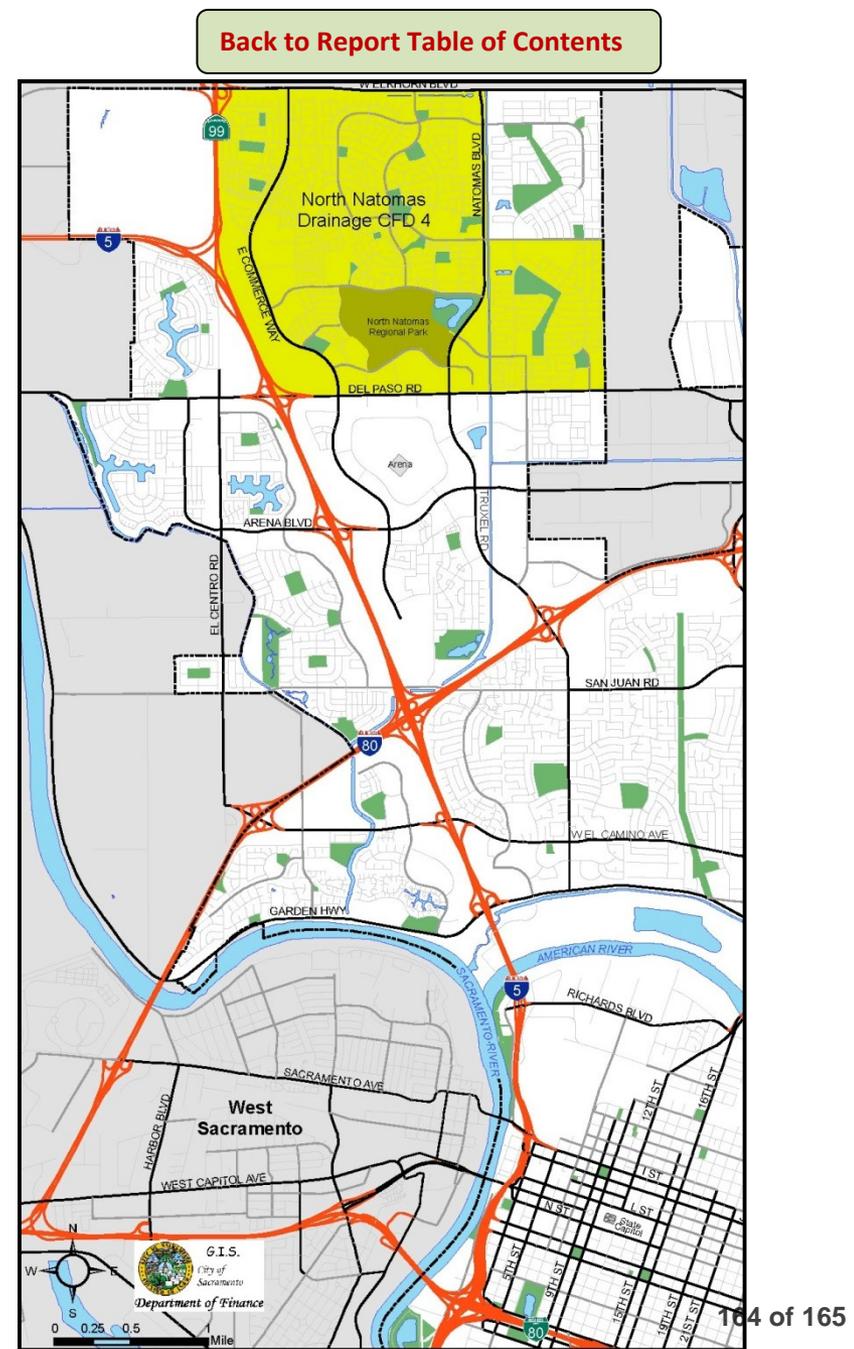
- issued in 2001
- original principal \$ 12,750,000

Series C

- issued in 2003
- original principal \$ 29,765,000

Series D

- issued in 2006
- original principal \$ 26,210,000



North Natomas CFD No. 4

Refunding Data*

Refunded Par Amount	\$ 71.1M
All-in True Interest Cost	4.39%
Net Present Value Savings(\$)	\$ 7.6M
Net Present Value Savings(%)	10.00%

Per Parcel Impact*

Average Annual Nominal Savings	\$ 67/year
Average Net Present Value Savings	\$ 865

** Estimates provided by Stifel, Nicolaus & Company, Incorporated, based on data from June 11, 2013, assuming a BBB rating, subject to change due to market conditions and other factors*