

Meeting Date: 5/20/2014

Report Type: Public Hearing

Report ID: 2014-00354

Title: (City Council/Public Financing Authority) Entertainment and Sports Center - Authorize Issuance and Sale of Lease Revenue Bonds Series 2014 (ESC Project) in an Amount Not to Exceed \$325 Million (Noticed 05/06/2014 and 05/14/2014; Continued from 05/13/2014)

Location: Citywide

Recommendation: Pass 1) a City Council Resolution a) authorizing the issuance and sale of Sacramento Public Financing Authority lease revenue bonds in one or more series to finance the City's share of the cost to acquire, design, construct, and equip a multipurpose entertainment-and-sports center; b) approving the forms of related financing documents; c) authorizing the City Treasurer or his designee to approve, execute, and deliver the related financing documents; and d) authorizing certain other actions in connection with the bonds and the financing; 2) a Sacramento Public Financing Authority Resolution a) authorizing the issuance and sale of Sacramento Public Financing Authority lease revenue bonds in one or more series to finance the City's share of the cost to acquire, design, construct, and equip a multipurpose entertainment-and-sports center; b) approving the forms of related financing documents; c) authorizing the City Treasurer or his designee to approve, execute, and deliver the related financing documents; and d) authorizing certain other actions in connection with the bonds and the financing; and 3) a City Council Resolution establishing revenue and expenditure budgets for the entertainment and sports center project and the Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014.

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Presenter: Russell Fehr, City Treasurer, (916) 808-5832, Office of the City Treasurer

Department: City Treasurer

Division: City Treasurer

Dept ID: 05001011

Attachments:

- 01-Description/Analysis
- 02-Background - Attachment 1
- 03-City Council Resolution - City of Sacramento - 2014 Lease Revenue Bonds (ESC Financing)
- 04-JPA Resolution - SPFA - 2014 Lease Revenue Bonds (ESC Financing)
- 05-City Council Resolution Approving the Revenue and Expenditure Budgets
- 06-EXHIBIT A - Indenture
- 07-EXHIBIT B- Master Definitions
- 08-EXHIBIT C - Site Lease
- 09-EXHIBIT D - Project Lease
- 10-EXHIBIT E - Bond Purchase Agreement (Floating)
- 11-EXHIBIT F - Forward Bond Purchase Agreement
- 12-EXHIBIT G - Bond Purchase Agreement (Public)
- 13-EXHIBIT H - Preliminary Official Statement
- 14-EXHIBIT I - Appendix A to POS
- 15-EXHIBIT J - Escrow Agreement

City Attorney Review

Approved as to Form
Joseph Cerullo
5/15/2014 12:29:24 PM

Approvals/Acknowledgements

Department Director or Designee: Russell Fehr - 5/13/2014 11:38:13 AM

Description/Analysis

Issue: In March 2013, the City Council approved a non-binding Preliminary Term Sheet for a public-private partnership between the City of Sacramento and the Sacramento Kings' new ownership group that included shared financing for the construction of a new entertainment-and-sports center (ESC). The proposed plan provides that the City will finance a \$212.5 million contribution for the acquisition and construction of the ESC by issuing lease-revenue bonds (the Series 2014 Bonds).

Policy Considerations: The ESC debt-financing plan has been developed in accordance with the direction of the City Council and the Preliminary Term Sheet approved by the City Council.

Environmental Considerations: The proposed issuance of the bonds is part of a project, the Entertainment and Sports Center (P13-065), for which the City Council has certified an environmental-impact report (EIR) and adopted a mitigation-monitoring program and findings of fact and a statement of overriding conditions. Copies of the final EIR and the draft EIR are available at the ESC website:

www.cityofsacramento.org/arena as well as on the Community Development Department's webpage at: <http://portal.cityofsacramento.org/Community-Development/Planning/Environmental/Impact-Reports>.

Sustainability: Not applicable to the issuance of bonds; sustainability considerations are contained under project approvals.

Commission/Committee Action: None.

Rationale for Recommendation: Approval of the recommended actions authorizes the issuance of bonds to provide funds for the purpose of financing the City's share of the ESC project that will provide significant public benefits to the City.

Financial Considerations: The ESC debt-financing plan includes issuing \$212.5 million in debt for the ESC project and additional amounts for debt-service reserves, interest costs during the construction period, and the costs associated with issuing the debt. The financing will be structured as lease-revenue bonds supported by the City's General Fund. The source of the annual debt-service payments will be by revenues generated by the City's parking system, ESC facility lease payments made to the City, other ESC-generated revenues, and hotel taxes. The table below provides a summary of the basic assumptions of long-term bond issuance; actual amounts will vary at the time of pricing.

Debt Assumptions	\$ in millions
Term	36 Years
Interest Rate Assumption	6.70%
Annual Debt Service	\$21.90
Project Funding	\$ 212.50
Debt Service Reserve	22.6
Capitalized Interest (3 years)	59.1
Cost of Issuance	4.2
Total Issuance	\$ 298.40

Additionally, in order to meet the October 2016 ESC opening date, and given certain project conditions (further described in the Background section of the report), the City is planning on issuing privately placed bonds using a more flexible short-term approach until the long-term bonds are remarketed in the public marketplace. Two interim-financing options are being explored: an *escrow bond*, in which the funds are held in escrow until certain conditions are met; and a *forward purchase*, in which a financial institution commits to purchase the bonds. The benefit of this short-term interim structure is that it provides funding certainty and, as a result of the short-term pricing, will also result in savings to the City through initial lower interest rates and the opportunity to reduce the amount of capitalized interest that would be borrowed.

Exercising either interim-financing option will require the City to fund the transaction costs and the first year of interest costs when the interim transaction is closed. Council is being asked to authorize the appropriation of funds that are available in the ESC project plan to cover these costs and to establish a liquidity reserve. These upfront costs may be reimbursed to the City through inclusion in the ESC debt financing.

Local Business Enterprise: There are no LBE considerations.

Background

Attachment 1

With the adoption of the resolutions included with this report, the Mayor and City Council authorize the issuance and sale of lease-revenue bonds to fund a \$212.5 million cash contribution to the Entertainment and Sports Center (ESC) project. The City Treasurer is authorized to enter into agreements (attached) with the Sacramento Public Financing Authority and the trustee and investment banks for the transactions on behalf of the City. The Mayor and City Council will also approve inclusion in the Fiscal Year 2014/15 City Budget funding for the implementation of an interim debt financing and establishing an initial funding of a liquidity reserve for the ESC debt finance plan.

Overview of ESC Debt Financing Plan

The City has entered into a public-private partnership with the owners of the Sacramento Kings, Sacramento Basketball Holdings (SBH) and their affiliates, to design, construct, and operate a new state-of-the-art arena, public plaza, practice facility, and team office. An overview of the debt financing plan was presented to City Council on April 22, 2014, and is included by reference as additional supporting background to the bond authorization report for financing the ESC, and the potential interim financing options available to ensure that the ESC can open by October 2016.

The ESC finance plan identifies various sources of cash contributions as shown in the table below.

Source	Amount
Bond Financed – Lease Revenue	\$212,500,000
Parking System	5,630,100
MOPA <i>Master Owner Participation Agreement</i>	5,000,000
TOTAL	\$223,130,100

The Parking System and MOPA amounts identified above may be used for either construction financing or for cost of issuance and interest.

Lease-Revenue Bonds

The City will raise \$212.5 million of its cash contribution to the project by issuing taxable lease-revenue bonds to be repaid over a 36-year period. The repayment sources include ESC lease payments, parking net revenue, hotel taxes, and revenues generated by the development of the ESC. Short-term and long-term-risk mitigation is achieved by establishing and maintaining a liquidity reserve in the finance plan. This reserve would serve to mitigate the risk of future revenue shortfalls. After revenues for debt service stabilize, the reserve could be released to the General Fund.

Conditions for Issuance of Lease-Revenue Bonds. The, publicly placed, long-term fixed-rate bonds could be issued when all of the following primary conditions are met:

1. An Environmental Impact Report (EIR) is certified (approved) by the City Council. Expected May 20, 2014.
2. SBH's financing has closed. Expected summer 2014.
3. A guaranteed-maximum-price contract (GMP) for construction of the ESC project has been awarded. Expected November 2014.
4. The City has obtained fee title for the ESC property.
5. Resolution of any litigation challenging the EIR, the ESC project, or the issuance of the bonds.

Interim and Long-Term Financing. To meet the October 2016 scheduled opening date, demolition will need to commence in the summer of 2014, with construction to follow immediately. Given this schedule, and in order to meet the above project conditions for the issuance of long-term fixed rate bonds, the City's finance plan contemplates entering into a forward purchase agreement or issuance of privately-placed short-term-priced lease-revenue bonds (the "interim financing"), so that the SBH financing may close and funds made available for the project

Under any proposed interim financing, the City would make a funding commitment to the project even though funds would not be available for spending. Once the primary conditions above are met, the debt will be remarketed in the public marketplace as long-term lease-revenue bonds.

The main challenge with this interim financing is that proceeds could not be drawn down for construction-period spending. SBH would have primary responsibility for construction-period payments to the general contractor until the City is able to remarket the lease-revenue bonds in the public marketplace in January 2015 or thereafter once the primary conditions are met. Any potential delay from litigation or in the award of a GMP contract could also delay the public marketing of the interim financing.

Interim Financing Options. The City Treasurer's Office is exploring two options for the interim financing:

1. The first option provides for a binding forward-commitment from a financial institution to purchase the bonds in the future on a private-placement basis. This would allow for the simultaneous close of the financing with SBH in summer 2014 and the commencement of construction. This option ensures that the City will

have the funds available after all outstanding matters have been resolved. This is the least costly and most likely option.

2. The second option involves issuing short-term-priced lease-revenue bonds through a private placement and holding the funds in escrow until all issues are resolved. When the issues are resolved, the debt will be remarketed as long-term debt through a public sale.

Exercising either interim-financing option will require the City to fund the upfront costs when the interim transaction is closed. Funds are available in the overall ESC project financial plan to cover these upfront costs. These costs would be reimbursed to the City when the long-term bonds are issued. The decision on a financing option would be based on the lowest cost and least risk to the City, as well as the ability to satisfy the conditions for a simultaneous close.

Lease-Revenue Bond Debt Structure and Assumptions. The basic structure of the ESC debt is City-backed taxable lease-revenue bonds. The basic assumptions and parameters of a long-term ESC debt issued in 2014 are as follows:

Debt Assumptions

Term	36 years
Interest Rate Assumption	6.70 %
Annual Debt Service	\$ 21.9 million
Project Funding	212.5
Debt Service Reserve	22.6
Capitalized Interest (3 years)	59.1
Cost of Issue	4.2
Total Issue	\$ 298.4 million

The long-term debt would have a fixed interest rate, and the debt service would be level over time. The interest rate used for the assumptions and modeling is 6.7% and is based on current market rates for taxable lease-revenue California debt rated at A/A-, plus a one-half percent contingency. The Debt Service Reserve is a standard investor and market requirement and is used to make the final debt-service payment. Annual interest earnings on the reserve partially offset annual debt-service payments. Capitalized interest is also a standard and required feature of all lease-revenue bonds. Debt-service principal payments cannot be paid until the project is completed and fully operational. The interest-only debt payments during construction must be paid with borrowed funds or contributed capital, the latter of which is not available to the City in the amounts necessary.

The debt will be 100% taxable for federal income-tax purposes. Tax-exempt debt is not feasible because of the private use of the arena, the City's right to use the arena, and the City's receipt of lease payments from SBH.

Cash Flow

The illustrative cash flow presented below assumes the debt would be issued in 2014 according to the assumptions in the section above. The focus of this cash flow presentation is on the sources of funds the City will use to pay the new debt service over the risk period of the debt finance plan, the first eight years through Fiscal Year 2021/22, and the following four years. This is not a forecast of the expected performance of the Parking System in relation to the new debt-service payments; it is, rather, a presentation of the multiple sources to be used to fund the new debt service over time, and how the new debt may be paid with resources not included in the current General Fund budget:

Cash Flow 2014 Long-Term Debt Issue

	Fiscal Year											
	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
New Net Parking Revenue	-	2.0	4.0	5.0	6.0	7.0	7.5	7.4	7.0	6.8	6.4	4.5
Repaid Current Parking Debt	-	-	-	-	-	-	1.2	4.2	4.2	4.2	4.2	5.9
ESC Lease Fee	-	-	4.7	6.5	6.5	6.5	6.5	7.5	7.8	8.0	8.2	8.5
ESC Event Parking	-	-	1.2	1.2	1.3	1.3	1.3	1.3	1.5	1.5	1.5	1.5
Other ESC Revenue	-	-	1.3	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.6	1.6
Hotel Tax	2.0	2.0	2.0	-	-	-	-	-	-	-	-	-
Total Revenues for Financing	2.0	4.0	13.3	14.1	15.2	16.2	18.0	21.9	22.0	22.0	21.9	22.0
Net New ESC Debt Service	-	-	-	(12.6)	(21.9)	(21.9)	(21.9)	(21.9)	(21.9)	(21.9)	(21.9)	(21.9)
Net Financing Plan	2.0	4.0	13.3	1.5	(6.7)	(5.7)	(4.0)	0.0	0.0	0.0	0.0	0.0
Liquidity Reserve Balance	2.0	6.0	19.3	20.8	14.1	8.4	4.4	4.4	4.5	4.5	4.4	4.5

Amounts in millions

The cash flow indicates that the period of risk and the need for growing net parking revenue ends after Fiscal Year 2021/22. Between Fiscal Years 2020/21 and 2021/22, \$5.2 million in additional revenues will be available for debt service due to the repayment of current debt and a scheduled increase in the ESC lease payment to the City from SBH.

Primary Revenue Sources for Debt Services.

In the lease-revenue financing, no revenues are directly linked to the debt-service payments; there are, however, six financing sources for the lease-revenue bond debt-service payments:

1. *New Net Parking Revenue.* This represents growth in net parking revenue above current levels and growth in operating costs. In the above cash-flow model, net parking revenue would grow by \$7.5 million by Fiscal Year 2020/21 from Fiscal Year 2014/15 levels. Thereafter, the need for net parking revenue decreases as other resources are available and grow.

Importantly, net parking revenues are not actually dedicated to debt service. By law, the on-street parking revenues may be used only to cover the costs of regulating and controlling traffic on the City's streets, of providing public off-street parking facilities, and of operating and maintaining the City's on-street and off-street parking spaces. These costs greatly exceed available parking revenues, and the excess is paid from the General Fund. When net parking revenues increase, the General Fund's payment of the excess costs decreases, thereby providing additional funding capacity in the General Fund.

2. *Repaid Current Parking Debt.* Currently, \$5.9 million is included in the Parking Fund budget for debt service. This includes payments for debt issued for three city garages and the new parking meters. As this debt is paid off in three stages beginning in Fiscal Year 2020/21, the \$5.9 million becomes available for ESC debt service payments.
3. *ESC Lease Fee.* The lease payments begin in the year the ESC is scheduled to begin operation, Fiscal Year 2016/17. The initial amount at \$6.5 million for the first five years has a compounded catch up adjustment effective in year six. The resulting minimum payment of \$7.53 million will escalate each year thereafter to a minimum of approximately \$18 million through the anticipated maturity of the bonds. As the annual fee increases over time, it will reduce the need for debt service paid from Net Parking Revenue.
4. *ESC Event Parking.* Some of those attending events at the downtown ESC will park at parking meters or in City garages and lots. The estimate for new revenue from ESC event parking is \$1.2 million. (See No. 1 above regarding the use of on-street parking revenues.)

5. *Other ESC Revenue.* Several new revenue sources generated by the ESC will be committed to pay debt service. They include, ESC Possessory Interest Taxes paid to the City, ESC sales and utility taxes, and City property taxes paid by SBH on properties transferred to SBH as a part of the ESC project.
6. *Hotel Tax.* The City's existing hotel tax (transit-occupancy tax) will be used to seed a Liquidity Reserve fund in the amount of \$6 million spread over three years.

Growth in New Net Parking Revenue

The cash flow illustrates that over time new parking net revenues need to increase by \$7.5 million from Fiscal Years 2014/15 to 2020/21. Measures by which net parking revenue may grow include:

- Parking modernization
 - New technology
 - Changes in operating hours
- Expansion of the Parking System
 - Increase in number of meters
 - Management of other private and public sector parking facilities
- Increased use of the Parking System due to downtown development
- Rate increases
 - Moving meter rates closer to low garage rates
 - Inflationary increases in other rates

The net parking revenue estimates in the debt financing plan during the risk period through Fiscal Year 2021/22 are conservative in comparison to the revenue potential identified in the Walker Parking Assessment of the City Parking System. The net parking revenue growth of \$7.5 million (plus \$1.3 million in ESC event related parking revenue) is significantly less than the approximately \$17 million in growth potential identified in the Walker Parking Assessment over the same time period.

Many of these measures will require the policy support of the City Council in order to be implemented. The various measures are not, however, being developed merely to raise revenue for the ESC. They have been and are being formulated by the Public Works Department overtime in the initiative to “modernize” the Parking System and make most efficient use of this city asset.

Interim Financing and Long-Term Debt

Execution of an interim financing and commencement of ESC construction will have an impact on the size of the long-term debt issue, debt service, and cash flow. The long-term debt would most likely be issued in calendar 2015, not in 2014 as modeled above. Since the long-term debt would be issued closer to the completion of construction, the amount of capitalized interest and the debt-service reserve included in the debt issue would be reduced. There is a significant difference between the short-term interest rate or commitment costs for an interim financing and the interest rate for the long-term fixed rate bonds. The reduction in capitalized interest in the long-term fixed rate structure will be greater than the costs of an interim financing. While the Debt Assumption chart above illustrates a bond issuance size of \$298 million, approval for a not to exceed amount of \$325 million is recommended to ensure the recovery of forward commitment costs and interest rate movements up to the time of issuance may be accommodated.

Cash Flow, Risk and the Liquidity Reserve.

Creation and maintenance of a liquidity reserve is a critical aspect of the finance plan. Analysis of the cash flow and financing sources indicates that in Fiscal Year 2021/22 after \$4.2 million reduction in debt service and a \$1 million increase in ESC lease payment, the need for parking revenue begins to decline and the risk period in the finance plan ends.

However, when full debt-service payments begin in Fiscal Year 2018/19, there are three years when the on-going financing sources are projected to be to meet the debt service payments. To provide the difference, the debt-finance plan provides for the creation and funding of a liquidity reserve which will be drawn upon in those three years to avoid the use of discretionary General Fund resources to make debt-service payments.

The liquidity reserve will be funded in two ways. The finance plan calls for use of \$2 million a year for three years of hotel tax. As noted above, debt service cannot be paid until the project is completed and fully functional, and the interest-only debt payments during construction are typically paid with borrowed funds – capitalized interest. During this period, parking revenues and the initial ESC lease payment will be available to contribute to the liquidity reserve.

The liquidity reserve will require active management to be maintained at adequate and reasonable levels. Releases from the reserve will be determined through active monitoring of the actual performance of revenues to first meet the needs of the debt service payments.

Implementation of Finance Plan

Three action items are recommended with this report:

1. Approving the issuance of the bonds;
2. Appropriating funds in the Fiscal Year 2014/15 Budget to pay for the costs on an interim financing. These costs would be reimbursed to the City when the interim financing is remarketed into the long-term structure; and
3. Establishing the liquidity reserve and appropriating \$2 million in Fiscal Year 2014/15 from the Community Center Fund to be placed in this reserve.

Conclusion

With the approval of the resolutions, the ESC debt financing moves from planning to implementation. The ESC debt financing plan provides the City with secure, yet flexible, funding options allowing the project to move forward.

RESOLUTION NO. 2014-XXXX

Adopted by the Sacramento City Council

May 20, 2014

AUTHORIZING THE ISSUANCE AND SALE OF SACRAMENTO PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS IN ONE OR MORE SERIES TO FINANCE THE CITY'S SHARE OF THE COST TO ACQUIRE, DESIGN, CONSTRUCT, AND EQUIP A MULTI-PURPOSE ENTERTAINMENT-AND-SPORTS CENTER; APPROVING THE FORMS OF RELATED FINANCING DOCUMENTS; AUTHORIZING THE CITY TREASURER OR HIS DESIGNEE TO APPROVE, EXECUTE, AND DELIVER THE RELATED FINANCING DOCUMENTS; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH THE BONDS AND THE FINANCING

BACKGROUND:

- A. The Sacramento Public Financing Authority (the "**Authority**") is a joint-powers authority duly organized and existing under California law.
- B. The City of Sacramento (the "**City**") is a municipal corporation duly organized and existing under the Sacramento City Charter (the "**Charter**") and the California Constitution.
- C. The Authority and the City have determined to finance the City's share of the cost to acquire, design, construct, and equip a multi-purpose entertainment-and-sports center (the "**Project**") to be located within the geographical boundaries of the City.
- D. To finance the City's share of the Project, the Authority and the City have determined that the City will lease certain land and certain improvements to that land (collectively, the "**Property**") to the Authority and that the City will sublease the Property back from the Authority.
- E. The Property will consist of all or a portion of the Project, as determined by the Authority and the City when they execute and deliver the leases described below.
- F. To finance the City's share of the Project and to fund required reserves and capitalized interest and pay costs of issuance, the Authority and the City have determined to provide for the issuance of Sacramento Public Financing Authority Lease Revenue Bonds in one or more series in the aggregate principal amount not to exceed \$325,000,000 (the "**Bonds**").
- G. On or before May 15, 2014, the City Clerk caused a notice of public hearing regarding the proposed issuance of the Bonds for the purpose of financing the City's share of the Project to be published in the *THE DAILY RECORDER*, a

newspaper of general circulation in the City, as required by California Government Code section 6586.5. A copy of the proof of publication of the notice of public hearing is on file with the City Clerk.

- H. Any series of the Bonds may be initially issued as (1) bonds bearing interest at fixed rates to maturity of the Bonds (the “**Fixed Rate Bonds**”), (2) bonds bearing interest at (a) fixed rates for an initial period less than the maturity of the Bonds or (b) variable rates based on a LIBOR index rate with certain adjustments (or other floating -rate indices) to maturity or earlier conversion to another mode (the “**Floating Rate Bonds**”) or (3) any combination thereof.
- I. Any series of the Bonds, including any Fixed Rate Bonds or Floating Rate Bonds, may be sold at initial issuance or upon a remarketing thereof in (1) a limited offering to one or more qualified institutional investors or accredited investors (“**Private Placement**”), (2) a public offering or (3) any combination thereof.
- J. The terms of any series of the Bonds initially issued as Floating Rate Bonds may (1) require or permit the holder thereof to tender for purchase and (2) provide for the remarketing or conversion to another mode of Floating Rate Bonds or Fixed Rate Bonds.
- K. In furtherance of the Authority’s issuance and sale of the Bonds (and any remarketing or conversion of the Bonds after initial issuance of the Bonds) and financing of the City’s share of the Project, forms of the following documents have been filed with the City Clerk for consideration and approval by the City Council:
- *An Indenture* under which the Authority will issue the Bonds (the “**Indenture**”).
 - *A Site Lease* under which the City will lease the Property to the Authority (the “**Site Lease**”).
 - *A Project Lease* under which the City will sublease the Property from the Authority (the “**Project Lease**”).
 - *A Bond Purchase Agreement (Escrow Bonds)* between the Authority, the City, and the purchaser or purchasers of any Floating Rate Bonds to be selected by the City Treasurer (as defined herein) and named therein (collectively, the “**Floating Rate Purchasers**”), under which the Authority and the City agree to sell Floating Rate Bonds and the Floating Rate Purchasers agree to purchase Floating Rate Bonds (the “**Floating Rate Bond Purchase Agreement**”).
 - *A Forward Bond Purchase Agreement* between the Authority, the City, and the purchaser or purchasers of any Floating Rate Bonds to be selected by the City Treasurer and named therein (collectively, the

“Forward Floating Rate Purchasers”), under which, subject to the satisfaction of the conditions set forth therein, the Authority and the City agree to sell Floating Rate Bonds and the Forward Floating Rate Purchasers agree to purchase Floating Rate Bonds (which purchase may occur upon the initial issuance of Floating Rate Bonds or upon remarketing of Floating Rate Bonds after the initial issuance) (the **“Forward Bond Purchase Agreement”**).

- A *Bond Purchase Agreement (Public Offering)* between the Authority, the City, and the underwriter, underwriters, remarketing agent, or remarketing agents to be selected by the City Treasurer and named therein (collectively, the **“Underwriters”**), under which the Authority and the City agree to sell or remarket Fixed Rate Bonds and the Underwriters will agree to purchase, upon initial issuance or remarketing upon conversion, Fixed Rate Bonds (the **“Fixed Rate Bond Purchase Agreement”**).
- A preliminary form of *Official Statement* (the **“Official Statement”**) describing the Fixed Rate Bonds (and matters relating to them).
- An *Escrow Agreement* (the **“Escrow Agreement”**) to be used to hold the proceeds of Floating Rate Bonds and certain other amounts in certain circumstances.

L. The City Treasurer or his designee (the **“City Treasurer”**) will be authorized and directed to (1) determine whether any series of the Bonds are initially issued as Fixed Rate Bonds or Floating Rate Bonds, or any combination thereof; (2) determine whether any series of Bonds are sold at initial issuance or upon a remarketing thereof in a Private Placement or in a public offering, or any combination thereof; (3) determine whether any Floating Rate Bonds are remarketed or converted to another mode of Floating Rate Bonds or Fixed Rate Bonds; (4) determine whether to sell the Bonds using the Floating Rate Bond Purchase Agreement, the Forward Bond Purchase Agreement, or the Fixed Rate Bond Purchase Agreement, or any combination of them; and (5) with the concurrence of the City Attorney or his designee (the **“City Attorney”**), approve any changes to the foregoing documents and to execute and deliver all necessary documents, all as described in this resolution.

M. All acts, conditions, and things required by the Charter and the Constitution and laws of the State of California to exist, to have happened, and to have been performed before and in connection with the issuance of the Bonds and consummation of the financing hereby authorized 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, in accordance with every requirement of law, to authorize the issuance of the Bonds and to authorize the execution and delivery of the Indenture, the Site Lease, the Project Lease, the Floating Rate Bond Purchase Agreement, the Forward Bond Purchase Agreement, the Fixed Rate Bond Purchase Agreement, the Official Statement,

and the Escrow Agreement, for the purposes, in the manner, and upon the terms provided.

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

- Section 1.** The City Council finds and determines that the statements in paragraphs A through M of the Background are true.
- Section 2.** The City Council finds and determines that there are significant public benefits to the citizens of the City from financing the City's share of the Project and issuing the Bonds. The significant public benefits include but are not limited to the following:
- (a) The maintenance and promotion of economic development and increased employment within the City and the region.
 - (b) The improvement of the feasibility and enhancement of the development and redevelopment of the City's downtown core.
 - (c) The maintenance and generation of increased tax revenues to the City.
 - (d) The promotion of the general welfare, sense of community, and quality of life within the City and the region.
 - (e) The development of a multi-purpose entertainment-and-sports center to provide recreational and entertainment activities, amenities, and attractions to the people of the City and the region.
 - (f) The provision of a new facility for use by a National Basketball Association basketball team as the primary user in order to assure the continued presence of professional basketball in the City and the region, and the beneficial and frequent media exposure and recognition that the continued presence of professional sports would bring to the City and the region.
 - (g) The demonstrable savings in effective interest rate and the costs of bond preparation, bond underwriting, and bond issuance that will result from financing the City's share of the Project through the Authority.
- Section 3.** The financing of the City's share of the Project and the Authority's issuance of the Bonds in one or more series the aggregate combined principal amount not to exceed \$325,000,000 in accordance with the Indenture, as executed and delivered, are hereby authorized and approved.

- (a) The City Treasurer is hereby authorized and directed to determine whether any series of Bonds are initially issued as Floating Rate Bonds or Fixed Rate Bonds, or any combination thereof.
- (b) The City Treasurer is hereby authorized and directed to determine whether any series of Bonds initially issued as Floating Rate Bonds are remarketed or converted to another mode of Floating Rate Bonds or Fixed Rate Bonds, all in accordance with the terms for remarketing and conversion provided in the Indenture, as executed and delivered.
- (c) The City Treasurer is hereby authorized and directed to determine whether any series of the Bonds, including any Fixed Rate Bonds or Floating Rate Bonds, are sold at initial issuance or upon a remarketing thereof in a Private Placement or in a public offering, or any combination thereof.

Section 4. The proposed form of Indenture on file with the City Clerk, and its terms and conditions, are hereby approved. The date, maturity date or dates (the final maturity of any series of the Bonds to be not later than 50 years from the date of issuance of the series of Bonds), interest rates or method of determining the interest rates, interest-payment dates, forms, registration privileges, transfer restrictions, place or places of payment, terms of redemption and tender, number, and other terms of the Bonds will be as provided in the Indenture as executed and delivered. Any series of the Bonds may be issued as obligations the interest on which is intended to be included in gross income for federal income-tax purposes, as determined by the City Treasurer.

- (a) The City Treasurer is hereby authorized and directed to execute and deliver the Indenture on the City's behalf, in substantially the form on file with the City Clerk and with such changes as the City Treasurer requires or approves with the concurrence of the City Attorney, such approval to be conclusively evidenced by the execution and delivery thereof.
- (b) The Bonds are to be executed by the manual or facsimile signature of an Authorized Authority Representative (as defined in the Indenture) and must be in the form set forth in, and must otherwise be in accordance with, the Indenture, as executed and delivered. When the Bonds are so executed, the Authorized Authority Representative will deliver them to the Trustee (as defined in the Indenture). The Trustee will then authenticate the Bonds and deliver them to the purchasers thereof, in accordance with written instructions of an Authorized Authority Representative. The instructions are to provide for the delivery of the Bonds to the purchasers thereof in accordance with the Floating Rate Bond

Purchase Agreement, Forward Bond Purchase Agreement, or Fixed Rate Bond Purchase Agreement upon payment by the purchasers thereof of the purchase price for the applicable series of Bonds.

- Section 5.** The proposed form of the Site Lease on file with the City Clerk is hereby approved. The City Treasurer is hereby authorized and directed to execute and deliver the Site Lease on the City's behalf, in substantially the form on file with the City Clerk and with such changes as the City Treasurer requires or approves with the concurrence of the City Attorney, such approval to be conclusively evidenced by the execution and delivery thereof.
- Section 6.** The proposed form of the Project Lease on file with the City Clerk is hereby approved. The City Treasurer is hereby authorized and directed to execute and deliver the Project Lease on the City's behalf, in substantially the form on file with the City Clerk and with such changes as the City Treasurer requires or approves with the concurrence of the City Attorney, such approval to be conclusively evidenced by the execution and delivery thereof.
- Section 7.** The City Treasurer is hereby authorized and directed to determine whether to sell or remarket the Bonds using the Floating Rate Bond Purchase Agreement, the Forward Bond Purchase Agreement, or the Fixed Rate Bond Purchase Agreement, or any combination of them.
- Section 8.** The proposed form of the Floating Rate Bond Purchase Agreement on file with the City Clerk is hereby approved. If the City Treasurer determines under Section 7 to provide for the sale of all or any portion of the Bonds by the Floating Rate Bond Purchase Agreement, then the City Treasurer is hereby authorized and directed to do the following on the City's behalf:
- (a) to approve the sale of any Floating Rate Bonds to the Floating Rate Purchasers as required by the Floating Rate Bond Purchase Agreement with the interest rate on any Floating Rate Bonds not to exceed 12% per annum and the Floating Rate Purchasers' compensation under the Floating Rate Bond Purchase Agreement not to exceed 1.75% of the principal amount of the Floating Rate Bonds; and
 - (b) to execute and deliver the Floating Rate Bond Purchase Agreement, in substantially the form on file with the City Clerk, with such changes as the City Treasurer requires or approves with the City Attorney's concurrence, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 9. The proposed form of the Forward Bond Purchase Agreement on file with the City Clerk is hereby approved. If the City Treasurer determines under Section 7 to provide for the sale or remarketing of all or any portion of the Bonds by the Forward Bond Purchase Agreement, then the City Treasurer is hereby authorized and directed to do the following on the City's behalf:

- (a) to approve the sale or remarketing of any Bonds to the Forward Floating Rate Purchasers as required by the Forward Bond Purchase Agreement with the interest rate on any Floating Rate Bonds not to exceed 12% per annum and the Floating Rate Bond Purchasers' compensation under the Forward Bond Purchase Agreement paid as (1) a one-time upfront fee not to exceed 1.75% of the principal amount of the Floating Rate Bonds plus (2) a monthly commitment fee not to exceed 0.17% per month of the principal amount of the Floating Rate Bonds for each month the Forward Bond Purchase Agreement remains outstanding (which commitment fee may be payable under the Forward Bond Purchase Agreement in installments covering periods of multiple months and the Forward Bond Purchase Agreement may require a minimum commitment fee for early terminations); and
- (b) to execute and deliver the Forward Bond Purchase Agreement, in substantially the form on file with the City Clerk, with such changes as the City Treasurer requires or approves with the City Attorney's concurrence (including any changes to reflect that the Floating Rate Bonds will be purchased upon remarketing), such approval to be conclusively evidenced by the execution and delivery thereof.

Section 10. The proposed form of the Fixed Rate Bond Purchase Agreement on file with the City Clerk is hereby approved. If the City Treasurer determines under Section 7 to provide for the sale or remarketing of all or any portion of the Bonds by the Fixed Rate Bond Purchase Agreement, then the City Treasurer is hereby authorized and directed to do the following on the City's behalf:

- (a) to approve the sale or remarketing of any Fixed Rate Bonds to the Underwriters as required by the Fixed Rate Bond Purchase Agreement with the interest rate on any Fixed Rate Bonds not to exceed 9% per annum and the Underwriters' compensation not to exceed 1.25% of the principal amount of the Fixed Rate Bonds; and
- (b) to execute and deliver the Fixed Rate Bond Purchase Agreement, in substantially the form on file with the City Clerk, with such changes as the City Treasurer requires or approves with the City Attorney's concurrence (including such changes as may be necessary to sell Floating Rate Bonds under the Fixed Rate Bond Purchase Agreement, in which case the interest rate shall not

exceed 12% per annum and the Underwriters' compensation shall not exceed 1.25% of the principal amount of the Floating Rate Bonds), such approval to be conclusively evidenced by the execution and delivery thereof.

Section 11. The proposed form of Official Statement on file with the City Clerk is hereby approved. The City Treasurer is hereby authorized and directed to execute and deliver to the Underwriters on the City's behalf, a certificate deeming the preliminary Official Statement, in substantially the form on file with the City Clerk and with such changes as the City Treasurer approves in the interest of the City with the City Attorney's concurrence, to be final within the meaning of Securities Exchange Commission Rule 15c2-12. The Underwriters are hereby authorized to distribute the Official Statement in preliminary and final form. The City Treasurer is hereby authorized and directed to execute and deliver the final form of the Official Statement on the City's behalf, in substantially the form on file with the City Clerk and with such changes as the City Treasurer requires or approves with the City Attorney's concurrence, such approval to be conclusively evidenced by the execution and delivery thereof. If the Official Statement is used for the remarketing of any series of Bonds upon conversion to Floating Rate Bonds or Fixed Rate Bonds, then the City Treasurer is authorized and directed to approve any changes to the Official Statement as may be necessary to reflect the remarketing of the series of Bonds. The City Treasurer is hereby authorized and directed to distribute a preliminary form of the Official Statement to the members of the City Council for their review before distribution of the preliminary Official Statement to prospective purchasers of any Bonds.

Section 12. If all or any portion of the Bonds are sold or remarketed as Floating Rate Bonds, then the City Treasurer is hereby authorized and directed to prepare and authorize the dissemination of one or more offering memoranda for the purpose of the sale and resale of the Floating Rate Bonds in a form substantially in the form of the Official Statement with such changes as the City Treasurer determines are necessary or appropriate to reflect the terms and conditions of the Floating Rate Bonds and other matters appropriate to the offer and sale of the Floating Rate Bonds. The City Treasurer is hereby authorized and directed to distribute a preliminary form of the offering memoranda to the members of the City Council for their review before distribution of the preliminary offering memoranda to prospective purchasers of any Bonds.

Section 13. The proposed form of the Escrow Agreement on file with the City Clerk is hereby approved. If the City Treasurer determines it is necessary or appropriate, then the City Treasurer is hereby authorized and directed to execute and deliver the Escrow Agreement on the City's behalf and to acknowledge or agree to the terms and conditions of the Escrow Agreement, with the Escrow Agreement in each case in substantially the

form on file with the City Clerk and with such changes as the City Treasurer requires or approves with the City Attorney's concurrence, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 14. All approvals, consents, directions, notices, orders, requests, and other similar actions permitted or required by any of the documents authorized by this resolution, whether given or taken before or after the issuance of any series of the Bonds (including but not limited to any actions to effect an amendment or supplement of any of the documents authorized by this resolution or other agreement related to any series of the Bonds; any actions to effect a conversion, tender, and remarketing of any series of the Bonds; any investment of proceeds of the Bonds; the addition, substitution, or replacement of purchasers or underwriters; the appointment, addition, substitution, or replacement of remarketing agents; any agreements with paying agents; and the removal or replacement of the Trustee) may be given or taken by the City Treasurer, without further authorization or direction by the City Council. The City Treasurer is hereby authorized and directed to give any such approval, consent, direction, notice, order, or request and take such other actions and execute such documents that the City Treasurer deems necessary or appropriate, in the City Treasurer's discretion, to further the purposes of this resolution, subject to the following: the City Treasurer shall consult with the City Attorney before executing any agreement or amendment to an agreement.

Section 15. The City Treasurer and each other appropriate officer of the City, each acting alone, are authorized and directed —

- (a) to execute and deliver on the City's behalf any and all agreements, certificates, documents, and instruments, including but not limited to signature certificates, no-litigation certificates, disclosure certificates, continuing-disclosure certificates, tax certificates, documents required by the lenders for the Project, subordination, nondisturbance and attornment agreements, letters of representation relating to book-entry registration, certificates concerning the representations in the Floating Rate Bond Purchase Agreement, certificates concerning representations in the Forward Bond Purchase Agreement, certificates concerning representations in the Fixed Rate Bond Purchase Agreement, certificates concerning the contents of the Official Statement or any other offering memoranda, and certificates and contracts for rebate compliance services or other post-issuance compliance services; and
- (b) to do any and all things and take any and all actions that may be necessary or appropriate, in their discretion, to effectuate the actions the City Council has approved in this resolution.

- Section 16.** The City Treasurer is hereby authorized and directed to do any or all of the following if the City Treasurer determines that it will be advantageous to the City:
- (a) to purchase municipal-bond insurance or other credit enhancement for some or all of the Bonds;
 - (b) to purchase one or more reserve-fund surety policies or other credit instruments for the benefit of any reserve fund established for any Bonds;
 - (c) to obtain a particular rating or ratings on all or a portion of the Bonds and take such other actions as may be necessary to obtain the rating or ratings;
 - (d) to negotiate the terms of a commitment for the municipal-bond insurance policy or other credit enhancement and for the reserve-fund surety policies or other credit instruments; and
 - (e) to negotiate and approve, with the concurrence of the City Attorney, any covenants of the City or changes to the proposed forms of the Indenture, Site Lease, Project Lease, Floating Rate Bond Purchase Agreement, Forward Bond Purchase Agreement, Fixed Rate Bond Purchase Agreement, Information Statement, Official Statement, or Escrow Agreement that may be necessary or appropriate to purchase a municipal-bond insurance policy or other credit enhancement, to purchase reserve-fund surety policies or other credit instruments, or to obtain a particular rating or ratings on all or a portion of the Bonds.

Section 17. All actions heretofore taken by the City Council, the City Treasurer, or any other officers, agents, or employees of the City with respect to the issuance of the Bonds and the other transactions contemplated by this resolution are hereby ratified, confirmed, and approved.

Section 18. This resolution takes effect when adopted.

RESOLUTION NO. 2014-XXXX

Adopted by the Board of Directors of the Sacramento Public Financing
Authority

May 20, 2014

AUTHORIZING THE ISSUANCE AND SALE OF SACRAMENTO PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS IN ONE OR MORE SERIES TO FINANCE THE CITY'S SHARE OF THE COST TO ACQUIRE, DESIGN, CONSTRUCT, AND EQUIP A MULTI-PURPOSE ENTERTAINMENT-AND-SPORTS CENTER; APPROVING THE FORMS OF RELATED FINANCING DOCUMENTS; AUTHORIZING THE TREASURER OR HIS DESIGNEE TO APPROVE, EXECUTE, AND DELIVER THE RELATED FINANCING DOCUMENTS; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH THE BONDS AND THE FINANCING

BACKGROUND:

- A.** The Sacramento Public Financing Authority (the "**Authority**") is a joint-powers authority duly organized and existing under California law.
- B.** The City of Sacramento (the "**City**") is a municipal corporation duly organized and existing under the Sacramento City Charter (the "**Charter**") and the California Constitution.
- C.** The Authority and the City have determined to finance the City's share of the cost to acquire, design, construct, and equip a multi-purpose entertainment-and-sports center (the "**Project**") to be located within the geographical boundaries of the City.
- D.** To finance the City's share of the Project, the Authority and the City have determined that the City will lease certain land and certain improvements to that land (collectively, the "**Property**") to the Authority and that the City will sublease the Property back from the Authority.
- E.** The Property will consist of all or a portion of the Project, as determined by the Authority and the City when they execute and deliver the leases described below.
- F.** To finance the City's share of the Project and to fund required reserves and capitalized interest and pay costs of issuance, the Authority and the City have determined to provide for the issuance of Sacramento Public Financing Authority Lease Revenue Bonds in one or more series in the aggregate principal amount not to exceed \$325,000,000 (the "**Bonds**").
- G.** On or before May 15, 2014, the City caused a notice of public hearing regarding the proposed issuance of the Bonds for the purpose of financing the City's share

of the Project to be published in the *THE DAILY RECORDER*, a newspaper of general circulation in the City, as required by California Government Code section 6586.5. A copy of the proof of publication of the notice of public hearing is on file with the Secretary.

- H. Any series of the Bonds may be initially issued as (1) bonds bearing interest at fixed rates to maturity of the Bonds (the “**Fixed Rate Bonds**”), (2) bonds bearing interest at (a) fixed rates for an initial period less than the maturity of the Bonds or (b) variable rates based on a LIBOR index rate with certain adjustments (or other floating -rate indices) to maturity or earlier conversion to another mode (the “**Floating Rate Bonds**”) or (3) any combination thereof.
- I. Any series of the Bonds, including any Fixed Rate Bonds or Floating Rate Bonds, may be sold at initial issuance or upon a remarketing thereof in (1) a limited offering to one or more qualified institutional investors or accredited investors (“**Private Placement**”), (2) a public offering or (3) any combination thereof.
- J. The terms of any series of the Bonds initially issued as Floating Rate Bonds may (1) require or permit the holder thereof to tender for purchase and (2) provide for the remarketing or conversion to another mode of Floating Rate Bonds or Fixed Rate Bonds.
- K. In furtherance of the Authority’s issuance and sale of the Bonds (and any remarketing or conversion of the Bonds after initial issuance of the Bonds) and financing of the City’s share of the Project, forms of the following documents have been filed with the Secretary for consideration and approval by the Board of Directors:
- An *Indenture* under which the Authority will issue the Bonds (the “**Indenture**”).
 - A *Site Lease* under which the City will lease the Property to the Authority (the “**Site Lease**”).
 - A *Project Lease* under which the City will sublease the Property from the Authority (the “**Project Lease**”).
 - A *Bond Purchase Agreement (Escrow Bonds)* between the Authority, the City, and the purchaser or purchasers of any Floating Rate Bonds to be selected by the Treasurer (as defined herein) and named therein (collectively, the “**Floating Rate Purchasers**”), under which the Authority and the City agree to sell Floating Rate Bonds and the Floating Rate Purchasers agree to purchase Floating Rate Bonds (the “**Floating Rate Bond Purchase Agreement**”).
 - A *Forward Bond Purchase Agreement* between the Authority, the City, and the purchaser or purchasers of any Floating Rate Bonds to be

selected by the Treasurer and named therein (collectively, the “**Forward Floating Rate Purchasers**”), under which, subject to the satisfaction of the conditions set forth therein, the Authority and the City agree to sell Floating Rate Bonds and the Forward Floating Rate Purchasers agree to purchase Floating Rate Bonds (which purchase may occur upon the initial issuance of Floating Rate Bonds or upon remarketing of Floating Rate Bonds after the initial issuance) (the “**Forward Bond Purchase Agreement**”).

- A *Bond Purchase Agreement (Public Offering)* between the Authority, the City, and the underwriter, underwriters, remarketing agent, or remarketing agents to be selected by the Treasurer and named therein (collectively, the “**Underwriters**”), under which the Authority and the City agree to sell or remarket Fixed Rate Bonds and the Underwriters will agree to purchase, upon initial issuance or remarketing upon conversion, Fixed Rate Bonds (the “**Fixed Rate Bond Purchase Agreement**”).
- A preliminary form of *Official Statement* (the “**Official Statement**”) describing the Fixed Rate Bonds (and matters relating to them).
- An *Escrow Agreement* (the “**Escrow Agreement**”) to be used to hold the proceeds of Floating Rate Bonds and certain other amounts in certain circumstances.

L. The Treasurer or his designee (the “**Treasurer**”) will be authorized and directed to (1) determine whether any series of the Bonds are initially issued as Fixed Rate Bonds or Floating Rate Bonds, or any combination thereof; (2) determine whether any series of Bonds are sold at initial issuance or upon a remarketing thereof in a Private Placement or in a public offering, or any combination thereof; (3) determine whether any Floating Rate Bonds are remarketed or converted to another mode of Floating Rate Bonds or Fixed Rate Bonds; (4) determine whether to sell the Bonds using the Floating Rate Bond Purchase Agreement, the Forward Bond Purchase Agreement, or the Fixed Rate Bond Purchase Agreement, or any combination of them; and (5) with the concurrence of the Authority Counsel or his designee (the “**Authority Counsel**”), approve any changes to the foregoing documents and to execute and deliver all necessary documents, all as described in this resolution.

M. All acts, conditions, and things required by the laws of the State of California to exist, to have happened, and to have been performed before and in connection with the issuance of the Bonds and consummation of the financing hereby authorized do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the Authority is now duly authorized and empowered, in accordance with every requirement of law, to authorize the issuance of the Bonds and to authorize the execution and delivery of the Indenture, the Site Lease, the Project Lease, the Floating Rate Bond Purchase Agreement, the Forward Bond Purchase Agreement, the Fixed Rate

Bond Purchase Agreement, the Official Statement, and the Escrow Agreement, for the purposes, in the manner, and upon the terms provided.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE BOARD OF DIRECTORS RESOLVES AS FOLLOWS:

- Section 1.** The Board of Directors finds and determines that the statements in paragraphs A through M of the Background are true.
- Section 2.** The Board of Directors finds and determines that there are significant public benefits to the citizens of the City from financing the City's share of the Project and issuing the Bonds. The significant public benefits include but are not limited to the following:
- (a) The maintenance and promotion of economic development and increased employment within the City and the region.
 - (b) The improvement of the feasibility and enhancement of the development and redevelopment of the City's downtown core.
 - (c) The maintenance and generation of increased tax revenues to the City.
 - (d) The promotion of the general welfare, sense of community, and quality of life within the City and the region.
 - (e) The development of a multi-purpose entertainment-and-sports center to provide recreational and entertainment activities, amenities, and attractions to the people of the City and the region.
 - (f) The provision of a new facility for use by a National Basketball Association basketball team as the primary user in order to assure the continued presence of professional basketball in the City and the region, and the beneficial and frequent media exposure and recognition that the continued presence of professional sports would bring to the City and the region.
 - (g) The demonstrable savings in effective interest rate and the costs of bond preparation, bond underwriting, and bond issuance that will result from financing the City's share of the Project through the Authority.
- Section 3.** The financing of the City's share of the Project and the Authority's issuance of the Bonds in one or more series the aggregate combined principal amount not to exceed \$325,000,000 in accordance with the Indenture, as executed and delivered, are hereby authorized and approved.

- (a) The Treasurer is hereby authorized and directed to determine whether any series of Bonds are initially issued as Floating Rate Bonds or Fixed Rate Bonds, or any combination thereof.
- (b) The Treasurer is hereby authorized and directed to determine whether any series of Bonds initially issued as Floating Rate Bonds are remarketed or converted to another mode of Floating Rate Bonds or Fixed Rate Bonds, all in accordance with the terms for remarketing and conversion provided in the Indenture, as executed and delivered.
- (c) The Treasurer is hereby authorized and directed to determine whether any series of the Bonds, including any Fixed Rate Bonds or Floating Rate Bonds, are sold at initial issuance or upon a remarketing thereof in a Private Placement or in a public offering, or any combination thereof.

Section 4. The proposed form of Indenture on file with the Secretary, and its terms and conditions, are hereby approved. The date, maturity date or dates (the final maturity of any series of the Bonds to be not later than 50 years from the date of issuance of the series of Bonds), interest rates or method of determining the interest rates, interest-payment dates, forms, registration privileges, transfer restrictions, place or places of payment, terms of redemption and tender, number, and other terms of the Bonds will be as provided in the Indenture as executed and delivered. Any series of the Bonds may be issued as obligations the interest on which is intended to be included in gross income for federal income-tax purposes, as determined by the Treasurer.

- (a) The Treasurer is hereby authorized and directed to execute and deliver the Indenture on the Authority's behalf, in substantially the form on file with the Secretary and with such changes as the Treasurer requires or approves with the concurrence of the Authority Counsel, such approval to be conclusively evidenced by the execution and delivery thereof.
- (b) The Bonds are to be executed by the manual or facsimile signature of an Authorized Authority Representative (as defined in the Indenture) and must be in the form set forth in, and must otherwise be in accordance with, the Indenture, as executed and delivered. When the Bonds are so executed, the Authorized Authority Representative will deliver them to the Trustee (as defined in the Indenture). The Trustee will then authenticate the Bonds and deliver them to the purchasers thereof, in accordance with written instructions of an Authorized Authority Representative. The instructions are to provide for the delivery of the Bonds to the purchasers thereof in accordance with the Floating Rate Bond

Purchase Agreement, Forward Bond Purchase Agreement, or Fixed Rate Bond Purchase Agreement upon payment by the purchasers thereof of the purchase price for the applicable series of Bonds.

- Section 5.** The proposed form of the Site Lease on file with the Secretary is hereby approved. The Treasurer is hereby authorized and directed to execute and deliver the Site Lease on the Authority's behalf, in substantially the form on file with the Secretary and with such changes as the Treasurer requires or approves with the concurrence of the Authority Counsel, such approval to be conclusively evidenced by the execution and delivery thereof.
- Section 6.** The proposed form of the Project Lease on file with the Secretary is hereby approved. The Treasurer is hereby authorized and directed to execute and deliver the Project Lease on the Authority's behalf, in substantially the form on file with the Secretary and with such changes as the Treasurer requires or approves with the concurrence of the Authority Counsel, such approval to be conclusively evidenced by the execution and delivery thereof.
- Section 7.** The Treasurer is hereby authorized and directed to determine whether to sell or remarket the Bonds using the Floating Rate Bond Purchase Agreement, the Forward Bond Purchase Agreement, or the Fixed Rate Bond Purchase Agreement, or any combination of them.
- Section 8.** The proposed form of the Floating Rate Bond Purchase Agreement on file with the Secretary is hereby approved. If the Treasurer determines under Section 7 to provide for the sale of all or any portion of the Bonds by the Floating Rate Bond Purchase Agreement, then the Treasurer is hereby authorized and directed to do the following on the Authority's behalf:
- (a) to approve the sale of any Floating Rate Bonds to the Floating Rate Purchasers as required by the Floating Rate Bond Purchase Agreement with the interest rate on any Floating Rate Bonds not to exceed 12% per annum and the Floating Rate Purchasers' compensation under the Floating Rate Bond Purchase Agreement not to exceed 1.75% of the principal amount of the Floating Rate Bonds; and
 - (b) to execute and deliver the Floating Rate Bond Purchase Agreement, in substantially the form on file with the Secretary, with such changes as the Treasurer requires or approves with the Authority Counsel's concurrence, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 9. The proposed form of the Forward Bond Purchase Agreement on file with the Secretary is hereby approved. If the Treasurer determines under Section 7 to provide for the sale or remarketing of all or any portion of the Bonds by the Forward Bond Purchase Agreement, then the Treasurer is hereby authorized and directed to do the following on the Authority's behalf:

- (a) to approve the sale or remarketing of any Bonds to the Forward Floating Rate Purchasers as required by the Forward Bond Purchase Agreement with the interest rate on any Floating Rate Bonds not to exceed 12% per annum and the Floating Rate Bond Purchasers' compensation under the Forward Bond Purchase Agreement paid as (1) a one-time upfront fee not to exceed 1.75% of the principal amount of the Floating Rate Bonds plus (2) a monthly commitment fee not to exceed 0.17% per month of the principal amount of the Floating Rate Bonds for each month the Forward Bond Purchase Agreement remains outstanding (which commitment fee may be payable under the Forward Bond Purchase Agreement in installments covering periods of multiple months and the Forward Bond Purchase Agreement may require a minimum commitment fee for early terminations); and
- (b) to execute and deliver the Forward Bond Purchase Agreement, in substantially the form on file with the Secretary, with such changes as the Treasurer requires or approves with the Authority Counsel's concurrence (including any changes to reflect that the Floating Rate Bonds will be purchased upon remarketing), such approval to be conclusively evidenced by the execution and delivery thereof.

Section 10. The proposed form of the Fixed Rate Bond Purchase Agreement on file with the Secretary is hereby approved. If the Treasurer determines under Section 7 to provide for the sale or remarketing of all or any portion of the Bonds by the Fixed Rate Bond Purchase Agreement, then the Treasurer is hereby authorized and directed to do the following on the Authority's behalf:

- (a) to approve the sale or remarketing of any Fixed Rate Bonds to the Underwriters as required by the Fixed Rate Bond Purchase Agreement with the interest rate on any Fixed Rate Bonds not to exceed 9% per annum and the Underwriters' compensation not to exceed 1.25% of the principal amount of the Fixed Rate Bonds; and
- (b) to execute and deliver the Fixed Rate Bond Purchase Agreement, in substantially the form on file with the Secretary, with such changes as the Treasurer requires or approves with the Authority Counsel's concurrence (including such changes as may be necessary to sell Floating Rate Bonds under the Fixed Rate Bond

Purchase Agreement, in which case the interest rate shall not exceed 12% per annum and the Underwriters' compensation shall not exceed 1.25% of the principal amount of the Floating Rate Bonds), such approval to be conclusively evidenced by the execution and delivery thereof.

Section 11. The proposed form of Official Statement on file with the Secretary is hereby approved. The Treasurer is hereby authorized and directed to execute and deliver to the Underwriters on the Authority's behalf, a certificate deeming the preliminary Official Statement, in substantially the form on file with the Secretary and with such changes as the Treasurer approves in the interest of the Authority with the Authority Counsel's concurrence, to be final within the meaning of Securities Exchange Commission Rule 15c2-12. The Underwriters are hereby authorized to distribute the Official Statement in preliminary and final form. The Treasurer is hereby authorized and directed to execute and deliver the final form of the Official Statement on the Authority's behalf, in substantially the form on file with the Secretary and with such changes as the Treasurer requires or approves with the Authority Counsel's concurrence, such approval to be conclusively evidenced by the execution and delivery thereof. If the Official Statement is used for the remarketing of any series of Bonds upon conversion to Floating Rate Bonds or Fixed Rate Bonds, then the Treasurer is authorized and directed to approve any changes to the Official Statement as may be necessary to reflect the remarketing of the series of Bonds. The Treasurer is hereby authorized and directed to distribute a preliminary form of the Official Statement to the members of the Board of Directors for their review before distribution of the preliminary Official Statement to prospective purchasers of any Bonds.

Section 12. If all or any portion of the Bonds are sold or remarketed as Floating Rate Bonds, then the Treasurer is hereby authorized and directed to prepare and authorize the dissemination of one or more offering memoranda for the purpose of the sale and resale of the Floating Rate Bonds in a form substantially in the form of the Official Statement with such changes as the Treasurer determines are necessary or appropriate to reflect the terms and conditions of the Floating Rate Bonds and other matters appropriate to the offer and sale of the Floating Rate Bonds. The Treasurer is hereby authorized and directed to distribute a preliminary form of the offering memoranda to the members of the Board of Directors for their review before distribution of the preliminary offering memoranda to prospective purchasers of any Bonds.

Section 13. The proposed form of the Escrow Agreement on file with the Secretary is hereby approved. If the Treasurer determines it is necessary or appropriate, then the Treasurer is hereby authorized and directed to execute and deliver the Escrow Agreement on the Authority's behalf and to acknowledge or agree to the terms and conditions of the Escrow

Agreement, with the Escrow Agreement in each case in substantially the form on file with the Secretary and with such changes as the Treasurer requires or approves with the Authority Counsel's concurrence, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 14. All approvals, consents, directions, notices, orders, requests, and other similar actions permitted or required by any of the documents authorized by this resolution, whether given or taken before or after the issuance of any series of the Bonds (including but not limited to any actions to effect an amendment or supplement of any of the documents authorized by this resolution or other agreement related to any series of the Bonds; any actions to effect a conversion, tender, and remarketing of any series of the Bonds; any investment of proceeds of the Bonds; the addition, substitution, or replacement of purchasers or underwriters; the appointment, addition, substitution, or replacement of remarketing agents; any agreements with paying agents; and the removal or replacement of the Trustee) may be given or taken by the Treasurer, without further authorization or direction by the Board of Directors. The Treasurer is hereby authorized and directed to give any such approval, consent, direction, notice, order, or request and take such other actions and execute such documents that the Treasurer deems necessary or appropriate, in the Treasurer's discretion, to further the purposes of this resolution, subject to the following: the Treasurer shall consult with the Authority Counsel before executing any agreement or amendment to an agreement.

Section 15. The Treasurer and each other appropriate officer of the Authority, each acting alone, are authorized and directed —

- (a) to execute and deliver on the Authority's behalf any and all agreements, certificates, documents, and instruments, including but not limited to signature certificates, no-litigation certificates, disclosure certificates, continuing-disclosure certificates, tax certificates, documents required by the lenders for the Project, subordination, nondisturbance and attornment agreements, letters of representation relating to book-entry registration, certificates concerning the representations in the Floating Rate Bond Purchase Agreement, certificates concerning representations in the Forward Bond Purchase Agreement, certificates concerning representations in the Fixed Rate Bond Purchase Agreement, certificates concerning the contents of the Official Statement or any other offering memoranda, and certificates and contracts for rebate compliance services or other post-issuance compliance services; and

- (b) to do any and all things and take any and all actions that may be necessary or appropriate, in their discretion, to effectuate the actions the Board of Directors has approved in this resolution.

Section 16. The Treasurer is hereby authorized and directed to do any or all of the following if the Treasurer determines that it will be advantageous to the Authority:

- (a) to purchase municipal-bond insurance or other credit enhancement for some or all of the Bonds;
- (b) to purchase one or more reserve-fund surety policies or other credit instruments for the benefit of any reserve fund established for any Bonds;
- (c) to obtain a particular rating or ratings on all or a portion of the Bonds and take such other actions as may be necessary to obtain the rating or ratings;
- (d) to negotiate the terms of a commitment for the municipal-bond insurance policy or other credit enhancement and for the reserve-fund surety policies or other credit instruments; and
- (e) to negotiate and approve, with the concurrence of the Authority Counsel, any covenants of the Authority or changes to the proposed forms of the Indenture, Site Lease, Project Lease, Floating Rate Bond Purchase Agreement, Forward Bond Purchase Agreement, Fixed Rate Bond Purchase Agreement, Information Statement, Official Statement, or Escrow Agreement that may be necessary or appropriate to purchase a municipal-bond insurance policy or other credit enhancement, to purchase reserve-fund surety policies or other credit instruments, or to obtain a particular rating or ratings on all or a portion of the Bonds.

Section 17. All actions heretofore taken by the Board of Directors, the Treasurer, or any other officers, agents, or employees of the Authority with respect to the issuance of the Bonds and the other transactions contemplated by this resolution are hereby ratified, confirmed, and approved.

Section 18. This resolution takes effect when adopted.

RESOLUTION NO. 2014-XXXX

Adopted by the Sacramento City Council

May 20, 2014

ESTABLISHING REVENUE AND EXPENDITURE BUDGETS FOR THE ENTERTAINMENT AND SPORTS CENTER PROJECT AND THE SACRAMENTO PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS, SERIES 2014

BACKGROUND:

- A.** On May 20, 2014, staff presented a financing plan for the issuance of the Series 2014 lease revenue bonds to provide for the cash contribution of \$212.5 million for the purpose of financing the design, construction, and equipping of a multi-purpose entertainment and sports center (ESC) (the Project) to the City Council.
- B.** In order to meet project conditions for the issuance of long-term priced bonds, the finance plan contemplates the issuance of privately-placed short-term priced lease-revenue bonds (the "Interim Bonds"), or a forward purchase agreement providing for the purchase of bonds issued in the future subject to certain conditions (the "Forward Purchase Agreement").
- C.** Issuance of the Interim Bonds or execution of the Forward Purchase Agreement will require the City to fund the transaction costs and, if applicable, the first year of interest or holding costs at the time the transaction is closed, along with various cost of issuance. These funds will be funded from amounts that are currently within the ESC finance plan and will range from \$8 – 13 million depending upon interest rates and fees. These upfront costs may be recouped at the time of the long-term bond issue or remarketing.
- D.** In addition to the proposed lease-revenue bond issue, the ESC finance plan includes the contribution of \$10.6 million from the Parking Fund (\$5.6 million) and Master Owner Participation Agreement (MOPA) Funds (\$5 million), with additional funds being available from the Parking Fund.
- E.** In order to provide for the availability of sufficient available funds in the early years of operation, the ESC finance plan proposes to establish and maintain a liquidity reserve, in which the City would set

aside certain revenues prior to completion of the ESC, while interest payments on the long-term lease-revenue bonds will be paid through the issuance of capitalized interest. The City's Transient Occupancy Tax (Hotel Tax or TOT) has been identified as a resource to fund the Liquidity Reserve to be used during the early years.

- F. Implementation of the Interim Bonds or execution of the Forward Purchase Agreement option requires appropriation of the expenses and contributions identified above and approval of various related financial transactions.

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

- Section 1.** The City Treasurer and the City Manager, and their respective designees, are hereby authorized to do the following after final pricing and sale of the Series 2014 Bonds, Interim Bonds, and the execution of the Forward Purchase Agreement: implement all financial transactions and budget amendments necessary to carry out the financing of the Project in accordance with the law and City policy.
- Section 2.** The City Treasurer and the City Manager, and their respective designees, are hereby authorized to: (a) establish funds and investment portfolios necessary to manage the appropriations and expenditures of the Project, and (b) fund a trustee account with the City contributions from the Parking and MOPA funds, to be known as the "Interim Series 2014 Fund," in an initial amount not to exceed \$13,000,000, to be used for expenses in connection with the Interim Bonds or execution of the Forward Purchase Agreement and (c) appropriate \$2,000,000 from TOT revenues currently budgeted in the Community Center Fund to a restricted account for the establishment of a Liquidity Reserve.
- Section 3.** The City Treasurer's Office, the City Attorney's Office, the City Manager's Office, and the Finance Department are authorized to be reimbursed from proceeds of the Series 2014 Bonds for reasonable costs incurred, including staff time, in connection with the issuance and sale of the Series 2014 Bonds. Expenditures associated with the cost of issuance of the Series 2014 Bonds may not be paid unless the City Treasurer's Office has approved the expenditures in writing.

INDENTURE

between

SACRAMENTO PUBLIC FINANCING AUTHORITY

and

CITY OF SACRAMENTO

and

[TRUSTEE],
As Trustee

Dated as of [Dated Date]

Relating to

Sacramento Public Financing Authority
Lease Revenue Bonds, Series 2014 ([Project Description]) (Federally Taxable)

and

Additional Bonds

ARTICLE I
DEFINITIONS; EQUAL SECURITY

Section 1.01.	Definitions.....	2
Section 1.02.	Equal Security.....	2

ARTICLE II
THE BONDS

Section 2.01.	Authorization of Bonds.....	3
Section 2.02.	Terms of Series 2014 Bonds.....	3
Section 2.03.	Issuance of Series 2014 Bonds; Application of Proceeds.....	6
Section 2.04.	Conditions for the Issuance of Additional Bonds.....	6
Section 2.05.	Procedure for the Issuance of Additional Bonds	7
Section 2.06.	Execution of Bonds.....	8
Section 2.07.	Authentication of Series 2014 Bonds	9
Section 2.08.	Registration Books.....	9
Section 2.09.	Transfer and Exchange of Bonds	9
Section 2.10.	Book-Entry System.....	9
Section 2.11.	Bonds Mutilated, Lost, Destroyed or Stolen.....	11
Section 2.12.	Temporary Bonds.....	11

ARTICLE III
REDEMPTION OF BONDS

Section 3.01.	Extraordinary Redemption.....	11
Section 3.02.	Optional Redemption	12
Section 3.03.	Mandatory Sinking Fund Redemption for Series 2014 Bonds	12
Section 3.04.	Selection of Bonds for Redemption.....	13
Section 3.05.	Notice of Redemption.....	14
Section 3.06.	Partial Redemption of Bonds.....	15
Section 3.07.	Effect of Notice of Redemption.....	15

ARTICLE IV
PLEDGE AND ASSIGNMENT; FUNDS AND ACCOUNTS

Section 4.01.	Pledge and Assignment.....	15
Section 4.02.	2014 Project Fund.....	16
Section 4.03.	2014 Capitalized Interest Fund	17
Section 4.04.	Costs of Issuance Fund	17

Section 4.05.	Payment Fund	17
Section 4.06.	Redemption Fund.....	18
Section 4.07.	Reserve Fund	19
Section 4.08.	[Private Payment Fund.....	20
Section 4.09.	Rebate Fund	20
Section 4.10.	Investments	21

ARTICLE V

NET PROCEEDS AND TITLE INSURANCE; COVENANTS

Section 5.01.	Application of Net Proceeds	22
Section 5.02.	Title Insurance	23
Section 5.03.	Punctual Payment.....	24
Section 5.04.	Compliance With Indenture.....	24
Section 5.05.	Compliance With Site Lease and Project Lease	24
Section 5.06.	Observance of Laws and Regulations.....	24
Section 5.07.	Other Liens.....	24
Section 5.08.	Prosecution and Defense of Suits	25
Section 5.09.	Accounting Records and Statements	25
Section 5.10.	Recordation	25
Section 5.11.	Tax Covenants	25
Section 5.12.	Continuing Disclosure	26
Section 5.13.	Further Assurances.....	26

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.01.	Events of Default	26
Section 6.02.	Action on Default; No Acceleration	27
Section 6.03.	Other Remedies of the Trustee	27
Section 6.04.	Remedies Not Exclusive	28
Section 6.05.	Application of Amounts After Default	28
Section 6.06.	Power of Trustee to Enforce	28
Section 6.07.	Bond Owners Direction of Proceedings	28
Section 6.08.	Limitation on Bond Owners' Right to Sue	29
Section 6.09.	Termination of Proceedings.....	29
Section 6.10.	No Waiver of Default.....	29

ARTICLE VII
THE TRUSTEE

Section 7.01. Duties and Liabilities of Trustee..... 30

Section 7.02. Removal and Resignation of the Trustee 30

Section 7.03. Compensation and Indemnification of the Trustee..... 31

Section 7.04. Protection of the Trustee 31

Section 7.05. Appointment of Co-Trustee 33

ARTICLE VIII
SUPPLEMENTAL INDENTURES

Section 8.01. Supplemental Indentures..... 34

Section 8.02. Effect of Supplemental Indenture 35

Section 8.03. Endorsement of Bonds; Preparation of New Bonds 36

Section 8.04. Amendment of Particular Bonds..... 36

ARTICLE IX
DEFEASANCE

Section 9.01. Discharge of Indenture..... 36

Section 9.02. Discharge of Liability on Bonds 37

Section 9.03. Deposit of Money or Securities with Trustee 37

Section 9.04. Unclaimed Moneys 38

ARTICLE X
MISCELLANEOUS

Section 10.01. Benefits of Indenture Limited to Parties..... 38

Section 10.02. Successor Deemed Included in all References to Predecessor 38

Section 10.03. Execution of Documents by Owners 38

Section 10.04. Waiver of Personal Liability 39

Section 10.05. Acquisition of Bonds by Authority or City..... 39

Section 10.06. Disqualified Bonds..... 39

Section 10.07. Money Held for Particular Bonds 39

Section 10.08. Funds and Accounts 40

Section 10.09. Gender and References; Article and Section Headings 40

Section 10.10. Partial Invalidity..... 40

Section 10.11. California Law 40

Section 10.12. Notices 41

Section 10.13.	Business Days	41
Section 10.14.	Execution in Counterparts.....	41
EXHIBIT A	FORM OF SERIES 2014A BOND	A-1
EXHIBIT B	MASTER DEFINITIONS	B-1
EXHIBIT C	FORM OF 2014 PROJECT FUND REQUISITION	C-1
EXHIBIT D	FORM OF COSTS OF ISSUANCE FUND REQUISITION.....	D-1

INDENTURE

THIS INDENTURE (this “**Indenture**”), dated as of [Dated Date], is between the SACRAMENTO PUBLIC FINANCING AUTHORITY, a joint-powers authority duly organized and existing under the laws of the State of California (the “**Authority**”); the CITY OF SACRAMENTO, a municipal corporation and chartered city duly organized and existing under, and by virtue of, the Constitution and laws of the State of California (the “**City**”); and [TRUSTEE], a national banking association organized and existing under the laws of the United States of America, as Trustee (the “**Trustee**”).

RECITALS

WHEREAS, the Authority and the City have determined to finance the design, construction, and equipping of a multi-purpose entertainment-and-sports center (the “**2014 Project**”); and

WHEREAS, to finance the 2014 Project, the City has leased [certain land and certain improvements thereto] (the “**Property**”) to the Authority under a Site Lease dated as of [Dated Date] (the “**Site Lease**”), and the City has subleased the Property back from the Authority under a Project Lease dated as of [Dated Date] (the “**Project Lease**”); and

WHEREAS, the City, as tenant under the Project Lease, intends to further sublease the Property to [Sacramento Downtown Arena LLC] under an [Arena Management, Operations, and Lease Agreement] dated _____, 20__; and

WHEREAS, to finance the acquisition, construction, and improvement of the 2014 Project, the Authority and the City desire to provide for the issuance under this Indenture of Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 ([Project Description]) (Federally Taxable) in the aggregate principal amount of \$[PRINCIPAL AMOUNT] (the “**Series 2014 Bonds**”); and

WHEREAS, the Authority and the City desire to provide for the issuance of additional bonds (the “**Additional Bonds**”) payable on a parity with the Series 2014 Bonds (the Series 2014 Bonds and any such Additional Bonds being collectively referred to as the “**Bonds**”); and

WHEREAS, the Authority and the City have each authorized the execution and delivery of this Indenture to provide for the authentication and delivery of the Bonds; to establish and declare the terms and conditions upon which the Bonds are to be issued and secured; and to secure the payment of the principal of, and interest and any premium on, the Bonds; and

WHEREAS, the Authority and the City have determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee, and duly issued, the valid and binding limited obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes set forth in this Indenture in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized; and

WHEREAS, all acts, conditions, and things required by law to exist, to have happened, and to have been performed precedent to, and in connection with, the execution and entering into of this Indenture do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the parties are now duly authorized to execute and enter into this Indenture;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to secure the payment of the principal of, and interest and any premium on, all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Authority and the City hereby covenant and agree with the Trustee, for the benefit of the owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context clearly otherwise requires, the capitalized terms in this Indenture have the meanings specified in Exhibit B to this Indenture.

Section 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture constitutes a contract between the Authority, the City, the Trustee, and the Owners from time to time of all Bonds authorized, executed, issued, and delivered under this Indenture and then Outstanding to secure the full and final payment of the principal of, and interest and any premium on, all such Bonds that may from time to time be authorized, executed, issued, and delivered, subject to the agreements, conditions, covenants, and provisions contained in this Indenture; and all such agreements and covenants to be performed by, or on behalf of, the Authority or the City will be for the equal and proportionate benefit, protection, and security of all Owners of the Bonds without distinction, preference, or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance, or delivery thereof or for any cause, except as expressly provided in this Indenture or the Bonds.

ARTICLE II

THE BONDS

Section 2.01. Authorization of Bonds.

- (a) The Authority hereby authorizes the issuance of the Bonds under and subject to this Indenture, the Act, and other applicable laws of the State of California. The Bonds may consist of one or more Series of varying denominations, dates, maturities, interest rates, and other provisions, subject to the provisions and conditions of this Indenture. The Bonds will be designated generally as the “Sacramento Public Financing Authority Lease

Revenue Bonds,” each Series of Bonds to bear such additional designation as may be necessary or appropriate to distinguish it from every other Series of Bonds.

- (b) The Bonds are limited obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under this Indenture. Neither the faith and credit nor the taxing power of the Authority, the City, the State of California, or any political subdivision of the State is pledged to the payment of the Bonds.
- (c) Notwithstanding anything to the contrary contained in this Indenture, if, as a result of the limitations contained in Section 2.04 or Section 3.06 of the Project Lease, Base Rental Payments cannot be paid by the City in an amount sufficient to pay the principal of, or interest on, the Bonds otherwise payable on any date, then (1) that principal or interest will be deemed not payable on that date, (2) the nonpayment thereof on that date will not constitute a default or an Event of Default, and (3) the principal or interest will become payable on the date on which the Base Rental Payment becomes payable under the Project Lease.

Section 2.02. Terms of Series 2014 Bonds.

- (a) The Series 2014 Bonds are designated “Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 ([Project Description]) (Federally Taxable).” The aggregate principal amount of Series 2014 Bonds that may be issued and Outstanding under this Indenture may not exceed \$[PRINCIPAL AMOUNT], except as otherwise provided in Section 2.11. The Series 2014 Bonds will be issued in fully registered form without coupons in Authorized Denominations, will be dated as of the Closing Date, will be in the aggregate principal amount of \$[PRINCIPAL AMOUNT] and, subject to Section 2.13, will mature on the Maturity Date.
- (b) The Series 2014 Bonds will initially bear interest in the Index Floating Rate Period. The initial interest rate for the Series 2014 Bonds for the period commencing on and including the Closing Date to but excluding the first Reset Date is ____%. Thereafter, during the Index Floating Rate Period, the Series 2014 Bonds shall bear interest at the Index Floating Rate, which shall be determined by the Calculation Agent on each Reset Date after the Closing Date. Each Index Floating Rate shall apply to the period commencing on and including a Reset Date to but not including the next succeeding Reset Date. The Calculation Agent shall furnish each Index Floating Rate so determined to the Trustee, the Authority and the City by electronic means no later than the Business Day next succeeding the Reset Date on which such rate is determined. The Series 2014 Bonds may be converted from the Index Floating Rate Period to the Fixed Interest Rate Period as provided in Section 2.13. Notwithstanding the foregoing, during the Index Floating Rate Period and before (1) the satisfaction of the conditions set forth in Section ____ of the 2014 Escrow Agreement and (2) the Mandatory Tender Date, the Series 2014 Bonds shall not bear interest in excess of the Cap Rate. Thereafter, the Series 2014 Bonds shall not bear interest in excess of the Maximum Rate.
- (c) Interest on the Series 2014 Bonds is payable from the Interest Payment Date immediately preceding the date they are authenticated unless (1) a Series 2014 Bond is authenticated

on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from that Interest Payment Date; (2) a Series 2014 Bond is authenticated on or before the first Record Date, in which event interest will be payable from the Closing Date; or (3) interest on any Series 2014 Bond is in default as of the date of authentication thereof, in which event interest will be payable from the date to which interest has previously been paid or duly provided for. Interest on the Series 2014 Bonds will be paid in lawful money of the United States of America on each Interest Payment Date. Interest on the Series 2014 Bonds will be paid by check of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Owners of the Series 2014 Bonds at their addresses shown on the Registration Books as of the close of business on the preceding Record Date, except as follows: for an Owner of \$1,000,000 or more in aggregate principal amount of Series 2014 Bonds, payment of interest will be made by wire transfer of immediately available funds on the following Interest Payment Date if the Owner delivers a written request to the Trustee specifying the account or accounts to which such payment must be made and if the request is received at least ten days before a Record Date; any such request will remain in effect until the Owner revokes or revises it by an instrument in writing delivered to the Trustee.

- (d) The principal of, and any premium on, the Series 2014 Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee.
- (e) During the Index Floating Rate Period, interest on the Series 2014 Bonds shall be computed on the basis of a 365 or 366-day year, as applicable, and the actual number of days elapsed. During the Fixed Interest Rate Period, interest on the Series 2014 Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months.
- (f) The Series 2014 Bonds must be in substantially the form set forth in Exhibit A hereto, with appropriate or necessary insertions, omissions, and variations as permitted or required by this Indenture.

Section 2.03. Issuance of Series 2014 Bonds; Application of Proceeds.

- (a) The Authority may, at any time, execute the Series 2014 Bonds and deliver them to the Trustee. The Trustee shall authenticate the Series 2014 Bonds and deliver them to the initial purchasers of the Series 2014 Bonds upon receipt of a Written Request of the Authority and upon receipt of the purchase price therefor.
- (b) On the Closing Date, the Trustee shall deposit or transfer the proceeds of the sale of the Series 2014 Bonds received by the Trustee, \$_____, together with the amount of \$_____, transferred to the Trustee by the City, as follows:
 - (1) deposit \$_____ in the Costs of Issuance Fund, from the amount transferred to the Trustee by the City; and
 - (2) transfer \$_____ to the 2014 Bond Escrow Agent for deposit in the 2014 Escrow Fund.

- (c) The Trustee may establish a temporary fund or account in its records to facilitate and record deposits and transfers.

Section 2.04. Conditions for the Issuance of Additional Bonds. The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series 2014 Bonds) subject to the following conditions, which are conditions precedent to the issuance of the Additional Bonds:

- (a) The Authority and the City must not be in default under this Indenture, the Project Lease, or the Site Lease.
- (b) The issuance of such Additional Bonds must have been authorized under the Act and this Indenture and must have been provided for by a Supplemental Indenture that specifies the following:
 - (1) The purposes for which the Additional Bonds are to be issued. The proceeds of the sale of Additional Bonds may be applied only for one or more of the following purposes: (A) providing funds to pay costs of any improvements (including capitalized interest) designated by the City, (B) providing funds to refund any Bonds issued under this Indenture or any other obligations of the City, (C) providing funds to pay Costs of Issuance incurred in connection with the issuance of the Additional Bonds, and (D) providing funds to make any deposit to the Reserve Fund required by Section 2.04(c).
 - (2) The principal amount and designation of the Series of Additional Bonds and the denomination or denominations of the Additional Bonds, which must be Authorized Denominations.
 - (3) That the Additional Bonds will be payable as to interest on the Interest Payment Dates, except that the first installment of interest may be payable on either _____ 1 or _____ 1.
 - (4) The date, the maturity date or dates, and the dates on which any mandatory sinking-fund redemptions are to be made for the Additional Bonds, subject to the following: (A) the serial Bonds of the Series of Additional Bonds must be payable as to principal annually on _____ 1 of each year in which principal falls due, and the term Bonds of the Series of Additional Bonds must have annual mandatory sinking-fund redemptions on _____ 1; (B) all Additional Bonds of a Series of like maturity must be identical in all respects, except as to number or denomination; and (C) serial maturities of serial Bonds or mandatory sinking-fund redemptions for term Bonds, or any combination of serial Bonds and term Bonds, must be established to provide for the redemption or payment of the Additional Bonds on or before their maturity dates.
 - (5) The redemption terms, if any, for the Additional Bonds.
 - (6) The form of the Additional Bonds.

- (7) Any other provisions that are appropriate or necessary and are not inconsistent with the provisions of this Indenture.
- (c) Upon the issuance of the Additional Bonds, the amount on deposit in the Reserve Fund must be at least equal to the Reserve Requirement.
- (d) During any Rental Period after the issuance of the Additional Bonds, the sum of Base Rental Payments (including any increase in the Base Rental Payments as a result of the issuance of the Additional Bonds) plus Additional Rental Payments may not exceed the annual fair-rental value of the Property after taking into account the use of the proceeds of the Additional Bonds (evidence of the satisfaction of this condition must be made by a Written Certificate of the City).
- (e) The Authority and the City must have complied with the procedures set forth in Section 2.05.

Section 2.05. Procedure for the Issuance of Additional Bonds.

- (a) Whenever the Authority and the City determine to authorize the issuance of any Additional Bonds, the Authority, the City, and the Trustee shall enter into a Supplemental Indenture satisfying the conditions of Section 2.04. Before the Additional Bonds are issued, the Authority and the City shall file or cause to be filed with the Trustee the following:
 - (1) An Opinion of Counsel to the effect that (A) the Additional Bonds constitute the valid and binding limited obligations of the Authority, and (B) the Supplemental Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority.
 - (2) A Written Certificate of the Authority that the requirements of Section 2.04 have been met.
 - (3) A Written Certificate of the City that the requirements of Section 2.04 have been met.
 - (4) Certified copies of the resolutions of the Board of Directors of the Authority and the City Council of the City authorizing the execution and delivery of the Supplemental Indenture.
 - (5) Executed counterparts or duly authenticated copies of the Supplemental Indenture.
 - (6) A Written Certificate of the City certifying that the City is in compliance with Article 5 of the Project Lease after taking into account the issuance of the Additional Bonds.
 - (7) One or more California Land Title Association leasehold-owner's title-insurance policies for the Property (or an amendment or endorsement to an existing policy

or policies) complying with Section 5.04 of the Project Lease such that the total amount of title insurance procured under Section 5.04 of the Project Lease is at least equal to the principal amount of the Bonds to be Outstanding after the issuance of the Additional Bonds.

- (b) Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's being satisfied from an examination of the instruments that all of the documents required by this Section 2.05 have been delivered, the Trustee shall authenticate the Additional Bonds and deliver them to, or upon the request of, the Authority.

Section 2.06. Execution of Bonds. The Bonds must be executed in the name and on behalf of the Authority with the manual or facsimile signature of an Authorized Authority Representative. The Bonds must then be delivered to the Trustee for authentication by the Trustee. If any officer of the Authority who signed or attested any of the Bonds ceases to be an officer before the Bonds so signed or attested are authenticated or delivered by the Trustee or issued by the Authority, then the Bonds may nevertheless be authenticated, delivered, and issued and, upon authentication, delivery, and issuance, will be binding upon the Authority as though the person who signed and attested them had continued to be an officer. In addition, any Bonds may be signed and attested on behalf of the Authority by such persons as at the actual date of execution of the Bonds are the proper officers of the Authority although at the nominal date of the Bonds any such person was not an officer of the Authority.

Section 2.07. Authentication of Series 2014 Bonds. Only such of the Series 2014 Bonds as bear a certificate of authentication substantially in the form as that set forth in Exhibit A to this Indenture, manually executed by the Trustee, will be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and the certificate of, or on behalf of, the Trustee will be conclusive evidence that the Series 2014 Bonds so authenticated have been duly executed, authenticated, and delivered under, and are entitled to the benefits of, this Indenture.

Section 2.08. Registration Books. The Trustee shall keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which must be available for inspection and copying by the Authority and the City upon reasonable notice; and, upon presentation for that purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the records, the ownership of the Bonds as provided in this Indenture.

Section 2.09. Transfer and Exchange of Bonds.

- (a) Any Bond may, in accordance with its terms, be transferred upon the Registration Books by the Person in whose name it is registered, in person or by the Person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond is surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond of the same Series and maturity in a like aggregate principal amount, in any Authorized Denomination. The Trustee shall require the Owner requesting transfer to pay any tax or other governmental charge required to be paid with respect to the transfer.

- (b) The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same Series and maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting an exchange of any tax or other governmental charge required to be paid with respect to the exchange.
- (c) The Trustee is not obligated to make any transfer or exchange of Bonds of a Series under this Section 2.09 during the period commencing on the date five days before the date of selection of Bonds of the Series for redemption and ending on the date of mailing notice of the redemption, or with respect to any Bonds of the Series selected for redemption.
- (d) During the Index Floating Rate Period, Series 2014 Bonds may be transferred only to another purchaser that is a “qualified institutional buyer” as defined in Rule 144A under the Securities Act of 1933, as amended, and only if written notice of such transfer, together with addresses and related information with respect to such purchaser, is delivered to the Authority, the City and the Trustee by the transferor and (ii) the purchaser has delivered to the Authority, the City, the Trustee and the transferor an investor letter in the form of Exhibit E to this Indenture executed by a duly authorized representative of such purchaser.

Section 2.10. Book-Entry System. Unless otherwise provided in a Supplemental Indenture delivered in connection with a Series of Additional Bonds, the following provisions apply to the Series 2014 Bonds after the Fixed Rate Conversion Date and to any Series of Additional Bonds notwithstanding any provision of this Indenture to the contrary:

- (a) The Bonds of each Series must be initially registered in the name of “Cede & Co.” as nominee of DTC and will be evidenced by one bond certificate for each maturity of each Series of Bonds bearing interest at a particular rate of interest per annum. Registered ownership of any Series of Bonds, or any portion thereof, may not thereafter be transferred except as follows:
 - (1) to any successor of DTC or its nominee, or to any substitute depository designated under Section 2.10(a)(2) (each, a “**Substitute Depository**”), but only if the successor of DTC or Substitute Depository is qualified under any applicable laws to provide the service proposed to be provided by it;
 - (2) to any Substitute Depository designated by the Authority upon (A) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository or (B) a determination by the Authority that DTC or its successor (or any Substitute Depository or its successor) is no longer able to carry out its functions as depository, but only if the Substitute Depository is qualified under any applicable laws to provide the services proposed to be provided by it; or
 - (3) to any Person designated by the Authority, upon (A) the resignation of DTC or its successor (or Substitute Depository or its successor) from its functions as depository, but only if no Substitute Depository can be obtained; or (B) to the extent permitted by law, a determination by the Authority that it is in the best

interests of the Authority to remove DTC or its successor (or any Substitute Depository or its successor) from its functions as depository.

- (b) In the case of any transfer under Section 2.10(a)(1) or 2.10(a)(2), upon receipt of the Outstanding Bonds by the Trustee, together with a Written Request of the Authority, a single new Bond for each maturity of each Series of Bonds bearing a particular rate of interest per annum then Outstanding will be executed and delivered in the aggregate principal amount of the Bonds of the Series then Outstanding, registered in the name of the successor or Substitute Depository or their nominees, as the case may be, all as specified in such Written Request of the Authority. In the case of any transfer under Section 2.10(a)(3), upon receipt of the Outstanding Bonds by the Trustee together with a Written Request of the Authority, the Authority shall authorize and prepare new Bonds of each Series then Outstanding and the Trustee shall authenticate and deliver the new Bonds in such authorized denominations and registered in the names of such Persons as are requested in such Written Request of the Authority, numbered in any manner as the Trustee may determine.
- (c) In the case of partial redemption or an advance refunding of any Series of the Bonds evidencing all or a portion of the amount Outstanding, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on the Bonds indicating the date and amounts of the reduction in principal, in form acceptable to the Trustee.
- (d) The Authority, the City, and the Trustee are entitled to treat the Person in whose name any Bond is registered as the Owner of the Bond for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee, the Authority, or the City; and the Authority, the City, and the Trustee will have no responsibility for transmitting payments to, communicating with, or notifying or otherwise dealing with, any Beneficial Owners of the Bonds. Neither the Authority, nor the City, nor the Trustee has any responsibility or obligations, legal or otherwise, to the Beneficial Owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except for the Owner of any Bond.
- (e) So long as the Outstanding Bonds are registered in the name of Cede & Co. or its registered assign, the Authority, the City, and the Trustee shall cooperate with Cede & Co. or its registered assign as sole registered Owner in effecting payment of the principal of, and interest and any redemption premium on, the Bonds by arranging for payment in such a manner that funds for such payments are properly identified and are made immediately available on the date they are due.

Section 2.11. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond becomes mutilated, then, at the expense of the Owner of the Bond, the Authority shall execute, and the Trustee shall authenticate and deliver, a new Bond of the same Series and maturity in a like aggregate principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond so surrendered and shall deliver the canceled Bond to, or upon the order of, the Authority. If any Bond is lost, destroyed, or stolen, then evidence of the loss, destruction, or theft may be

submitted to the Trustee; and, if the evidence and an indemnity satisfactory to the Trustee are given, then, at the expense of the Owner, the Authority shall execute, and the Trustee shall authenticate and deliver, a new Bond of the same Series and maturity in a like aggregate principal amount in lieu of, and in replacement for, the Bond so lost, destroyed, or stolen (if, however, the Bond has matured or has been selected for redemption, then instead of issuing a replacement Bond the Trustee may pay the Bond without surrender). The Authority may require the Owner to pay an amount not exceeding the sum of the actual cost of preparing each replacement Bond issued under this Section 2.11 plus the expenses the Authority and the Trustee incur in connection with the replacement Bond. Any Bond of a Series issued under the this Section 2.11 in lieu of any Bond of Series alleged to be lost, destroyed, or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed, or stolen is at any time enforceable by anyone, and the Bond will be entitled to the benefits of this Indenture with all other Bonds of the same Series secured by this Indenture.

Section 2.12. Temporary Bonds. The Bonds of a Series may be issued in temporary form exchangeable for definitive Bonds of the Series when ready for delivery. Any temporary Bonds may be printed, lithographed, or typewritten; must be of such Authorized Denominations as may be determined by the Authority; must be in fully registered form without coupons; and may refer to any of the provisions of this Indenture as may be appropriate. Every temporary Bond must be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds of a Series, it shall execute and deliver definitive Bonds of the Series as promptly thereafter as practicable, and upon delivery of the definitive Bonds the temporary Bonds may be surrendered for cancellation at the Office of the Trustee and the Trustee shall authenticate and deliver in exchange for the temporary Bonds an equal aggregate principal amount of the definitive Bonds of the Series and maturities in Authorized Denominations. Until so exchanged, the temporary Bonds of a Series will be entitled to the same benefits under this Indenture as definitive Bonds of the Series authenticated and delivered under this Indenture.

Section 2.13. Conversion of Series 2014 Bonds to Fixed Rates.

- (a) At the option of the City, all but not less than all of the Series 2014 Bonds may be converted from the Index Floating Rate Period to the Fixed Interest Rate Period as follows:
 - (1) The proposed Fixed Rate Conversion Date must be a Business Day.
 - (2) The City shall (A) give written notice of any such conversion to the Trustee and the Calculation Agent and (B) appoint a remarketing agent for the remarketing of such conversion of Series 2014 Bonds, not less than two Business Days prior to the date on which the Trustee is required to notify the Owners of the Series 2014 Bonds of the conversion of the Series 2014 Bonds under Section 2.13(a)(3). The notice shall specify the proposed Fixed Rate Conversion Date. No conversion shall become effective unless, on or before the Fixed Rate Conversion Date, funds sufficient to pay the Tender Price of the Series 2014 Bonds have been provided to the Trustee through the remarketing of the Series 2014 Bonds and any other funds

provided by the City to the Trustee, in the City's sole discretion, for the purpose of paying the Tender Price.

- (3) Unless waived by the Owners of the Series 2014 Bonds, not fewer than ten (10) days prior to the proposed Fixed Rate Conversion Date, the Trustee shall mail a written notice of conversion and mandatory tender to the Owners of all Series 2014 Bonds. The notice of conversion and mandatory tender shall do all of the following:
 - (i) Specify the proposed Fixed Rate Conversion Date.
 - (ii) Notify the Owners of the Series 2014 Bonds that the Series 2014 Bonds will be subject to mandatory tender for purchase, and will be purchased, on the proposed Fixed Rate Conversion Date at the Tender Price (subject to the right of the City to revoke the conversion and subject to the availability of funds sufficient to pay the Tender Price having been provided to the Trustee through the remarketing of such Bonds and any other funds provided by the City to the Trustee, in the City's sole discretion).
 - (iii) Notify the Owners of the Series 2014 Bonds that in the event of a failed conversion, or in the event the City exercises its right of election to revoke the conversion pursuant to Section 2.13(d), the Series 2014 Bonds will not be subject to mandatory tender, will be returned to their Owners, and will continue to bear interest in the Index Floating Rate Period.
 - (iv) Notify the Owners of the Series 2014 Bonds that the Tender Price will be payable only upon surrender of the Series 2014 Bonds to the Trustee, accompanied by an instrument of transfer, in form satisfactory to the Trustee, executed in blank by the duly authorized attorney for the Owner, with such signature guaranteed in the manner set forth in the form attached to the Series 2014 Bonds.
 - (v) Notify the Owners of the Series 2014 Bonds that if any Owner of a Series 2014 Bond does not in fact surrender the Series 2014 Bond to the Trustee for purchase on the proposed Fixed Rate Conversion Date, then such Series 2014 Bond, on and after such date, shall be deemed to be an Undelivered Series 2014 Bond, that no interest shall accrue with respect to such Undelivered Series 2014 Bond on and after such date and that the Undelivered Series 2014 Bond shall have no rights under the Indenture other than to receive payment of the Tender Price.
- (4) The insurance required by Section 5.01 of the Project Lease must be in effect.
- (5) The City must deliver the title insurance policy required by Section 5.04 of the Project Lease.

- (6) During any Rental Period after the Fixed Rate Conversion Date, the sum of Base Rental Payments (including any increase in the Base Rental Payments as a result of the Fixed Interest Rate Period) plus Additional Rental Payments may not exceed the annual fair-rental value of the Property after taking into account the use of the proceeds of the Series 2014 Bonds (evidence of the satisfaction of this condition must be made by a Written Certificate of the City).
- (b) Not later than 12:00 noon, New York City time, on the Business Day immediately preceding the proposed Fixed Rate Conversion Date, the remarketing agent selected by the City shall determine in consultation with the City, by offering for sale and using at least its best efforts to find purchasers for such Series 2014 Bonds, all of the following:
 - (1) The fixed rate(s) to be applicable to the Series 2014 Bonds after the Fixed Rate Conversion Date and the initial reoffering price(s) for the Series 2014 Bonds in connection with the remarketing of the Series 2014 Bonds.
 - (2) The allocation of the Series 2014 Bonds between serial bonds and term bonds.
 - (3) The per annum spread to be used in the calculation of the Reinvestment Yield, if applicable.
- (c) The determinations of the remarketing agent shall be conclusive and binding upon the Authority, the City, the Trustee and the Owners of the Series 2014 Bonds to which such rate or rates will be applicable. Not later than 5:00 p.m., New York City time, on the date of determination of the fixed interest rate(s) the remarketing agent shall notify the Authority, the City and the Trustee of the following by electronic means:
 - (1) The maturity dates and related principal amounts of the Series 2014 Bonds which the City has designated as serial bonds.
 - (2) The maturity dates, mandatory redemption dates and related principal amounts of the Series 2014 Bonds which the City has designated as Term Bonds, if any.
- (d) The City may revoke its election to effect a conversion of the Series 2014 Bonds by giving written notice of such revocation to the Trustee and the remarketing agent and at any time prior to the Business Day immediately preceding the proposed Fixed Rate Conversion Date.
- (e) If on a proposed Fixed Rate Conversion Date, any condition precedent to such conversion required under this Section 2.13 shall not be satisfied or if the conversion is revoked by the City, the Trustee shall give written notice by first-class mail, postage prepaid, or by facsimile or overnight delivery, as soon as practicable and in any event not later than the next succeeding Business Day to the Owners of the Series 2014 Bonds that such conversion has not occurred or has been revoked, that the Series 2014 Bonds shall not be purchased on the proposed Fixed Rate Conversion Date, and that the Series 2014 Bonds will continue to bear interest in the Index Floating Rate Period. Notwithstanding anything to the contrary in this Indenture or the Project Lease, the failure to purchase the

Series 2014 Bonds on a proposed Fixed Rate Conversion Date is not an Event of Default or Lease Default Event.

Section 2.14. Purchase of Series 2014 Bonds on Fixed Rate Conversion Date.

- (a) The Series 2014 Bonds are subject to mandatory tender for purchase on a proposed Fixed Rate Conversion Date if the Trustee gives written notice to Owners of the Series 2014 Bonds pursuant to Section 2.13(a)(3); provided, that, if on a proposed Fixed Rate Conversion Date, any condition precedent to such conversion shall not be satisfied, the Series 2014 Bonds shall not be purchased on the proposed Fixed Rate Conversion Date and the Series 2014 Bonds shall continue to bear interest in the Index Floating Rate Period. Notwithstanding anything to the contrary in this Indenture or the Project Lease, the failure to purchase the Series 2014 Bonds on a proposed Fixed Rate Conversion Date is not an Event of Default or Lease Default Event.
- (b) The following provisions shall apply to a Series 2014 Bond not delivered by a date established for its surrender, properly endorsed by its Owner (each, an “Undelivered Series 2014 Bond”):
 - (1) The Trustee may refuse to accept delivery of any Undelivered Series 2014 Bond for which a proper instrument of transfer has not been provided; provided, that such refusal shall not affect the validity of the purchase of such Undelivered Series 2014 Bond.
 - (2) If funds in the amount of the Tender Price of the Undelivered Series 2014 Bond are available for payment to the Owners thereof on the proposed Fixed Rate Conversion Date and at the time specified, then, from and after such date and time of such required delivery:
 - (i) such Undelivered Series 2014 Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under this Indenture;
 - (ii) interest shall no longer accrue with respect to such Undelivered Series 2014 Bond; and
 - (iii) funds in the amount of the Tender Price of the Undelivered Series 2014 Bond shall be held uninvested by the Trustee for the benefit of the Owner thereof, to be paid on delivery (and proper endorsement) of such Undelivered Series 2014 Bond to the Trustee. Any money which the Trustee segregates and holds in trust for the payment of the Tender Price of any Series 2014 Bond which remains unclaimed for two years after the date of purchase shall be paid to the City. After the payment of such unclaimed money to the City, the former Owner of such Undelivered Series 2014 Bond shall look only to the City for the payment of the Tender Price. The City shall not be liable for any interest on unclaimed money and shall not be regarded as a trustee of such money.

- (c) The Trustee shall determine timely and proper delivery of Series 2014 Bonds and the proper endorsement of Series 2014 Bonds delivered. Such determination shall be binding on the Owners of the Series 2014 Bonds, the Authority, and the City, absent manifest error.
- (d) In connection with the conversion of the Series 2014 Bonds to fixed rates, the Trustee shall establish such funds and accounts as are necessary to effectuate the tender, purchase and remarketing of the Series 2014 Bonds on the Fixed Rate Conversion Date.
- (e) The remarketing agent selected by the City shall be authorized by law to perform all the duties imposed upon it pursuant to this Indenture. The remarketing agent shall signify its acceptance of the duties and obligations imposed upon it pursuant to this Indenture. The remarketing agent shall hold all amounts received by it in accordance with any remarketing of Series 2014 Bonds pursuant to Section 2.13 and this Section 2.14 in trust only for the benefit of the Holders of tendered Series 2014 Bonds and shall not commingle such amounts with any other moneys.

Section 2.15. Mandatory Tender of Series 2014 Bonds on Mandatory Tender Date. The Series 2014 Bonds are subject to mandatory tender on the Mandatory Tender Date if the Series 2014 Bonds have not been converted to a Fixed Interest Rate Period before the Mandatory Tender Date. Notwithstanding the foregoing, Series 2014 Bonds shall not be purchased until the Series 2014 Bonds are successfully converted to a Fixed Interest Rate Period but shall instead accrue interest at the Maximum Rate from and including the Mandatory Tender Date to but excluding the Fixed Rate Conversion Date. Notwithstanding anything to the contrary in this Indenture or the Project Lease, the failure to purchase the Series 2014 Bonds on the Mandatory Tender Date is not an Event of Default or Lease Default Event.

ARTICLE III

REDEMPTION OF BONDS

Section 3.01. Extraordinary Redemption. The Bonds are subject to redemption, in whole or in part, on any date, in Authorized Denominations, from and to the extent of any Net Proceeds (other than Net Proceeds of rental-interruption insurance) received with respect to all or a portion of the Property and deposited by the Trustee in the Redemption Fund in accordance with this Indenture, at a redemption price equal to the principal amount of the Bonds, plus accrued interest on the Bonds to the date fixed for redemption, without premium.

Section 3.02. Optional Redemption.

- (a) During the Index Floating Rate Period, the Series 2014 Bonds are subject to optional redemption before their stated maturity date, on any date, in whole, from any source of available funds, at a redemption price equal to the principal amount to be redeemed plus accrued interest on the Series 2014 Bonds to be redeemed to the date fixed for redemption, without premium.
- (b) During the Fixed Interest Rate Period, the Series 2014 Bonds are subject to optional redemption before their stated maturity dates, on any date, in whole or in part, in

Authorized Denominations, from any source of available funds, at a redemption price equal to the principal amount to be redeemed plus accrued interest on the Series 2014 Bonds to be redeemed to the date fixed for redemption and any Make-Whole Premium. Notwithstanding the foregoing, in connection with a conversion of the Series 2014 Bonds to a Fixed Interest Rate Period, the City may deliver a Written Certificate of the City to the Trustee specifying additional or different terms of optional redemption for the Series 2014 Bonds during the Fixed Interest Rate Period.

- (c) Any Series of Additional Bonds will be subject to optional redemption as provided in the Supplemental Indenture under which the Additional Bonds are issued.

Section 3.03. Mandatory Redemption for Series 2014 Bonds.

- (a) Subject to Section 2.13, the Series 2014 Bonds are subject to mandatory redemption from mandatory sinking-fund payments for the Series 2014 Bonds (which are hereby established) on each of the following dates, and in the following principal amounts (except that if any of the Series 2014 Bonds are redeemed under Section 3.01 or Section 3.02, then the amounts of the remaining mandatory sinking-fund payments for the Series 2014 Bonds will be reduced proportionately by the principal amount of all Series 2014 Bonds so redeemed as specified in writing by the City to the Trustee), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption, without premium:

Sinking Fund Payment Date (_____ 1)	<u>Sinking Fund Payment</u>
*	\$

* Maturity.

- (b) During the Index Floating Rate Period, if the conditions set forth in Section __ of the 2014 Escrow Agreement are not satisfied prior to the Mandatory Redemption Date, the Series 2014 Bonds are subject to mandatory redemption solely from amounts in the 2014 Escrow Fund on the Mandatory Redemption Date at a redemption price equal to the principal amount to be redeemed plus accrued interest on the Series 2014 Bonds to be redeemed to the date fixed for redemption, without premium. The City may cause the then-current Mandatory Redemption Date to be extended to a new Mandatory Redemption Date by delivering to the Trustee and the 2014 Bond Escrow Agent a report prepared by an independent certified public accountant, a firm of independent certified public accountants, or other financial institution satisfactory to the Trustee to the effect that the amount then on deposit in the 2014 Escrow Fund and the principal and interest on any investments in the 2014 Escrow Fund are sufficient to provide money to pay the principal or redemption price of, and all unpaid interest on the Series 2014 Bonds to the new Mandatory Redemption Date. Notwithstanding the foregoing, the Mandatory Redemption Date may not be extended past _____, 20__.

Section 3.04. Selection of Bonds for Redemption.

- (a) Whenever less than all of the Outstanding Bonds are to be redeemed under Section 3.01, the Trustee shall select the maturities of the Bonds to be redeemed from the maturities of all Outstanding Bonds not previously called for redemption on a pro-rata basis as nearly as practicable given Authorized Denominations.
- (b) Whenever less than all of the Outstanding Series 2014 Bonds are to be redeemed under Section 3.02, the Trustee shall select the maturities of the Series 2014 Bonds to be redeemed from the maturities of the Outstanding Series 2014 Bonds not previously called for redemption, as directed in a Written Certificate of the City. If less than all of the Series 2014 Bonds of the same maturity are to be redeemed at any one time, the principal of all Series 2014 Bonds of that maturity will be subject to redemption on a pro-rata basis. If the Series 2014 Bonds are not registered in book-entry-only form, then any redemption of less than all of the Series 2014 Bonds of the same maturity will be effected by the Trustee among Owners on a pro-rata basis subject to Authorized Denominations. For so long as the Series 2014 Bonds are held in book-entry-only form and DTC or a successor securities depository is the sole Owner of the Series 2014 Bonds, if less than all of the Series 2014 Bonds of the same maturity are called for prior redemption, then the Trustee shall select, on a “Pro Rata Pass-Through Distribution of Principal” basis in accordance with DTC procedures, the particular Series 2014 Bonds or portions thereof to be redeemed, subject to the following: so long as the Series 2014 Bonds are held in book-entry-only form, the Trustee shall select the Series 2014 Bonds for redemption in accordance with the operational arrangements of DTC then in effect (as of the date of this Indenture those operational arrangements provide for adjustment of the principal by a factor provided under the operational arrangements). If the Trustee does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, then the Series 2014 Bonds will be selected for redemption by lot in accordance with DTC procedures. Redemption allocations made by DTC, by direct or indirect participants in DTC, or by such other intermediaries as may exist between the Authority and the Beneficial Owners are to be made on a “Pro Rata Pass Through Distribution of Principal” basis as described above.
- (c) With respect to any redemption of Additional Bonds other than under Section 3.01, the Trustee shall select Additional Bonds for redemption as provided in the Supplemental Indenture under which the Additional Bonds are issued.
- (d) The Trustee shall promptly notify the Authority and the City in writing of the numbers of any Bonds so selected for redemption on such date. For purposes of any such selection, any Bond may be redeemed in part in Authorized Denominations.

Section 3.05. Notice of Redemption.

- (a) Unless otherwise provided with respect to a Series of Additional Bonds in the Supplemental Indenture providing for the issuance of the Series of Additional Bonds, the Trustee on behalf of the Authority shall mail (by first-class mail, postage prepaid) notice of any redemption to the Owners of any Bonds designated for redemption at their

addresses appearing on the Registration Books, at least 20 but not more than 60 days before the date fixed for redemption (except that notice of redemption for Series 2014 Bonds during the Index Floating Rate Period need only be given at least 10 days before the date fixed for redemption). The notice must do all of the following: state the date of the notice, the redemption date, the redemption place, and the redemption price; designate the CUSIP numbers, the maturity or maturities of the Bonds to be redeemed, and the principal amount of the maturity or maturities to be redeemed (except in the event of redemption of all of the Bonds of the maturity or maturities in whole); and require that the Bonds be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on the Bonds will not accrue from and after the date fixed for redemption.

- (b) Neither the failure to receive any notice so mailed nor any defect in the notice will affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest on the Bonds from and after the date fixed for redemption.
- (c) With respect to any notice of any optional redemption of Bonds, unless, at the time notice is given, the Bonds to be redeemed are deemed to have been paid within the meaning of Section 9.02, the notice must state the following: that redemption is conditional upon receipt by the Trustee, on or before the date fixed for redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the Bonds to be redeemed; and that, if such moneys have not been so received, the notice will be of no force and effect, and the Authority will not be required to redeem the Bonds. If a notice of optional redemption of Bonds contains such a condition and the moneys are not so received, then the redemption of Bonds as described in the conditional notice of redemption will not be made and, within a reasonable time after the date on which redemption was to occur, the Trustee shall give notice to the Persons, in the manner in which the notice of redemption was given, that the moneys were not so received and that there will be no redemption of Bonds under that notice of redemption. The failure to optionally redeem the Bonds does not constitute an Event of Default.
- (d) The Authority may rescind any notice of optional redemption of Bonds by giving the Trustee notice, in writing or by electronic means, no later than five Business Days before the date specified for redemption. The Trustee shall give notice of the rescission as soon thereafter as practicable in the same manner, and to the same Persons, as notice of the redemption was given.

Section 3.06. Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner of the Bonds, at the expense of the Authority, a new Bond or Bonds of the same Series in Authorized Denominations equal in aggregate principal amount representing the unredeemed portion of the Bonds surrendered.

Section 3.07. Effect of Notice of Redemption.

- (a) With respect to any optional redemption, notice having been mailed as required by Section 3.05, and moneys having been set aside for the redemption price and the interest to the applicable date fixed for redemption, the Bonds to be redeemed will become due and payable on the redemption date and, upon their presentation and surrender at the Office of the Trustee, will be paid at the redemption price, together with interest accrued and unpaid to that date. With respect to any mandatory redemption, the Bonds to be redeemed will become due and payable on the applicable redemption date and, upon their presentation and surrender at the Office of the Trustee, will be paid at the redemption price, together with interest accrued and unpaid to that date.
- (b) If, on the date fixed for redemption, moneys for the redemption price of all the Bonds to be redeemed, together with interest to that date, are held by the Trustee so as to be available for redemption on that date, and if notice of redemption of those Bonds has been mailed as required by Section 3.05 and not canceled, then, from and after that date, interest on the Bonds to be redeemed will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds to be redeemed without liability to the Owners for interest on the Bonds to be redeemed.
- (c) All Bonds paid at maturity or redeemed before maturity under this Article III will be canceled upon surrender and destroyed.

ARTICLE IV

PLEDGE AND ASSIGNMENT; FUNDS AND ACCOUNTS

Section 4.01. Pledge and Assignment.

- (a) To secure the payment of the principal of, and interest and any premium on, the Bonds in accordance with their terms and this Indenture, the Authority hereby pledges all of the Lease Revenues and any other amounts held in any fund or account established under this Indenture (other than the Rebate Fund) and any amounts held in the 2014 Escrow Fund, subject only to the provisions of this Indenture permitting the application of the Lease Revenues for the purposes and on the terms and conditions set forth in this Indenture. This pledge constitutes a lien on, and security interest in, these assets and will attach, be perfected, and be valid and binding from and after the Trustee's delivery of the Bonds, without any physical delivery or further act.
- (b) The Authority hereby transfers in trust, grants a security interest in, and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, (i) all of the Lease Revenues and other assets pledged in Section 4.01(a), (ii) all of the Authority's right, title, and interest in the Site Lease and the Project Lease, including, without limitation, the right to receive Base Rental Payments and the right to exercise any remedies provided in the Project Lease in the event of a Lease Default Event, but excluding any rights to payment or reimbursement of the Authority's reasonable costs and expenses under the

Project Lease and any rights of the Authority to indemnification under the Project Lease, and (iii) all of the Authority's rights to receive amounts under the AMOLA or the New AMOLA pursuant to Section 4 of the SNDA and all such amounts received or receivable by the Authority. The Trustee hereby accepts this assignment for the benefit of the Owners, subject to the provisions of this Indenture.

- (c) The Trustee is entitled to collect, and shall collect and receive, all of the Lease Revenues. Any Lease Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and the Authority shall forthwith pay those Lease Revenues to the Trustee. The Trustee is also entitled to take, and shall take, all steps, actions, and proceedings reasonably necessary in its judgment to enforce all of the Authority's rights and all of the City's obligations under the Project Lease.
- (d) The City hereby transfers in trust, grants a security interest in, and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the City's rights to receive amounts under the AMOLA pursuant to Section 5 of the SNDA and all such amounts received or receivable by the City. The Trustee hereby accepts this assignment for the benefit of the Owners, subject to the provisions of this Indenture.

Section 4.02. 2014 Project Fund.

- (a) Upon satisfaction of the conditions set forth in Section __ of the 2014 Escrow Agreement or the Fixed Rate Conversion Date, whichever is first to occur, the Trustee shall establish and maintain a separate fund designated as the "2014 Project Fund." The Trustee shall then deposit in the 2014 Project Fund so much of the amount remaining in the 2014 Escrow Fund, together with so much of the remarketing proceeds of the Series 2014 Bonds, if applicable, or other amounts transferred by the City to the Trustee, all as specified by the City to the Trustee in a Written Request of the City. The Trustee shall withdraw and use the moneys in the 2014 Project Fund (subject to Section 4.02(b)) to pay the costs of the 2014 Project.
- (b) Before any payment from the 2014 Project Fund is made, the City shall file or cause to be filed with the Trustee a Written Request of the City in substantially the form attached hereto as Exhibit C, stating (1) the item number of such payment; (2) the name of the Person to whom each payment is due, which may be the City in the case of reimbursement for 2014 Project costs previously paid by the City or the [Arena Escrow Agent] in the case of a deposit by the City under the [Arena Finance, Escrow, and Disbursement Agreement]; (3) the amounts to be paid; (4) the purpose by general classification for which each obligation to be paid was incurred; and (5) that obligations in the stated amounts have been incurred and are currently due and payable and that each item of those incurred obligations is a proper charge against the 2014 Project Fund and has not been previously paid from the 2014 Project Fund.
- (c) Upon receipt of a Written Request of the City, the Trustee shall pay out of the 2014 Project Fund the amount set forth in the Written Request of the City as directed by its terms. Each Written Request of the City will be sufficient evidence to the Trustee of the

facts stated therein, and the Trustee will have no duty to confirm the accuracy of those facts. The Trustee shall not make any such payment if it has received any written notice of claim of lien, attachment upon, or claim affecting the right to receive payment of, any of the monies to be so paid that has not been released or will not be released simultaneously with the payment.

- (d) When the 2014 Project is completed, the City shall deliver to the Trustee a Written Certificate of the City stating the fact and date of completion and stating that all of the costs of the 2014 Project have been determined and paid. Upon the receipt of the Written Certificate of the City, the Trustee shall transfer any remaining balance in the 2014 Project Fund to the Payment Fund and, after that transfer, the 2014 Project Fund will be closed.

Section 4.03. 2014 Capitalized Interest Fund.

- (a) Upon satisfaction of the conditions set forth in Section __ of the 2014 Escrow Agreement or the Fixed Rate Conversion Date, whichever is first to occur, the Trustee shall establish and maintain a separate fund designated as the “2014 Capitalized Interest Fund,” if requested to do so by Written Request of the City. The Trustee shall then deposit in the 2014 Capitalized Interest Fund so much of the amount remaining in the 2014 Escrow Fund, together with so much of the remarketing proceeds of the Series 2014 Bonds, if applicable, or other amounts transferred by the City to the Trustee, all as specified by the City to the Trustee in a Written Request of the City. The Trustee shall withdraw and use the moneys deposited in the 2014 Capitalized Interest Fund to make transfers to the Interest Account to pay interest on the Series 2014 Bonds. The transfers must be made no later than five Business Days before each Interest Payment Date for the Series 2014 Bonds set forth in the schedule and in the amounts set forth in the Written Request of the City.
- (b) After the final transfer set forth in the schedule in the Written Request of the City, the Trustee shall (1) transfer to the 2014 Project Fund any amounts remaining in the 2014 Capitalized Interest Fund and (2) close the 2014 Capitalized Interest Fund.

Section 4.04. Costs of Issuance Fund.

- (a) The Trustee shall establish and maintain a separate fund designated the “Costs of Issuance Fund.” On the Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited by Section 2.03. (a) Upon satisfaction of the conditions set forth in Section __ of the 2014 Escrow Agreement or the Fixed Rate Conversion Date, whichever is first to occur, the Trustee shall deposit in the Costs of Issuance Fund so much of the amount remaining in the 2014 Escrow Fund, together with so much of the remarketing proceeds of the Series 2014 Bonds, if applicable, or other amounts transferred by the City to the Trustee, all as specified by the City to the Trustee in a Written Request of the City.
- (b) The Trustee shall withdraw and use the moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance upon submission to the Trustee of a Written Request of

the City substantially in the form attached hereto as Exhibit D. Upon receipt of each Written Request of the City, the Trustee shall pay the amount set forth in the Written Request of the City as directed by its terms. Each Written Request of the City will be sufficient evidence to the Trustee of the facts stated therein, and the Trustee will have no duty to confirm the accuracy of those facts.

- (c) Upon Written Request of the City, the Trustee shall (1) transfer any amounts then remaining in the Costs of Issuance Fund as directed by the Written Request of the City and (2) close the Costs of Issuance Fund.
- (d) If the Costs of Issuance Fund has been closed in accordance with Section 4.04(c), then the Trustee shall reopen and reestablish the Costs of Issuance Fund in connection with the remarketing of the Series 2014 Bonds, if requested by the City, or issuance of any Additional Bonds, if so provided in the Supplemental Indenture by which the Additional Bonds are issued. The Trustee shall deposit in the Costs of Issuance Fund any portion of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture by which the Additional Bonds are issued.

Section 4.05. Payment Fund.

- (a) The Trustee shall establish and maintain a separate fund designated the “Payment Fund.” Within the Payment Fund, the Trustee shall establish and maintain two separate accounts designated the “Interest Account” and the “Principal Account.”
- (b) The Trustee shall deposit in the Payment Fund all Lease Revenues the Trustee receives, subject to the following: the Trustee shall not deposit Net Proceeds in the Payment Fund, other than those constituting proceeds of rental-interruption insurance received with respect to the Property, but instead shall apply the Net Proceeds as provided in Section 5.01 or 5.02, as applicable. The Trustee shall additionally deposit in the Payment Fund amounts transferred from the Reserve Fund under Section 4.07. [During the Index Floating Rate Period, the Trustee shall additionally deposit in the Payment Fund the amounts transferred from the 2014 Escrow Fund to pay interest on the Series 2014 Bonds under the 2014 Escrow Agreement.]
- (c) On each Interest Payment Date, the Trustee shall transfer from the Payment Fund to the Interest Account an amount equal to the interest on the Bonds coming due on that Interest Payment Date. The Trustee shall withdraw and use moneys in the Interest Account for the purpose of paying interest on the Bonds as and when due and payable.
- (d) On each Principal Payment Date, the Trustee shall transfer from the Payment Fund to the Principal Account an amount equal to the principal of the Bonds coming due on that date, including principal due and payable by reason of mandatory sinking-fund redemption. The Trustee shall withdraw and use moneys in the Principal Account for the purpose of paying principal of the Bonds as and when due and payable, including principal due and payable by reason of mandatory sinking-fund redemption.
- (e) On each mandatory sinking-fund payment date established under this Indenture, the Trustee shall apply the mandatory sinking-fund payment required on that date to the

redemption of Bonds (or payment at maturity, as the case may be) upon the notice and in the manner provided in Article III, subject to the following: at any time before giving notice of redemption, the Trustee may apply moneys in the Principal Account to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as directed in writing by the City, except that the purchase price (excluding accrued interest) may not exceed the par amount of the Bonds so purchased. If, during the twelve-month period immediately preceding a mandatory sinking-fund payment date, the Trustee has purchased Bonds with moneys in the Principal Account, or if, during that period and before giving the notice of redemption, the Authority or the City has deposited Bonds with the Trustee (together with a Written Request of the Authority or a Written Request of the City to apply such Bonds to the mandatory sinking-fund payments due on that date), or if Bonds were at any time purchased or redeemed by the Trustee from the Redemption Fund, then such Bonds are to be applied, to the extent of their full principal amount, to reduce the mandatory sinking-fund payment due on that date. The Trustee shall cancel any Bonds purchased or deposited under this Section 4.05(e). Bonds purchased from the Principal Account, purchased or redeemed from the Redemption Fund, or deposited by the Authority or the City with the Trustee are to be allocated first to the next succeeding mandatory sinking-fund payment and then as a credit against such future mandatory sinking-fund payments as the City may specify in writing.

Section 4.06. Redemption Fund. The Trustee shall establish and maintain a special fund designated the “Redemption Fund.” The Trustee shall deposit in the Redemption Fund any amounts received from the City in connection with the City’s exercise of its right under Section 6.02 of the Project Lease to cause Bonds to be optionally redeemed. Additionally, the Trustee shall deposit in the Redemption Fund any amounts required to be deposited therein under Section 5.01 or 5.02. The Trustee shall disburse moneys from the Redemption Fund for the payment of the redemption price of, and accrued interest on, Bonds redeemed under Section 3.01 or 3.02.

Section 4.07. Reserve Fund.

- (a) Upon satisfaction of the conditions set forth in Section ___ of the 2014 Escrow Agreement or the Fixed Rate Conversion Date, whichever is first to occur, the Trustee shall establish and maintain a special fund designated the “Reserve Fund.” The Trustee shall deposit in the Reserve Fund so much of the amount remaining in the 2014 Escrow Fund, together with so much of the remarketing proceeds of the Series 2014 Bonds, if applicable, or other amounts transferred by the City to the Trustee, all as specified by the City to the Trustee in a Written Request of the City, which amounts, taken together, must be at least equal to the Reserve Requirement as of the date of deposit. The Trustee shall additionally deposit in the Reserve Fund, in connection with the issuance of Additional Bonds, the amount required to be deposited therein under the Supplemental Indenture by which the Additional Bonds are issued.
- (b) The City may substitute a Reserve Facility for all or part of the moneys on deposit in the Reserve Fund by depositing the Reserve Facility with the Trustee, subject to the following: at the time of the substitution, the amount on deposit in the Reserve Fund plus

the amount available under all Reserve Facilities must equal or exceed the Reserve Requirement. At the City's election, the Trustee shall transfer from the Reserve Fund any moneys for which a Reserve Facility has been substituted under this Section 4.07(b), as follows: to the Redemption Fund or, upon receipt of an Opinion of Counsel that the transfer will not, in and of itself, result in the inclusion of interest on Outstanding Tax-Exempt Bonds in gross income for federal income-tax purposes, to the City for payment of the City's capital costs. Before withdrawing and using any amounts derived from payments under a Reserve Facility, the Trustee shall withdraw and use amounts on deposit in the Reserve Fund that were not derived from payments under a Reserve Facility. To accomplish the withdrawal and use of amounts not derived from payments under a Reserve Facility, the Trustee shall liquidate, as and to the extent necessary, any investments purchased with those amounts.

- (c) After the Reserve Fund has been established under Section 4.07(a), if, on the second Business Day before a date on which the Trustee is to transfer money from the Payment Fund to the Interest Account under Section 4.05(c) or to the Principal Account under 4.05(d), amounts in the Payment Fund are insufficient for that purpose, then the Trustee shall withdraw from the Reserve Fund, to the extent of any funds therein, the amount of the insufficiency and shall transfer to the Payment Fund the amount so withdrawn. If the amount on deposit in the Reserve Fund is not sufficient to make such a transfer, then the Trustee shall make a claim under any available Reserve Facility, in accordance with the provisions thereof, so as to obtain an amount sufficient to allow the Trustee to make the transfer as and when required.
- (d) Within two Business Days after any transfer from the Reserve Fund or any making of a claim under a Reserve Facility, the Trustee shall provide written notice to the Authority and the City of the amount and the date of the transfer or claim, except that notice need not be provided if the transfer is made under Section 4.07(f) or 4.07(g).
- (e) After the Reserve Fund has been established under Section 4.07(a), whenever the sum of the amount on deposit in the Reserve Fund plus the amount available under all available Reserve Facilities is less than the Reserve Fund Requirement, the first of Base Rental Payments received from the City under the Project Lease and not needed to pay the principal of, and interest on, the Bonds on the next Interest Payment Date or Principal Payment Date must be used, first, to reinstate the amounts available under any Reserve Facilities that have been drawn upon and, second, to increase the amount on deposit in the Reserve Fund, so that the amount available under all available Reserve Facilities, when added to the amount on deposit in the Reserve Fund, equals or exceeds the Reserve Requirement.
- (f) If, as a result of the payment of principal of, or interest on, the Bonds, the Reserve Requirement is reduced, then the Trustee shall transfer to the Payment Fund the amounts on deposit in the Reserve Fund in excess of the reduced Reserve Requirement.
- (g) If Bonds are defeased in accordance with Section 9.02, and if the defeasance will cause the moneys in the Reserve Fund to exceed the Reserve Requirement, then on the date of the defeasance, if so directed in a Written Request of the City, the Trustee shall transfer

the excess moneys to the entity or fund specified in the Written Request of the City for application to the defeasance.

- (h) The Trustee shall withdraw and apply to the final payments of principal of, and interest on, the Bonds any moneys on deposit in the Reserve Fund.

Section 4.08. Rebate Fund.

- (a) If any Additional Bonds are issued as Tax-Exempt Bonds, the Trustee shall establish and maintain a special fund designated the “Rebate Fund.” The Trustee shall deposit in the Rebate Fund such amounts as any Tax Certificate requires to be deposited therein, as specified in a Written Request of the Authority or a Written Request of the City. The Trustee shall hold all money deposited in the Rebate Fund in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds under Article IX or anything to the contrary elsewhere in this Indenture, all amounts required to be deposited into, or on deposit in, the Rebate Fund will be governed exclusively by this Section 4.08 and the Tax Certificates. The Trustee will be deemed conclusively to have complied with these provisions if it follows the written directions of the Authority or the City, and the Trustee will have no liability or responsibility to enforce compliance by the Authority or the City with any Tax Certificate. The Trustee may conclusively rely upon the determinations, calculations, and certifications of the Authority or the City required by the Tax Certificates. The Trustee has no responsibility to independently make any calculation or determination or to review the calculations of the Authority or the City.
- (b) Upon receipt of a Written Request of the City, the Trustee shall withdraw from the Rebate Fund and remit to the City any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described in this Section 4.08.

Section 4.09. Investments.

- (a) Except as otherwise provided in this Indenture, the Trustee shall invest any moneys it holds in the funds and accounts established under this Indenture only in Permitted Investments upon the Written Request of the City received at least two Business Days before the investment date. In the absence of such a Written Request of the City, the Trustee shall invest any moneys it holds in the funds and accounts established under this Indenture only in Permitted Investments described in clause (g) of the definition of Permitted Investments. The Trustee may act as principal or agent in the acquisition or disposition of any such investment. The Trustee will not be liable or responsible for any loss suffered in connection with any investment it makes in accordance with this Section 4.09. The Trustee shall sell or present for redemption any obligations so purchased when necessary to make any payment from the funds so invested, and the Trustee will not be liable or responsible for any losses resulting from such a sale or investment. Permitted Investments that are registerable securities must be registered in the name of the Trustee. The Trustee is entitled to rely upon any investment directions from the City as conclusive certification to the Trustee that the investments described in the directions are permitted

by the Sacramento City Charter and by the general laws of the State of California applicable to investments by cities.

- (b) Investments purchased with funds on deposit in the Payment Fund must mature not later than the payment date immediately succeeding the investment. Investments purchased with funds on deposit in the Redemption Fund must be invested in Permitted Investments that mature on or before the redemption date on which the funds are to be applied to the redemption of Bonds. Notwithstanding anything to the contrary elsewhere in this Indenture, investments purchased with funds on deposit in the Reserve Fund must have an average aggregate weighted term to maturity of not greater than five years, except as follows: if the investments may be redeemed at par so as to be available on each Interest Payment Date, then any amount in the Reserve Fund may be invested in redeemable Permitted Investments maturing on or before the final maturity date of the Bonds. Investments purchased with funds on deposit in any other fund held under this Indenture must mature at such times and in such amounts as moneys are anticipated to be needed for the purposes for which the fund was created as specified in a Written Certificate of the City.
- (c) Investments (except investment agreements) in any fund or account established under this Indenture must be valued, exclusive of accrued interest, on _____ 1 of each year, commencing _____ 1, 20___. If the valuation of investments in the Reserve Fund on any _____ 1 results in the amount on deposit in the Reserve Fund plus the amount available under all available Reserve Facilities being less than [100]% of the Reserve Requirement, then the Trustee will so advise the City under Section 4.10 of the Project Lease. All investments of amounts deposited in any fund or account established under this Indenture must be valued at their market value.
- (d) Any interest or profits received with respect to investments held in any of the funds or accounts established under this Indenture (other than the Reserve Fund) must be retained therein. Any interest or profits received with respect to investments held in the Reserve Fund must be transferred to the Interest Account, subject to the following: a transfer may be made from the Reserve Fund only if the sum of the amount on deposit in the Reserve Fund after the transfer plus any amounts available to be drawn on all Reserve Facilities equals or exceeds the Reserve Requirement.
- (e) To the extent the regulations of the Comptroller of the Currency grant the Authority or the City the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the Authority and the City each waive receipt of the confirmations to the extent permitted by law. The Trustee shall furnish the Authority and the City periodic transaction statements that include detail for all investment transactions made by the Trustee under this Indenture.

ARTICLE V

NET PROCEEDS AND TITLE INSURANCE; COVENANTS

Section 5.01. Application of Net Proceeds.

- (a) If the Property or any portion thereof is damaged or destroyed, then, subject to the further requirements of this Section 5.01 and the terms of the Arena Sublease, the City shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof unless the City elects under this Section 5.01 not to repair or replace the Property or the affected portion.
- (b) Subject to the terms of the Arena Sublease, the Net Proceeds of any insurance received by the City on account of any damage or destruction of the Property or a portion thereof (excluding Net Proceeds of rental-interruption insurance but including the proceeds of any self-insurance) must be deposited with the Trustee as soon as possible. The Trustee shall hold those Net Proceeds in a special account and, upon receipt of a Written Request of the City together with supporting invoices, shall make the Net Proceeds available for, and shall apply them to, the cost of repair or replacement of the Property or the affected portion. Until those proceeds are so applied, the Trustee may invest them, if authorized by a Written Request of the City, in Permitted Investments that mature not later than such times as the moneys are expected to be needed to pay the costs of repair or replacement.
- (c) Notwithstanding Sections 5.01(a) and 5.01(b), within 60 days after the occurrence of the event of damage or destruction, the City shall notify the Trustee in writing as to whether the City intends to replace or repair or cause to be replaced or repaired the Property or the portions of the Property that were damaged or destroyed.
- (d) If the damage or destruction was such that it resulted in a substantial interference with the City's right to the use or occupancy of the Property, and if an abatement in whole or in part of Rental Payments results from the damage or destruction under Section 3.06 of the Project Lease, then, subject to the terms of the Arena Sublease, the City shall do one of the following:
 - (1) Apply or cause to be applied sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof that have been damaged to substantially the same condition and annual fair-rental value that existed before the damage or destruction.
 - (2) Apply or cause to be applied sufficient funds from the insurance proceeds and other legally available funds to the redemption under Section 3.01 of (A) all of the Outstanding Bonds or (B) such portion of the Outstanding Bonds as will result in the remaining, non-abated Base Rental Payments being sufficient to pay, as and when due, the principal of, and interest on, the Bonds that will remain Outstanding after the redemption. In addition, the City shall direct the Trustee, in a Written Request of the City, to transfer the funds to be applied to the redemption

to the Redemption Fund, and the Trustee shall transfer the funds to the Redemption Fund.

- (e) Subject to the terms of the Arena Sublease, the City shall deposit in the Reserve Fund any proceeds of any insurance (including self-insurance) remaining after the proceeds are applied as required by Section 5.01(d), as evidenced by a Written Certificate of the City if, and to the extent that, the amount in the Reserve Fund is less than the Reserve Requirement. If the City is not required to apply insurance proceeds in accordance with Section 5.01(d), then the City shall deposit the proceeds in the Reserve Fund if, and to the extent that, the amount in the Reserve Fund is less than the Reserve Requirement. Any insurance proceeds not required to be so deposited into the Reserve Fund must be paid to the City, to be used for any lawful purpose, if both of the following apply: (1) the City delivers to the Trustee a Written Certificate of the City to the effect that the annual fair-rental value of the Property after the damage or destruction and after any repairs or replacements made as a result of the damage or destruction is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Project Lease in the then-current Rental Period or in any subsequent Rental Period; and (2) the fair replacement value of the Property after the damage or destruction is at least equal to the sum of the then-unpaid principal components of Base Rental Payments.
- (f) Subject to the terms of the Arena Sublease, the Trustee shall deposit in the Redemption Fund the proceeds of any award the City receives in eminent domain and shall apply those proceeds to the redemption of Bonds under Section 3.01.

Section 5.02. Title Insurance. The Trustee shall apply and disburse as follows any Net Proceeds it receives under a policy of title insurance for the Property:

- (a) If the title defect giving rise to the proceeds has not substantially interfered with the City's use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the City under the Project Lease, then, upon Written Request of the City, the Trustee shall remit the proceeds to the City, and the City may use them for any lawful purpose.
- (b) If the title defect giving rise to the proceeds has substantially interfered with the City's use and occupancy of the Property and will result in an abatement in whole or in part of Rental Payments payable by the City under the Project Lease, then the Trustee shall immediately deposit the proceeds in the Redemption Fund and apply them to the redemption of Bonds in the manner provided in Section 3.01.

Section 5.03. Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of the Base Rental Payments and other assets pledged for the payment of the principal of, and interest and any premium on, the Bonds as provided in this Indenture and received by the Authority or the Trustee.

Section 5.04. Compliance With Indenture. The Authority and the City shall faithfully comply with, keep, observe, and perform all the agreements, conditions, covenants, and terms contained in this Indenture required to be complied with, kept, observed, and performed by them.

Section 5.05. Compliance With Site Lease and Project Lease. The Authority and the City shall faithfully comply with, keep, observe, and perform all the agreements, conditions, covenants, and terms contained in the Site Lease and the Project Lease required to be complied with, kept, observed, and performed by them and, together with the Trustee, shall enforce the Site Lease and the Project Lease against the other party thereto in accordance with their terms.

Section 5.06. Observance of Laws and Regulations. The Authority, the City, and the Trustee shall faithfully comply with, keep, observe, and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board, or commission having jurisdiction or control, as a condition of the continued enjoyment of each franchise, right, or privilege now owned or hereafter acquired by them, including their right to exist and carry on their businesses, to the end that their franchises, rights, and privileges will be maintained and preserved and will not become abandoned, forfeited, or in any manner impaired.

Section 5.07. Other Liens.

- (a) Except for Permitted Encumbrances and except as otherwise permitted by the Project Lease, the City shall keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens; from all claims, demands, encumbrances, and other liens of whatever nature or character; and from any claim or liability that materially impairs the ability of the City to use the Property. The Trustee at its option (after first giving the City 30-days' written notice to comply therewith and the City's failure to so comply within the 30-day period) may defend against any actions or proceedings arising from the judgments, liens, claims, demands, liabilities, or encumbrances or may pay or compromise any claim or demand asserted in any such actions or proceedings, except as follows: in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not be deemed to have waived or released the City from liability for or on account of any of its agreements and covenants in this Indenture or from its obligation under this Indenture to perform those agreements and covenants. The Trustee will have no liability with respect to any determination made in good faith to proceed or decline to defend, pay, or compromise any such claim or demand.
- (b) So long as any Bonds are Outstanding, neither the Trustee nor the Authority nor the City may create or suffer to be created any pledge of, or lien on, the amounts on deposit in any of the funds or accounts created under this Indenture or the 2014 Escrow Fund other than the pledge and lien created by this Indenture.
- (c) The Authority and the Trustee shall not encumber the Property other than in accordance with the Site Lease, the Project Lease, and this Indenture.

Section 5.08. Prosecution and Defense of Suits. Upon request of the Trustee or any Owner, the City (a) shall promptly take such action from time to time as may be necessary or proper to remedy or cure any cloud upon, or defect in, the title to the Property or any part thereof, whether now existing or hereafter developing; (b) shall prosecute all actions, suits, or other proceedings as may be appropriate for this purpose; and (c) except in the case of an abatement of Rental Payments under the Project Lease, shall indemnify and save the Trustee and every Owner harmless from all cost (including attorneys' fees), damage, expense, or loss they or any of them incurs because of any such cloud, defect, action, suit, or other proceeding.

Section 5.09. Accounting Records and Statements. The Trustee shall keep proper accounting records with complete and correct entries of all the Trustee's transactions relating to the receipt, deposit, and disbursement of the Lease Revenues. The accounting records must be available for inspection by the Authority and the City at reasonable hours and under reasonable conditions. The Trustee shall, upon written request, make copies of the accounting records available to any Owner or Owner's agent duly authorized in writing, at the Owner's expense.

Section 5.10. Recordation. The City shall record, or cause to be recorded, with the Sacramento County Clerk/Recorder the Project Lease and the Site Lease, or memoranda thereof, and a memorandum of the assignment of the Authority's right, title, and interest in and to the Site Lease and the Project Lease under Section 4.01.

Section 5.11. Tax Covenants.

- (a) The Authority and the City shall not take any action or fail to take any action, individually or collectively, if it would adversely affect the exclusion from gross income of interest on any Tax-Exempt Bonds under Section 103 of the Code. Without limiting the generality of the preceding sentence, the Authority and the City shall each comply with the requirements of the Tax Certificates. This covenant survives payment in full or defeasance of the Tax-Exempt Bonds.
- (b) If the Authority or the City is at any time of the opinion that for purposes of this Section 5.11 it is necessary or helpful to restrict or limit the yield on the investment of any moneys the Trustee holds in any of the funds or accounts established under this Indenture, then the Authority or the City shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with the instructions.
- (c) Notwithstanding any other provisions of this Section 5.11, if the Authority or the City provides to the Trustee an Opinion of Counsel to the effect that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on any Tax-Exempt Bonds, then the Trustee may conclusively rely on the opinion in complying with the requirements of this section and of the Tax Certificates, and the covenants under this Indenture will be deemed to be modified to that extent.

Section 5.12. Continuing Disclosure. The City shall comply with and carry out all of the provisions of each Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, the City's failure to comply with any Continuing Disclosure Certificate will not

constitute an Event of Default, subject to the following: at the written direction of any Participating Underwriter or of the holders of at least 25% of the aggregate principal amount of Outstanding Bonds, the Trustee shall, upon receipt of indemnification reasonably satisfactory to the Trustee, and any holder or Beneficial Owner of any Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 5.13. Further Assurances. Whenever reasonably requested to do so by the Trustee or any Owner, the Authority and the City shall promptly execute and deliver or cause to be executed and delivered all other and further assurances, documents, or instruments and shall promptly do or cause to be done all other and further things as may be necessary or reasonably required to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges, and rights conferred or intended to be conferred upon them by this Indenture, the Site Lease, or the Project Lease.

Section 5.14. Amounts Received Pursuant to the SNDA. The Authority shall deliver to the Trustee for deposit into the Payment Fund, promptly after receipt, all amounts received by the Authority under the AMOLA or the New AMOLA pursuant to Section 4 of the SNDA. The City shall deliver to the Trustee for deposit into the Payment Fund, promptly after receipt, all amounts received by the City under the AMOLA pursuant to Section 5 of the SNDA. All such moneys shall be applied by the Trustee in accordance with Section 4.05. Neither the Authority nor the City shall consent to or permit any amendment of the AMOLA, the New AMOLA, or SNDA in a matter that would materially adversely affect the rights of the City or the Authority described in the preceding sentences of this Section.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.01. Events of Default. The occurrence, from time to time, of any one or more of the following events will constitute an Event of Default:

- (a) The failure to pay any installment of principal of any Bond as and when it becomes due and payable, whether at maturity as therein expressed, by proceedings for redemption, or otherwise.
- (b) The failure to pay any installment of interest on any Bond as and when the same becomes due and payable.
- (c) A Lease Default Event has occurred and is continuing.
- (d) The Authority's failure to observe and perform any of its other covenants, agreements, or conditions contained in this Indenture or in the Bonds if the failure continues for 30 days after the Authority receives written notice from the Trustee, the City, or the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, specifying the failure and requiring the failure to be remedied, subject to the following: if, in the Authority's reasonable opinion, the failure can be corrected but not within 30 days, then the failure will not constitute an Event of Default if the Authority institutes

corrective action within the 30-day period and thereafter diligently and in good faith cures the failure within a reasonable time.

- (e) The City's failure to observe and perform any of its covenants, agreements, or conditions contained in this Indenture if the failure continues for 30 days after the City receives written notice from the Trustee, the City, or the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, specifying the failure and requiring the failure to be remedied, subject to the following: if, in the City's reasonable opinion, the failure can be corrected but not within 30 days, then the failure will not constitute an Event of Default if the City institutes corrective action within the 30-day period and thereafter diligently and in good faith cures the failure within a reasonable time.

Section 6.02. Action on Default; No Acceleration.

- (a) In each case during the continuance of an Event of Default, after giving written notice to the Authority and the City, the Trustee may and, at the direction of the Owners of not less than a majority of the aggregate principal amount of Bonds then Outstanding (and upon indemnification of the Trustee to its reasonable satisfaction as provided in this Indenture), shall exercise any of the remedies granted to the Authority under the Project Lease and take whatever action at law or in equity as may appear necessary or desirable to protect and enforce any of the rights vested in the Trustee or the Owners by this Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in Section 6.03.
- (b) Notwithstanding anything to the contrary in this Indenture, the Bonds are not subject to acceleration if an Event of Default occurs and is continuing.

Section 6.03. Other Remedies of the Trustee. During the continuance of an Event of Default, the Trustee is entitled to do any or all of the following:

- (a) by mandamus or other action or proceeding or suit at law or in equity, to enforce its rights against the Authority or the City or any member, director, officer, or employee thereof, and to compel the Authority or the City or any member, director, officer, or employee thereof to perform or carry out its, his, or her duties under law and the agreements and covenants contained in this Indenture or in the Bonds;
- (b) by suit in equity, to enjoin any acts or things that are unlawful or violate the rights of the Trustee or the Owners; or
- (c) by suit, action, or proceeding in any court with jurisdiction, to require the Authority or the City, or both, to account as if it or they were the trustee or trustees of an express trust.

Section 6.04. Remedies Not Exclusive. The remedies conferred upon, or reserved to, the Trustee by this Indenture are not exclusive. Each remedy is cumulative and in addition to every other remedy given under this Indenture or now or hereafter existing in law or in equity, by statute or otherwise, and the Trustee may exercise each remedy without exhausting and without

regard to any other remedy. The assertion or employment of any right or remedy will not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 6.05. Application of Amounts After Default. If an Event of Default occurs and is continuing, then the Trustee shall apply, as follows and in the following order, all Lease Revenues and any other funds the Trustee receives under this Indenture after the occurrence:

- (a) first, to the payment of (1) any expenses necessary in the Trustee's opinion to protect the Owners' interests and (2) the Trustee's reasonable fees, charges, and expenses (including reasonable fees and disbursements of its counsel) incurred in the performance of its powers and duties under this Indenture;
- (b) second, to the payment of all amounts then due for interest on the Bonds, ratably without preference or priority of any kind, according to the amounts of interest on the Bonds due and payable, with interest on the overdue interest at the rate borne by the Bonds; and
- (c) third, to the payment of all amounts then due for principal of the Bonds, ratably without preference or priority of any kind, according to the amounts of principal of the Bonds due and payable, with interest on the overdue principal at the rate borne by the Bonds.

Section 6.06. Power of Trustee to Enforce. The Trustee may prosecute and enforce all rights of action under this Indenture or the Bonds or otherwise without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and the Trustee shall institute any such suit, action, or proceeding in the Trustee's name for the benefit and protection of the Owners of the Bonds, subject to the provisions of this Indenture.

Section 6.07. Bond Owners Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are entitled to direct, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, the method of conducting all remedial proceedings the Trustee takes under this Indenture, subject to the following: (a) the Owners giving the direction must agree, to the Trustee's reasonable satisfaction, to indemnify the Trustee; (b) the direction must comply with law and this Indenture; and (c) the Trustee may decline to follow any direction that in the Trustee's opinion would be unjustly prejudicial to Owners not parties to the direction.

Section 6.08. Limitation on Bond Owners' Right to Sue.

- (a) The Owner of any Bond may institute a suit, action, or proceeding at law or in equity to protect or enforce any right or remedy under this Indenture, the Act, or any other applicable law with respect to the Bonds, but only if (1) the Owner has given the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested in writing that the Trustee exercise the powers granted to it by this Indenture or institute the suit, action, or proceeding in its own name; (3) the Owner or Owners have unconditionally offered to indemnify the Trustee against the costs, expenses, and liabilities incurred in complying with the request; and (4) the Trustee has refused or failed to comply with the request for a 60 days after receiving the request and the offer to indemnify.

- (b) Except as provided in Section 6.08(a), an Owner may not affect, disturb, or prejudice the security of this Indenture or the rights of any other Owners, and may not enforce any right under the Bonds, this Indenture, the Act, or other applicable law with respect to the Bonds. All proceedings at law or in equity to enforce the rights of any Owners must be instituted, had, and maintained in the manner provided by this Section 6.08 and for the benefit and protection of all Owners and subject to this Indenture.

Section 6.09. Termination of Proceedings. If any action, proceeding, or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then, subject to the adverse determination, the Trustee and the Owner, and the Authority and the City, will be restored to their former positions, rights, and remedies as if the action, proceeding, or suit had not been brought. If any proceedings brought by the Trustee or by any one or more Owners because of any Event of Default is abandoned or determined adversely to the Trustee or any Owner, then in each case, subject to any determination in the proceedings, the Trustee and the Owner, and the Authority and the City, will be restored to their former positions and rights under this Indenture, and all rights, remedies, powers, and duties of the Trustee, the Owners, the Authority, and the City will continue as though no such proceedings had been brought.

Section 6.10. No Waiver of Default. No delay or omission of the Trustee or of any Owner to exercise any right or power arising upon the occurrence of any default or Event of Default will impair any the right or power or be construed to waive or acquiesce in the default or Event of Default. Every power and remedy given by this Indenture to the Trustee or to the Owners may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VII

THE TRUSTEE

Section 7.01. Duties and Liabilities of Trustee. Before an Event of Default, and after the curing or waiver of all Events of Default that have occurred, the Trustee shall perform the duties and only those duties as are expressly and specifically set forth in this Indenture. During the existence of any Event of Default that has not been cured or waived, the Trustee shall exercise the rights and powers vested in it by this Indenture and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of the person's own affairs.

Section 7.02. Removal and Resignation of the Trustee.

- (a) The Authority and the City may, by an instrument in writing, remove the Trustee initially a party to this Indenture and any successor to that Trustee unless an Event of Default has occurred and is then continuing. The Authority and the City shall remove the Trustee initially a party to this Indenture and any successor to that Trustee, and shall appoint a successor Trustee, if at any time (1) they are requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding (or by their attorneys duly authorized in writing); or (2) the Trustee ceases to be eligible under the Section 7.02(b).

- (b) The Trustee and any successor Trustee must be a national banking association, trust company, or commercial bank with trust powers that has a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000 (or be part of a bank holding company with a combined capital and surplus of at least \$50,000,000) and is subject to supervision or examination by federal or state authorities. If the national banking association, trust company, or commercial bank publishes a report of condition at least annually, as required by law or by any supervising or examining federal or state authority, then for the purposes of this Section 7.02 the combined capital and surplus of the national banking association, trust company, or commercial bank will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.
- (b) The Trustee may resign at any time by giving written notice of resignation to the Authority and the City and by giving notice of resignation, by first-class mail, postage prepaid, to the Owners at their addresses appearing on the Registration Books. Upon receiving a notice of resignation, the Authority and the City shall promptly appoint a successor Trustee by an instrument in writing. If the Authority and the City do not appoint a successor Trustee within 30 days after receipt of a notice of resignation, then the resigning Trustee, at the City's expense, may petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee. Any successor Trustee must signify its acceptance of the appointment by executing and delivering to the Authority, the City, and its predecessor Trustee a written acceptance, and, upon delivery of the written acceptance, the successor Trustee will become vested with all the moneys, estates, properties, rights, powers, trusts, duties, and obligations of the predecessor Trustee, with like effect as if originally named Trustee under this Indenture, and without any further act, deed, or conveyance. At the written request of the Authority, the City, or the successor Trustee, the predecessor Trustee shall do the following: execute and deliver any instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in, and confirming to, the successor Trustee all the right, title, and interest of the predecessor Trustee in and to any property held by it under this Indenture; and pay over, transfer, assign, and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in this Indenture.
- (c) Notwithstanding anything in this Indenture to the contrary, any of the following entities will become a successor trustee under this Indenture without the execution or filing of any instrument and without any further act, deed, or conveyance by any of the parties hereto so long as it meets the combined capital and surplus requirements of Section 7.02(b): any corporation, association, or agency into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole; and any corporation or association resulting from any such conversion, sale, merger, consolidation, or transfer to which it is a party. As successor trustee, such an entity will be vested with all the trusts, powers, discretions, immunities, privileges, and all other matters that were vested in its predecessor.

Section 7.03. Compensation and Indemnification of the Trustee.

- (a) From time to time, subject to any written agreement then in effect with the Trustee, the City shall (1) pay the Trustee reasonable compensation for all services rendered under this Indenture and (2) reimburse the Trustee for all reasonable advances and expenditures under this Indenture, including advances to, and reasonable fees and reasonable expenses of, attorneys, accountants, agents, appraisers, consultants, and other experts the Trustee retains in the exercise and performance of its rights and obligations under this Indenture but excluding advances, fees, and expenses related to the Trustee's own employees and "overhead expenses" that are a component of the Trustee's stated annual fees. The Trustee's right to compensation and reimbursement will not be secured by any lien against any moneys held by it in any of the funds or accounts established under this Indenture.
- (b) To the extent permitted by law, the City shall indemnify and save the Trustee harmless against any liabilities, costs, claims, or expenses (including attorneys' fees) the Trustee incurs in the exercise and performance of its powers and duties under this Indenture and under any related documents, including the enforcement of any remedies and the defense of any suit, that are not due to its negligence or its willful misconduct. The City's duty to indemnify the Trustee will survive the termination and discharge of this Indenture and the resignation or removal of the Trustee.

Section 7.04. Protection of the Trustee.

- (a) The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver, or other paper or document that it believes in good faith to be genuine and to have been adopted, executed, or delivered by the proper party or under this Indenture. The Trustee has no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such a paper or document but may accept and rely upon the paper or document as conclusive evidence of the truth and accuracy of those statements.
- (b) The Trustee is not obligated to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Owners unless those Owners have offered to the Trustee security or indemnity, reasonably satisfactory to the Trustee, against the reasonable costs, expenses, and liabilities that the Trustee might incur by complying with the request or direction. The City is not obligated to indemnify the Trustee for taking actions required by, and in accordance with, this Indenture, including but not limited to causing payments of principal of, and interest on, the Bonds to be made to the Owners and carrying out redemptions of the Bonds in accordance with this Indenture. The Trustee may consult with counsel, who may be counsel to the Authority or the City, with regard to legal questions, and the opinion of counsel will be full and complete authorization and protection for any action the Trustee takes or suffers in good faith under this Indenture in accordance with that opinion.

- (c) The Trustee is not responsible for the sufficiency of the Bonds, the Project Lease, or the title to the Property; for the recital of facts in this Indenture; or for statements made in the preliminary or final official statement relating to the Bonds.
- (d) This Indenture does not require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under this Indenture or in the exercise of any of its rights or powers under this Indenture.
- (e) The Trustee will not be deemed to have knowledge of an Event of Default unless it has actual knowledge of it.
- (f) The Trustee will not be concerned with, or accountable to anyone for, the subsequent use or application of any moneys released or withdrawn in accordance with this Indenture.
- (g) The permissive right of the Trustee to do things enumerated in this Indenture is not to be construed as a duty, and the Trustee will not be answerable for other than its negligence or willful default.
- (h) Whenever, in the administration of its rights and obligations under this Indenture, the Trustee deems it necessary or desirable that a matter be proved or established before taking or suffering any action, that matter (unless this Indenture specifically prescribes other evidence concerning it) may be deemed to be conclusively proved and established by a Written Certificate of the Authority or a Written Certificate of the City, and the certificate will be full warrant to the Trustee for any action it takes or suffers under this Indenture in reliance on the certificate. In lieu of a certificate, the Trustee in its discretion may accept other evidence of the matter or may require any additional evidence as it deems reasonable.
- (i) The Trustee may buy, sell, own, hold, and deal in any of the Bonds and may join in any action that any Owner may be entitled to take with like effect as if the Trustee were not a party to this Indenture. The Trustee, either as principal or agent, may also engage in, or be interested in, any financial or other transaction with the Authority or the City and may act as agent, depository, or trustee for any committee or body of Owners or of owners of obligations of the Authority or the City as freely as if it were not the Trustee.
- (j) To the extent reasonably necessary, the Trustee may execute any of its trusts or powers under this Indenture and perform any rights and obligations required of it under this Indenture by or through agents, attorneys, or receivers. The Trustee is entitled to advice of counsel concerning all matters of trust and its rights and obligations under this Indenture and will not be answerable for the negligence or misconduct of any agent, attorney, or receiver it selects with reasonable care, subject to the following: in the event of any negligence or misconduct of any agent, attorney, or receiver, the Trustee shall diligently pursue all of its remedies against the agent, attorney, or receiver. The Trustee will not be liable for any error of judgment it makes in good faith unless the Trustee was negligent in ascertaining the pertinent facts.

- (k) The Trustee will not be answerable for the exercise of any trusts or powers under this Indenture or for anything in connection with the funds established under this Indenture other than for its own willful misconduct, negligence, or breach of an obligation.
- (l) The Trustee may intervene on behalf of the Owners in any judicial proceeding to which the Authority or the City is a party if, in the opinion of the Trustee and its counsel, the proceeding affects the Bonds or the security for the Bonds; and the Trustee shall intervene if requested in writing by the Owners of at least 5% of the aggregate principal amount of Bonds then Outstanding, subject to the following: the Trustee will have no duty to intervene unless it has been indemnified to its reasonable satisfaction against all risk or liability arising from intervention.
- (m) The Trustee shall accept and act upon instructions under this Indenture sent by unsecured e-mail or unsecured facsimile transmission or by other similar unsecured electronic methods only if the Trustee has received an incumbency certificate listing the persons designated to give the instructions and containing specimen signatures of those persons; an incumbency certificate may be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority gives the Trustee instructions by an unsecured electronic method, then the Trustee's reasonable understanding of the instructions will be controlling. The Trustee will not be liable for any losses, costs, or expenses arising directly or indirectly from the Trustee's reliance upon, and compliance with, the instructions even if the instructions are inconsistent with a subsequent written instruction. The Authority assumes all risks arising out of the use of unsecured electronic methods to submit instructions 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 7.05. Appointment of Co-Trustee. The parties do not intend by this Indenture to violate any law of any jurisdiction (including the State of California) denying or restricting the right of banking corporations or associations to transact business as Trustee in the jurisdiction. The Trustee may appoint an additional institution as a co-trustee in the following situations: if there is litigation over this Indenture, including but not limited to litigation over enforcement of the Trustee's rights on default; or if the Trustee determines that under the current or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies granted to it by this Indenture, or may not hold title to the properties in trust as granted by this Indenture, or may not take any other action that may be desirable or necessary in connection with those powers, rights, remedies, or title.

- (a) If the Trustee appoints an additional institution as a co-trustee, then every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest, and lien expressed or intended by this Indenture to be exercised by, vested in, or conveyed to, the Trustee will be exercisable by, vested in, and conveyed to, the co-trustee, but only to the extent necessary for the co-trustee to exercise the remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest, and lien or for the vesting or conveyance to occur. Every covenant and obligation necessary to the co-trustee's exercise of such a remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest, and lien will run to, and be enforceable by, either the Trustee or co-trustee. Each co-trustee will be

bound by the standards of care, duties, and obligations of the Trustee under this Indenture as if the co-trustee were the Trustee. Each co-trustee must be a national banking association, trust company, or commercial bank doing business in the State of California; must have at all times a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000; and must be subject to supervision or examination by federal or state authorities. If such a national banking association, trust company, or commercial bank publishes a report of condition at least annually, as required by law or by any supervising or examining federal or state authority, then for the purposes of this Section 7.05 the combined capital and surplus of the national banking association, trust company, or commercial bank will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

- (b) If a co-trustee requests any written instrument from the Authority or the City to more fully and certainly vest in, and confirm to, the co-trustee any remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest, and lien, then the Authority or the City shall provide such an instrument. If a co-trustee or a successor to a co-trustee becomes incapable of acting, resigns, or is removed, then all the remedies, powers, rights, claims, demands, causes of action, immunities, estates, titles, interests, and liens of the co-trustee, so far as permitted by law, will vest in, and be exercised by, the Trustee until the appointment of a new Trustee or a successor to the co-trustee.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

Section 8.01. Supplemental Indentures.

- (a) This Indenture and the rights and obligations under it of the Authority, the City, the Trustee, and the Owners may be modified or amended at any time by a Supplemental Indenture, which the Authority, the City, and the Trustee may enter into when the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 10.06, have filed written consents with the Trustee, subject to the following:
 - (1) A modification or amendment must not (A) extend the fixed maturity of any Bond, reduce the amount of principal thereof or the rate of interest thereon, or alter the redemption provisions with respect thereto, without the consent of the Owner of each Bond so affected; (B) authorize the modification or amendment of this Indenture under Section 8.01(a) with the consent of less than a majority of the Owners of all of the Bonds then Outstanding without the prior written consent of the Owners of all Bonds then Outstanding; (C) permit the creation of any lien on the Lease Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture or deprive the Owners of the Bonds of the lien created by this Indenture on the Lease Revenues and other assets (except as expressly provided in this Indenture) without the consent of the Owners

of all Bonds then Outstanding; or (D) amend this Section 8.01 without the prior written consent of the Owners of all Bonds then Outstanding.

- (2) The written consent of the Owners of a Series of Bonds may be effected through either (A) a consent by the underwriter of the Series of Bonds at the time of the issuance of the Series of Bonds or (B) a provision of a Supplemental Indenture that deems any Owners purchasing the Series of Bonds to have consented for purposes of this Section 8.01(a).
- (b) This Indenture and the rights and obligations under it of the Authority, the City, the Trustee, and the Owners may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City, and the Trustee may enter into without the consent of any Owners, for any one or more of the following purposes:
- (1) To add to the covenants and agreements of the Authority or the City in this Indenture other covenants and agreements, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority or the City by this Indenture.
 - (2) To correct any ambiguity, inconsistency, or omission in this Indenture or any defective provision in this Indenture when the Authority or the City deem the correction desirable or necessary and consistent with this Indenture.
 - (3) To add provisions addressing any questions arising under this Indenture when the Authority or the City deem the addition desirable or necessary and consistent with this Indenture.
 - (4) To provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which the Series of Additional Bonds may be issued, subject to and in accordance with Section 2.04 and Section 2.05.
 - (5) To make such additions, deletions, or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income-tax purposes of interest on Tax-Exempt Bonds or to maintain any federal interest subsidies expected to be received with respect to any Bonds.
 - (6) For any other reason, so long as the amendment or supplement becomes effective only after either (A) the remarketing of all of the Outstanding Bonds on a mandatory tender date for all Outstanding Bonds or (B) the redemption, payment, or defeasance of all Bonds Outstanding immediately prior to the effective date of the amendment or supplement.
 - (7) For any other reason, so long as the amendment or supplement does not adversely affect the rights or interests of the Owners. When entering into an amendment or supplement under this Section 8.01(b)(6), the Authority, the City, and the Trustee may rely upon an Opinion of Counsel stating that the requirements of this Section 8.01(b)(6) have been met with respect to the amendment or supplement.

- (c) The Trustee may in its discretion enter into a Supplemental Indenture that materially adversely affects the Trustee’s rights, duties, or immunities under this Indenture or otherwise.

Section 8.02. Effect of Supplemental Indenture. Upon the execution and delivery of any Supplemental Indenture entered into under Section 8.01(a) or 8.01(b), this Indenture will be deemed to be modified and amended in accordance therewith, and the rights, duties, and obligations under this Indenture of the Authority, the City, the Trustee, and the Owners will thereafter be determined, exercised, and enforced subject in all respects to the modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be part of this Indenture for all purposes.

Section 8.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the effective date of any Supplemental Indenture may—and, if the Authority or the City so determines, shall—bear a notation by endorsement or otherwise, in form approved by the Authority, the City, and the Trustee, as to any modification or amendment provided for in the Supplemental Indenture; in that case, upon demand of the Owner of any Bond Outstanding at the time of the effective date and presentation of the Bond at the Office of the Trustee, a suitable notation will be made on the Bond. If the Supplemental Indenture so provides, the Authority shall prepare and execute, and the Trustee shall authenticate, new Bonds so modified as to conform, in the opinion of the Authority, the City, and the Trustee, to any modification or amendment contained in the Supplemental Indenture; in that case, upon demand of the Owner of any Bond Outstanding at the time of the effective date and presentation of the Bond at the Office of the Trustee, a new Bond in equal principal amount of the same Series, interest rate, and maturity will be exchanged for Bond so surrendered.

Section 8.04. Amendment of Particular Bonds. This Article does not prevent any Owner from accepting any amendment or modification as to any particular Bond owned by the Owner, provided that due notation thereof is made on the Bond.

ARTICLE IX

DEFEASANCE

Section 9.01. Discharge of Indenture.

- (a) The Bonds may be paid by the Authority or by the Trustee on behalf of the Authority in any of the following ways:
- (1) by paying or causing to be paid the principal of, and interest and any premium on, all Bonds Outstanding, as and when the same become due and payable;
 - (2) by depositing with the Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in Section 9.03) to pay when due or redeem all Bonds then Outstanding; or
 - (3) by delivering to the Trustee, for cancellation by it, all Bonds then Outstanding.

- (b) If the Authority also pays or causes to be paid all other sums payable by the Authority under this Indenture, and if the City has paid all sums payable to the Authority under the Project Lease, then, at the election of the Authority (evidenced by a Written Certificate of the Authority filed with the Trustee signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and even though no Bonds have been surrendered for payment, this Indenture and the pledge of Lease Revenues and other assets made under this Indenture and all covenants, agreements, and other obligations of the Authority and the City under this Indenture (except as otherwise provided in this Indenture) will cease, terminate, become void, and be completely discharged and satisfied. In that event, upon the request of the Authority, the Trustee shall cause an accounting for the period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all instruments necessary to evidence the discharge and satisfaction; and the Trustee shall pay over, transfer, assign, or deliver to the City all moneys or securities or other property it holds under this Indenture that are not required for the payment or redemption of Bonds not previously surrendered for the payment or redemption, except that in all events moneys in the Rebate Fund will be subject to Section 4.08.

Section 9.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 9.03) to pay or redeem any Outstanding Bond (whether at or before its maturity or redemption date), and, for a Bond to be redeemed before maturity, upon notice of redemption also having been given as provided in Article III or provision for the giving of notice having been made to the Trustee's satisfaction, all liability of the Authority as to the Bond will cease, terminate, and be completely discharged, except that the Owner of the Bond will be entitled thereafter to payment of the principal or redemption price of, and interest on, the Bond by the Authority, and the Authority will remain liable for those payments, but only out of the money or securities deposited with the Trustee for those payments, subject to Section 9.04.

Section 9.03. Deposit of Money or Securities with Trustee.

- (a) Whenever this Indenture provides for money or securities in the necessary amount to pay or redeem any Bonds to be deposited with, or held in trust by, the Trustee, the money or securities may include money or securities held by the Trustee in the funds and accounts established under this Indenture (other than the Rebate Fund) and must be either or both of the following:
- (1) Lawful money of the United States of America in an amount equal to the principal amount of the Bonds and all unpaid interest thereon to maturity, except that, for Bonds to be redeemed before maturity and for which notice of redemption has been given as provided in Article III or provision for the giving of notice has been made to the Trustee's satisfaction, the amount to be deposited or held must be the principal amount or redemption price of the Bonds and all unpaid interest thereon to the redemption date.
 - (2) Defeasance Securities (not callable by the issuer thereof before maturity) for which the principal and interest, when due, will provide sufficient money (without

any income from the reinvestment thereof) to pay the principal or redemption price of, and all unpaid interest to maturity or the redemption date (as the case may be) on, the Bonds to be paid or redeemed, as the principal or redemption price and interest become due, except that, for Bonds to be redeemed before maturity, notice of redemption must have been given as provided in Article III or provision for the giving of notice must have been made to the Trustee's satisfaction.

- (b) In each case under Section 9.03(a), the Trustee must be irrevocably instructed to apply the money to the payment of the principal or redemption price and interest for the Bonds.
- (c) If Defeasance Securities are deposited under Section 9.03(a)(2), then the Trustee and the Authority must receive a report prepared by an independent certified public accountant, a firm of independent certified public accountants, or other financial institution satisfactory to the Trustee and the Authority to the effect that principal of, and interest on, the Defeasance Securities will be sufficient when due (without any income from reinvestment thereof) to provide money to pay the principal or redemption price of, and all unpaid interest to maturity or to the redemption date (as the case may be) on, the Bonds to be paid or redeemed, as the principal or redemption price and interest become due.

Section 9.04. Unclaimed Moneys. At the Written Request of the Authority, the Trustee shall pay to the City any money the Trustee holds in trust for the payment and discharge of the principal of, or premium or interest on, any Bonds if either of the following applies: (a) the Trustee held the money on the date the principal, premium, or interest became payable, and the money has been unclaimed for two years after that date; or (b) the money was deposited with the Trustee after the date the principal, premium, or interest became payable, and the money has been unclaimed for two years after the date of deposit. Moneys so paid will be the City's absolute property, free from trust. After payment, the Trustee will be released and discharged with respect to the moneys, and the Owners of the Bonds must look only to the City for payment of the principal, premium, or interest.

ARTICLE X

MISCELLANEOUS

Section 10.01. Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed or implied, gives to any Person other than the Authority, the City, the Trustee, and the Owners any claim, remedy, or right. Any agreement, condition, covenant, or term of this Indenture that is required to be observed or performed by or on behalf of the Authority or the City is for the sole and exclusive benefit of the Trustee and the Owners.

Section 10.02. Successor Deemed Included in all References to Predecessor. Whenever the Authority, the City, or the Trustee, or any officer thereof, is referred to in this Indenture, the reference includes the successor to the powers, duties, and functions that are vested in the Authority, the City, the Trustee, or the officer as of the date of this Indenture. All agreements, conditions, covenants, and terms required by this Indenture to be observed or performed by or on

behalf of the Authority, the City, or the Trustee, or by any officer thereof, will bind and inure to the benefit of their successors whether or not so expressed.

Section 10.03. Execution of Documents by Owners. Any declaration, request, or other instrument permitted or required by this Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution of any declaration, request, or other instrument or of any writing appointing the Owners' attorney may be proved (a) by the certificate of any notary public or other officer (who must be authorized to take acknowledgments of deeds to be recorded in the state or territory in which the notary public or other officer purports to act) that the Person signing the declaration, request, or other instrument or writing acknowledged the execution to the notary public or other officer; (b) by an affidavit of a witness of the execution duly sworn to before such a notary public or other officer; or (c) by such other proof as the Trustee may accept and deem sufficient. The ownership of any Bond and the amount, payment date, number, and date of owning the Bond may be proved by the Registration Books. Any declaration, request, or other instrument in writing of the Owner of any Bond will bind all future Owners of the Bond with respect to anything done or suffered to be done by the Authority, the City, or the Trustee in good faith and in accordance therewith.

Section 10.04. Waiver of Personal Liability. Notwithstanding anything in this Indenture to the contrary, no member, officer, or employee of the Authority or the City is individually or personally liable for the payment of any moneys, including without limitation the principal of, or interest on, the Bonds, subject to the following: this Section 10.04 does not relieve any member, officer, or employee of the Authority or the City from the performance of any official duty provided by this Indenture, the Project Lease, or applicable law.

Section 10.05. Acquisition of Bonds by Authority or City. All Bonds acquired by the Authority or the City, whether by purchase or gift or otherwise, must be surrendered to the Trustee for cancellation.

Section 10.06. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent, or waiver under this Indenture, the Trustee shall disregard and deem not to be Outstanding for the purpose of the determination any Bonds the Trustee knows to be owned or held by or for the account of the Authority or the City or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City. The Trustee may regard as Outstanding for the purposes of this Section 10.06 any Bonds so owned that have been pledged in good faith if the pledgee establishes to the Trustee's satisfaction that the pledgee has the right to vote the Bonds and is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City. In case of a dispute as to the right to vote, any decision by the Trustee taken upon the advice of counsel will be full protection to the Trustee. Upon the Trustee's request, the Authority and the City shall specify to the Trustee in a Written Certificate of the Authority and a Written Certificate of the City those Bonds disqualified under this Section 10.06, and the Trustee may conclusively rely on those Written Certificates.

Section 10.07. Money Held for Particular Bonds. When the Trustee holds money for payment of the principal of, or interest or any premium on, particular Bonds due on any date (or portions of Bonds in the case of Bonds redeemed in part only), the Trustee shall, on and after that date and pending the payment, set the money aside on its books and hold the money in trust for the Owners of the Bonds entitled to the money, subject to Section 9.03, but without any liability for interest thereon.

Section 10.08. Funds and Accounts.

- (a) Any fund or account the Trustee is required by this Indenture to establish and maintain may be established and maintained in the Trustee's accounting records either as a fund or an account and may be treated either as a fund or an account for the purposes of those accounting records, for any audits of those records, and for any reports or statements with respect to those records, but all records with respect to the funds and accounts must at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations under this Indenture.
- (b) The Trustee may commingle any of the moneys held by it under this Indenture for investment purposes only; the Trustee shall account separately for the moneys in each fund or account established under this Indenture.

Section 10.09. Gender and References; Article and Section Headings. The singular form of any word used in this Indenture, including the terms defined in Section 1.01, includes the plural and vice versa unless the context otherwise requires. The use of a pronoun of one gender includes correlative words of the other genders. The headings or titles of the Articles and Sections in this Indenture and the table of contents for this Indenture are solely for convenience of reference and do not affect the meaning, construction, or effect of this Indenture. Unless the context otherwise clearly requires, all references to "Articles," "Sections," subsections, or clauses are to the corresponding Articles, Sections, subsections, or clauses of this Indenture. The words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder," and other similar words refer to this Indenture as a whole and not to any particular Article, Section, subsection, or clause.

Section 10.10. Partial Invalidity. If any agreement, condition, covenant, or term required by this Indenture to be observed or performed by or on the part of the Authority, the City, or the Trustee is contrary to law, then that agreement, condition, covenant, or term will be null and void to the extent contrary to law; will be deemed separable from the remaining agreements, conditions, covenants, and terms; and will not affect the validity of this Indenture or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Authority, the City, and the Trustee hereby declare that they would have executed this Indenture and each Article, Section, paragraph, subsection, sentence, clause, and phrase in it and that they would have authorized the execution, authentication, issuance, and delivery of the Bonds under this Indenture whether or not one or more Articles, Sections, paragraphs, subsections, sentences, clauses, or phrases, or the application thereof to any Person or circumstance, may be held to be unconstitutional, unenforceable, or invalid.

Section 10.11. California Law. This Indenture and the Bonds are to be construed and governed in accordance with the laws of the State of California.

Section 10.12. Notices. All written notices, statements, demands, consents, approvals, authorizations, offers, designations, requests, or other communications under this Indenture must be given to the party entitled thereto at its address set forth below or at such other address as the party may provide to the other parties in writing from time to time:

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

If to the Authority: Sacramento Public Financing Authority
c/o City of Sacramento
915 I Street, Historic City Hall, 3rd Floor
Sacramento, California 95814
Attention: City Treasurer

If to the Trustee: [TRUSTEE]

Attention: _____

A notice, statement, demand, consent, approval, authorization, offer, designation, request, or other communication under this Indenture will be deemed delivered to the party to whom it is addressed (a) if given by courier or delivery service or if personally served or delivered—upon delivery; (b) if given by telecopier—upon the sender’s receipt of an appropriate answerback or other written acknowledgment; (c) if given by U.S. Mail (registered or certified mail, postage prepaid, return receipt requested)—72 hours after the notice is deposited with the U.S. Mail; or (d) if given by any other means—upon delivery at the address specified in this Section 10.12.

Section 10.13. Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not be a Business Day, then the payment may be made, the act performed, or the right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Indenture, and, unless otherwise specifically provided in this Indenture, interest will not accrue for the period from and after the nominal date.

Section 10.14. Exhibits. Exhibits A, B, C, and D are part of this Indenture.

Section 10.15. Execution in Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which will be deemed an original, and all of which will constitute the same instrument.

IN WITNESS WHEREOF, the Authority has caused this Indenture to be signed in its name by its representative thereunto duly authorized; the City has caused this Indenture to be signed in its name by its representative thereunto duly authorized; and the Trustee, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**SACRAMENTO PUBLIC FINANCING
AUTHORITY**

By: _____
Russell T. Fehr
Treasurer

CITY OF SACRAMENTO

By: _____
Russell T. Fehr
City Treasurer

[TRUSTEE]

By: _____
Authorized Officer

EXHIBIT A

FORM OF SERIES 2014 BOND

[FORM OF BOND TO BE UPDATED FOR INDEX FLOATING RATE PERIOD IF USED]

No. R-

\$

**SACRAMENTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE BOND, SERIES 2014 ([PROJECT DESCRIPTION])
(FEDERALLY TAXABLE)**

MATURITY DATE	INTEREST RATE	DATED DATE	CUSIP NO.
_____ 1, 20__	____%	_____, 2014	

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: _____ DOLLARS

The Sacramento Public Financing Authority (the "Authority"), for value received, hereby promises to pay to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Interest Rate identified above in like lawful money from the date hereof, payable semiannually on _____ 1 and _____ 1 in each year, commencing _____ 1, 20__ (each an "Interest Payment Date"), until payment of such Principal Amount in full. This Bond is issued pursuant to the Indenture, dated as of [Dated Date] (the "Indenture"), between the Authority, the City of Sacramento (the "City") and [TRUSTEE], as trustee. Capitalized terms used herein and not otherwise defined have the meanings ascribed thereto in the Indenture.

This Bond shall bear interest from the Interest Payment Date next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month preceding such Interest Payment Date, whether or not such day is a business day, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to _____, 2014, in which event it shall bear interest from the Dated Date identified above; provided, however, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or duly provided for). The Principal Amount hereof is payable upon surrender hereof upon maturity at the principal corporate trust office of [TRUSTEE], as trustee, or any successor trustee under the Indenture (the "Trustee"), in _____, California, or such other office as may be specified to the Authority and the City by the Trustee in writing (the "Office of the Trustee"). Interest hereon is payable by check of the Trustee, mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of the Registered Owner as it appears on the Registration

Books of the Trustee as of the close of business on the fifteenth calendar day of the month preceding such Interest Payment Date.

This Bond is one of a series of a duly authorized issue of bonds designated “Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 ([Project Description]) (Federally Taxable)” (the “Series 2014 Bonds”) in the aggregate principal amount of \$_____. The Series 2014 Bonds are issued pursuant to the Indenture, and this reference incorporates the Indenture herein. Pursuant to and as more particularly provided in the Indenture, Additional Bonds may be issued by the Authority. The Indenture is entered into, and this Bond is issued under, the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 *et seq.* of the California Government Code (the “Act”) and the laws of the State of California.

Reference is hereby made to the Indenture and to any and all amendments thereof and supplements thereto for a description of the agreements, conditions, covenants and terms securing the Bonds, for the nature, extent and manner of enforcement of such agreements, conditions, covenants and terms, for the rights, duties and immunities of the Trustee, for the rights and remedies of the Owners of the Bonds with respect thereto and for the other agreements, conditions, covenants and terms upon which the Bonds are issued thereunder, to all of which provisions the Registered Owner by acceptance hereof, assents and agrees.

The Bonds are limited obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds. The Lease Revenues consist of all Base Rental Payments payable by the City pursuant to the Project Lease, dated as of [Dated Date], between the City, as lessee, and the Authority, as lessor, (the “Project Lease”), including any prepayments thereof, any Net Proceeds and any amounts received by the Trustee as a result of or in connection with the Trustee’s pursuit of remedies under the Project Lease upon a Lease Default Event.

The Bonds and the interest thereon are secured by a pledge and assignment of the Lease Revenues and of amounts held in the funds and accounts established pursuant to the Indenture (excluding amounts held in the Rebate Fund), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Bonds are further secured by an assignment of the right, title and interest of the Authority in the Site Lease and the Project Lease (to the extent and as more particularly described in the Indenture).

The Bonds are issuable as fully registered Bonds without coupons in Authorized Denominations (\$5,000 or any integral multiple thereof).

The Series 2014 Bonds are subject to extraordinary, mandatory and optional redemption at the times, in the manner, at the redemption prices and upon notice as specified in the Indenture.

Any Bond may, in accordance with its terms, be transferred upon the Registration Books by the Person in whose name it is registered, in person or by his duly authorized attorney, upon

surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds of the same Series and maturity in a like aggregate principal amount, in any Authorized Denomination. The Trustee shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same Series and maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture may be amended or supplemented by the parties thereto.

The Indenture contains provisions permitting the Authority to make provision for the payment of the principal of, and interest and any premium on, any of the Bonds so that such Bonds shall no longer be deemed to be outstanding under the terms of the Indenture.

This Bond shall not be entitled to any benefit, protection or security under the Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by an authorized signatory of 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 the Bonds do exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the Authority has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of an Authorized Authority Representative, all as of the Dated Date identified above.

**SACRAMENTO PUBLIC FINANCING
AUTHORITY**

By: _____
Russell T. Fehr
Treasurer

CERTIFICATE OF AUTHENTICATION

This is one of the Series 2014A Bonds described in the within-mentioned Indenture and registered on the Registration Books.

Date: _____

[TRUSTEE], AS TRUSTEE

By: _____
Authorized Signatory

ASSIGNMENT

For value received, the undersigned hereby sells, assigns, and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

DTC ENDORSEMENT

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., 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
MASTER DEFINITIONS

EXHIBIT C

FORM OF 2014 PROJECT FUND REQUISITION

**SACRAMENTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS**

WRITTEN REQUEST NO. __ FOR DISBURSEMENTS FROM 2014 PROJECT FUND

The undersigned hereby states and certifies as follows:

- (a) that the undersigned is the duly appointed, qualified, and acting _____ of the City of Sacramento, a municipal corporation and chartered city duly organized and existing under and by virtue of the Constitution and laws of the State of California (the “City”), and, as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;
- (b) that [TRUSTEE], as trustee (the “Trustee”), is hereby requested to disburse from the 2014 Project Fund established under the Indenture dated as of [Dated Date], between the Sacramento Public Financing Authority, the City, and the Trustee (the “Indenture”), to the payees set forth on Attachment I attached hereto and by this reference incorporated herein, the amount set forth on Attachment I opposite each payee, for payment of the costs identified on Attachment I; and
- (c) that each item of cost identified on Attachment I has been incurred, is presently due and payable, is properly chargeable to the 2014 Project Fund and has not been previously paid from the 2014 Project Fund.

Capitalized terms used herein and not otherwise defined have the meanings given them in the Indenture.

Dated: _____

CITY OF SACRAMENTO

By: _____

ATTACHMENT I

2014 PROJECT FUND DISBURSEMENTS

<u>Payee Name and Address</u>	<u>Purpose of Obligation</u>	<u>Amount</u>
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EXHIBIT D

FORM OF COSTS OF ISSUANCE FUND REQUISITION

**SACRAMENTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS**

WRITTEN REQUEST NO. __ FOR DISBURSEMENTS FROM COSTS OF ISSUANCE

The undersigned hereby states and certifies as follows:

- (a) that the undersigned is the duly appointed, qualified, and acting _____ of the City of Sacramento, a municipal corporation and chartered city duly organized and existing under and by virtue of the Constitution and laws of the State of California (the “City”), and, as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;
- (b) that [TRUSTEE], as trustee (the “Trustee”), is hereby requested to disburse from the Costs of Issuance Fund established under the Indenture dated as of [Dated Date] (the “Indenture”), between the Sacramento Public Financing Authority, the City, and the Trustee, to the payees set forth on Attachment I attached hereto and by this reference incorporated herein, the amount set forth on Attachment I opposite each payee, for payment of the costs identified on Attachment I; and
- (c) that each item of cost identified on Attachment I has been properly incurred, that the amounts to be disbursed under this Written Request are for Costs of Issuance properly chargeable to the Costs of Issuance Fund, and that no amounts to be disbursed under this Written Request have been the subject of a previous Written Request for disbursement from the Costs of Issuance Fund.

Capitalized terms used herein and not otherwise defined have the meanings given them in the Indenture.

Dated: _____

CITY OF SACRAMENTO

By: _____

ATTACHMENT I

COST OF ISSUANCE FUND DISBURSEMENTS

<u>Payee Name and Address</u>	<u>Purpose of Obligation</u>	<u>Amount</u>
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EXHIBIT E
FORM OF INVESTOR LETTER

EXHIBIT B

MASTER DEFINITIONS

“**Act**” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 *et seq.* of the California Government Code.

“**Additional Base Rental Payments**” means all amounts payable to the Authority by the City under Section 3.01(b)(2) of the Project Lease.

“**Additional Bonds**” means Bonds other than Series 2014 Bonds issued under the Indenture in accordance with the provisions of Sections 2.04 and 2.05 thereof.

“**Additional Rental Payments**” means all amounts payable by the City as Additional Rental Payments under Section 3.02 of the Project Lease.

“**AMOLA**” means the Arena Management, Operations, and Lease Agreement, dated as of _____, 2014, between the City and [ArenaCo], as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

“**Annual Debt Service**” means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the scheduled principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year). [During any Index Floating Rate Period, the interest rate on the Series 2014 Bonds for purposes of the calculation of Annual Debt Service shall be assumed to be ___% per annum.]

“**Applicable Spread**” means, with respect to the Series 2014 Bonds, ___% per annum.

“**[ArenaCo]**” means [Sacramento Downtown Arena LLC], and its successors and assigns.

“**[Arena Escrow Agent]**” means _____ [insert entity serving as escrow agent under Arena Finance, Escrow, and Disbursement Agreement].

“**[Arena Finance, Escrow and Disbursement Agreement]**” means the Arena Finance, Escrow, and Disbursement Agreement, dated as of _____, 20___, by and among the City, [ArenaCo], [Lender], and the [Arena Escrow Agent], as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

“**Arena Sublease**” means the [Arena Management, Operations, and Lease Agreement], dated _____, 20___, between the City and [ArenaCo], as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

“**Authority**” means the Sacramento Public Financing Authority, a joint-powers authority duly organized and existing under the laws of the State of California.

“Authorized Authority Representative” means the Chair of the Authority, the Vice Chair of the Authority, the Secretary of the Authority, or the Treasurer of the Authority, or any authorized deputy or designee thereof, and any other Person authorized by the Board of Directors of the Authority to act on behalf of the Authority under or with respect to the Indenture.

“Authorized City Representative” means the Mayor of the City, the Vice Mayor of the City, the City Clerk of the City, or the Treasurer of the City, or any authorized deputy or designee thereof, and any other Person authorized by the City Council of the City to act on behalf of the City under or with respect to the Indenture.

“Authorized Denominations” means, with respect to the Bonds, \$5,000 and any integral multiple thereof.

“Average Annual Debt Service” means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

“Base Rental Deposit Date” means the fifth Business Day next preceding each Interest Payment Date.

“Base Rental Payments” means, collectively, the Series 2014 Base Rental Payments and the Additional Base Rental Payments.

“Beneficial Owners” means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including Persons holding Bonds through nominees, depositories, or other intermediaries).

“Bond Year” means each twelve-month period beginning on _____ 2 in each year and extending to the next succeeding _____ 1, both dates inclusive, except that the first Bond Year begins on the Closing Date and ends on _____ 1, 20__.

“Bonds” means, collectively, the Series 2014 Bonds and any Additional Bonds.

“Business Day” means a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city or cities in which the Office of the Trustee is located are authorized or required by law to be closed, and (c) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed.

“Calculation Agent” means, with respect to the Series 2014 Bonds, the Trustee or an agent appointed by the Trustee to calculate the Index Floating Rate.

“Called Principal” means the principal amount of the Series 2014 Bonds being redeemed with respect to which a Make Whole Premium is required to be paid.

“Cap Rate” means, with respect to the Series 2014 Bonds, __% per annum.

“Capitalized Interest Period” means the period commencing on the Closing Date and ending on the last Interest Payment Date for the Series 2014 Bonds that amounts are on deposit in the 2014 Escrow Fund in excess of the Outstanding principal amount of the Series 2014 Bonds

or the 2014 Capitalized Interest Fund for the full payment of interest then due on the Series 2014 Bonds.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC.

“City” means the City of Sacramento, a municipal corporation and chartered city duly organized and existing under and by virtue of the Constitution and laws of the State of California.

“Closing Date” means [Closing Date].

“Code” means the Internal Revenue Code of 1986.

“Continuing Disclosure Certificate” means the continuing disclosure certificate, dated the Closing Date, of the City relating to the Series 2014 Bonds and any continuing disclosure certificate or continuing disclosure agreement executed by the City in connection with the issuance of Additional Bonds, each as originally executed and as they may from time to time be amended in accordance with the provisions thereof.

“Costs of Issuance” means all the costs of issuing and delivering or remarketing the Bonds, including but not limited to all printing and document preparation expenses in connection with the Indenture, the Project Lease, the Site Lease, the Bonds, and any preliminary official statement and final official statement or similar remarketing documents pertaining to the Bonds, rating agency fees, CUSIP Service Bureau charges, market study fees, financial advisory fees, legal fees and expenses of counsel with respect to the financing or refinancing of the Projects, the initial fees and expenses of the Trustee and its counsel, any premium for a municipal bond insurance policy insuring payments of debt service on Additional Bonds, and other fees and expenses incurred in connection with the issuance and delivery or remarketing of the Bonds, to the extent such fees and expenses are approved by the City.

“Costs of Issuance Fund” means the fund by that name established under Section 4.04 of the Indenture.

“Defeasance Securities” means any of the following or any combination thereof: (a) non-callable direct obligations of the United States of America (“United States Treasury Obligations”); (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated; (c) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively; or (d) securities eligible for “AAA” defeasance under then existing criteria of S&P or Moody’s.

“DTC” means The Depository Trust Company, New York, New York, and its successors.

“Discounted Value” means the amount obtained by discounting all Remaining Scheduled Payments with respect to Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on a semi-annual basis) equal to the Reinvestment Yield with respect to such Called Principal.

“Event of Default” means an event described as such in Section 6.01 of the Indenture.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month period selected and designated as the official fiscal year period of the City, which designation will be provided to the Trustee in a Certificate delivered by the City.

“Fitch” means Fitch, Inc., and its successors and assigns, except that if such corporation no longer performs the function of a securities rating agency for any reason, the term “Fitch” will refer to any other nationally recognized securities rating agency selected by the Authority.

“Fixed Interest Rate Period” means, with respect to the Series 2014 Bonds, the period commencing on, and including, the Fixed Rate Conversion Date to the final maturity of the Series 2014 Bonds.

“Fixed Rate Conversion Date” means, with respect to the Series 2014 Bonds, the date that all of the Outstanding Series 2014 Bonds are converted to fixed interest rates as provided in Section 2.13 of the Indenture.

“Indenture” means the Indenture, dated as of [Dated Date], between the Authority, the City, and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its provisions.

“Index Floating Rate” means, with respect to the Series 2014 Bonds, the sum of (1) LIBOR plus (2) the Applicable Spread.

“Index Floating Rate Period” means, with respect to the Series 2014 Bonds, the period commencing on, and including, the Closing Date and ending on, but excluding, the Fixed Rate Conversion Date.

“Interest Account” means the account by that name within the Payment Fund established under Section 4.05 of the Indenture.

“Interest Payment Date” means (a) with respect to the Series 2014 Bonds during the Index Floating Rate Period, each Reset Date and the Fixed Rate Conversion Date and (b) with respect to the Series 2014 Bonds during the Fixed Interest Rate Period and any Additional Bonds, each _____ 1 and _____ 1.

“Laws and Regulations” means, with respect to the Property, any applicable law, regulation, code, order, rule, judgment, or consent agreement, including without limitation those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances, or wastes,

conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property.

“Lease Default Event” means an event described as such in Section 8.01 of the Project Lease.

“Lease Revenues” means all Base Rental Payments payable by the City under the Project Lease, including any prepayments thereof, any Net Proceeds, and any amounts received by the Trustee as a result of or in connection with the Trustee’s pursuit of remedies under the Project Lease upon a Lease Default Event.

“LIBOR” means, with respect to the Series 2014 Bonds, the rate for deposits in U.S. dollars with [one][three]-month maturity as published by Reuters (or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the Reset Date, except that, if such rate is not available on the Reset Date, LIBOR means a rate determined on the basis of the rates at which deposits in U.S. dollars for a [one][three]-month maturity and in a principal amount of at least U.S. \$1,000,000 are offered at approximately 11:00 a.m., London time, on the Reset Date, to prime banks in the London interbank market by three Reference Banks selected by the Calculation Agent. The Calculation Agent shall request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Calculation Agent, at approximately 11:00 a.m., New York City time, on the Reset Date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. \$1,000,000 having a [one][three]-month maturity. If none of the banks in New York City selected by the Calculation Agent is then quoting rates for such loans, then LIBOR for the ensuing interest period will mean LIBOR as of the immediately preceding Reset Date.

“Make-Whole Premium” means a prepayment premium with respect to Called Principal equal to the excess, if any, of the Discounted Value over the sum of (a) such Called Principal plus (b) interest accrued thereon as of (including interest due on) the redemption date with respect to such Called Principal. The Make-Whole Premium will in no event be less than zero.

“Mandatory Redemption Date” means, with respect to the Series 2014 Bonds, _____, 20___, as that date may be extended from time to time under Section 3.03(b) of the Indenture.

“Mandatory Tender Date” means _____, 20___.

“Maturity Date” means, with respect to the Series 2014 Bonds, _____, 20___.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made.

“Maximum Rate” means, with respect to the Series 2014 Bonds, the least of (a) 12% per annum and (b) the maximum rate of interest on the Series 2014 Bonds permitted by applicable law.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such corporation no longer performs the function of a securities rating agency for any reason, the term “Moody’s” will refer to any other nationally recognized securities rating agency selected by the Authority.

“Net Proceeds” means any insurance proceeds or condemnation award paid with respect to any of the Property, which proceeds or award, after payment therefrom of all reasonable expenses incurred in the collection thereof, are in an amount greater than \$50,000.

“New AMOLA” has the meaning given such term in the SDNA.

“Non-Appropriation Event” has the meaning specified in Section 4.10 of the Project Lease.

“Office of the Trustee” means the principal corporate trust office of the Trustee in _____, California, or such other office as may be specified to the Authority and the City in writing; provided, however, that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted, which other office or agency will be specified to the Authority and the City by the Trustee in writing.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority.

“Outstanding” means, when used as of any particular time with reference to Bonds, subject to the provisions of Section 10.06 of the Indenture, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds previously canceled by the Trustee or delivered to the Trustee for cancellation, (b) Bonds paid or deemed to have been paid within the meaning of Section 9.02 of the Indenture, and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Trustee as authorized by the Indenture.

“Owner” means, with respect to a Bond, the Person in whose name the Bond is registered on the Registration Books.

“Participating Underwriter” has the meaning ascribed thereto in the applicable Continuing Disclosure Certificate.

“Payment Fund” means the fund by that name established in accordance with Section 4.05 of the Indenture.

“Permitted Encumbrances” means, with respect to the Property (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, under provisions of Section 4.11 of the Project Lease, permit to remain unpaid; (b) the Project Lease; (c) the Site Lease; (d) any right or claim of any mechanic, laborer, materialman, supplier, or vendor not filed or perfected in the manner prescribed by law, (e) easements, rights of way, mineral rights, drilling rights, and other rights, reservations, covenants, conditions, or restrictions

that exist of record as of the Closing Date; and (f) easements, rights of way, mineral rights, drilling rights, and other rights, reservations, covenants, conditions, or restrictions established after the Closing Date and certified in writing by the City as not affecting the intended use of the Property or impairing the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture.

“Permitted Investments” means any of the following:

- (a) Cash.
- (b) Direct obligations of the Department of the Treasury of the United States of America.
- (c) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America:
 - Export-Import Bank
 - Farm Credit System Financial Assistance Corporation
 - Rural Economic Community Development Administration (formerly the Farmers Home Administration)
 - General Services Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - Government National Mortgage Association (GNMA)
 - U.S. Department of Housing & Urban Development
 - Federal Housing Administration
 - Federal Financing Bank
- (d) Direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
 - Obligations of the Resolution Funding Corporation (REFCORP)
 - Senior debt obligations of the Federal Home Loan Bank System
 - Senior debt obligations of other government sponsored agencies approved by each Credit Enhancement Provider then providing Credit Enhancement for a Series of Bonds
- (e) U.S. dollar denominated deposit accounts, federal funds, and bankers’ acceptances with domestic commercial banks (including the Trustee and its affiliates) that have a rating (ratings on holding companies are not considered as the rating of the banks) on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by Standard & Poor’s and “P-1” by Moody’s and mature no more than 365 days after the date of purchase.

(f) Commercial paper that is rated at the time of purchase in the single highest classification, “A-1” by Standard & Poor’s or “P-1” by Moody’s, and matures not more than 270 days after the date of purchase.

(g) Investments in a money market fund rated at the time of investment “AAAm” or “AAAm-G” or better by Standard & Poor’s, including funds for which the Trustee or an affiliate provides investment advice or other services.

(h) Pre-refunded Municipal Obligations, defined to mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state, which are not callable at the option of the obligor before maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and for which any of the following applies:

(1) the bonds or obligations are rated at the time of purchase, based on an irrevocable escrow account or fund, in the highest rating category of Standard & Poor’s and Moody’s or any successors thereto; or

(2) the bonds or obligations are fully secured as to principal and interest and prepayment premium, if any, by an irrevocable escrow account or fund consisting only of cash or obligations described in clause (b) of this definition, which account or fund (A) may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate; and (B) is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(i) General obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state with a rating, at the time of purchase, of “Baa1/BBB+” or higher by both Moody’s and Standard & Poor’s.

(j) Any investment agreement with a financial institution or insurance company that has at the date of execution thereof an outstanding issue of unsecured, uninsured, and unguaranteed debt obligations or a claims paying ability rated (or the parent company or guarantor of which is rated) “A3” or higher by Moody’s and “A-” or higher by Standard & Poor’s.

(k) The Local Agency Investment Fund managed by the Treasurer of the State of California, as referred to in Section 16429.1 of the California Government Code, but only to the extent the investment is registered in the name of the Trustee.

(l) Shares in a common law trust established under Title 1, Division 7, Chapter 5 of the California Government Code that invests exclusively in investments permitted by Section 53601 of Title 5 Division 2, Chapter 4 of the California Government Code, as it may be amended.

(m) Investments in the City of Sacramento Investment Pool A.

(n) Any other forms of investments that relate solely to a Series of Additional Bonds, as specified in a Supplemental Indenture providing for the issuance of such Series of Additional Bonds.

“Person” means an individual, corporation, limited-liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name within the Payment Fund established under Section 4.05 of the Indenture.

“Principal Payment Date” means a date on which the principal of the Bonds becomes due and payable, either as a result of the maturity thereof or by mandatory sinking fund redemption.

“Project Lease” means the Project Lease, dated as of [Dated Date], between the City and the Authority, as originally executed and as it may from time to time be amended in accordance with its provisions.

“Property” [means the land described in Exhibit A to the Project Lease, improved with a building outfitted for use as an operating entertainment and sports center, exclusive of furnishings, fixtures, equipment, and other items of personal property which be retained in [ArenaCo]’s ownership as described in Exhibit C to the Project Lease].

“Rebate Fund” means the fund by that name established under Section 4.08 of the Indenture.

“Rebate Requirement” has the meaning ascribed to it in each Tax Certificate.

“Record Date” means (a) with respect to the Series 2014 Bonds during the Index Floating Rate Period, the Business Day immediately preceding each Interest Payment Date and (b) with respect to the Series 2014 Bonds during the Fixed Interest Rate Period and any Additional Bonds, the 15th calendar day of the month preceding each Interest Payment Date, whether or not it is a Business Day.

“Redemption Fund” means the fund by that name established under Section 4.06 of the Indenture.

“Reference Banks” means three major banks in the London interbank market.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds under Section 2.08 of the Indenture.

“Reinvestment Yield” means, with respect to Called Principal, the sum of the per annum spread determined by the remarketing agent in connection with a conversion of the Series 2014 Bonds to the Fixed Interest Rate Period plus the yield to maturity implied by the Treasury

Constant Maturity Series yields reported, for the latest day for which such yields have been so reported as of the business day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded United States Treasury securities having a constant maturity equal to the Remaining Average Life of the Called Principal as of the Settlement Date. The implied yield will be determined, if necessary, by converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and then interpolating linearly between (a) the actively traded U.S. Treasury security with the maturity closest to and greater than the Remaining Average Life of the Called Principal and (b) the actively traded U.S. Treasury security with the maturity closest to and less than the Remaining Average Life of the Called Principal.

“Remaining Average Life” means, with respect to Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing the Called Principal into the sum of the products obtained by multiplying (a) each Remaining Scheduled Payment of the Called Principal (but not of interest thereon) by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to the Called Principal and the scheduled due date of the Remaining Scheduled Payment.

“Remaining Scheduled Payments” means, with respect to Called Principal, all payments of the Called Principal and interest thereon that would be due on or after the Settlement Date with respect to the Called Principal if no payment of the Called Principal were made before its scheduled due date.

“Rental Payments” means, collectively, the Base Rental Payments and the Additional Rental Payments.

“Rental Period” means the period from the Closing Date through _____ 30, 20__ and, thereafter, the twelve-month period commencing on _____ 1 of each year during the term of the Project Lease.

“Reserve Facility” means any line of credit, letter of credit, insurance policy, surety bond, or similar instrument, in form reasonably satisfactory to the Trustee, that (a) names the Trustee as beneficiary thereof; (b) provides for payment on demand; (c) cannot be terminated by the issuer thereof so long as any of the Bonds remain Outstanding; (d) is issued by an obligor, the obligations of which under the Reserve Facility are, at the time such Reserve Facility is substituted for all or part of the moneys on deposit in the Reserve Fund, rated in one of the two highest rating categories (without regard to numerical modifiers or plus or minus signs) of Moody’s and S&P; and (e) is deposited with the Trustee under Section 4.07 of the Indenture.

“Reserve Fund” means the fund by that name established under Section 4.07 of the Indenture.

“Reserve Requirement” means, as of the date of any calculation, [the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service. With respect to the issuance of Tax-Exempt Additional Bonds, if

the Reserve Requirement would have to be increased by an amount greater than 10% of the stated principal amount of the Tax-Exempt Additional Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of the Tax-Exempt Additional Bonds), then the Bond Reserve Requirement will be such lesser amount as is determined by a deposit of such 10%.]

“Reset Date” means, during the Index Floating Rate Period, the first Business Day of each [month][January, April, July, and October].

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, except that if such entity no longer performs the functions of a securities rating agency for any reason, the term “S&P” will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Scheduled Termination Date” means [Final Maturity Date].

“Series” means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption, and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

“Series 2014 Base Rental Payments” means all amounts payable to the Authority by the City as Series 2014 Base Rental Payments under Section 3.01(b)(1) of the Project Lease.

“Series 2014 Bonds” means the Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 ([Project Description]) (Federally Taxable), issued under the Indenture.

“Settlement Date” means the date on which the Called Principal is redeemed.

“Site Lease” means the Site Lease, dated as of [Dated Date], between the City and the Authority, as originally executed and as it may from time to time be amended in accordance with its provisions and the Project Lease.

“SNDA” means the Subordination, Nondisturbance and Attornment Agreement, dated as of _____, 20__, by and among the City, the Authority, [ArenaCo], Sacramento Kings Limited Partnership and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

“Supplemental Indenture” means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate” means any tax certificate executed by the Authority at the time of issuance of a Series of Tax-Exempt Bonds, relating to the requirements of Section 148 of the Code, each as originally executed and as they may from time to time be amended in accordance with its provisions.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including interest on any Bonds, that such interest is excluded from the gross income of the holders thereof for federal income tax purposes, whether or not the interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Tender Price” means, with respect to the Series 2014 Bonds, a price equal to 100% of the principal amount of the Series 2014 Bonds, plus interest accrued and unpaid with respect thereto, if any, to, but not including, the purchase date of the Series 2014 Bonds; provided, that if the purchase date for the Series 2014 Bonds is an Interest Payment Date for the Series 2014 Bonds, accrued interest will not be included in the Tender Price but will be paid from the Interest Account.

“Trustee” means [TRUSTEE], a national banking association organized and existing under the laws of the United States of America, or any successor thereto as Trustee under the Indenture substituted in its place as provided therein.

“2014 Bond Escrow Agent” means _____.

“2014 Capitalized Interest Fund” means the fund by that name established under Section 4.03 of the Indenture.

“2014 Escrow Agreement” means the Escrow Agreement, dated as of _____ 1, 2014, between the Trustee and the 2014 Bond Escrow Agent.

“2014 Escrow Fund” means the “Escrow Fund” established under the 2014 Escrow Agreement.

“2014 Project” means the design, construction, and equipping of a multi-purpose entertainment-and-sports center.

“2014 Project Fund” means the fund by that name established under Section 4.02 of the Indenture.

“Written Certificate of the Authority” means a written certificate signed in the name of the Authority by an Authorized Authority Representative. Any such certificate may, but need not, be combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined are to be read and construed as a single instrument.

“Written Certificate of the City” means a written certificate signed in the name of the City by an Authorized City Representative. Any such certificate may, but need not, be combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined are to be read and construed as a single instrument.

“Written Request of the Authority” means a written request signed in the name of the Authority by an Authorized Authority Representative. Any such request may, but need not, be

combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined are to be read and construed as a single instrument.

“Written Request of the City” means a written request signed in the name of the City by an Authorized City Representative. Any such request may, but need not, be combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined are to be read and construed as a single instrument.

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Orrick, Herrington & Sutcliffe LLP
400 Capitol Mall, Suite 3000
Sacramento, CA 95814
Attention: Brandon R. Dias, Esq.

**Free Recording Requested Pursuant to
California Government Code Section 6103.**

SITE LEASE

between

CITY OF SACRAMENTO

and

SACRAMENTO PUBLIC FINANCING AUTHORITY

Dated as of [Dated Date]

SITE LEASE

THIS SITE LEASE (this “**Site Lease**”), dated as of [Dated Date], is between the CITY OF SACRAMENTO (the “**City**”), a municipal corporation and chartered city duly organized and existing under and by virtue of the Constitution and laws of the State of California, as lessor; and the SACRAMENTO PUBLIC FINANCING AUTHORITY (the “**Authority**”), a joint-powers authority duly organized and existing under the laws of the State of California, as lessee.

RECITALS

WHEREAS, the Authority and the City have determined to finance the design, construction, and equipping of a multi-purpose entertainment-and-sports center (the “**2014 Project**”); and

WHEREAS, to finance the 2014 Project, the City will lease [certain land and certain improvements thereto] (the “**Property**”), to the Authority under this Site Lease, and the City will sublease the Property back from the Authority under a Project Lease dated as of [Dated Date] (the “**Project Lease**”); and

WHEREAS, the Property is more particularly described in Exhibit A hereto, [excluding the fixtures, furnishings, equipment, and other items of personal property described on Exhibit C hereto]; and

WHEREAS, the City, as tenant under the Project Lease, intends to further sublease the Property to [Sacramento Downtown Arena LLC] under an [Arena Management, Operations, and Lease Agreement] dated _____, 20__; and

WHEREAS, to finance the acquisition, construction, and improvement of the 2014 Project, the Authority and the City desire to provide for the issuance under an Indenture dated as of [Dated Date] (the “**Indenture**”) between the Authority, the City, and [TRUSTEE], as trustee (the “**Trustee**”) of Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 ([Project Description]) (Federally Taxable) (the “**Series 2014 Bonds**”) in the aggregate principal amount of \$[PRINCIPAL AMOUNT]; and

WHEREAS, the Authority and the City desire to provide for the issuance of additional bonds (the “**Additional Bonds**”) payable on a parity with the Series 2014 Bonds (the Series 2014 Bonds and any such Additional Bonds being collectively referred to as the “**Bonds**”); and

WHEREAS, all acts, conditions, and things required by law to exist, to have happened, and to have been performed precedent to and in connection with the execution and entering into of this Site Lease do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Site Lease;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenants contained herein and for other valuable consideration, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS

Unless the context clearly otherwise requires, the capitalized terms in this Site Lease have the meanings specified in Exhibit B hereto.

ARTICLE II

LEASE OF THE PROPERTY; RENTAL

Section 2.01. Lease of Property. The City hereby leases to the Authority and the Authority hereby leases from the City the Property on the terms and conditions set forth in this Site Lease, subject to all Permitted Encumbrances.

Section 2.02. Rental. The Authority shall pay to the City as and for rental of the Property hereunder, the sum of \$1.00, the receipt of which amount the City hereby acknowledges. No other amounts of rental will be due and payable by the Authority for the use and occupancy of the Property under this Site Lease.

ARTICLE III

QUIET ENJOYMENT

Subject to Article V of this Site Lease, the Authority will peaceably and quietly have, hold, and enjoy all of the Property at all times during the term of this Site Lease.

ARTICLE IV

SPECIAL COVENANTS AND PROVISIONS

Section 4.01. Waste. At all times that the Authority is in possession of the Property, the Authority shall not commit, suffer, or permit any waste on the Property and shall not willfully or knowingly use or permit the use of the Property for any illegal purpose or act.

Section 4.02. Further Assurances and Corrective Instruments. The City and the Authority shall from time to time execute, acknowledge, and deliver, or cause to be executed, acknowledged, and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property hereby leased or intended so to be or for carrying out the expressed intention of this Site Lease, the Indenture, and the Project Lease.

Section 4.03. Waiver of Personal Liability.

(a) All liabilities under this Site Lease on the part of the Authority are solely liabilities of the Authority as a joint-powers authority, and the City hereby releases every director, officer, and employee of the Authority from any personal or individual liability under this Site Lease. No director, officer, or employee of the Authority will at any time or under any

circumstances be individually or personally liable under this Site Lease to the City or to any other party for anything done or omitted to be done hereunder by the Authority.

(b) All liabilities under this Site Lease on the part of the City are solely liabilities of the City as a governmental entity, and the Authority hereby releases every council member, officer, and employee of the City from any personal or individual liability under this Site Lease. No council member, officer, or employee of the City will at any time or under any circumstances be individually or personally liable under this Site Lease to the Authority or to any other party for anything done or omitted to be done hereunder by the City.

Section 4.04. Taxes. The City shall pay or cause to be paid any and all assessments of any kind or character and also all taxes, including possessory-interest taxes, levied or assessed upon the Property.

Section 4.05. Right of Entry. The City reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time to inspect the same.

Section 4.06. Representations of the City. The City represents and warrants to the Authority and the Trustee as follows:

(a) the City has the full power and authority to enter into, execute, and deliver this Site Lease and to perform all of its duties and obligations hereunder, and the City has duly authorized the execution and delivery of this Site Lease;

(b) except for Permitted Encumbrances, the Property is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien, or encumbrance that would prohibit or materially interfere with the use of the Property for its intended purposes as contemplated by the City; and

(c) all taxes, assessments, or impositions of any kind with respect to the Property, except current taxes, have been paid in full.

Section 4.07. Representations of the Authority. The Authority represents and warrants to the City and the Trustee that the Authority has the full power and authority to enter into, execute, and deliver this Site Lease and to perform all of its duties and obligations hereunder, and the Authority has duly authorized the execution and delivery of this Site Lease.

ARTICLE V

ASSIGNMENT, SELLING AND SUBLEASING

Section 5.01. Assignment, Selling and Subleasing. The Authority shall assign all of its rights hereunder to the Trustee. Except as provided in the Indenture, the Authority may not otherwise assign or sell its rights under this Site Lease without the written consent of the City. The Authority shall sublease the Property to the City under the Project Lease. Except as provided in the Project Lease, the Authority may not otherwise sublease the Property without the written consent of the City.

Section 5.02. Restrictions on City. Except for Permitted Encumbrances and except as otherwise permitted by the Project Lease, the City shall not mortgage, sell, encumber, assign, transfer, or convey the Property or any portion thereof during the term of this Site Lease.

ARTICLE VI

IMPROVEMENTS

Title to all improvements made on the Property during the term hereof will vest in the City.

ARTICLE VII

TERM; TERMINATION

Section 7.01. Term. The term of this Site Lease commences on the Closing Date and ends on the Scheduled Termination Date unless extended or sooner terminated as provided in Section 7.02.

Section 7.02. Extension; Early Termination. If, on the Scheduled Termination Date, all of the Bonds have not been fully paid or deemed to have been paid in accordance with Article IX of the Indenture, or if any Rental Payments remain due and payable under the Project Lease or have been abated at any time as required by the Project Lease, then the term of this Site Lease will be extended until the date upon which all of the Bonds have been fully paid or deemed to have been paid in accordance with Article IX of the Indenture, and all Rental Payments due and payable under the Project Lease have been paid in full, except as follows: the term of this Site Lease will in no event be extended more than [fifteen] years beyond the Scheduled Termination Date. If, before the Scheduled Termination Date, all of the Bonds have been fully paid or deemed to have been paid in accordance with Article IX of the Indenture, and if all Rental Payments due and payable under the Project Lease have been paid in full, then the term of this Site Lease will end simultaneously therewith.

Section 7.03. Action on Default.

(a) In every case upon the occurrence and during the continuance of a default by the Authority hereunder, the City will be entitled to proceed to protect and enforce the rights vested in the City by this Site Lease. The provisions of this Site Lease and the duties of the Authority and of its board, officers, or employees are enforceable by the City by mandamus or other appropriate suit, action, or proceeding in any court with jurisdiction. Without limiting the generality of the foregoing, the City has the right to bring the following actions:

(1) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or any board member, officer, or employee thereof, and to compel the Authority or any such board member, officer, or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained herein;

Sacramento, California 95814
Attention: City Treasurer

If to the Trustee:

[TRUSTEE]

Attention: _____

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request, or other communication will be deemed delivered to the party to whom it is addressed (a) if given by courier or delivery service or if personally served or delivered, upon delivery; (b) if given by telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment; (c) if given by registered or certified mail, return receipt requested and postage prepaid, 72 hours after it is deposited with the United States Mail; and (d) if given by any other means, upon delivery at the address specified in this Section.

Section 8.06. Exhibits. Exhibits A, B, and C are part of this Site Lease.

Section 8.07. Execution in Counterparts. This Site Lease may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Section 8.08. Applicable Law. This Site Lease is governed by and is to be construed in accordance with the laws of the State of California.

Section 8.09. Captions. The captions or headings in this Site Lease are for convenience only and in no way define or limit the scope or intent of any provision of this Site Lease.

IN WITNESS WHEREOF, the parties hereto have caused this Site Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first written above.

CITY OF SACRAMENTO

By: _____
Russell T. Fehr
City Treasurer

**SACRAMENTO PUBLIC FINANCING
AUTHORITY**

By: _____
Russell T. Fehr
Treasurer

EXHIBIT A

DESCRIPTION OF THE PROPERTY

All that real property situated in the County of Sacramento, State of California, described as follows, and any improvements thereto:

[Insert legal description of Property]

EXHIBIT B
MASTER DEFINITIONS

EXHIBIT C

EXCLUDED FURNISHINGS, FIXTURES, EQUIPMENT AND OTHER PERSONAL PROPERTY

[Those items of furnishings, fixtures, equipment and other items of personal property as shown on the detailed inventory list, as updated from time to time, maintained by [ArenaCo].]

CERTIFICATE OF ACCEPTANCE

In accordance with section 27281 of the California Government Code, this is to certify that the interest in the real property conveyed from the City of Sacramento, a municipal corporation and chartered city duly organized and existing under and by virtue of the Constitution and laws of the State of California (the “City”), to the Sacramento Public Financing Authority, a joint-powers authority duly organized and existing under the laws of the State of California (the “Authority”), under the Site Lease between the City and the Authority dated as of [Dated Date], is hereby accepted by the undersigned on behalf of the Authority as authorized by a resolution of the Board of Directors of the Authority adopted on _____, 2014, and the Authority consents to recordation of this Site Lease by its duly authorized officer.

Dated: _____, 2014

**SACRAMENTO PUBLIC FINANCING
AUTHORITY**

By: _____
Russell T. Fehr
Treasurer

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Orrick, Herrington & Sutcliffe LLP
400 Capitol Mall, Suite 3000
Sacramento, CA 95814
Attention: Brandon R. Dias, Esq.

**Free Recording Requested Pursuant to
California Government Code Section 6103.**

PROJECT LEASE

between

SACRAMENTO PUBLIC FINANCING AUTHORITY

and

CITY OF SACRAMENTO

Dated as of [Dated Date]

PROJECT LEASE

THIS PROJECT LEASE (this “**Project Lease**”), dated as of [Dated Date], is between the SACRAMENTO PUBLIC FINANCING AUTHORITY, a joint-powers authority duly organized and existing under the laws of the State of California (the “**Authority**”), as lessor; and the CITY OF SACRAMENTO, a municipal corporation and chartered city duly organized and existing under and by virtue of the Constitution and laws of the State of California (the “**City**”), as lessee.

RECITALS

WHEREAS, the Authority and the City have determined to finance the design, construction, and equipping of a multi-purpose entertainment-and-sports center (the “**2014 Project**”); and

WHEREAS, to finance the 2014 Project, the City has leased [certain land and certain improvements thereto] (the “**Property**”) to the Authority under a Site Lease dated as of [Dated Date] (the “**Site Lease**”); and

WHEREAS, the City is subleasing the Property back from the Authority under this Project Lease; and

WHEREAS, the Property is more particularly described in Exhibit A hereto, [excluding certain fixtures, furnishings, equipment, and other items of personal property more particularly described in Exhibit C hereto]; and

WHEREAS, the City, as tenant under this Project Lease, intends to further sublease the Property to [Sacramento Downtown Arena LLC] under an [Arena Management, Operations, and Lease Agreement], dated _____, 20__; and

WHEREAS, to finance the acquisition, construction, and improvement of the 2014 Project, the Authority and the City desire to provide for the issuance under an Indenture dated as of [Dated Date] (the “**Indenture**”), between the Authority, the City, and [TRUSTEE], as trustee (the “**Trustee**”) of Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 ([Project Description]) (Federally Taxable) (the “**Series 2014 Bonds**”) in the aggregate principal amount of \$[PRINCIPAL AMOUNT]; and

WHEREAS, the Authority and the City desire to provide for the issuance of additional bonds (the “**Additional Bonds**”) payable on a parity with the Series 2014 Bonds (the Series 2014 Bonds and any such Additional Bonds being collectively referred to as the “**Bonds**”); and

WHEREAS, all acts, conditions, and things required by law to exist, to have happened, and to have been performed precedent to and in connection with the execution and entering into of this Project Lease do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Project Lease;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenants contained herein and for other valuable consideration, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Unless the context clearly otherwise requires, the capitalized terms in this Project Lease have the meanings specified in Exhibit B hereto.

ARTICLE II

LEASE OF PROPERTY; TERM

Section 2.01. Lease of Property.

- (a) The Authority hereby leases the Property to the City and the City hereby leases the Property from the Authority on the terms and conditions set forth in this Project Lease, subject to all Permitted Encumbrances.
- (b) The parties intend and agree that the leasing of the Property by the City to the Authority under the Site Lease does not effect or result in a merger of the City's leasehold estate in the Property as lessee under this Project Lease and its fee estate in the Property as lessor under the Site Lease, and the Authority will continue to have a leasehold estate in the Property under the Site Lease throughout the terms of both leases. This Project Lease constitutes a sublease with respect to the Property. The leasehold interest in the Property granted by the City to the Authority under the Site Lease is independent of this Project Lease, and this Project Lease is not an assignment or surrender of the leasehold interest in the Property granted to the Authority under the Site Lease.

Section 2.02. Term. The term of this Project Lease commences on the Closing Date and ends on the Scheduled Termination Date unless extended or sooner terminated as provided in Section 2.03.

Section 2.03. Extension; Early Termination. If, on the Scheduled Termination Date, all of the Bonds have not been fully paid or deemed to have been paid in accordance with Article IX of the Indenture, or if any Rental Payments remain due and payable or have been abated at any time, then the term of this Project Lease will be extended until the date upon which all of the Bonds have been fully paid or deemed to have been paid in accordance with Article IX of the Indenture, and all Rental Payments due and payable have been paid in full, except as follows: the term of this Project Lease will in no event be extended more than [fifteen] years beyond the Scheduled Termination Date. If, before the Scheduled Termination Date, all of the Bonds have been fully paid or deemed to have been paid in accordance with Article IX of the Indenture, and if all Rental Payments due and payable have been paid in full, then the term of this Project Lease will end simultaneously therewith.

Section 2.04. Beneficial Use and Occupancy.

- (a) It is contemplated that the City will have use and occupancy of the Property on or before the first Base Rental Deposit Date occurring after the end of the Capitalized Interest Period, and the obligation to pay Rental Payments will commence on that date.
- (b) If for any reason the City does not have use and occupancy of the Property or any part thereof on the first Base Rental Deposit Date occurring after the end of the Capitalized Interest Period, then this lease will not be void or voidable and the Authority will not be liable to the City for any loss or damages resulting therefrom, but in that event the Rental Payments will be abated proportionately (based upon the percentage that the annual fair-rental value of the Property or the part thereof for which the City does not have use and occupancy bears to the annual fair-rental value of the Property assuming the City were to have use and occupancy of the entire Property), and the City waives the benefits of California Civil Code sections 1932(2) and 1933(4) and all other rights to terminate this Project Lease by virtue of any lack of beneficial use and occupancy, and this Project Lease will continue in full force and effect. The amount of abatement will be as specified in a Written Certificate of the City to the Trustee accompanied by a written appraisal of an independent qualified appraiser selected by the City, which appraisal must express an opinion as to the annual fair-rental value of the Property assuming the City had use and occupancy of the entire Property and the annual fair-rental value of the portion of the Property for which the City does not have use and occupancy. Abatement will continue for the period commencing after the end of the Capitalized Interest Period, and ending when the City has beneficial use and occupancy of the Property or such part, and the term of this Project Lease will be extended as provided in Section 2.03.
- (c) Notwithstanding Section 2.04(b), to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture or the 2014 Escrow Fund, Rental Payments will not be abated as provided above but rather will be payable by the City as a special obligation payable solely from those funds and accounts.

ARTICLE III

RENTAL PAYMENTS

Section 3.01. Base Rental Payments.

- (a) *General.* The Rental Payments for each Rental Period, including Base Rental Payments, will be paid by the City to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during such Rental Period. The obligation of the City to pay the Base Rental Payments does not constitute a debt of the City or of the State of California or of any political subdivision of the State in contravention of any constitutional or statutory debt limit or restriction, and it does not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation.

(b) *Base Rental Payments.*

- (1) *Series 2014 Base Rental Payments.* Subject to Section 2.04 and Section 3.06, on each Base Rental Deposit Date, the City shall pay to the Authority a Series 2014 Base Rental Payment in an amount equal to the principal of, and interest on, the Series 2014 Bonds due and payable on the next succeeding Principal Payment Date or Interest Payment Date. The amount of the Series 2014 Base Rental Payment will be reduced by the amount, if any, available in the Payment Fund, the Principal Account, or the Interest Account on the Base Rental Deposit Date to pay the principal of, or interest on, the Series 2014 Bonds. [Notwithstanding the foregoing, before the satisfaction of the conditions set forth in Section ___ of the 2014 Escrow Agreement or the Fixed Rate Conversion Date, whichever is first to occur, the sole source of payment of the Series 2014 Base Rental Payments shall be the amounts on deposit in the 2014 Escrow Fund.]
 - (2) *Additional Base Rental Payments.* Subject to Section 2.04 and Section 3.06, if any Additional Bonds are issued, then on each Base Rental Deposit Date the City shall pay to the Authority an Additional Base Rental Payment in an amount equal to the principal of, and interest on, the Additional Bonds due and payable on the next succeeding Principal Payment Date or Interest Payment Date, as applicable, including any principal due and payable by reason of mandatory sinking fund redemption of the Additional Bonds. The amount of the Additional Base Rental Payment will be reduced by the amount, if any, available in the Payment Fund, the Principal Account, or the Interest Account on the Base Rental Deposit Date to pay the principal of, or interest on, the Additional Bonds.
 - (3) *Insufficient Amounts to Pay Base Rental Payments.* If sufficient amounts are not available to pay all Base Rental Payments due on a given date, then the amounts available for the payment will be applied by the City to the payment of all Base Rental Payments due on that date on a pro-rata basis (based on the total amount available for the payment of Base Rental Payments and the Base Rental Payments then due).
- (c) *Payments other than Regularly Scheduled Payments.* If the term of this Project Lease is extended under Section 2.03, then the obligation of the City to pay Rental Payments will continue to and including the Base Rental Deposit Date preceding the extended date of termination of this Project Lease. Upon such an extension, the Base Rental Payments payable during the extended term will be established so that the Base Rental Payments will in the aggregate be sufficient to pay the unpaid principal of, and interest accrued and to accrue on, the Bonds, except that the Rental Payments payable in any Rental Period may not exceed the annual fair-rental value of the Property.

Section 3.02. Additional Rental Payments.

- (a) The City shall also pay, as Additional Rental Payments, such amounts as are required for the payment of the following:

- (1) All taxes and assessments of any type charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein.
 - (2) All reasonable administrative costs of the Authority relating to the Property, including, without limiting the generality of Section 3.02(a)(1), salaries, wages, fees, and expenses payable by the Authority under the Indenture; fees of auditors, accountants, attorneys, or engineers; and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or this Project Lease or to defend the Authority and its members, officers, agents, and employees.
 - (3) Insurance premiums for all insurance required by Article V.
 - (4) Any amounts with respect to the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Code.
- (b) The City shall pay amounts constituting Additional Rental Payments directly to the person or persons to whom such amounts are payable. The City shall pay all such amounts when due or at such later time as the amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the City stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Section 3.03. Fair Rental Value. The parties have agreed and determined that the Rental Payments are not in excess of the annual fair-rental value of the Property.

Section 3.04. Payment Provisions; Rate on Overdue Payments.

- (a) Each installment of Base Rental Payments must be paid in lawful money of the United States of America to or upon the order of the Authority at the Office of the Trustee or at such other place or to such other entity as the Authority may designate. Notwithstanding any dispute between the Authority and the City, the City shall make all Rental Payments when due without deduction or offset of any kind and shall not withhold any Rental Payments pending the final resolution of the dispute. In the event of a determination that the City was not liable for the Rental Payments or any portion thereof, the payments or excess of payments, as the case may be, will be credited against subsequent Rental Payments due hereunder or, at the election of the City, will be refunded at the time of such determination.
- (b) If the City fails to make any Base Rental Payment when due, then the Base Rental Payment in default will continue as an obligation of the City (limited in accordance with Section 2.04 and Section 3.06) until the amount in default is fully paid. The City shall pay the amount of any Base Rental Payment in default, with interest thereon, to the extent permitted by law, from the date of default to the date of payment at a rate equal to the interest rate on the applicable Bonds.

Section 3.05. Appropriations Covenant; Rental Payments to Constitute a Current Expense of the City.

- (a) The City covenants to take such action as may be necessary to include all Rental Payments in its annual budgets for the City's General Fund and to make necessary annual appropriations for all such Rental Payments. The City's covenants in this Section are deemed to be duties imposed by law, and every public official of the City has a duty to take such action and do such things as are required by law in the performance of the official duty of those officials to enable the City to carry out and perform these covenants.
- (b) The Authority and the City understand and intend that the City's obligation to pay Rental Payments constitutes a current expense of the City's General Fund and is not a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the City's creation of indebtedness. The Authority and the City further understand and intend that nothing in this Indenture constitutes a pledge of the City's general tax revenues, funds, or moneys. Rental Payments are payable only from current funds that are budgeted and appropriated or otherwise legally available for the purpose of paying Rental Payments or other payments due as consideration for use and occupancy of the Property. This Project Lease does not create an immediate indebtedness for any aggregate payments that may become due if the term of this Project Lease is extended. The City has not pledged the full faith and credit of the City, the State of California, or any agency or department of the State to the payment of the Rental Payments or any other payments due.

Section 3.06. Rental Abatement.

- (a) Except as otherwise specifically provided in this Section 3.06, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property, Rental Payments are to be abated proportionately (based upon the percentage that the annual fair-rental value of the Property or the part thereof for which there has been such substantial interference bears to the annual fair-rental value of the Property absent such substantial interference), and the City waives the benefits of California Civil Code sections 1932(2) and 1933(4) and all other rights to terminate this Project Lease by virtue of any such interference, and this Project Lease will continue in full force and effect. The amount of abatement will be as specified in a Written Certificate of the City to the Trustee accompanied by a written appraisal of an independent qualified appraiser selected by the City, which appraisal must express an opinion as to the annual fair-rental value of the Property absent such substantial interference and the annual fair-rental value of the portion of the Property for which there has been substantial interference. Abatement will continue for the period commencing with the date of interference resulting from the damage, destruction, condemnation, or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and the term of this Project Lease will be extended as provided in Section 2.03.

- (b) Notwithstanding Section 3.06(a), to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments will not be abated as provided above but rather will be payable by the City as a special obligation payable solely from those funds and accounts.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES; COVENANTS AND AGREEMENTS

Section 4.01. Power and Authority of the City. The City represents and warrants to the Authority and the Trustee that the City (a) has the full power and authority to enter into, execute, and deliver this Project Lease, the Site Lease, and the Indenture and to perform all of its duties and obligations under those documents; and (b) has duly authorized the execution and delivery of this Project Lease, the Site Lease, and the Indenture.

Section 4.02. Power and Authority of the Authority. The Authority represents and warrants to the City and the Trustee that the Authority (a) has the full power and authority to enter into, execute, and deliver this Project Lease, the Site Lease, and the Indenture and to perform all of its duties and obligations under those documents; and (b) has duly authorized the execution and delivery of this Project Lease, the Site Lease, and the Indenture.

Section 4.03. Net-Net-Net Lease. This Project Lease is a “net-net-net lease,” and the Rental Payments will be an absolute net return to the Authority, free and clear of any expenses, charges, or set-offs and notwithstanding any dispute between the City and the Authority.

Section 4.04. Disclaimer of Warranties. THE AUTHORITY MAKES NO AGREEMENT, WARRANTY, OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROPERTY. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE PROPERTY OR A DEALER THEREIN, THAT THE CITY LEASES THE PROPERTY AS IS, AND THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY.

Section 4.05. Quiet Enjoyment. At all times during the term of this Project Lease, the City will peaceably and quietly have, hold, and enjoy the Property without suit, trouble, or hindrance from the Authority, except as expressly provided herein.

Section 4.06. Right of Entry. The Authority has the right to enter upon and to examine and inspect the Property during reasonable business hours (and at all times during emergencies) for any purpose connected with the Authority’s rights or obligations under this Project Lease and for all other lawful purposes.

Section 4.07. Use of the Property. The City shall not use, operate, or maintain the Property improperly, in violation of any applicable law, or in a manner contrary to that contemplated by this Project Lease. In addition, the City shall comply in all respects (including, without limitation, with respect to the use, maintenance, and operation of the Property) with all laws of the jurisdictions in which its operations may extend and any legislative, executive,

administrative, or judicial body exercising any power or jurisdiction over the Property, except that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner that does not, in the reasonable opinion of the Authority, adversely affect the estate of the Authority in and to any of the Property or its interest or rights under this Project Lease.

Section 4.08. Maintenance and Utilities. As part of the consideration for rental of the Property, all improvement, repair, and maintenance of the Property is the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water, and all other utility services; and the City shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the City. The Authority agrees to provide only the Property in exchange for the Rental Payments.

Section 4.09. Acquisition and Construction of the 2014 Project. The City shall promptly take or cause to be taken all actions permitted by law and shall do or cause to be done all things permitted by law that are necessary to enforce any contract providing for the acquisition or construction of any portion of the 2014 Project, including any contract with [ArenaCo] providing for the acquisition or construction of any portion of the 2014 Project.

Section 4.10. Reserve Fund Requirements.

- (a) On each ____ 1, commencing on the ____ 1 following the establishment of the Reserve Fund under Section 4.07(a) of the Indenture (each a “**Valuation Date**”) all Permitted Investments held in the Reserve Fund are required to be valued under Section 4.09 of the Indenture. If the valuation of the Permitted Investments in the Reserve Fund on the Valuation Date under Section 4.09 of the Indenture results in the amount on deposit in the Reserve Fund plus the amount available under all available Reserve Facilities being equal to or greater than [100]% of the Reserve Requirement, then the City will be under no further obligation in respect of that Valuation Date. If the valuation of the Permitted Investments in the Reserve Fund on the Valuation Date under Section 4.09 of the Indenture results in the amount on deposit in the Reserve Fund plus the amount available under all available Reserve Facilities being less than [100]% of the Reserve Requirement, then the Trustee will so advise the City, and the City shall cause to be included in its budget to be submitted to the City Council for the Fiscal Year first commencing after that Valuation Date funds from which to fund in the Reserve Fund the difference between the Reserve Requirement on that Valuation Date and the amount on deposit in the Reserve Fund plus the amount available under all available Reserve Facilities on that Valuation Date, and the City will submit the budget to the City Council no later than the _____ following that Valuation Date.
- (b) Notwithstanding anything to the contrary in this Project Lease, if the City Council declines to appropriate funds for such payment (a “**Non-Appropriation Event**”), then the City will have no further obligation to pay any deficiency in the Reserve Requirement in respect of that Valuation Date. A Non-Appropriation Event does not constitute a

Lease Default Event. The City shall deliver notice to the Trustee of any Non-Appropriation Event as promptly as possible.

- (c) The obligation of the City to pay amounts under this Section 4.10 constitutes a current expense of the City and is not a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, and nothing in this Section 4.10 constitutes a pledge of the City's general tax revenues, funds, or moneys. Amounts due under this Section 4.10 are payable only from current funds that are budgeted and appropriated or otherwise legally available for the purpose of paying amounts due during the Fiscal Year of the City for which the funds were budgeted and appropriated or otherwise made legally available for that purpose. This Project Lease does not create an immediate indebtedness for any aggregate payments that may become due if amounts are not appropriated. The City has not pledged the full faith and credit of the City, the State of California, or any agency or department of the State to the payment of the amounts due under this Section 4.10.

Section 4.11. Taxes. The City shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates therein. With respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall pay the installments or cause them to be paid only as and when they become due. Upon notice to the Authority and the Trustee, the City or any sublessee may, at the City's or the sublessee's expense and in its name, in good faith contest any such taxes, assessments, utility, and other charges and, in the event of any such contest, may permit the taxes, assessments, or other charges so contested to remain unpaid during the period of the contest and any appeal therefrom unless the Authority or the Trustee notifies the City or the sublessee that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Property will be materially endangered or the Property, or any part thereof, will be subject to loss or forfeiture, in which event the City or the sublessee shall promptly pay such taxes, assessments, or charges or provide the Authority with full security against any loss that may result from nonpayment, in form satisfactory to the Authority and the Trustee.

Section 4.12. Liens. If at any time during the term of this Project Lease the City causes any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied in or upon the Property, then the City shall pay or cause to be paid, when due, all sums of money that may become due for, or are purported to be for, any labor, services, materials, supplies, or equipment furnished or alleged to have been furnished to or for the City in, upon, or about the Property and are secured by a mechanics', materialmen's or other lien against the Property or the Authority's interest therein, and the City shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by the lien matures or becomes due, except that, if the City desires to contest any such lien, it may do so as long as the contest is in good faith. If any such lien is reduced to final judgment and the judgment or any process as may be issued for its enforcement is not promptly stayed, or if so stayed and the stay thereafter expires, then the City shall forthwith pay and discharge the judgment.

Section 4.13. Compliance With Law, Regulations, Etc. The City represents and warrants, after reasonable inquiry, that (a) it has no actual knowledge that the Property or the use thereof or any practice, procedure, or policy employed by the City in the conduct of its business with respect to the Property materially violates any Laws and Regulations; and (b) it has not given or received any written notice regarding such a violation.

Section 4.14. No Condemnation. The City shall not exercise the power of condemnation with respect to the Property. If for any reason a court with jurisdiction holds this Section 4.14 to be unenforceable and the City condemns the Property, or if the City breaches this Section 4.14, then the City agrees that the value of the City's leasehold estate in the Property under this Project Lease will be not less than the greater of [(a) the amount sufficient to redeem the Bonds in accordance with the Indenture if the Bonds are then subject to redemption, or (b) the amount sufficient to defease the Bonds to the first available redemption date in accordance with the Indenture if the Bonds are not then subject to redemption.]

ARTICLE V

INSURANCE

Section 5.01. Public Liability and Property Damage Insurance; Workers' Compensation Insurance.

- (a) The City shall maintain reasonable and customary liability insurance. The City's obligations under this Section 5.01(a) may be satisfied by self-insurance if the self-insurance complies with Section 5.03.
- (b) The City shall maintain or cause to be maintained casualty insurance insuring the Property against fire, lightning, and all other risks covered by an extended coverage endorsement (excluding earthquake) to the full insurable value of the Property, subject to a \$100,000 loss deductible provision. The insurance required under this Section 5.01(b) may be maintained in whole or in part in the form of self-insurance if the self-insurance complies with Section 5.03.
- (c) The City shall maintain or cause to be maintained workers' compensation insurance covering all City employees working in or on the Property, in the same amount and type as other workers' compensation insurance maintained by the City for similar employees doing similar work (and the City shall also require any other person or entity working in or on the Property to carry the foregoing amount of workers' compensation insurance). The insurance required under this Section 5.01(c) may be maintained in whole or in part in the form of self-insurance if the self-insurance complies with Section 5.03.
- (d) The City shall maintain or cause to be maintained rental-interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered by Section 5.01(b) in an amount not less than an amount sufficient to pay the Base Rental Payments for any 24-month period. The insurance required under

this Section 5.01(d) may not be maintained in whole or in part in the form of self-insurance.

Section 5.02. Additional Insurance Provision; Form of Policies. The City shall pay or cause to be paid when due the premiums for all insurance policies required by Section 5.01. Each policy must require that the insurer give the Trustee 30-days' notice of the policy's expiration, of any intended cancellation of the policy, or of any reduction in the coverage provided by the policy. The Trustee will be fully protected in accepting payment on account of such insurance or any adjustment, compromise, or settlement of any loss agreed to by the Trustee. The City shall cause to be delivered to the Trustee on or before July 1 of each year, commencing the July 1 following the Closing Date, a Written Certificate of the City stating that the insurance required by Section 5.01 is in full force and effect. The Trustee may rely upon the Written Certificate of the City as to the City's compliance with Section 5.01. The Trustee will not be responsible for the sufficiency of the coverage or the amounts of any insurance policies required by Section 5.01.

Section 5.03. Self-Insurance. Any self-insurance maintained by the City under this Article V must comply with the following terms:

- (a) The self-insurance program must be approved by the City's Risk Manager.
- (b) The self-insurance program must include an actuarially sound claims-reserve fund out of which each self-insured claim will be paid. Each year the City's Risk Manager will evaluate the adequacy of each claims-reserve fund, and the City shall remedy any deficiencies in any claims-reserve fund in accordance with the recommendation of the City's Risk Manager.
- (c) The self-insured claims-reserve fund must be held in a separate trust fund by an independent trustee, which may be the Trustee under the Indenture.
- (d) If the self-insurance program is discontinued, then the City shall maintain the actuarial soundness of its claims-reserve fund as determined by the City's Risk Manager.

Section 5.04. Title Insurance. The City shall provide, at its own expense, one or more California Land Title Association leasehold-owner's title-insurance policies for the Property, in the aggregate amount of not less than the aggregate principal amount of the Bonds. The policy or policies must insure (a) the Authority's leasehold estate in the Property under the Site Lease and (b) the City's leasehold estate in the Property under this Project Lease, subject only to Permitted Encumbrances. Alternatively, the City may insure either or both of these leasehold estates through endorsements to one or more California Land Title Association leasehold-owner's title-insurance policies. All Net Proceeds received under the policy or policies must be deposited with the Trustee and applied as provided in Section 5.02 of the Indenture. So long as any of the Bonds remain Outstanding, each policy of title insurance obtained as required by this Section 5.04 must provide that all policy proceeds be payable to the Trustee for the benefit of the Owners.

ARTICLE VI

EMINENT DOMAIN; RIGHT TO REDEEM

Section 6.01. Eminent Domain. If all of the Property (or portions thereof such that the remainder is not usable for public purposes by the City) are taken under the power of eminent domain, then the term of this Project Lease will cease as of the day possession is taken. If less than all of the Property is taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of the taking, then this Project Lease will continue in full force and effect as to the remainder, the parties waive the benefits of any law to the contrary, and Rental Payments will be partially abated in accordance with Section 3.06. So long as any Bonds are Outstanding, and subject to the Arena Sublease, any award made in eminent domain for the taking of the Property, or any portion thereof, and received by the City will be paid to the Trustee and applied to the redemption of Bonds as provided in Sections 3.01 and 5.01 of the Indenture. Any award remaining after all of the Bonds and all other amounts due under the Indenture and this Project Lease have been fully paid will be paid to the City.

Section 6.02. Right to Redeem Bonds; Prepayment of Base Rental Payments.

- (a) The City has the right to prepay any Base Rental Payments and cause Bonds to be redeemed under, and in accordance with, Section 3.02 of the Indenture by providing the Trustee with funds sufficient for that purpose (which funds may be derived by the City from any source) and giving notice of the City's prepayment as provided in Section 6.02(b).
- (b) To exercise its right to prepay Base Rental Payments and cause Bonds to be redeemed under Section 6.02(a), the City must give written notice to the Trustee of its intention to exercise that right, specifying the date on which prepayment and redemption will be made, which date may not be less than the time required for giving notice of redemption to Owners of the Bonds to be redeemed plus two Business Days (unless otherwise agreed by the Trustee), and specifying the Series, maturities, and amounts of Bonds to be redeemed.
- (c) The City has the right to prepay any Base Rental Payments and cause Bonds to be deemed to have been paid under, and in accordance with, Article IX of the Indenture by providing the Trustee with funds sufficient for that purpose (which funds may be derived by the City from any source) and satisfying or causing to be satisfied all other requirements for the deemed payment as provided in Article IX of the Indenture.

ARTICLE VII

ASSIGNMENT AND SUBLETTING; SUBSTITUTION OR RELEASE; TITLE

Section 7.01. Assignment and Subleasing.

- (a) The City shall not sell, mortgage, pledge, assign, or transfer this Project Lease or any interest in it, whether by voluntary act or by operation of law or otherwise, except that the

City may sublease the Property in whole or in part subject to the following conditions, which are conditions precedent to such a sublease:

- (1) This Project Lease and the obligation of the City to make all Rental Payments under this Project Lease must remain the primary obligation of the City.
- (2) Within 30 days after the delivery of the sublease, the City shall furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of the sublease.
- (3) The sublease must explicitly provide that it is subject to all rights of the Authority under this Project Lease.

(b) Notwithstanding Section 7.01(a), the City may enter into the Arena Sublease.

Section 7.02. Substitution or Release of the Property. The City has the right to substitute other real property for any portion of the Property or to release a portion of the Property from this Project Lease. The City shall bear all costs and expenses incurred in connection with any substitution or release. A substitution or release under this Section 7.02 will not cause a reduction in, or abatement of, the Base Rental Payments due from the City. Each substitution or release of any portion of the Property is subject to the following conditions, which are conditions precedent to such a substitution or release:

- (a) The City and the Authority must have executed, and the Trustee must have consented to, amendments to the Site Lease and this Project Lease that contain the amended description of the Property as constituted after the substitution and release, and the City must have caused the amendments to be duly recorded with Sacramento County Clerk/Recorder.
- (b) The City must have filed with the Trustee a Written Certificate of the City certifying that (1) the sum of Base Rental Payments plus Additional Rental Payments due under the Project Lease in any Rental Period is not in excess of the annual fair-rental value of the Property as constituted after the substitution or release, (2) the Property as constituted after the substitution or release has a useful life equal to or greater than the remaining term of the Bonds, and (3) the City has beneficial use and occupancy of the Property as constituted after such substitution or release.
- (c) The City must have obtained or caused to be obtained a California Land Title Association leasehold-owner's title-insurance policy or policies (or an amendment or endorsement to an existing policy or policies) with respect to the Property as constituted after the substitution or release, in substantially the same form as required by Section 5.04 and in an amount at least equal to the principal amount of the Bonds then Outstanding.
- (d) The City must have filed or caused to be filed with the Trustee an Opinion of Counsel to the effect that the substitution or release will not, in and of itself, cause the interest on Tax-Exempt Bonds to be included in gross income for federal income-tax purposes.

Section 7.03. Title to Property. Upon the termination or expiration of this Project Lease, and the first date upon which no Bonds are any longer Outstanding, all right, title, and interest in and

to the Property will vest in the City. Upon termination or expiration, the Authority will execute such conveyances, deeds, and other documents as may be necessary to effect vesting of record.

ARTICLE VIII

LEASE DEFAULT EVENTS AND REMEDIES

Section 8.01. Lease Default Events. The occurrence from time to time of any one or more of the following events constitutes a Lease Default Event under this Project Lease:

- (a) The failure of the City to pay any Base Rental Payment payable under this Project Lease when the same becomes due and payable, time being of the essence in this Project Lease.
- (b) The failure by the City to observe and perform any of the other covenants, agreements, or conditions in this Project Lease (other than a Non-Appropriation Event, which is not a Lease Default Event) if the failure continues for 30 days after the City receives the Trustee's written notice specifying the failure and requiring the same to be remedied, subject to the following: if, in the reasonable opinion of the City, the failure specified in the notice can be corrected but not within the 30-day period, then the failure will not constitute a Lease Default Event so long as the City begins corrective action within the 30-day period and thereafter diligently and in good faith cures the failure within a reasonable time that does not exceed 90 days unless the Trustee consents in writing to a longer period.
- (c) Except as otherwise expressly permitted by this Project Lease, the assignment or transfer, either voluntarily or by operation of law or otherwise, of the City's interest in this Project Lease or any part thereof without the Authority's written consent.
- (d) The City's abandonment of the Property.
- (e) The City or any assignee files any petition or institutes any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City (1) asks or seeks or prays to be adjudicated a bankrupt or to be discharged from any or all of its debts or obligations; or (2) offers its creditors to effect a composition or extension of time to pay its debts; or (3) asks, seeks, or prays for reorganization or to effect a plan of reorganization, or for a readjustment of its debts, or for any other similar relief.
- (f) Any petition or any proceedings of the same or similar kind or character as those described in Section 8.01(e) is filed, instituted, or taken against the City; or a receiver of the business or of the property or assets of the City is appointed by any court, except a receiver appointed at the instance or request of the Authority; or the City makes a general or any assignment for the benefit of the City's creditors.

Section 8.02. Action on Default.

- (a) In every case during the continuance of a Lease Default Event under this Project Lease, the Authority has the right, without terminating this Project Lease, to collect each installment of Rental Payments as the same become due and to enforce any other terms or provisions of this Project Lease to be kept or performed by the City, regardless of whether the City has abandoned the Property. The City will remain liable and shall keep or perform all covenants and conditions to be kept or performed by the City under this Project Lease and shall pay the full amount of the Rental Payments to the end of the term of this Project Lease at the same time and in the same manner as provided in Article III for the payment of Rental Payments.
- (b) The remedies provided in this Section 8.02 and the remedies provided in Section 8.03 are the sole and exclusive remedies of the Authority under this Project Lease. The Authority hereby expressly waives any right to re-enter and re-let the Property or terminate this Project Lease. Without limiting the generality of the preceding two sentences, the Authority and the City hereby waive the remedies for a breach of the Project Lease provided in California Civil Code sections 1951 to 1952.2, inclusive, and contract instead for the remedies provided by this Project Lease.

Section 8.03. Other Remedies. In addition to the remedies provided in Section 8.02(a), during the continuance of a Lease Default Event under this Project Lease, the Authority will be entitled to proceed to protect and enforce the rights vested in the Authority by this Project Lease. The provisions of this Project Lease and the duties of the City and of its city council, officers, and employees are enforceable by the Authority by mandamus or other appropriate suit, action, or proceeding in any court with jurisdiction. Without limiting the generality of the preceding two sentences, the Authority has the right to bring the following actions:

- (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any council member, officer, or employee thereof, and to compel the City or any such council member, officer, or employee to perform or carry out his or her duties under law and the agreements and covenants required to be performed by him or her contained in this Project Lease;
- (b) by suit in equity to enjoin any acts or things that are unlawful or violate the rights of the Authority; or
- (c) by suit, action, or proceeding in any court with jurisdiction, to require the City and its city council, officers, and employees to account as if it or they were the trustee or trustees of an express trust.

Section 8.04. No Acceleration. Notwithstanding anything to the contrary in this Project Lease, the Authority has no right to accelerate Rental Payments upon the occurrence or continuance of a default or a Lease Default Event under this Project Lease.

Section 8.05. Remedies Not Exclusive. Subject to Section 8.02, no remedy conferred upon or reserved to the Authority by this Project Lease is intended to be exclusive of any other remedy. Each such remedy will be cumulative and in addition to every other remedy given by this Project

Lease or now or hereafter existing in law or in equity or by statute or otherwise, and each may be exercised without exhausting and without regard to any other remedy conferred by any law. If any statute or rule of law validly limits the remedies given to the Authority by this Project Lease, then the Authority nevertheless will be entitled to whatever remedies are allowable under any statute or rule of law.

Section 8.06. Waiver. No delay or omission of the Authority to exercise any right or power arising from the occurrence of any default or Lease Default Event will impair any such right or power or be construed to be a waiver of any such default or Lease Default Event or an acquiescence therein, and every power and remedy given by this Project Lease to the Authority may be exercised from time to time and as often as may be deemed expedient. A waiver of a particular default or Lease Default Event is not a waiver of any other default or Lease Default Event or of the same default or Lease Default Event subsequently occurring. The acceptance of Rental Payments under this Project Lease will not be a waiver of any term, covenant, or condition of this Project Lease.

Section 8.07. Attorney's Fees. If the Authority prevails in any action brought to enforce this Project Lease, then the City shall pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority.

ARTICLE IX

AMENDMENTS

Section 9.01. Amendments.

- (a) This Project Lease and the Site Lease may be amended at any time with the prior written consent of the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 10.06 of the Indenture, subject to the following:
 - (1) The amendment must be in writing and may not (A) extend the payment date of any Base Rental Payment or reduce the amount of any Base Rental Payment without the prior written consent of the Owner of each Bond so affected; (B) authorize the amendment of this Project Lease or the Site Lease under Section 9.01(a) with the written consent of the Owners of less than a majority of the aggregate principal amount of the Bonds then Outstanding without the prior written consent of the Owners of all Bonds then Outstanding; or (C) amend this Section 9.01 without the prior written consent of the Owners of all Bonds then Outstanding.
 - (2) The written consent of the Owners of a Series of Bonds may be effected through either (A) a consent by the underwriter of the Series of Bonds at the time of the issuance of the Series of Bonds or (B) a provision of a Supplemental Indenture that deems the Owners purchasing the Series of Bonds to consent for purposes of this Section 9.01(a) by virtue of their purchase of the Series of Bonds.

- (b) This Project Lease and the Site Lease may also be amended at any time without the written consents of any Owners for any one or more of the following purposes:
- (1) To add to the covenants and agreements of the City or the Authority other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the City or the Authority.
 - (2) To cure any ambiguity, inconsistency, or omission; or to cure or correct any defective provision; or to address issues the City or the Authority may deem desirable or necessary to address, but only if the amendment is not inconsistent with this Project Lease.
 - (3) To provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which the Series of Additional Bonds may be issued, subject to and in accordance with Section 2.04 and Section 2.05 of the Indenture.
 - (4) To provide for the substitution or release of a portion of the Property in accordance with Section 7.02.
 - (5) To make such additions, deletions, or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income-tax purposes of interest on Tax-Exempt Bonds or to maintain any federal interest subsidies expected to be received with respect to any Bonds.
 - (6) To make such other changes as the City or the Authority may deem desirable or necessary, but only if the changes do not materially adversely affect the interests of the Owners.
 - (7) For any other reason, so long as the amendment becomes effective only after either (A) the remarketing of all of the Outstanding Bonds on a mandatory tender date for all Outstanding Bonds or (B) the redemption, payment, or defeasance of all Bonds Outstanding immediately prior to the effective date of the amendment.

ARTICLE X

MISCELLANEOUS

Section 10.01. Authority Not Liable. The Authority and its directors, officers, employees, and agents are not liable to the City or to any other party for any death, injury, or damage that may result to any person or property by or from any cause in, on, or about the Property. To the extent permitted by law, the City shall, at its expense, indemnify and hold the Authority and its directors, officers, employees, and agents harmless against and from all claims by or on behalf of any Person arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct, or management of any work done in or about the Property or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Property or the occupancy or use thereof, but excepting the negligence or willful misconduct of the persons or entity seeking

If to the Authority: Sacramento Public Financing Authority
c/o City of Sacramento
915 I Street, Historic City Hall, 3rd Floor
Sacramento, California 95814
Attention: City Treasurer

If to the Trustee: [TRUSTEE]

Attention: _____

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request, or other communication will be deemed delivered to the party to whom it is addressed (a) if given by courier or delivery service or if personally served or delivered, upon delivery; (b) if given by telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment; (c) if given by registered or certified mail, return receipt requested and postage prepaid, 72 hours after it is deposited with the United States Mail; and (d) if given by any other means, upon delivery at the address specified in this Section.

Section 10.07. Exhibits. Exhibits A, B, and C are part of this Project Lease.

Section 10.08. Execution in Counterparts. This Project Lease may be simultaneously executed in several counterparts, each of which will be deemed an original, and all of which will constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Project Lease to be executed by their duly authorized officers, all as of the day and year first written above.

**SACRAMENTO PUBLIC FINANCING
AUTHORITY**

By: _____
Russell T. Fehr
Treasurer

CITY OF SACRAMENTO

By: _____
Russell T. Fehr
City Treasurer

EXHIBIT A

DESCRIPTION OF THE PROPERTY

All that real property situated in the County of Sacramento, State of California, described as follows, and any improvements thereto:

[Insert legal description of Property]

EXHIBIT B
MASTER DEFINITIONS

EXHIBIT C

**EXCLUDED FURNISHINGS, FIXTURES, EQUIPMENT
AND OTHER PERSONAL PROPERTY**

[Those items of furnishings, fixtures, equipment and other items of personal property as shown on the detailed inventory list, as updated from time to time, maintained by [ArenaCo].]

CERTIFICATE OF ACCEPTANCE

In accordance with section 27281 of the California Government Code, this is to certify that the interest in the real property conveyed from the Sacramento Public Financing Authority, a joint-powers authority duly organized and existing under the laws of the State of California (the "Authority"), to the City of Sacramento, a municipal corporation and chartered city duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), under the Project Lease between the Authority and the City dated as of [Dated Date], is hereby accepted by the undersigned on behalf of the City as authorized by a resolution of the Sacramento City Council adopted on _____, 2014, and the City consents to recordation of this Project Lease by its duly authorized officer.

Dated: _____, 2014

CITY OF SACRAMENTO

By: _____

Russell T. Fehr
City Treasurer

SACRAMENTO PUBLIC FINANCING AUTHORITY

\$ _____
LEASE REVENUE BONDS, SERIES 2014
([Project Description])
(Federally Taxable)

BOND PURCHASE AGREEMENT

_____, 2014

Sacramento Public Financing Authority
c/o City of City Treasurer
City of Sacramento
915 I Street, Third Floor
Sacramento, California 95814

Mayor and City Council
City of Sacramento
915 I Street, Fifth Floor
Sacramento, California 95814

Ladies and Gentlemen:

The undersigned, Goldman, Sachs & Co. (the “**Purchaser**”), offers to enter into this Bond Purchase Agreement (which, together with Exhibit A, is referred to as the “**Purchase Agreement**”) with the Sacramento Public Financing Authority (the “**Authority**”) and the City of Sacramento, California (the “**City**”), which, upon the acceptance of the Authority and the City, will be binding upon the Authority, the City and the Purchaser. This offer is made subject to acceptance by the Authority and by the City by the execution of this Purchase Agreement and delivery of the same to the Purchaser prior to 5:00 P.M., Pacific Time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Purchaser upon notice delivered to the Authority and the City at any time prior to the acceptance hereof by the Authority and the City. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Limited Offering Memorandum (as defined herein).

1. Purchase and Sale.

(a) Subject to the terms and conditions herein set forth, the Purchaser hereby agrees to purchase from the Authority and the City, and the Authority and the City hereby agree to issue, sell and deliver to the Purchaser all (but not less than all) of the Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 (Project Description) (Federally Taxable) in the aggregate principal amount of \$ _____ (the “**Series 2014 Bonds**”). The purchase price for the Series 2014 Bonds is \$ _____ (being the aggregate principal amount thereof plus net original issue [premium][discount] of \$ _____ [and less a purchaser’s discount of \$ _____]).

(b) The Series 2014 Bonds will be dated as of their date of delivery. The Series 2014 Bonds will initially bear interest in the Index Floating Rate Period. The Applicable Spread of the Series 2014 Bonds for the initial Index Floating Rate Period shall be ____%. The initial interest rate for the Series 2014 Bonds for the period commencing on and including the Closing Date to but excluding the first Reset Date is ____%. Thereafter, during the Index Floating Rate Period, the Series 2014 Bonds shall bear interest at the Index Floating Rate, which shall be determined by the Calculation Agent on each Reset Date after the Closing Date[, but shall not be greater than ____%]. The Series 2014 Bonds will mature on the dates and be subject to tender as set forth in Exhibit A hereto. The Series 2014 Bonds are being issued pursuant to an Indenture, dated as of _____ 1, 2014 (the “**Indenture**”), by and among the City of Sacramento (the “**City**”), the Authority and _____, as trustee (the “**Trustee**”). The Series 2014 Bonds are limited obligations of the Authority, secured by, and payable solely from, the amounts pledged therefor under the Indenture.

(c) The City hereby authorizes the Purchaser’s use of the Limited Offering Memorandum (and all information contained therein) for that purpose.

(d) [Notwithstanding anything herein to the contrary, the City’s and the Authority’s representations, warranties and covenants herein are qualified as they relate to the [name of case(s)] (the “**Litigation**”).]

2. Relationship of the Parties. The City, the Authority and the Purchaser acknowledge and agree (a) that the primary role of the Purchaser, as purchasers, is to purchase securities from the City, in an arm’s-length commercial transaction between the City, the Authority and the Purchaser; (b) that the Purchaser, on the one hand, and the City and the Authority, on the other hand, have different financial and other interests; (c) the Purchaser is not acting as a municipal advisor, financial advisor, or fiduciary to the City or the Authority and has not assumed any advisory or fiduciary responsibility to the City or the Authority with respect to the transaction contemplated hereby and the discussions, undertakings, and procedures leading thereto (irrespective of whether the Purchaser has provided other services or is currently providing other services to the City or the Authority on other matters); (d) the only contractual obligations the Purchaser has to the City and/or the Authority with respect to the transaction contemplated hereby are expressly set forth in this Purchase Agreement; and (e) the City, the Authority and the Purchaser have each consulted their own financial and municipal, legal, accounting, tax, and other advisors, as applicable, to the extent they have deemed appropriate. [Nothing in this section is intended to limit the Purchaser’s obligation of fair dealing under MSRB Rule G-17.]

3. The Series 2014 Bonds. While the Series 2014 Bonds bear interest in the Index Floating Rate Period, the Series 2014 Bonds will [solely/primarily] be payable from and secured by the Escrow Fund. [In addition, to the extent available, the Series 2014 Bonds shall be secured by Lease Revenues consisting primarily of base rental payments (“**Base Rental Payments**”) to be paid by the City pursuant to the Project Lease (the “**Project Lease**”), dated as of _____ 1, 2014, by and between the City and the Authority. The Authority’s right to receive the Base Rental Payments due under the Project Lease and to exercise remedies upon default under such Project Lease shall be assigned to the Trustee for the benefit of the owners of the Series 2014 Bonds pursuant to the Indenture.]

The proceeds of the Series 2014 Bonds shall be used: (a) make [a deposit/required transfers] to the Escrow Fund[, (b) pay the costs of the acquisition, construction, installation and equipping of

the Project, (c) fund capitalized interest on the Series 2014 Bonds through _____, 20__ (d) fund a reserve fund for the Series 2014 Bonds,] and (e) pay costs of issuance of the Series 2014 Bonds.

The Series 2014 Bonds, this Purchase Agreement, the Indenture, the Project Lease, the Site Lease, dated as of _____ 1, 2014, by and between the Authority and the City (the “**Site Lease**”) and the execution and delivery of the Authority Documents (hereinafter defined) are collectively referred to herein as the “**Authority Documents.**”

This Purchase Agreement, the Indenture, the Project Lease and the Site Lease are collectively referred to herein as the “**City Documents.**”

On the Closing Date, [a portion of] the proceeds of the Series 2014 Bonds will be deposited in an escrow agreement, by and among the Purchaser, the Trustee and the [ESCROW AGENT] (the “**Escrow Agreement**”), which will provide for the Escrow Agent to hold and maintain an Escrow Fund (the “**Escrow Fund**”). [In addition, pursuant to the Indenture the City will make a deposit to the Escrow Fund in the amount required to be deposited therein pursuant to the Indenture.]

4. The Limited Offering Memorandum. Pursuant to the City Resolution, the City has approved the form and delivery to the Purchaser of the Limited Offering Memorandum, dated _____ __, 2014 (together with any amendment or supplement thereto, the “**Limited Offering Memorandum**”).

5. Closing. At 8:00 a.m., Pacific Time, on _____ __, 2014 (the “**Closing Date**”), or at such other time or date as the Authority, the City and the Purchaser agree upon, the Authority shall deliver or cause to be delivered to the Trustee, and the Trustee shall deliver or cause to be delivered to [the Purchaser/The Depository Trust Company, New York New York (“**DTC**”) (or its Fast Automated Securities Transfer agent)], the Series 2014 Bonds in definitive form, duly executed and authenticated. Concurrently with the delivery of the Series 2014 Bonds, the Authority and the City will deliver the documents hereinafter mentioned at the offices of Orrick Herrington & Sutcliffe LLP, Sacramento, California (“**Bond Counsel**”), or another place to be mutually agreed upon by the Authority, the City and the Purchaser. The Purchaser will accept such delivery and pay the purchase price of the Series 2014 Bonds as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Series 2014 Bonds, together with the delivery of the aforementioned documents, is herein called the “**Closing.**”

The Series 2014 Bonds shall be registered in the name of [the Purchaser/Cede & Co., as nominee of DTC] in denominations of \$_____ or any integral multiple of \$[100,000/5,000] shall be made available to the Purchaser at least one (1) business day before the Closing for purposes of inspection and packaging. [The Authority and the City acknowledge that the services of DTC will be used initially by the Purchaser in order to permit the issuance of the Series 2014 Bonds in book-entry form, and agree to cooperate fully with the Purchaser in employing such services.]

6. Representations, Warranties and Covenants of the Authority. The Authority represents, warrants and covenants to the Purchaser and the City that:

(a) The Authority is a public body, duly organized and existing under the Constitution and laws of the State of California (the “**State**”), including the Joint Exercise of Powers Agreement, dated as of February 25, 2014 and effective April 29, 2014, between the

City and the Housing Authority of the City (the “**JPA Agreement**”) and the Joint Exercise of Powers Act (Government Code Division 7, Chapter 5, Section 6500 et seq.) (the “**JPA Act**”).

(b) On or before the date hereof, the Authority has duly taken all action necessary to be taken by it before that date for (1) the execution, delivery, and performance of the Authority Documents; (2) the distribution of the Limited Offering Memorandum; and (3) the carrying out, giving effect to, consummation, and performance of the transactions and obligations contemplated hereby and by the Limited Offering Memorandum; provided that no representation is made with respect to compliance with the securities or “Blue Sky” laws of the various states of the United States.

(c) The resolution of the Authority authorizing the issuance of the Series 2014 Bonds (the “**Authority Resolution**”) has been duly adopted by the Board of Directors of the Authority at a meeting called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout. The Authority Resolution is in full force and effect and has not been modified or supplemented. This Purchase Agreement has been duly executed and delivered by the Authority and, assuming the due execution and delivery by the Purchaser and the City, is the legal, valid, and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except that the binding effect and enforceability thereof may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors’ rights generally (including, without limitation, fraudulent conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by the limitations on legal remedies against public entities in the State.

(d) When executed and delivered by the Authority, the Authority Documents will have been duly executed and delivered by the Authority and will be the legal, valid, and binding obligations of the Authority, enforceable against the Authority in accordance with their terms, except that the binding effect and enforceability thereof may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors’ rights generally (including, without limitation, fraudulent conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by limitations on legal remedies against public entities in the State.

(e) When the Series 2014 Bonds are issued, authenticated, and delivered in accordance with the Indenture and paid for by the Purchaser as provided for herein, the Series 2014 Bonds will be legally valid and binding obligations of the Authority, enforceable in accordance with their terms, except as such enforceability may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors’ rights generally (including, without limitation, fraudulent-conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or

(4) by the exercise of judicial discretion in appropriate cases; or (5) by the limitations on legal remedies against public entities in the State. The Series 2014 Bonds will be entitled to the benefits of, and secured by, the Indenture.

(f) To the actual knowledge of the Authority as of the date hereof, and except as otherwise disclosed in the Limited Offering Memorandum, the adoption of the Authority Resolution, the execution and delivery of the Authority Documents, the compliance with the terms, conditions, or provisions hereof and thereof, and the consummation of the transactions herein and therein contemplated do not and will not in any material way (1) conflict with, or constitute a violation of, any constitutional provision or any law (or any regulations, order, writ, injunction, or decree of any court or governmental instrumentality applicable to the Authority); or (2) result in a breach of, or default on, any resolution, agreement, or instrument to which the Authority is a party; or (3) result in the creation or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority pursuant to any resolution, agreement, or instrument to which the Authority is a party or by which it or any of its properties is bound other than the lien created by the Indenture.

(g) To the actual knowledge of the Authority as of the date hereof, and except as described in the Limited Offering Memorandum, all authorizations, consents, and approvals of, notices to, registrations or filings with, or actions in respect of, any governmental body, agency, or other instrumentality or court required in connection with the execution, delivery, and performance by the Authority of this Purchase Agreement, the Series 2014 Bonds, the Indenture, and the Authority Resolution have or will have been obtained, given, or taken and will be in full force and effect as of the Closing Date; provided that no representation is made with respect to compliance with the securities or “Blue Sky” laws of the various states of the United States.

(h) To the actual knowledge of the Authority as of the date hereof, and except as described in the Limited Offering Memorandum, the Authority has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or body (1) seeking to restrain or enjoin the execution, sale, or delivery of the Series 2014 Bonds; or (2) contesting or affecting in any way the validity or enforceability of the Authority Documents or the Authority Resolution; or (3) contesting in any way the [completeness or] accuracy of the Limited Offering Memorandum or any amendment or supplement thereto; or (4) contesting the powers or authority of the Authority with respect to the Authority Documents or the Authority Resolution; or (5) affecting the Authority wherein an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the financial condition or solvency of the Authority or affect the validity or enforceability of, or the authority or ability of the Authority to perform its obligations under, the Authority Documents or the Authority Resolution. [Qualifications regarding CEQA litigation to be discussed]

(i) The Authority shall cooperate with the Purchaser in the qualification of the Series 2014 Bonds for offering and sale and the determination of the eligibility of the Series 2014 Bonds for investment under the laws of such jurisdictions as the Purchaser designates and shall continue any such qualification in effect so long as required for the distribution of the Series 2014 Bonds by the Purchaser; provided that the Authority is not required to consent to service of process in any jurisdiction or to expend any funds in connection with

such qualification. The Authority is not responsible for compliance with or the consequences of failure to comply with applicable “Blue Sky” laws.

(j) The information in the Limited Offering Memorandum set forth under the captions “INTRODUCTION—The Authority” and “THE AUTHORITY” [does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.]

(k) Any certificate signed by any officer of the Authority authorized to execute such certificate in connection with the execution, sale and delivery of the Series 2014 Bonds and delivered to the Purchaser shall be deemed a representation of the Authority to the Purchaser and the City as to the statements made therein but not of the person signing such certificate.

7. Representations, Warranties and Covenants of the City. The City represents, warrants and covenants to the Purchaser and the Authority that:

(a) The City is a municipal corporation duly organized and existing under its charter and the Constitution and laws of the State of California (the “State”). The City has full power and authority to take all actions required or permitted to be taken by the City by or under, and to perform and observe the covenants and agreements on its part contained in the City Documents.

(b) On or before the date hereof, the City has duly taken all action necessary to be taken by it before that date for (1) the execution, delivery, and performance of the City Documents; (2) the delivery of the Limited Offering Memorandum to the Purchaser; and (3) the carrying out, giving effect to, consummation, and performance of the transactions and obligations contemplated hereby and by the Limited Offering Memorandum; provided that no representation is made with respect to compliance with the securities or “Blue Sky” laws of the various states of the United States.

(c) The City Resolution has been duly adopted by the Sacramento City Council at a meeting called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout. The City Resolution is in full force and effect and has not been modified or supplemented. This Purchase Agreement has been duly executed and delivered by the City and, assuming the due execution and delivery by the Purchaser and the Authority, is the legal, valid, and binding obligation of the City, enforceable against the City in accordance with its terms, except that the binding effect and enforceability thereof may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors’ rights generally (including, without limitation, fraudulent conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by the limitations on legal remedies against public entities in the State.

(d) When executed and delivered by the City, the City Documents will have been duly executed and delivered by the City and, and, assuming the due execution and delivery by the other parties thereto, will be the legal, valid, and binding obligations of the City, enforceable against the City in accordance with their terms, except that the binding effect and enforceability thereof may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by limitations on legal remedies against public entities in the State.

(e) To the actual knowledge of the City as of the date hereof, and except as otherwise disclosed in the Limited Offering Memorandum, the adoption of the City Resolution, the execution and delivery of the City Documents, the compliance with the terms, conditions, or provisions hereof and thereof, and the consummation of the transactions herein and therein contemplated do not and will not in any material way (1) conflict with, or constitute a violation of, the City Charter or any constitutional provision or any law (or any regulations, order, writ, injunction, or decree of any court or governmental instrumentality applicable to the City); or (2) result in a breach of, or default on, any resolution, agreement, or instrument to which the City is a party; or (3) result in the creation or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of the properties or assets of the City pursuant to any resolution, agreement, or instrument to which the City is a party or by which it or any of its properties is bound other than the lien created by the Indenture.

(f) To the actual knowledge of the City as of the date hereof, and except as described in the Limited Offering Memorandum, all authorizations, consents, and approvals of, notices to, registrations or filings with, or actions in respect of, any governmental body, agency, or other instrumentality or court required in connection with the execution, delivery, and performance by the City of the City Documents and the City Resolution have or will have been obtained, given, or taken and will be in full force and effect as of the Closing Date; provided that no representation is made with respect to compliance with the securities or "Blue Sky" laws of the various states of the United States.

(g) To the actual knowledge of the City as of the date hereof, and except as described in the Limited Offering Memorandum, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or body (1) seeking to restrain or enjoin the execution, sale, or delivery of the Series 2014 Bonds; or (2) contesting or affecting in any way the validity or enforceability of the City Documents or the City Resolution; or (3) contesting in any way the [completeness or] accuracy of the Limited Offering Memorandum or any amendment or supplement thereto; or (4) contesting the powers or authority of the City with respect to the City Documents or the City Resolution; or (5) affecting the City wherein an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the financial condition or solvency of the City or affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, the City Documents and the City Resolution.

(h) The City shall cooperate with the Purchaser in the qualification of the Series 2014 Bonds for offering and sale and the determination of the eligibility of the Series 2014 Bonds for investment under the laws of such jurisdictions as the Purchaser designates and shall continue any such qualification in effect so long as required for the distribution of the Series 2014 Bonds by the Purchaser; provided that the City is not required to consent to service of process in any jurisdiction or to expend any funds in connection with such qualification. The City is not responsible for compliance with or the consequences of failure to comply with applicable “Blue Sky” laws.

(i) Except with respect to statements and information under the caption “CEQA LITIGATION, which are addressed in the next sentence, the Limited Offering Memorandum (excluding the statements and information relating to the DTC and the book-entry system, as to which no opinion need be expressed), as of the date hereof, [does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading. To the actual knowledge of the City, the statements and information under the caption “CEQA LITIGATION” in the Limited Offering Memorandum, as of the date hereof, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading.]

(j) [From and after the Closing Date, if the City obtains actual knowledge of any fact or event which affects the correctness [or completeness] of any statement of a material fact contained in the Limited Offering Memorandum, the City will promptly notify the Purchaser in writing of the circumstances and details of such event. The City agrees to prepare an amendment or supplement to the Limited Offering Memorandum, at its own expense, if in the reasonable judgment of the City or the Purchaser, such amendment or supplement is necessary to ensure that at all times the Limited Offering Memorandum does not contain any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.][Notification Requirements to be discussed]

(k) The City hereby agrees that it (i) will permit the Purchaser and parties to which the Purchaser is considering selling Bond to in the initial Index Floating Rate Period (“**Prospective Purchasers**”) to perform such reasonable inquiries and investigations in connection with their potential purchase of the Bonds, (ii) will make appropriate City officials available to answer such reasonable questions of the Purchaser or Prospective Purchasers in connection with their potential purchase of the Bonds, and (iii) will provide to Purchaser and Prospective Purchasers copies of such documents and other information reasonably relating to information, in each case, that is important or reasonably appropriate to an investment in the Series 2014 Bonds.[Mechanism for Purchaser to Notify City of Potential Purchaser to be discussed]

(l) [The transfer and pledge of the proceeds of the Series 2014 Bonds transferred to the Escrow Fund by the City and the Authority under the terms and conditions of the Indenture by the City are legal and valid actions by the City and the Authority. The transfer and pledge of amounts by the City not constituting proceeds of the Series 2014 Bonds transferred to the Escrow Fund by the City are legal and valid actions by the City and the Authority.]

(m) Any certificate signed by an authorized representative of the City and delivered in connection with the transactions contemplated by the Limited Offering Memorandum and this Purchase Agreement will be deemed to be a representation and warranty by the City to the Purchaser as to the statements made therein.

(n) [Except as disclosed in the Limited Offering Memorandum, the City has not failed to comply in the last five years in any material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of events as required by the Rule.]

(o) [The Audited Financial Statements of the City for the Fiscal Year ended June 30, 2013, as contained in Appendix B to the Limited Offering Memorandum, fairly and accurately present the financial condition of the City as of such date, and, except as referred to in or contemplated by the Limited Offering Memorandum, there has not been, nor does the City anticipate that there will be, any adverse change of a material nature in the financial position, assets, properties, results of operations, or condition (financial or otherwise) of the City.]

(p) [The City hereby agrees that it will include the CUSIPs for the Series 2014 Bonds in any continuing disclosure filing by the City that relates to bonds or other forms of indebtedness that are primarily payable from the General Fund of the City.]

(q) Any certificate signed by any officer of the City authorized to execute such certificate in connection with the execution, sale and delivery of the Series 2014 Bonds and delivered to the Purchaser shall be deemed a representation of the City to the Purchaser and the Authority as to the statements made therein but not of the person signing such certificate.

8. Representations, Warranties and Covenants of the Purchaser. The Purchaser represents, warrants and covenants to the City and the Authority that:

(a) [The Purchaser has full power and authority to execute and deliver this Purchase Agreement and to carry out the terms hereof and, when executed and delivered by the Purchaser, this Purchase Agreement will have been duly and validly authorized, executed and delivered by the Purchaser, and, assuming due authorization, execution and delivery by the other parties hereto, will be a valid and binding obligation of the Purchaser and will be in full force and effect, except as limited by bankruptcy, insolvency, liquidation, moratorium, readjustment of debt, reorganization or similar laws relating to the enforcement of creditors' rights generally.

(b) The Purchaser shall sign an investment letter in the form attached hereto as Exhibit B.

(c) The Purchaser is registered and in good standing with the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corporation ("SIPC"), and shall abide by all rules and regulations of FINRA, SIPC and the Securities and Exchange Commission in connection with the offer and sale of the Bonds.

(d) The Purchaser may at any time sell or otherwise transfer to one or more transferees all or a portion of the Series 2014 Bonds to a person that is a "qualified

institutional buyer” as defined in Rule 144A promulgated under the 1933 Act; provided, that before effecting any such transfer, the person purchasing the Series 2014 Bonds shall execute and deliver an investor letter in form and substance substantially similar to Exhibit C hereto.]

9. Conditions to the Obligations of the Purchaser. The obligations of the Purchaser under this Purchase Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the City and the Authority of their obligations and agreements to be performed hereunder and to the accuracy of and compliance with the representations, warranties, covenants, and agreements of the City and the Authority contained herein, in each case on and as of the date of delivery of this Purchase Agreement. The obligations of the Purchaser hereunder are also subject to the following further conditions:

(a) The representations, warranties and covenants of the City and the Authority contained herein shall be true, complete and correct at the date hereof.

(b) The City Documents, the City Resolution, the Authority Documents and the Authority Resolution shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the City Documents, the City Resolution, the Authority Documents, the Authority Resolution and the Limited Offering Memorandum shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Purchaser, and the City must have adopted, and there must be in full force and effect, such additional resolutions, agreements, opinions, and certificates, which such additional resolutions, agreements, opinions, and certificates must be satisfactory in form and substance to the Purchaser and its counsel, and there must have been taken in connection therewith and in connection with the issuance of the Series 2014 Bonds all such actions as are, in the opinion of each, necessary in connection with the transactions contemplated hereby; [Qualifications regarding litigation to be discussed]

(c) No default shall have occurred or be existing under the City Documents or the Authority Documents, and the City shall not be in default in the payment of principal or interest with respect to any of its financial obligations.

(d) At or prior to the Closing, the Purchaser shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Purchaser:

- (1) All resolutions relating to the Series 2014 Bonds adopted by the Authority and certified by an authorized official of the Authority authorizing the issuance of the Series 2014 Bonds and the execution and delivery of the Authority Documents;
- (2) All resolutions relating to the Series 2014 Bonds adopted by the City and certified by an authorized official of the City authorizing the execution and delivery of the City Documents and the delivery of the Series 2014 Bonds and the Limited Offering Memorandum;
- (3) The City Documents and the Authority Documents duly executed and delivered by the respective parties thereto, with only such amendments,

modifications or supplements as may have been agreed to in writing by the Purchaser;

- (4) The Escrow Agreement duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Purchaser;
- (5) [A due diligence undertaking by [TEAM], in form an substance satisfactory to the Purchaser;]
- (6) The approving opinion of Bond Counsel[, qualified in all respects with respect to the effect of the Litigation] dated the Closing Date and addressed to the Authority and the City, in substantially the form attached as [Appendix E] to the Limited Offering Memorandum, and a reliance letter thereon addressed to the Purchaser;
- (7) A supplemental opinion of Bond Counsel dated the Closing Date and addressed to the Purchaser, to the effect that:
 - (A) the statements in the Limited Offering Memorandum under the captions [“INTRODUCTION,”] “THE SERIES 2014 BONDS,” “SECURITY FOR THE SERIES 2014 BONDS” and “TAX MATTERS,” and [in Appendix D—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS,”] insofar as such statements expressly summarize provisions of the Indenture, Project Lease, Site Lease and Bond Counsel’s final opinion relating to the Series 2014 Bonds, are accurate in all material respects as of the Closing Date;
 - (B) The Purchase Agreement has been duly authorized, executed and delivered by the City and the Authority and is the valid, legal and binding agreement of the City and the Authority, enforceable in accordance with its terms, except that the rights and obligations under the Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein; and [Qualifications regarding litigation to be discussed]
 - (C) [The Series 2014 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;]

- (8) The Limited Offering Memorandum, executed on behalf of the Authority and City;
- (9) [Evidence that one rating agency has assigned a rating indication with respect to the Series 2014 Bonds in the investment grade category of such rating agency;]
- (10) A certificate, dated the Closing Date, signed by a duly authorized officer of the Authority satisfactory in form and substance to the Purchaser to the effect that: (i) the representations, warranties and covenants of the Authority contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the Authority, and the Authority has complied with all of the terms and conditions of this Purchase Agreement required to be complied with by the Authority at or prior to the Closing Date; [(ii) to the best of such officer's knowledge, no event affecting the Authority has occurred since the date of the Limited Offering Memorandum which should be disclosed in the Limited Offering Memorandum for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect;] and (iii) the information and statements contained in the Limited Offering Memorandum under the captions "INTRODUCTION—The Authority" and "THE AUTHORITY" [did not as of its date and do not as of the Closing contain an 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 in any material respect];
- (11) A certificate, dated the Closing Date, signed by the appropriate City representatives and in form and substance satisfactory to the Purchaser, to the effect that, to the current actual knowledge of such representatives as of the Closing Date: (i) the representations and warranties of the City contained in this Purchase Agreement are accurate on and as of the Closing Date as if made on that date; (ii) the City Documents have been executed and are in full force and effect; (iii) the City has complied or is then in compliance with all agreements and has satisfied all conditions on its part to be observed or satisfied under each City Document at or before the Closing; [(iv) between the date of the Limited Offering Memorandum and the date of the certificate, there has been no material adverse change in the condition (financial or otherwise) of the Project, whether or not arising from transactions in the ordinary course of business, as described in the Limited Offering Memorandum;] and (v) the representatives have examined the Limited Offering Memorandum, and in their opinion and to their knowledge, the Limited Offering Memorandum [as of its date and as of the Closing Date did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading];
- (12) An opinion dated the Closing Date and addressed to the Purchaser, the Authority and the City, of the City Attorney of the City of Sacramento, as

counsel to the Authority, to the effect that: [Qualifications regarding litigation to be discussed]

- (A) The Authority is a public body, organized and existing under the Constitution and laws of the State, including the JPA Act and the JPA Agreement;
- (B) The resolution relating to the Series 2014 Bonds adopted by the Authority and certified by an authorized official of the Authority authorizing the issuance and sale of the Series 2014 Bonds and the execution and delivery of the Authority Documents and the Limited Offering Memorandum has been duly adopted at a regular meeting of the Authority, and is in full force and effect and has not been modified, amended, rescinded or repealed since the date of its adoption;
- (C) The Authority Documents have been duly authorized, executed and delivered by the Authority and constitute valid, legal and binding agreements of the Authority enforceable in accordance with their respective terms;
- (D) Except as otherwise disclosed in the Limited Offering Memorandum and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process having been accomplished, or threatened in writing against the Authority, challenging the creation, organization or existence of the Authority, or the validity of the Authority Documents [or seeking to restrain or enjoin the collection of Base Rental Payments with respect to the Project Lease][or payments to the Escrow Agreement] or the repayment of the Series 2014 Bonds or in any way contesting or affecting the validity of the Authority Documents or the Authority Resolution or contesting the authority of the Authority to enter into or perform its obligations under any of the Authority Documents or the Authority Resolution;
- (E) the execution and delivery of the Authority Documents and the issuance of the Series 2014 Bonds and compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject, which breach or default has or may have a material adverse effect on the ability of the Authority to perform its obligations under the Authority Documents or the Authority Resolution;
- (F) no authorization, approval, consent, or other order of the State or any other governmental body within the State is required for the valid

authorization, execution and delivery of the Authority Documents or the Limited Offering Memorandum by the Authority or the consummation by the Authority of the transactions on its part contemplated therein, except such as have been obtained and except such as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Series 2014 Bonds by the Purchaser; and

- (G) [based on the information made available to such counsel in its role as counsel to the Authority, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Limited Offering Memorandum under the caption entitled “THE AUTHORITY,” nothing has come to its attention which would lead it to believe that the statements contained in the above-referenced caption as of the date of the Limited Offering Memorandum and as of the Closing Date (excluding therefrom the financial and statistical data and forecasts included therein, as to which no opinion is expressed) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;]

in each case subject to the exceptions and limitations described in the Legal Opinion Accord included in the Third-Party Legal Opinion Report of the ABA Section of Business Law (1991) and the “California Provisions” as defined 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), and certain other standard exceptions and limitations specified in the opinion of the City Attorney or his designee.

- (13) an opinion dated the Closing Date and addressed to the Purchaser, of the City Attorney of the City of Sacramento, to the effect that: [Qualifications regarding litigation to be discussed]
 - (A) the City is a municipal corporation duly organized and validly existing under its charter and the Constitution and the laws of the State;
 - (B) the City has duly approved Limited Offering Memorandum relating to the Series 2014 Bonds;
 - (C) the Sacramento City Council duly adopted the City Resolution at a meeting called and held according to law with all public notice required by law and at which a quorum was present and acting throughout, and the City Resolution is in full force and effect and has not been amended, modified, or rescinded;

- (D) the City has full right and lawful authority to execute and deliver the City Documents, and the City has duly authorized, executed, and delivered the Limited Offering Memorandum and the City Documents;
- (E) the City Documents are legally valid and binding obligations of the City enforceable against the City in accordance with their terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent-conveyance laws); or (ii) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (iii) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (iv) by the exercise of judicial discretion in appropriate cases or; (v) by the limitations on legal remedies against public entities in the State, and provided that no opinion need be expressed with respect to any indemnification or contribution provision contained in the City Documents;
- (F) to the actual knowledge of the City Attorney or his designee as of the date of the opinion, the adoption of the City Resolution and the execution and delivery of the Series 2014 Bonds, the Indenture, this Purchase Agreement, and compliance with the provisions hereof and thereof, under the circumstances contemplated thereby and hereby, do not and will not in any material way (i) conflict with or constitute on the part of the City a breach of, or default on, any agreement or other instrument applicable to, or binding upon, the City or any of its properties; or (ii) violate the City Charter; or (iii) violate any existing law, regulation, court order, or consent decree to which the City or any of its properties are subject; and
- (G) except as described in the Limited Offering Memorandum, to the actual knowledge of the City Attorney or his designee as of the date of the opinion, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or body (i) that contests in any way the [completeness or] accuracy of the Limited Offering Memorandum; or (ii) in which an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the financial condition of the Project or on the transactions contemplated by the Purchase Agreement or the Limited Offering Memorandum; or (iii) that is likely to adversely affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, the City Resolution or the City Documents;

in each case subject to the exceptions and limitations described in the Legal Opinion Accord included in the Third-Party Legal Opinion Report of the ABA Section of Business Law (1991) and the "California Provisions" as defined 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), and certain other standard exceptions and limitations specified in the opinion of the City Attorney or his designee.[Qualifications regarding litigation to be discussed];

- (14) [An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel to the Authority and the City, dated the Closing Date and addressed to City, Authority and the Purchaser, to the effect that, based on the information made available to it in its role as Disclosure Counsel, without having undertaken to determine independently the accuracy, [completeness] or fairness of the statements contained in the Limited Offering Memorandum, but on the basis of their participation in the above-mentioned conferences, and in reliance thereon and on the records, documents, certificates and matters mentioned above, such counsel advises such parties as a matter of fact and not opinion that, during the course of such counsel's role as disclosure counsel with respect to the Series 2014 Bonds, no facts came to the attention of the attorneys in such firm rendering legal services in connection with such role which caused them to believe that the Limited Offering Memorandum as of its date (excluding therefrom any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the information in Appendix __, __, __, __ to the Limited Offering Memorandum, or any information about book-entry or DTC and the statements and information under the caption "CEQA LITIGATION," included therein, as to all of which no opinion is expressed) contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and [The Series 2014 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;]]
- (15) An opinion of Nixon Peabody LLP, counsel to the Purchaser, dated the Closing Date, addressed to the Purchaser to the effect that, although such attorneys have not undertaken to check the accuracy[, completeness] or fairness of, or verified the information contained in, the Limited Offering Memorandum, and are therefore unable to make any representation in that regard, such attorneys have participated in conferences prior to the date of the Limited Offering Memorandum with representatives of the City, the Authority, the Purchaser and others, during which conferences the contents of the Limited Offering Memorandum and related matters were discussed. Based upon the information made available to such attorneys in the course of their participation in such conferences, their review of the documents referred to above, their reliance on the certificates and the opinions of counsel described above and their understanding of applicable law, such attorneys do not believe that the Limited Offering Memorandum (excluding therefrom any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the information in Appendix __, __, __, __ to the Limited Offering Memorandum, or any information about book-entry or DTC, included therein, as to all of which

no opinion is expressed) as of its date contained, or as of the date of such opinion, contains, any untrue statement or a material fact, or as of its date omitted, or as of the date of such opinion omits, to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and the Series 2014 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];

- (16) [An opinion of _____, counsel to the [TEAM], dated the Closing Date, addressed to the Purchaser to the effect that, although such attorneys have not undertaken to check the accuracy[, completeness] or fairness of, or verified the information contained in, the Limited Offering Memorandum, and are therefore unable to make any representation in that regard, such attorneys have participated in conferences prior to the date of the Limited Offering Memorandum with representatives of the City, the Authority, the Purchaser and others, during which conferences the contents of the Limited Offering Memorandum and related matters were discussed. Based upon the information made available to such attorneys in the course of their participation in such conferences, their review of the documents referred to above, their reliance on the certificates and the opinions of counsel described above and their understanding of applicable law, such attorneys do not believe that the statements and information contained under the caption “CEQA LITIGATION” contained in the Limited Offering Memorandum as of its date contained, or as of the date of such opinion, contains, any untrue statement or a material fact, or as of its date omitted, or as of the date of such opinion omits, to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;]
- (17) [An opinion of _____, counsel to the [TEAM], dated the Closing Date, addressed to the Purchaser to the effect that [NO MERIT LITIGATION OPINION];]
- (18) An opinion of counsel to the Trustee, addressed to the Purchaser and dated the Closing Date, in form and substance satisfactory to the Purchaser;
- (19) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee in form and substance satisfactory to the Purchaser;
- (20) An opinion of counsel to the Escrow Agent, addressed to the Purchaser and dated the Closing Date, in form and substance satisfactory to the Purchaser;
- (21) A certificate, dated the Closing Date, signed by a duly authorized official of the Escrow Agent in form and substance satisfactory to the Purchaser;
- (22) An ALTA title policy regarding the status of the title of the Property in form and substance satisfactory to the Purchaser; [THIS WOULD BE SUBJECT TO THE EXCEPTION FOR THE EMINENT DOMAIN ACTION]

- (23) [The 2014 Guaranteed Investment Contract, duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Purchaser;]
- (24) The preliminary and final Notice of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;
- (25) [A copy of the executed Blanket Issuer Letter of Representations by and between the Authority and DTC relating to the book-entry system;]
- (26) Certified copies of the JPA Agreement and all amendments thereto and related certificates issued by the Secretary of State of the State;
- (27) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture and the authentication and delivery of the Series 2014 Bonds by the Trustee;
- (28) [Evidence of insurance as required by the Project Lease; and]
- (29) Such additional legal opinions, certificates, proceedings, instruments or other documents as Bond Counsel or the Purchaser may reasonably request.

10. Termination. [Timing of signature to be discussed]

- (a) If the City cannot satisfy the conditions to the obligations of the Purchaser to be satisfied by the City under this Purchase Agreement, and satisfaction of such conditions is not waived by the Purchaser then this Purchase Agreement will terminate with the effect stated in Section 10(c) below.
- (b) The Purchaser may terminate this Purchase Agreement, with the effect stated in Section 10(c) below, at any time after the date of this Purchase Agreement and at or before the Closing by notifying the City in writing of its election so to do if, in the reasonable judgment of the Purchaser, between the date hereof and the Closing, the marketability of the Series 2014 Bonds has been materially adversely affected by reason of any of the following:
 - (1) Legislation is enacted, introduced in the Congress, or recommended for passage by the President of the United States; or a decision is rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States; or an order, ruling, regulation (final, temporary or proposed), or official statement is issued or made by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Series 2014 Bonds, or the Series 2014 Bonds themselves, including any or all underlying arrangements, are not exempt

from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended.

- (2) The declaration of war or engagement or significant escalation in major military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government of, or the financial community in, the United States.
- (3) The declaration of a general banking moratorium by federal, New York, or California authorities, or the general suspension of trading on any national securities exchange.
- (4) The occurrence of a major financial crisis, a material disruption in commercial banking or securities settlement or clearance services, or a material disruption or deterioration in the fixed income or municipal securities market.
- (5) The imposition by the New York Stock Exchange or other national securities exchange, or by any governmental authority, of any material restrictions not now in force with respect to the Series 2014 Bonds or obligations of the general character of the Series 2014 Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Purchaser.
- (6) An order, decree, or injunction of any court having jurisdiction, or an order, ruling, regulation, or official statement by the Securities and Exchange Commission or by any other governmental agency having jurisdiction of the subject matter is issued or made to the effect that the issuance, offering, or sale of obligations of the general character of the Series 2014 Bonds, or the issuance, offering, or sale of the Series 2014 Bonds themselves, including any or all underlying obligations, as contemplated hereby or by the Limited Offering Memorandum, is or would be in violation of the federal securities laws as amended and then in effect.
- (7) [Any rating agency rating the Series 2014 Bonds downgrades, suspends, or withdraws (or announces its intent to downgrade, suspend, or withdraw) any rating of the Series 2014 Bonds, or issues any negative qualification with respect to the Series 2014 Bonds (such as being placed on “credit watch” with negative implications or “negative outlook” or any similar qualification).]
- (8) Any event occurs, or information becomes known that, in the reasonable judgment of the Purchaser, makes untrue in any material respect any statement or information contained in the Limited Offering Memorandum, or has the effect that the Limited Offering Memorandum contains any untrue statement of 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.]

- (c) If this Purchase Agreement is terminated as herein provided, then the parties hereto will have no obligations to each other except as provided in Section 12.

11. Purchaser Representative. As used in this Purchase Agreement, “Purchaser Representative” means, if there is a Holder of a majority of the aggregate principal amount of the Series 2014 Bonds then Outstanding, such Holder, and, in the absence of such Holder, the Holder appointed by the Holders of a majority of the aggregate principal amount of the Series 2014 Bonds then Outstanding to serve in such capacity.

12. Expenses. Whether or not the transactions contemplated by this Purchase Agreement are consummated, the Purchaser shall be under no obligation to pay, and the City shall pay from [the proceeds of the Series 2014 Bonds or other] legally available funds, but only as the Authority and such other party providing such services may agree, all expenses and costs of the Authority and the City incident to the performance of their obligations in connection with the authorization, execution, sale and delivery of the Series 2014 Bonds to the Purchaser, including, without limitation, printing costs, rating agency fees and charges, initial fees of the Trustee and Escrow Agent, including fees and disbursements of their counsel, if any, fees and disbursements of Bond Counsel, and other professional advisors employed by the Authority or the City, costs of preparation, printing, signing, transportation, delivery and safekeeping of the Series 2014 Bonds and for expenses (included in the expense component of the spread) incurred by the Purchaser on behalf of City’s employees which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those employees. The Purchaser shall pay all out-of-pocket expenses of the Purchaser, including, without limitation, the fees and expenses of its counsel, advertising expenses, the California Debt and Investment Advisory Commission fee, CUSIP Services Bureau charges, regulatory fees imposed on new securities issuers and any and all other expenses incurred by the Purchaser in connection with the purchase of the Series 2014 Bonds. [Certain payments may be in the form of inclusion of such expenses in the expense component of the Purchaser’s discount.]

13. Notices. Any notice or other communication to be given to the Purchaser under this Purchase Agreement may be given by delivering the same in writing to Goldman, Sachs & Co., 2121 Avenue of the Stars, Suite 2600, Los Angeles, California 90067, Attention: Tim Rohmer. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given the Authority under this Purchase Agreement may be given by delivering the same in writing to the Sacramento Public Financing Authority, c/o City of Sacramento Treasurer, 915 I Street, Third Floor, Sacramento, California 95814. Any notice or communication to be given the City under this Purchase Agreement may be given by delivering the same in writing to the City of Sacramento City of Sacramento Treasurer, 915 I Street, Third Floor, Sacramento, California 95814.

14. Parties in Interest. This Purchase Agreement is made solely for the benefit of the Authority, the City and the Purchaser [(including the successors or assigns thereof)] and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the Authority and the City in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Purchaser and shall survive the delivery of and payment for the Series 2014 Bonds. [This Purchase Agreement may not be assigned by either party without the express written consent of the other party.]

15. Survival. All covenants, representations and warranties of the City, Authority and Purchaser contained in this Purchase Agreement shall survive the issuance and delivery of the Series 2014 Bonds.

16. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

17. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

18. Governing Law. This Purchase Agreement shall be governed by the laws of the State.

GOLDMAN, SACHS & CO.

By: _____
Title: Authorized Officer

Accepted as of the date first stated above:

CITY OF SACRAMENTO

By: _____
Its: City Treasurer

SACRAMENTO PUBLIC FINANCING AUTHORITY

By: _____
Its: City Treasurer

EXHIBIT A

**SACRAMENTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, 2014 SERIES A
([Project Name])**

MATURITY SCHEDULE

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Tender Date</i>
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[EXHIBIT B]

[FORM OF PURCHASER LETTER]

Sacramento Public Financing Authority
Sacramento, California

City of Sacramento
Sacramento, California

Re: Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 ([Project Description]) (Federally Taxable)

Ladies and Gentlemen:

The undersigned (the “Investor”) hereby acknowledges receipt, as Beneficial owner thereof, of \$_____ principal amount of Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 ([Project Description]) (Federally Taxable) (the “Bonds”), issued pursuant to an indenture, dated as of [_____ 1, 2014 (the “Indenture”), by and among the Sacramento Public Financing Authority (the “Authority”), the City of Sacramento (the “City”) and [_____] (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture. In connection with the sale of the Bonds to the Investor, the Investor hereby makes the following representations upon which you may rely:

1. The Investor has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.

2. The Investor is a “qualified institutional buyer” under Rule 144(a) of said Act, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.

3. The Investor acknowledges and agrees that it will solely transfer the Bonds in compliance with Section __ of the Indenture.

4. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

5. The Investor understands that the Bonds are not registered under the 1933 Act and that such registration is not legally required as of the date hereof; and further understands that the Bonds(a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) will be delivered in a form which may not be readily marketable.

6. The Investor acknowledges that it has either been supplied with or been given access to information, including the Limited Offering Memorandum, financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Authority, the City, the Lease Revenues, the Project, the Bonds and matters relating thereto and the security therefor so that, as a reasonable investor, the Investor has been able to make our decision to purchase the Bonds. The Investor acknowledges that it has not relied upon the Authority or the City for any information in connection with the Investor's purchase of the Bonds.

7. The Investor acknowledges that the obligations of the Authority under the Indenture are special, limited obligations payable solely from Escrow Fund pursuant to the terms of the Indenture and the Authority shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the Authority for amounts due under the Indenture.

8. The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security and payment of the Bonds.

Dated: _____, 20__

Very truly yours,

GOLDMAN, SACHS & CO.

By: _____
Title: Authorized Officer

[EXHIBIT C]

[FORM OF INVESTOR LETTER]

Sacramento Public Financing Authority
Sacramento, California

City of Sacramento
Sacramento, California

Goldman, Sachs & Co.
Los Angeles, California

Re: Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 ([Project Description]) (Federally Taxable)

Ladies and Gentlemen:

The undersigned (the “Investor”) hereby acknowledges receipt, as Beneficial owner thereof, of \$_____ principal amount of Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 ([Project Description]) (Federally Taxable) (the “Bonds”), issued pursuant to an indenture, dated as of [_____ 1, 2014 (the “Indenture”), by and among the Sacramento Public Financing Authority (the “Authority”), the City of Sacramento (the “City”) and [_____] (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture. In connection with the sale of the Bonds to the Investor, the Investor hereby makes the following representations upon which you may rely:

1. The Investor has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.

2. The Investor is a “qualified institutional buyer” under Rule 144(a) of said Act, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.

3. The Investor acknowledges and agrees that it will solely transfer the Bonds in compliance with Section __ of the Indenture.

4. The Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds for its own account, and does not intend at this time to dispose of all or any part of the Bonds. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

5. The Investor understands that the Bonds are not registered under the 1933 Act and that such registration is not legally required as of the date hereof; and further understands that the

Bonds(a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) will be delivered in a form which may not be readily marketable.

6. The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Authority, the City, the Lease Revenues, the Project, the Bonds and matters relating thereto and the security therefor so that, as a reasonable investor, the Investor has been able to make our decision to purchase the Bonds. The Investor acknowledges that it has not relied upon the Authority or the City for any information in connection with the Investor’s purchase of the Bonds.

7. The Investor acknowledges that the obligations of the Authority under the Indenture are special, limited obligations payable solely from Lease Revenues pursuant to the terms of the Indenture and the Authority shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the Authority for amounts due under the Indenture.

8. The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security and payment of the Bonds.

Dated: _____, 20__

Very truly yours,

GOLDMAN, SACHS & CO.

By: _____
Title: Authorized Officer

SACRAMENTO PUBLIC FINANCING AUTHORITY

\$ _____
LEASE REVENUE BONDS, SERIES 2014
([Project Description])
(Federally Taxable)

FORWARD BOND PURCHASE AGREEMENT

_____, 2014

Sacramento Public Financing Authority
c/o City of City Treasurer
City of Sacramento
915 I Street, Third Floor
Sacramento, California 95814

Mayor and City Council
City of Sacramento
915 I Street, Fifth Floor
Sacramento, California 95814

Ladies and Gentlemen:

The undersigned, Goldman, Sachs & Co., (the “**Purchaser**”), offers to enter into this Forward Bond Purchase Agreement (which, together with the Exhibits hereto, is referred to as the “**Purchase Agreement**”) with the Sacramento Public Financing Authority (the “**Authority**”) and the City of Sacramento, California (the “**City**”), which, upon the acceptance of the Authority and the City, will be binding upon the Authority, the City and the Purchaser. This offer is made subject to acceptance by the Authority and by the City by the execution of this Purchase Agreement and delivery of the same to the Purchaser prior to 5:00 P.M., Pacific Time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Purchaser upon notice delivered to the Authority and the City at any time prior to the acceptance hereof by the Authority and the City. Capitalized terms used but not defined in this Purchase Agreement have the meanings in the form of Indenture attached hereto as **Exhibit B**.

1. Purchase and Sale.

(a) Subject to the terms and conditions herein set forth, on the Closing Date (as defined below), the Purchaser shall purchase from the Authority and the City, and the Authority and the City shall issue, sell and deliver to the Purchaser all (but not less than all) of the Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 (Project Description) (Federally Taxable) in the aggregate principal amount of \$ _____ (the “**Series 2014 Bonds**”). The purchase price for the Series 2014 Bonds shall be equal to 100% of the par amount of the Series 2014 Bonds.

(b) The Series 2014 Bonds shall be dated as of their date of delivery. The Series 2014 Bonds shall mature on the dates and amounts set forth on **Exhibit A**. The Series 2014 Bonds will initially bear interest in the Index Floating Rate Period. The Applicable Spread of the Series 2014 Bonds for the initial Index Floating Rate Period shall be ____%, as adjusted in accordance with the terms of the Indenture or in **Exhibit A** hereof.. During the Index Floating Rate Period, the Series 2014 Bonds shall bear interest at the Index Floating Rate, which shall be determined by the Calculation Agent on each Reset Date after the Closing Date, subject to a maximum interest rate of 12%. The initial Index Floating Rate Period shall end on [____][that day that is [__] years from the Closing Date]. The date on which all of the Series 2014 Bonds purchased under this Purchase Agreement are tendered by the Holders and successfully converted to another interest rate mode under the Indenture is referred to herein as the **“Conversion Date.”** The Series 2014 Bonds shall be issued pursuant to an Indenture, by and among the City of Sacramento (the **“City”**), the Authority and [TRUSTEE], as trustee (the **“Trustee”**), which shall be in form substantially similar as set forth in **Exhibit B** of this Purchase Agreement (the **“Indenture”**). The Series 2014 Bonds shall be limited obligations of the Authority, secured by, and payable solely from, the amounts pledged therefor under the Indenture.

(c) The City hereby agrees to pay to the Purchaser:

(1) on the date hereof, \$____ (the **“Upfront Fee”**);

(2) a monthly commitment fee (the **“Commitment Fee”**) equal to ____% of the principal amount of the Series 2014 Bonds, which the City shall pay in installments as follows:

a. on the date hereof, the City shall pay the first installment of the Commitment Fee in an amount equal to \$____, which shall represent the payment of the Commitment Fee for the period beginning on the date hereof and ending on the initial Stated Termination Date; and

b. on any date on which the City elects to extend the Stated Termination Date pursuant to Section 2 of this Purchase Agreement, the City shall pay an installment (an **“Extension Installment”**) of the Commitment Fee in an amount equal to the product obtained by multiplying (1) the principal amount of the Series 2014 Bonds, (2) by ____%, and (3) by the whole number of months [(which shall include the number of any partial months)] between the date of the Stated Termination Date in effect before such extension and the Newly Extended Stated Termination Date (as defined below).

(d) [If this Purchase Agreement terminates in accordance with Section 12 hereof before the Stated Termination Date then in effect, the Purchaser hereby agrees to pay to the City an amount representing a rebate of the Commitment Fee equal to the product obtained by multiplying (1) the amount of most recently paid installment of the Commitment Fee under Section 1(c)(2), by (2) a fraction, the numerator of which is the whole number of full and partial months during the period from the date of termination until the Stated Termination Date then in effect, and the denominator of which is the whole number of full and partial months from the later of the date hereof and Past Stated Termination Date, until

the Stated Termination Date then in effect; provided however that if this Purchase Agreement terminates before the initial Stated Termination Date, the maximum amount that the Purchaser shall be obligated to pay to the City under this Section 1(b) shall be \$[_____].

2. Stated Termination Date. Pursuant to Section 12 hereof, if the Closing Date shall not have occurred, this Purchase Agreement shall terminate no later than the Scheduled Termination Date. The “**Scheduled Termination Date**” shall, initially, mean _____. The Scheduled Termination Date shall be extended from time to time upon the satisfaction of the following requirements: (i) an authorized representative of the City shall deliver to the Purchaser a certificate stating the revised Scheduled Termination Date, and (ii) not later than _____, the City pays the applicable Extension Installment of the Commitment Fee to the Purchaser pursuant to Section 1(c)(2)(b) in immediately available funds; provided, however, that the Stated Termination Date shall not be extended any later than [_____]. As used in this Purchase Agreement, the term “Newly Extended Stated Termination Date” shall mean, in connection with any extension of the Stated Termination Date, the revised Stated Termination Date stated in the certificate under clause (i) of the immediately preceding sentence. As used in this Purchase Agreement, the term “Past Stated Termination Date” means the Stated Termination Date in effect immediately preceding the effectiveness of an extension of the Stated Termination Date under this Section 2.

3. Relationship of the Parties. The City, the Authority and the Purchaser acknowledge and agree (a) that the primary role of the Purchaser, as purchaser, is to purchase securities from the City and the Authority, in an arm’s-length commercial transaction between the City, the Authority and the Purchaser and then to resell the securities to investors; (b) that the Purchaser has financial and other interests that differ from those of the City and the Authority; (c) the Purchaser is not acting as a municipal advisor, financial advisor, or fiduciary to the City or the Authority and has not assumed any advisory or fiduciary responsibility to the City or the Authority with respect to the transaction contemplated hereby and the discussions, undertakings, and procedures leading thereto (irrespective of whether the Purchaser has provided other services or is currently providing other services to the City or the Authority on other matters); (d) the only contractual obligations the Purchaser has to the City and the Authority with respect to the transaction contemplated hereby are expressly set forth in this Purchase Agreement; and (e) the City and the Authority have consulted their own financial and municipal, legal, accounting, tax, and other advisors, as applicable, to the extent they have deemed appropriate. Nothing in this section is intended to limit the Purchaser’s obligation of fair dealing under MSRB Rule G-17.

4. The Series 2014 Bonds. The Series 2014 Bonds shall be secured by Lease Revenues consisting primarily of base rental payments (“**Base Rental Payments**”) to be paid by the City pursuant to the Project Lease, by and between the City and the Authority, which shall be in substantially the form set forth in Exhibit C hereto (the “**Project Lease**”), subject to the terms of the Indenture. The Authority’s right to receive the Base Rental Payments due under the Project Lease and to exercise remedies upon default under such Project Lease shall be assigned to the Trustee for the benefit of the owners of the Series 2014 Bonds pursuant to the Indenture.

The proceeds of the Series 2014 Bonds shall be used for the purposes set forth in the Indenture.

The Series 2014 Bonds, this Purchase Agreement, the Indenture, the Project Lease, the Site Lease, by and between the Authority and the City, which shall be substantially in the form set forth

as **Exhibit D** hereto (the “**Site Lease**”), and are collectively referred to herein as the “**Authority Documents.**”

This Purchase Agreement, the Indenture, the Project Lease and the Site Lease are collectively referred to herein as the “**City Documents.**”

[ADD AGREEMENTS AND ARRANGEMENTS BETWEEN CITY AND TEAM TO THE EXTENT APPROPRIATE]

5. The Limited Offering Memorandum; Due Diligence; Remarketing.

(a) *Limited Offering Memorandum.*

(1) Not later than fifteen (15) days before the Closing Date, the City shall prepare an Limited Offering Memorandum (together with any amendment or supplement thereto, the “**Limited Offering Memorandum**”) in form and substance reasonably satisfactory to the Purchaser, together with an electronic copy of the Limited Offering Memorandum in word-searchable portable document format.

(2) The Limited Offering Memorandum (excluding the statements and information relating to the DTC and the book-entry system, as to which no opinion need be expressed), as of its date, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(3) If the information contained in the Limited Offering Memorandum is amended or supplemented, then at the time of each supplement or amendment, the Limited Offering Memorandum as so supplemented or amended (including any financial and statistical data contained herein) will be true and correct in all material respects and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the information therein, in light of the circumstances under which it was made, not misleading.

(4) If between the date of the Limited Offering Memorandum and the Conversion Date, any event occurs that would cause the Limited Offering Memorandum, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, then the City shall notify the Purchaser of any such event of which it has actual knowledge. If between the date of the Limited Offering Memorandum and the Conversion Date, in the reasonable opinion of the Purchaser, any event requires the preparation and publication of a supplement or amendment to the Limited Offering Memorandum, then the City shall, at its own expense, prepare and furnish the following to the Purchaser: a reasonable number of copies of a supplement or amendment to the Limited Offering Memorandum in form and substance reasonably acceptable to the Purchaser; and, if the event notice is subsequent to the Closing Date, such legal opinions, certificates, instruments, and other documents as the Purchaser

may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Limited Offering Memorandum.

(5) The Authority and the City shall cooperate with the Purchaser in the qualification of the Series 2014 Bonds for offering and sale and the determination of the eligibility of the Series 2014 Bonds for investment under the laws of such jurisdictions as the Purchaser designates and shall continue any such qualification in effect so long as required for the distribution of the Series 2014 Bonds by the Purchaser; provided that neither the Authority nor the City is required to consent to service of process in any jurisdiction or to expend any funds in connection with such qualification. Neither the Authority nor the City is responsible for compliance with or the consequences of failure to comply with applicable “Blue Sky” laws.

(6) The City hereby authorizes the Purchaser’s future use of the Limited Offering Memorandum (and all information contained therein) in connection with the offering and sale of the Series 2014 Bonds.

(b) *Due Diligence.*

(1) The City and the Authority hereby agree that, from and after the date hereof and until the Conversion Date, upon the request of the Purchaser, the City and the Authority (i) will permit the Purchaser to perform such reasonable inquiries and investigations into, (ii) will make appropriate City and Authority officials available to answer such reasonable questions of the Purchaser concerning, and (iii) will provide to the Purchaser copies of such documents and other information reasonably relating to, in each case, the finances, operations and affairs of the City, the Project, and the terms and conditions of the Series 2014 Bonds in order to permit the Purchaser to conduct an investigation into the facts and circumstances of the offering and sale of the Series 2014 Bonds.

(2) From and after _____ and until such time as the Authority and the City deliver to the Purchaser the Limited Offering Memorandum, the City and the Authority (i) will permit prospective purchasers of the Series 2014 Bonds (“**Prospective Purchasers**”) to perform such reasonable inquiries and investigations into, (ii) will make appropriate City and Authority officials available to answer such reasonable questions of Prospective Purchasers concerning, and (iii) will provide to Prospective Purchasers copies of such documents and other information reasonably relating to, in each case, the finances, operations and affairs of the City, the Project, and the terms and conditions of the Series 2014 Bonds in order to permit the Prospective Purchasers to conduct an investigation into the facts and circumstances of the offering and sale of the Series 2014 Bonds.

(c) *Remarketing.* [The City covenants to use its [reasonable efforts/commercially reasonable effort] to remarket the Bonds into the Fixed Rate Mode [() months before the Mandatory Tender Date][() months after the Closing Date][() months after substantial completion.]

6. Closing. At 8:00 a.m., Pacific Time, on a Business Day specified in a certificate by the City to the Purchaser not less than ten (10) days following the satisfaction of all of the conditions

set forth in 11 hereof, or at such other time or date as the Authority, City and the Purchaser agree upon in writing (the “**Closing Date**”), the Authority shall deliver or cause to be delivered to the Trustee, and the Trustee shall deliver or cause to be delivered to The Depository Trust Company, New York New York (“**DTC**”) (or its Fast Automated Securities Transfer agent), the Series 2014 Bonds in definitive form, duly executed and authenticated. Concurrently with the delivery of the Series 2014 Bonds, the Authority and the City will deliver the documents hereinafter mentioned at the offices of Orrick Herrington & Sutcliffe LLP, Sacramento, California (“**Bond Counsel**”), or another place to be mutually agreed upon by the Authority, the City and the Purchaser. Subject to the terms and conditions set forth herein, the Purchaser shall accept such delivery and pay the purchase price of the Series 2014 Bonds as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Series 2014 Bonds, together with the delivery of the aforementioned documents, is herein called the “**Closing**.”

The Series 2014 Bonds shall be registered in the name of Cede & Co., as nominee of DTC in denominations of \$100,000 or any integral multiple of \$5,000 and shall be made available to the Purchaser at least one (1) business day before the Closing for purposes of inspection and packaging. The Authority and the City acknowledge that the services of DTC will be used initially by the Purchaser in order to permit the issuance of the Series 2014 Bonds in book-entry form, and agree to cooperate fully with the Purchaser in employing such services.

7. Representations, Warranties and Covenants of the Authority.

(a) Subject to Section 7(a)(9) below, the Authority represents, warrants and covenants to the Purchaser and the City as of the date hereof:

(1) The Authority is a public body, duly organized and existing under the Constitution and laws of the State of California (the “**State**”), including the Joint Exercise of Powers Agreement, dated as of February 25, 2014 and effective April 29, 2014, between the City and the Housing Authority of the City (the “**JPA Agreement**”) and the Joint Exercise of Powers Act (Government Code Division 7, Chapter 5, Section 6500 *et seq.*) (the “**JPA Act**”).

(2) The Authority has duly taken all action necessary to be taken by it before that date for the authorization and approval of (A) the execution, delivery, and performance of the Authority Documents; (B) the distribution of the Limited Offering Memorandum; and (C) the carrying out, giving effect to, consummation, and performance of the transactions and obligations contemplated hereby; provided that no representation is made with respect to compliance with the securities or “Blue Sky” laws of the various states of the United States.

(3) The resolution of the Authority authorizing the issuance of the Series 2014 Bonds and the execution and delivery of the Authority Documents (the “**Authority Resolution**”) has been duly adopted by the Board of Directors of the Authority at a meeting called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout. The Authority Resolution is in full force and effect and has not been modified or supplemented. This Purchase Agreement has been duly executed and delivered by the Authority and, assuming the due execution and delivery by the Purchaser, is the legal, valid, and binding obligation of the Authority, enforceable against the Authority in

accordance with its terms, except that the binding effect and enforceability thereof may be limited (A) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance law); or (B) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (C) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (D) by the exercise of judicial discretion in appropriate cases; or (E) by the limitations on legal remedies against public entities in the State.

(4) When executed and delivered by the Authority, the Authority Documents will have been duly executed and delivered by the Authority and will be the legal, valid, and binding obligations of the Authority, enforceable against the Authority in accordance with their terms, except that the binding effect and enforceability thereof may be limited (A) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance law); or (B) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (C) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (D) by the exercise of judicial discretion in appropriate cases; or (E) by limitations on legal remedies against public entities in the State.

(5) When the Series 2014 Bonds are issued, authenticated, and delivered in accordance with the Indenture and paid for by the Purchaser as provided for herein, the Series 2014 Bonds will be legally valid and binding obligations of the Authority, enforceable in accordance with their terms, except as such enforceability may be limited (A) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent-conveyance law); or (B) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (C) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (D) by the exercise of judicial discretion in appropriate cases; or (E) by the limitations on legal remedies against public entities in the State. The Series 2014 Bonds will be entitled to the benefits of, and secured by, the Indenture.

(6) The adoption of the Authority Resolution, the execution and delivery of the Authority Documents, the compliance with the terms, conditions, or provisions hereof and thereof, and the consummation of the transactions herein and therein contemplated do not and will not in any material way (A) conflict with, or constitute a violation of, any constitutional provision or any law (or any regulations, order, writ, injunction, or decree of any court or governmental instrumentality applicable to the Authority); or (B) result in a breach of, or default on, any resolution, agreement, or instrument to which the Authority is a party; or (C) result in the creation or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority pursuant to any resolution, agreement, or

instrument to which the Authority is a party or by which it or any of its properties is bound other than the lien created by the Indenture.

(7) All authorizations, consents, and approvals of, notices to, registrations or filings with, or actions in respect of, any governmental body, agency, or other instrumentality or court required in connection with the execution, delivery, and performance by the Authority of this Purchase Agreement, the Series 2014 Bonds, the Indenture, and the Authority Resolution have been obtained, given, or taken and will be in full force and effect as of the Closing Date; provided that no representation is made with respect to compliance with the securities or “Blue Sky” laws of the various states of the United States.

(8) The Authority has not been served with process in, and, to the actual knowledge of the Authority, has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or body (A) seeking to restrain or enjoin the execution, sale, or delivery of the Series 2014 Bonds; or (B) contesting or affecting in any way the validity of enforceability of the Authority Documents; or (C) contesting the powers or authority of the Authority with respect to the Authority Documents; or (D) affecting the Authority wherein an unfavorable decision, ruling, or finding is could have a material adverse effect on the financial condition or solvency of the Authority or affect the validity or enforceability of, or the authority or ability of the Authority to perform its obligations under, the Authority Documents.

(9) All of the representations and warranties contained in this Section 8(a) shall be qualified in all respects with respect to [THE LITIGATION].

(b) The Authority represents, warrants and covenants to the Purchaser and the City as of the Closing Date:

(1) All of the representations and warranties set forth in Section 7(a) shall be true and correct in all material respects as of the Closing Date (disregarding and without giving any effect to the qualification set forth in Section 7(a)(9));

(2) The information in the Limited Offering Memorandum set forth under the captions “INTRODUCTION—The Authority” and “THE AUTHORITY” shall not, as of the date of the Limited Offering Memorandum and the Closing Date, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(3) Any certificate signed by any officer of the Authority authorized to execute such certificate in connection with the execution, sale and delivery of the Series 2014 Bonds and delivered to the Purchaser shall be deemed a representation of the Authority to the Purchaser and the City as to the statements made therein but not of the person signing such certificate.

8. Representations, Warranties and Covenants of the City.

(a) Subject to Section 8(a)(9) below, the City represents, warrants and covenants to the Purchaser and the Authority as of the date hereof:

(1) The City is a municipal corporation duly organized and existing under its charter and the Constitution and laws of the State of California (the “**State**”). The City has full power and authority to take all actions required or permitted to be taken by the City by or under, and to perform and observe the covenants and agreements on its part contained in the City Documents.

(2) The City has duly taken all action necessary to be taken by it before that date for the authorization and approval of (1) the execution, delivery, and performance of the City Documents; (2) the distribution of the Limited Offering Memorandum; and (3) the carrying out, giving effect to, consummation, and performance of the transactions and obligations contemplated hereby and by the Limited Offering Memorandum; provided that no representation is made with respect to compliance with the securities or “Blue Sky” laws of the various states of the United States.

(3) The resolution of the City authorizing the execution and delivery of the City Documents (the “**City Resolution**”) has been duly adopted by the Sacramento City Council at a meeting called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout. The City Resolution is in full force and effect and has not been modified or supplemented. This Purchase Agreement has been duly executed and delivered by the City and, assuming the due execution and delivery by the Purchaser, is the legal, valid, and binding obligation of the City, enforceable against the City in accordance with its terms, except that the binding effect and enforceability thereof may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors’ rights generally (including, without limitation, fraudulent conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by the limitations on legal remedies against public entities in the State.

(4) When executed and delivered by the City, the City Documents will have been duly executed and delivered by the City and, and, assuming the due execution and delivery by the other parties thereto, will be the legal, valid, and binding obligations of the City, enforceable against the City in accordance with their terms, except that the binding effect and enforceability thereof may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors’ rights generally (including, without limitation, fraudulent conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of

judicial discretion in appropriate cases; or (5) by limitations on legal remedies against public entities in the State.

(5) The adoption of the City Resolution, the execution and delivery of the City Documents, the compliance with the terms, conditions, or provisions hereof and thereof, and the consummation of the transactions herein and therein contemplated do not and will not in any material way (1) conflict with, or constitute a violation of, the City Charter or any constitutional provision or any law (or any regulations, order, writ, injunction, or decree of any court or governmental instrumentality applicable to the City); or (2) result in a breach of, or default on, any resolution, agreement, or instrument to which the City is a party; or (3) result in the creation or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of the properties or assets of the City pursuant to any resolution, agreement, or instrument to which the City is a party or by which it or any of its properties is bound other than the lien created by the Indenture.

(6) All authorizations, consents, and approvals of, notices to, registrations or filings with, or actions in respect of, any governmental body, agency, or other instrumentality or court required in connection with the execution, delivery, and performance by the City of this Purchase Agreement, the Series 2014 Bonds, the Indenture, and the City Resolution have been obtained, given, or taken and will be in full force and effect as of the Closing Date; provided that no representation is made with respect to compliance with the securities or “Blue Sky” laws of the various states of the United States.

(7) The City has not been served with process in, and, to the actual knowledge of the City, has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or body (1) seeking to restrain or enjoin the execution, sale, or delivery of the Series 2014 Bonds; or (2) contesting or affecting in any way the validity of enforceability of the City Documents; or (3) contesting the powers or authority of the City with respect to the City Documents; or (4) affecting the City wherein an unfavorable decision, ruling, or finding could have a material adverse effect on the financial condition or solvency of the City or affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, the City Documents.

(8) The Audited Financial Statements of the City for the Fiscal Year ended June 30, 2013, fairly and accurately present the financial condition of the City as of such date, and there has not been, nor does the City anticipate that there will be, any adverse change of a material nature in the financial position, assets, properties, results of operations, or condition (financial or otherwise) of the City.

(9) All of the representations and warranties contained in this Section 8(a) shall be qualified in all respects with respect to [LITIGATION, if any].

(b) The City represents, warrants and covenants to the Purchaser and the Authority as of the Closing Date:

(1) All of the representations and warranties set forth in Section 8(a) shall be true and correct in all material respects as of the Closing Date (disregarding and without giving any effect to the qualification set forth in Section 8(a)(9)).

(2) [There is no measure that has been qualified for placement on the ballot for the electorate of the City that, if approved, would materially impair the obligations of the Authority or the City under any Authority Documents or City Documents, as applicable.]

(3) The Limited Offering Memorandum (excluding the statements and information relating to the DTC and the book-entry system, as to which no opinion need be expressed), as of its date and as of the Closing Date, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(4) If the information contained in the Limited Offering Memorandum is amended or supplemented, then at the time of each supplement or amendment, the Limited Offering Memorandum as so supplemented or amended (including any financial and statistical data contained herein) will be true and correct in all material respects and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the information therein, in light of the circumstances under which it was made, not misleading.

(5) Except as will be disclosed in the Limited Offering Memorandum, the City has not failed to comply in the last five years in any material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of events as required by the Rule.

(6) The Audited Financial Statements of the City which are included in the Limited Offering Memorandum will fairly and accurately present the financial condition of the City as of their date.

(7) Any certificate signed by any officer of the City authorized to execute such certificate in connection with the execution, sale and delivery of the Series 2014 Bonds and delivered to the Purchaser shall be deemed a representation of the City to the Purchaser and the Authority as to the statements made therein but not of the person signing such certificate.

(8) As of the Closing Date, all Required Entitlements with respect to the Project shall have been obtained and the Final Entitlement Date shall have occurred. For purposes of this (7), "Required Entitlements" means those discretionary approvals and any environmental review pursuant to the California Environmental Quality Act required by [the Team] and the City to acquire and construct the Project. For purposes of this (7), "Final Entitlement Date" means the means the last date on which all of the following shall have occurred: (a) the City shall have granted the

Required Entitlements (b) all administrative appeal periods related to the Required Entitlements provided under the City Code of the City of Sacramento shall have expired without an appeal being filed and (c) the statutes of limitation for legal challenges to the Required Entitlements under the California Government Code and the California Public Resources Code shall have expired without action or proceedings being filed, or (d) if an appeal, action or proceeding is filed with respect to (a) or (b) above, [the Team/City] shall have received a final, non-appealable decision or judgment, as applicable, confirming and upholding the Required Entitlements approved by the City and/or the adequacy of the related environmental determinations and/or documents.

9. Representations, Warranties and Covenants of the Purchaser. The Purchaser represents, warrants and covenants to the City and the Authority as of the date hereof and as of the Closing Date:

(a) The Purchaser has full power and authority to purchase the Series 2014 Bonds, to execute and deliver this Purchase Agreement and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds, and to carry out the terms hereof and, when executed and delivered by the Purchaser, this Purchase Agreement will have been duly and validly authorized, executed and delivered by the Purchaser, and, assuming due authorization, execution and delivery by the other parties hereto, will be a valid and binding obligation of the Purchaser and will be in full force and effect, except as limited by bankruptcy, insolvency, liquidation, moratorium, readjustment of debt, reorganization or similar laws relating to the enforcement of creditors' rights generally.

(b) On the Closing Date, the Purchaser shall execute and deliver an investment letter in the form attached hereto as **Exhibit E**.

(c) The Purchaser is registered and in good standing with the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corporation ("SIPC"), and shall abide by all rules and regulations of FINRA, SIPC and the Securities and Exchange Commission in connection with the offer and sale of the Bonds.

(d) The Purchaser is a "qualified institutional buyer" under Rule 144(a) of the 1933 Act, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds. The Purchaser shall only sell or otherwise transfer the Series 2014 Bonds or any Authorized Denomination thereof to a person that is a "qualified institutional buyer" as defined in Rule 144A promulgated under the 1933 Act; provided, that before effecting any such transfer, the person purchasing the Series 2014 Bonds shall execute and deliver an investor letter in form and substance substantially similar to **Exhibit F** hereto.

10. Conditions Precedent to the Execution and Delivery of Purchase Agreement. The execution and delivery of this Purchase Agreement shall be subject to the satisfaction of the following:

(a) Adoption by the City Council of the City Resolution;

- (b) Adoption by the Authority of the Authority Resolution;
- (c) Final forms of:
 - (1) Indenture;
 - (2) Site Lease;
 - (3) Project Lease;
 - (4) Bond Counsel opinion;
 - (5) [Forms of Authority Counsel and City Attorney opinions; and]
 - (6) Title Insurance Policy;
- (d) Delivery of a certificate by an authorized representative of the City to the effect that the scheduled Rental Payments under the Project Lease (assuming a 12% maximum interest rate under the Series 2014 Bonds) will not exceed the fair rental value of the Property upon the use and occupancy by the City thereof;
- (e) A letter by one of Moody's Investors Service, Standard & Poor's Ratings Services or Fitch Ratings Inc. to the effect that such rating agency has assigned a rating indication to the Series 2014 Bonds of at least investment grade (the "**Rating Indication Letter**");
- (f) Payment by the City of the Upfront Fee and the first installment of the Commitment Fee;
- (g) Delivery by _____ of an opinion to the effect that [NO MERIT OPINION];
- (h) [Execution by the Team of a financing commitment reasonably acceptable to the Purchaser];
- (i) All Required Entitlements with respect to the Project shall have been obtained;
- (j) [Opinion of counsel of the Authority and the City regarding the obligations of the Authority and the City hereunder; and]
- (k) [Opinion of counsel to the Purchaser in form reasonably satisfactory to the Authority and the City.]

11. Conditions to the Obligations of the Purchaser. The obligations of the Purchaser under this Purchase Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the City and the Authority of their obligations and agreements to be performed hereunder and to the accuracy of and compliance with the representations, warranties, covenants, and agreements of the City and the Authority contained herein, in each case on and as of the date of delivery of this Purchase Agreement and on and as of the Closing Date. The obligations of the

Purchaser hereunder are also subject, in the discretion of the Purchaser, to the following further conditions:

(a) The representations, warranties and covenants of the City and the Authority contained in Section 7(a) and 8(a) shall be true, complete and correct as of the date hereof, and the representations, warranties and covenants of the City and the Authority contained in Section 7(b) and 8(b) shall be true, complete and correct as of the Closing Date, as if made on the Closing Date;

(b) At the time of Closing, the City Documents and the Authority Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the City Documents, the Authority Documents and the Limited Offering Memorandum shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Purchaser;

(c) At the time of the Closing, no default shall have occurred or be existing under the City Documents or the Authority Documents, and the City shall not be in default in the payment of principal or interest with respect to any of its financial obligations, which default would adversely impact the ability of the City to pay the Base Rental Payments;

(d) The City and the Authority shall be in compliance with all covenants contained herein in all materials respects; and

(e) At or prior to the Closing, the Purchaser shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Purchaser:

(1) All resolutions relating to the Series 2014 Bonds adopted by the Authority and certified by an authorized official of the Authority authorizing the issuance of the Series 2014 Bonds and the execution and delivery of the Authority Documents;

(2) All resolutions relating to the Series 2014 Bonds adopted by the City and certified by an authorized official of the City authorizing the execution and delivery of the City Documents and the delivery of the Series 2014 Bonds and the Limited Offering Memorandum;

(3) The City Documents and the Authority Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Purchaser;

(4) The approving opinion of Bond Counsel dated the Closing Date and addressed to the Authority and the City, in substantially the form attached as **Exhibit G** hereto, and a reliance letter thereon addressed to the Purchaser;

(5) A supplemental opinion of Bond Counsel dated the Closing Date and addressed to the Purchaser, to the effect that:

(A) the statements in the Limited Offering Memorandum that expressly summarize provisions of the Indenture, Project Lease, Site Lease and Bond

Counsel's final opinion relating to the Series 2014 Bonds, are accurate in all material respects as of the Closing Date;

- (B) The Purchase Agreement has been duly authorized, executed and delivered by the City and the Authority and is the valid, legal and binding agreement of the City and the Authority, enforceable in accordance with its terms, except that the rights and obligations under the Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein; and
- (C) The Series 2014 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;
- (6) The Limited Offering Memorandum, executed on behalf of the Authority and City;
- (7) Evidence that the ratings on the Series 2014 Bonds are rated not less than the Rating Indication Letter;
- (8) A certificate, dated the Closing Date, signed by a duly authorized officer of the Authority satisfactory in form and substance to the Purchaser to the effect that: (i) the representations, warranties and covenants of the Authority contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the Authority, and the Authority has complied with all of the terms and conditions of this Purchase Agreement required to be complied with by the Authority at or prior to the Closing Date; (ii) to the best of such officer's knowledge, no event affecting the Authority has occurred since the date of the Limited Offering Memorandum which should be disclosed in the Limited Offering Memorandum for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (iii) the information and statements describing the Authority contained in the Limited Offering Memorandum did not as of its date and do not as of the Closing contain an 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 in any material respect;
- (9) A certificate, dated the Closing Date, signed by the appropriate City representatives and in form and substance satisfactory to the Purchaser, to the effect that, to the current actual knowledge of such representatives as of the Closing Date: (i) the representations and warranties of the City contained in this Purchase Agreement are accurate on and as of the Closing Date as if made on that date; (ii) the City Documents have been executed and are in full force and effect; (iii) the City has complied or is then in compliance with all agreements and has satisfied all conditions on its part to be observed or satisfied

under each City Document at or before the Closing; (iv) between the date of the Limited Offering Memorandum and the date of the certificate, there has been no material adverse change in the condition (financial or otherwise) of the City or the Project, whether or not arising from transactions in the ordinary course of business, as described in the Limited Offering Memorandum; and (v) the representatives have examined the Limited Offering Memorandum, and in their opinion the Limited Offering Memorandum as of its date and as of the Closing Date did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(10) An opinion dated the Closing Date and addressed to the Purchaser, the Authority and the City, of the City Attorney of the City of Sacramento, as counsel to the Authority, to the effect that:

- (A) The Authority is a public body, organized and existing under the Constitution and laws of the State, including the JPA Act and the JPA Agreement;
- (B) the Authority has duly approved the Limited Offering Memorandum relating to the Series 2014 Bonds;
- (C) the Board of Directors of the Authority duly adopted the Authority Resolution at a meeting called and held according to law with all public notice required by law and at which a quorum was present and acting throughout, and the Authority Resolution is in full force and effect and has not been amended, modified, or rescinded;
- (D) the Authority has full right and lawful authority to execute and deliver the Authority Documents, and the Authority has duly authorized, executed, and delivered the Limited Offering Memorandum and the Authority Documents;
- (E) the Authority Documents are legally valid and binding obligations of the Authority enforceable against the Authority in accordance with their terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent-conveyance laws); or (ii) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (iii) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (iv) by the exercise of judicial discretion in appropriate cases or; (v) by the limitations on legal remedies against public entities in the State, and provided that no opinion need be expressed with respect to any indemnification or contribution provision contained in the Authority Documents;
- (F) to the actual knowledge of the counsel to the Authority or his designee as of the date of the opinion, the adoption of the Authority Resolution and the execution and delivery of the Series 2014 Bonds, the Indenture, this Purchase Agreement, and compliance with the provisions hereof and thereof, under the circumstances contemplated thereby and hereby, do not and will not in any

material way (i) conflict with or constitute on the part of the Authority a breach of, or default on, any agreement or other instrument applicable to, or binding upon, the Authority or any of its properties; or (ii) violate the JPA Agreement; or (iii) violate the JPA Act or any other existing law, regulation, court order, or consent decree to which the Authority or any of its properties are subject; and

- (G) except as described in the Limited Offering Memorandum, to the actual knowledge of the counsel to the Authority or his designee as of the date of the opinion, the Authority has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or body (i) that contests in any way the completeness or accuracy of the Limited Offering Memorandum; or (ii) 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 contemplated by the Purchase Agreement or the Limited Offering Memorandum; or (iii) that is likely to adversely affect the validity or enforceability of, or the authority or ability of the Authority to perform its obligations under, the Authority Resolution or the Authority Documents;

in each case subject to the exceptions and limitations described in the Legal Opinion Accord included in the Third-Party Legal Opinion Report of the ABA Section of Business Law (1991) and the “California Provisions” as defined 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), and certain other standard exceptions and limitations specified in the opinion of the counsel to the Authority or his designee;

(11) an opinion dated the Closing Date and addressed to the Purchaser, of the City Attorney of the City of Sacramento, to the effect that:

- (A) the City is a municipal corporation duly organized and validly existing under its charter and the Constitution and the laws of the State;
- (B) the City has duly approved the Limited Offering Memorandum relating to the Series 2014 Bonds;
- (C) the Sacramento City Council duly adopted the City Resolution at a meeting called and held according to law with all public notice required by law and at which a quorum was present and acting throughout, and the City Resolution is in full force and effect and has not been amended, modified, or rescinded;
- (D) the City has full right and lawful authority to execute and deliver the City Documents, and the City has duly authorized, executed, and delivered the Limited Offering Memorandum and the City Documents;
- (E) the City Documents are legally valid and binding obligations of the City enforceable against the City in accordance with their terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors’ rights generally

(including, without limitation, fraudulent-conveyance laws); or (ii) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (iii) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (iv) by the exercise of judicial discretion in appropriate cases or; (v) by the limitations on legal remedies against public entities in the State, and provided that no opinion need be expressed with respect to any indemnification or contribution provision contained in the City Documents;

- (F) to the actual knowledge of the City Attorney or his designee as of the date of the opinion, the adoption of the City Resolution and the execution and delivery of the Series 2014 Bonds, the Indenture, this Purchase Agreement, and compliance with the provisions hereof and thereof, under the circumstances contemplated thereby and hereby, do not and will not in any material way (i) conflict with or constitute on the part of the City a breach of, or default on, any agreement or other instrument applicable to, or binding upon, the City or any of its properties; or (ii) violate the City Charter; or (iii) violate any existing law, regulation, court order, or consent decree to which the City or any of its properties are subject; and
- (G) except as described in the Limited Offering Memorandum, to the actual knowledge of the City Attorney or his designee as of the date of the opinion, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or body (i) that contests in any way the completeness or accuracy of the Limited Offering Memorandum; or (ii) 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 contemplated by the Purchase Agreement or the Limited Offering Memorandum; or (iii) that is likely to adversely affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, the City Resolution or the City Documents;

in each case subject to the exceptions and limitations described in the Legal Opinion Accord included in the Third-Party Legal Opinion Report of the ABA Section of Business Law (1991) and the “California Provisions” as defined 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), and certain other standard exceptions and limitations specified in the opinion of the City Attorney or his designee;

(12) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel to the Authority and the City, dated the Closing Date and addressed to City, Authority and the Purchaser, to the effect that, based on the information made available to it in its role as Disclosure Counsel, without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Limited Offering Memorandum, but on the basis of their participation in the above-mentioned conferences, and in reliance thereon and on the records, documents, certificates and matters mentioned above, such counsel advises such parties as a matter of fact and not opinion that, during the course of

such counsel's role as disclosure counsel with respect to the Series 2014 Bonds, no facts came to the attention of the attorneys in such firm rendering legal services in connection with such role which caused them to believe that the Limited Offering Memorandum as of its date (excluding therefrom any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the information in the Limited Offering Memorandum customarily excluded by Disclosure Counsel, or any information about book-entry or DTC, included therein, as to all of which no opinion is expressed) contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(13) An opinion of Nixon Peabody LLP, counsel to the Purchaser, dated the Closing Date, addressed to the Purchaser to the effect that, although such attorneys have not undertaken to check the accuracy, completeness or fairness of, or verified the information contained in, the Limited Offering Memorandum, and are therefore unable to make any representation in that regard, such attorneys have participated in conferences prior to the date of the Limited Offering Memorandum with representatives of the City, the Authority, the Purchaser and others, during which conferences the contents of the Limited Offering Memorandum and related matters were discussed. Based upon the information made available to such attorneys in the course of their participation in such conferences, their review of the documents referred to above, their reliance on the certificates and the opinions of counsel described above and their understanding of applicable law, such attorneys do not believe that the Limited Offering Memorandum (excluding therefrom any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the information in the Limited Offering Memorandum customarily excluded by underwriter's counsel, or any information about book-entry or DTC, included therein, as to all of which no opinion is expressed) as of its date contained, or as of the date of such opinion, contains, any untrue statement or a material fact, or as of its date omitted, or as of the date of such opinion omits, to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(14) An opinion of counsel to the Trustee, addressed to the Purchaser and dated the Closing Date, in form and substance satisfactory to the Purchaser;

(15) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee in form and substance satisfactory to the Purchaser;

(16) *[Guaranteed Maximum Price Contract and acceptable construction assurances to be determined];*

(17) *[Construction engineer certificate concerning the status and estimated completion date of the Project in a form reasonably satisfactory to the Purchaser];*

(18) An [ALTA title policy] regarding the status of the title of the Property in the form attached hereto as **Exhibit H**;

(19) The preliminary and final Notice of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(20) A copy of the executed Blanket Issuer Letter of Representations by and between the Authority and DTC relating to the book-entry system;

(21) Certified copies of the JPA Agreement and all amendments thereto and related certificates issued by the Secretary of State of the State;

(22) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture and the authentication and delivery of the Series 2014 Bonds by the Trustee;

(23) Evidence of insurance as required by the Project Lease;

(24) [LITIGATION AND CHALLENGES, if any] shall have been resolved in all respects to the reasonable satisfaction of the Purchaser;

(25) The Purchaser shall execute and deliver the investment letter substantially in the form attached hereto as **Exhibit E**;

(26) Such additional legal opinions, certificates, proceedings, instruments or other documents as Bond Counsel or the Purchaser may reasonably request.

12. **Termination.**

(a) This Purchase Agreement shall terminate with the effect stated in Section 12(d) on the Stated Termination Date.

(b) [If the City reasonably determines that it is unable to satisfy the conditions set forth in Section 11 on or before the Stated Termination Date, the City shall deliver to the Purchaser a written notice specifying (1) its right to terminate this Purchase Agreement, (2) which conditions set forth in Section 11 the City has determined that it is unable to satisfy on or before the Stated Termination Date, and (3) the date on which this Purchase Agreement will terminate, which shall not be less than 10 days from the receipt of the notice by the Purchaser. If in the period of 7 days following the Purchaser's receipt of the written notice, the Purchaser does not provide a written notice indicating that it is willing to waive the conditions set forth in the written notice from the City, then this Purchase Agreement shall terminate on the day provided in the written notice from the City.]

(c) The Purchaser shall have the right to terminate this Purchase Agreement, with the effect stated in Section 12(d) below, at any time after the date of this Purchase Agreement and at or before the Closing by notifying the City in writing of its election so to do if, in the reasonable judgment of the Purchaser, between the date hereof and the Closing, the marketability of the Series 2014 Bonds has been materially adversely affected by reason of any of the following:

- (1) there shall exist any event or circumstance that in the Purchaser's judgment either makes untrue or incorrect in any material respect any statement or information in the Limited Offering Memorandum or is not reflected in the Limited Offering Memorandum but should be reflected therein in order to make any statement of material fact therein not misleading in any material respect and, in either such event, the Authority or the City refuses to permit the Limited Offering Memorandum to be supplemented to supply such statement or information, or the effect of the Limited Offering Memorandum as so supplemented is to materially adversely affect the market price or marketability of the Series 2014 Bonds or the ability of the Purchaser to enforce contracts for the sale of the Series 2014 Bonds; or
- (2) there shall have occurred (1) an outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war occurs; or (2) the occurrence of any other calamity or crisis or any change in the financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (1) or (2), in the judgment of the Purchaser, makes it impracticable or inadvisable to proceed with the offering or the delivery of the Series 2014 Bonds on the terms and in the manner contemplated in the Limited Offering Memorandum; or
- (3) there shall be in force a general suspension of trading on the New York Stock Exchange, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of determination by that Exchange or by order of the United States Securities and Exchange Commission ("SEC") or any other governmental authority having jurisdiction that, in the Purchaser's reasonable judgment, makes it impracticable for the Purchaser to market the Series 2014 Bonds or enforce contracts for the sale of the Series 2014 Bonds; or
- (4) a general banking moratorium shall have been declared by federal or state authorities having jurisdiction and be in force that, in the Purchaser's reasonable judgment, makes it impracticable for the Purchaser to market the Series 2014 Bonds or enforce contracts for the sale of the Series 2014 Bonds; or
- (5) legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation, or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the Series 2014 Bonds or any comparable securities of the Authority or the City, any obligations of the general character of the Series 2014 Bonds, the Indenture, 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 Act") or of the Trust Indenture Act of 1939, as amended and as then in effect, or otherwise, or would be in violation of any provision of the federal securities laws; or

- (6) there shall have been any material adverse change in the affairs of the City that in the Purchaser's reasonable judgment will materially adversely affect the market for the Series 2014 Bonds or the ability of the Purchaser to enforce contracts for the sale of the Series 2014 Bonds; or
 - (7) there shall be established any new restriction on transactions in securities materially affecting the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a change to the net capital requirements of, underwriters established by the New York Stock Exchange, the SEC, any other federal or California agency or the Congress of the United States, or by Executive Order; or
 - (8) a stop order, release, regulation, or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the issuance, offering, or sale of the Series 2014 Bonds, including all the underlying obligations as contemplated hereby or by the Limited Offering Memorandum, or any document relating to the issuance, offering or sale of the Series 2014 Bonds is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act, the Exchange Act, and the Trust Indenture Act of 1939, as amended; or
 - (9) there shall have occurred, after the signing hereof, either a financial crisis or a default with respect to the debt obligations of the Authority or the City or proceedings under the bankruptcy laws of the United States or of the State of California shall have been instituted by the Authority or the City, in either case the effect of which, in the reasonable judgment of the Purchaser, is such as to materially and adversely affect the market price or the marketability of the Series 2014 Bonds or the ability of the Purchaser to enforce contracts of the sale of the Series 2014 Bonds;
 - (10) the Purchaser determines, in its sole discretion, that any modification or lack of modification to the form of any legal opinion required to be delivered hereunder, would have an adverse effect on the market value of the Series 2014 Bonds; or
 - (11) there is a withdrawal or downgrading of any rating on any of the City's debt obligations substantially similar to the Series 2014 Bonds, or any notice shall have been given of (A) any intended potential downgrading or (B) any review of possible change that does not indicate the direction of a possible change, in the rating accorded the Series 2014 Bonds;
- (d) If this Purchase Agreement is terminated as herein provided, then the parties hereto will have no obligations to each other except as provided in Section 13.

13. Expenses. Whether or not the transactions contemplated by this Purchase Agreement are consummated, the Purchaser shall be under no obligation to pay, and the City shall pay, but only as the Authority and such other party providing such services may agree, all expenses and costs of the Authority and the City incident to the performance of their obligations in connection with the

authorization, execution, sale and delivery of the Series 2014 Bonds to the Purchaser, including, without limitation, printing costs, rating agency fees and charges, initial fees of the Trustee and Escrow Agent, including fees and disbursements of their counsel, if any, fees and disbursements of Bond Counsel, the Verification Agent, and other professional advisors employed by the Authority or the City, costs of preparation, printing, signing, transportation, delivery and safekeeping of the Series 2014 Bonds and for expenses (included in the expense component of the spread) incurred by the Purchaser on behalf of City's employees which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those employees. The Purchaser shall pay all out-of-pocket expenses of the Purchaser, including, without limitation, the fees and expenses of its counsel, advertising expenses, the California Debt and Investment Advisory Commission fee, CUSIP Services Bureau charges, regulatory fees imposed on new securities issuers and any and all other expenses incurred by the Purchaser in connection with the public offering and distribution of the Series 2014 Bonds. Certain payments may be in the form of inclusion of such expenses in the expense component of the Purchaser's discount.

14. Notices. Any notice or other communication to be given to the Purchaser under this Purchase Agreement may be given by delivering the same in writing to Goldman, Sachs & Co., 2121 Avenue of the Stars, Suite 2600, Los Angeles, California 90067, Attention: Tim Romer. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given the Authority under this Purchase Agreement may be given by delivering the same in writing to the Sacramento Public Financing Authority, c/o City of Sacramento Treasurer, 915 I Street, Third Floor, Sacramento, California 95814. Any notice or communication to be given the City under this Purchase Agreement may be given by delivering the same in writing to the City of Sacramento City of Sacramento Treasurer, 915 I Street, Third Floor, Sacramento, California 95814.

15. Parties in Interest. This Purchase Agreement is made solely for the benefit of the Authority, the City and the Purchaser (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the Authority and the City in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Purchaser and shall survive the delivery of and payment for the Series 2014 Bonds.

16. Entire Agreement. This Purchase Agreement supersedes all prior agreements and understandings (whether written or oral) among the City, the Authority and the Purchaser, or any of them, with respect to the subject matter hereof.

17. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

18. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

19. Governing Law. This Purchase Agreement shall be governed by the laws of the State.

GOLDMAN, SACHS & CO.

By: _____
Title: Authorized Officer

Accepted as of the date first stated above:

CITY OF SACRAMENTO

By: _____
Its: City Treasurer

SACRAMENTO PUBLIC FINANCING AUTHORITY

By: _____
Its: City Treasurer

EXHIBIT A

**SACRAMENTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, 2014 SERIES A
([Project Name])**

MATURITY SCHEDULE

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>
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APPLICABLE SPREAD

“Applicable Spread” means

EXHIBIT B
FORM OF INDENTURE

EXHIBIT C
FORM OF PROJECT LEASE

EXHIBIT D
FORM OF SITE LEASE

EXHIBIT E

FORM OF PURCHASER INVESTOR LETTER

Sacramento Public Financing Authority
Sacramento, California

City of Sacramento
Sacramento, California

Re: Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 ([Project Description]) (Federally Taxable)

Ladies and Gentlemen:

The undersigned (the “Investor”) hereby acknowledges receipt, as Beneficial owner thereof, of \$_____ principal amount of Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 ([Project Description]) (Federally Taxable) (the “Bonds”), issued pursuant to an indenture, dated as of [_____ 1, 2014 (the “Indenture”), by and among the Sacramento Public Financing Authority (the “Authority”), the City of Sacramento (the “City”) and [_____] (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture. In connection with the sale of the Bonds to the Investor, the Investor hereby makes the following representations upon which you may rely:

1. The Investor has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.

2. The Investor is a “qualified institutional buyer” under Rule 144(a) of said Act, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.

3. The Investor acknowledges and agrees that it will solely transfer the Bonds in compliance with Section __ of the Indenture.

4. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

5. The Investor understands that the Bonds are not registered under the 1933 Act and that such registration is not legally required as of the date hereof; and further understands that the Bonds(a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) will be delivered in a form which may not be readily marketable.

6. The Investor acknowledges that it has either been supplied with or been given access to information, including the Limited Offering Memorandum, financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Authority, the City, the Lease Revenues, the Project, the

Bonds and matters relating thereto and the security therefor so that, as a reasonable investor, the Investor has been able to make our decision to purchase the Bonds. The Investor acknowledges that it has not relied upon the Authority or the City for any information in connection with the Investor's purchase of the Bonds.

7. The Investor acknowledges that the obligations of the Authority under the Indenture are special, limited obligations payable solely from Lease Revenues pursuant to the terms of the Indenture and the Authority shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the Authority for amounts due under the Indenture.

8. The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security and payment of the Bonds.

Dated: _____, 20__

Very truly yours,

GOLDMAN, SACHS & CO.

By: _____
Title: Authorized Officer

EXHIBIT F

FORM OF TRANSFER INVESTOR LETTER

Sacramento Public Financing Authority
Sacramento, California

City of Sacramento
Sacramento, California

Goldman, Sachs & Co.
Los Angeles, California

Re: Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 ([Project Description]) (Federally Taxable)

Ladies and Gentlemen:

The undersigned (the “Investor”) hereby acknowledges receipt, as Beneficial owner thereof, of \$_____ principal amount of Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 ([Project Description]) (Federally Taxable) (the “Bonds”), issued pursuant to an indenture, dated as of [_____ 1, 2014 (the “Indenture”), by and among the Sacramento Public Financing Authority (the “Authority”), the City of Sacramento (the “City”) and [_____] (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture. In connection with the sale of the Bonds to the Investor, the Investor hereby makes the following representations upon which you may rely:

1. The Investor has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.

2. The Investor is a “qualified institutional buyer” under Rule 144(a) of said Act, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.

3. The Investor acknowledges and agrees that it will solely transfer the Bonds in compliance with Section __ of the Indenture.

4. The Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds for its own account, and does not intend at this time to dispose of all or any part of the Bonds. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

5. The Investor understands that the Bonds are not registered under the 1933 Act and that such registration is not legally required as of the date hereof; and further understands that the Bonds(a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) will be delivered in a form which may not be readily marketable.

6. The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Authority, the City, the Lease Revenues, the Project, the Bonds and matters relating thereto and the security therefor so that, as a reasonable investor, the Investor has been able to make our decision to purchase the Bonds. The Investor acknowledges that it has not relied upon the Authority or the City for any information in connection with the Investor's purchase of the Bonds.

7. The Investor acknowledges that the obligations of the Authority under the Indenture are special, limited obligations payable solely from Lease Revenues pursuant to the terms of the Indenture and the Authority shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the Authority for amounts due under the Indenture.

8. The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security and payment of the Bonds.

Dated: _____, 20__

Very truly yours,

By: _____
Title: Authorized Officer

EXHIBIT G
FORM OF BOND COUNSEL

EXHIBIT H

FORM OF [ALTA TITLE] INSURANCE POLICY

SACRAMENTO PUBLIC FINANCING AUTHORITY

\$ _____
LEASE REVENUE BONDS, SERIES 2014
(ESC Project)
(Federally Taxable)

BOND PURCHASE AGREEMENT

_____, 2014

Sacramento Public Financing Authority
c/o City of City Treasurer
City of Sacramento
915 I Street, HCH, 3rd Floor
Sacramento, California 95814

Mayor and City Council
City of Sacramento
915 I Street, Fifth Floor
Sacramento, California 95814

Ladies and Gentlemen:

The undersigned, Goldman, Sachs & Co., as representative of itself (the “**Representative**”) and of Morgan Stanley & Co. LLC (collectively, the “**Underwriters**”), offers to enter into this Bond Purchase Agreement (which, together with Exhibit A, is referred to as the “**Purchase Agreement**”) with the Sacramento Public Financing Authority (the “**Authority**”) and the City of Sacramento, California (the “**City**”), which, upon the acceptance of the Authority and the City, will be binding upon the Authority, the City and the Underwriters. This offer is made subject to acceptance by the Authority and by the City by the execution of this Purchase Agreement and delivery of the same to the Representative prior to 5:00 P.M., Pacific Time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Representative upon notice delivered to the Authority and the City at any time prior to the acceptance hereof by the Authority and the City. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Official Statement (as defined herein).

The Representative represents to the City that it has been duly authorized to execute this Purchase Agreement on behalf of the Underwriters and has been duly authorized to act hereunder by and on behalf of the Underwriters.

1. Purchase and Sale.

- (a) Subject to the terms and conditions herein set forth, the Underwriters hereby agree to purchase from the Authority and the City, and the Authority and the City hereby agree to issue, sell and deliver to the Underwriters all (but not less than all) of the Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 (ESC Project) in the aggregate principal amount of \$_____ (the “**Series 2014**”

Bonds”). The purchase price for the Series 2014 Bonds is \$_____, which consists of \$_____ (being the aggregate principal amount thereof plus net original issue premium of \$_____ and less an underwriter’s discount of \$_____).

- (b) The Series 2014 Bonds will be dated as of their date of delivery. Interest on the Series 2014 Bonds shall be payable semiannually on _____ 1 and _____ 1 in each year, commencing _____ 1, 201_ and the Series 2014 Bonds will bear interest at the rates and on the dates as set forth in Exhibit A hereto. The Series 2014 Bonds are being issued pursuant to an Indenture, dated as of _____ 1, 2014 (the “**Indenture**”), by and among the City of Sacramento (the “**City**”), the Authority and [TRUSTEE], as trustee (the “**Trustee**”). The Series 2014 Bonds are limited obligations of the Authority, secured by, and payable solely from, the amounts pledged therefor under the Indenture.
- (c) The Underwriters agree to make a public offering of the Series 2014 Bonds at the initial offering price or prices established by the Underwriters and set forth in Schedule I hereto. Subsequent to the initial public offering, the Underwriters reserve the right to change the initial offering price or prices as the Underwriters deem necessary in connection with the marketing of the Series 2014 Bonds and to offer and sell the Series 2014 Bonds to certain dealers, unit investment trusts, and money-market funds, certain of which may be sponsored or managed by the Underwriters at prices lower than the public offering prices or yields greater than the yields set forth herein. The Underwriters also reserve the right (1) to over-allot or effect transactions that stabilize or maintain the market price of the Series 2014 Bonds at a level above the price that might otherwise prevail in the open market and (2) to discontinue such stabilizing, if commenced at any time.
- (d) The City hereby ratifies the Underwriters’ prior use and distribution of the Preliminary Official Statement and the Official Statement (and all information contained therein) in connection with the offering and sale of the Series 2014 Bonds, and the City hereby authorizes the Underwriters’ future use of the Preliminary Official Statement and the Official Statement (and all information contained therein) for that purpose.

2. Relationship of the Parties. The City and the Underwriters acknowledge and agree (a) that the primary role of the Underwriters, as underwriters, is to purchase securities from the City, in an arm’s-length commercial transaction between the City and the Underwriters and then to resell the securities to investors; (b) that the Underwriters have financial and other interests that differ from those of the City; (c) the Underwriters are not acting as municipal advisors, financial advisors, or fiduciaries to the City and have not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings, and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the City on other matters); (d) the only contractual obligations the Underwriters have to the City with respect to the transaction contemplated hereby are expressly set forth in this Purchase Agreement; and (e) the City and the Underwriters have consulted their own financial and municipal, legal, accounting, tax, and other advisors, as applicable, to the extent they have deemed appropriate. Nothing in this section is intended to limit the Underwriters’ obligation of fair dealing under MSRB Rule G-17.

3. The Series 2014 Bonds. The Series 2014 Bonds shall be secured by Lease Revenues consisting primarily of base rental payments (“**Base Rental Payments**”) to be paid by the City pursuant to the Project Lease (the “**Project Lease**”), dated as of _____ 1, 2014, by and between the City and the Authority. The Authority’s right to receive the Base Rental Payments due under the Project Lease and to exercise remedies upon default under such Project Lease shall be assigned to the Trustee for the benefit of the owners of the Series 2014 Bonds pursuant to the Indenture.

The proceeds of the Series 2014 Bonds shall be used: (a) pay a portion of the costs of the acquisition, construction, installation and equipping of a multi-purpose entertainment and sports center (the “**Arena Project**”) to be located in the downtown area of the City, (b) fund capitalized interest on the Series 2014 Bonds through _____, 20__ (c) fund a reserve fund for the Series 2014 Bonds, and (d) pay costs of issuance of the Series 2014 Bonds.

The Series 2014 Bonds, this Purchase Agreement, the Indenture, the Project Lease, the Site Lease, dated as of _____ 1, 2014, by and between the Authority and the City (the “**Site Lease**”) and the resolution of the Authority authorizing the issuance of the Series 2014 Bonds and the execution and delivery of the Authority Documents (hereinafter defined) are collectively referred to herein as the “Authority Documents.”

This Purchase Agreement, the Continuing Disclosure Certificate, dated as of the Closing Date (as hereinafter defined) and entered into by the City (the “**Continuing Disclosure Certificate**”), the Indenture, the Project Lease, the Site Lease, the Arena Design and Construction Agreement, dated as of _____, 2014, between the City and Sacramento Downtown Arena LLC (“**ArenaCo**”) (the “**Arena Construction Agreement**”), the Arena Finance, Escrow, and Disbursement Agreement, dated as of _____, 2014, among the City, ArenaCo and [ESCROW AGENT] (as escrow agent)(the “**Arena Financing Agreement**”), the Arena Management, Operations, and Lease Agreement, dated as of _____, 2014, between the City and ArenaCo (the “**ArenaCo Lease**”) [ADD OTHER RELEVANT PROJECT RELATED AGREEMENTS BETWEEN CITY AND PRIVATE ENTITIES] and the resolution of the City authorizing the execution and delivery of the City Documents (hereinafter defined) are collectively referred to herein as the “**City Documents.**”

4. The Official Statement. Pursuant to the City Resolution, the City has approved the form and distribution of the Preliminary Official Statement dated _____, 2014, (the “**Preliminary Official Statement**”) relating to the Series 2014 Bonds and the distribution of an Official Statement, dated _____, 2014 (together with any amendment or supplement thereto, the “**Official Statement**”). The Official Statement must be in the form of the Preliminary Official Statement with such changes as are necessary to reflect the principal amount, maturity date or dates, interest rates, redemption provisions, and other information relating to the sale of the Series 2014 Bonds, and with such other changes as the Representative may approve. By signing this Purchase Agreement, the City confirms that the City has deemed the Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the “**Rule**”), except for the omission of certain information permitted to be omitted therefrom in accordance with the Rule. It is a condition of the offer of the Underwriters made hereby that the Authority deliver, within seven business days of the date hereof, copies of the final Official Statement in such amount as the Underwriters may reasonably request, and to deliver an electronic copy of the Official Statement in word-searchable portable document format, in order for the Underwriters to comply with the rules of the Municipal Securities Rulemaking Board (the “**MSRB**”) and subsection (b)(4) of the Rule. At the

time of or prior to the Closing Date, the Representative shall file a copy of the Official Statement with the MSRB.

5. Closing. At 8:00 a.m., Pacific Time, on _____, 2014 (the “**Closing Date**”), or at such other time or date as the Authority and the Representative agree upon, the Authority shall deliver or cause to be delivered to the Trustee, and the Trustee shall deliver or cause to be delivered to The Depository Trust Company, New York New York (“**DTC**”) (or its Fast Automated Securities Transfer agent), the Series 2014 Bonds in definitive form, duly executed and authenticated. Concurrently with the delivery of the Series 2014 Bonds, the Authority and the City will deliver the documents hereinafter mentioned at the offices of Orrick Herrington & Sutcliffe LLP, Sacramento, California (“**Bond Counsel**”), or another place to be mutually agreed upon by the Authority, the City and the Representative. The Underwriter will accept such delivery and pay the purchase price of the Series 2014 Bonds as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Series 2014 Bonds, together with the delivery of the aforementioned documents, is herein called the “**Closing**.”

The Series 2014 Bonds shall be registered in the name of Cede & Co., as nominee of DTC in denominations of five thousand dollars (\$5,000) or any integral multiple thereof and shall be made available to the Representative at least one (1) business day before the Closing for purposes of inspection and packaging. The Authority and the City acknowledge that the services of DTC will be used initially by the Underwriter in order to permit the issuance of the Series 2014 Bonds in book-entry form, and agree to cooperate fully with the Underwriter in employing such services.

6. Representations, Warranties and Covenants of the Authority. The Authority represents, warrants and covenants to the Underwriter and the City that:

- (a) The Authority is a public body, duly organized and existing under the Constitution and laws of the State of California (the “**State**”), including the Joint Exercise of Powers Agreement, dated as of February 25, 2014 and effective April 29, 2014, between the City and the Housing Authority of the City (the “**JPA Agreement**”) and the Joint Exercise of Powers Act (Government Code Division 7, Chapter 5, Section 6500 et seq.) (the “**JPA Act**”).
- (b) On or before the date hereof, the Authority has duly taken all action necessary to be taken by it before that date for (1) the execution, delivery, and performance of the Authority Documents; (2) the distribution of the Official Statement; and (3) the carrying out, giving effect to, consummation, and performance of the transactions and obligations contemplated hereby and by the Official Statement; provided that no representation is made with respect to compliance with the securities or “Blue Sky” laws of the various states of the United States.
- (c) The Resolution has been duly adopted by the Board of Directors of the Authority at a meeting called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout. The Resolution is in full force and effect and has not been modified or supplemented. This Purchase Agreement has been duly executed and delivered by the Authority and, assuming the due execution and delivery by the Representative, is the legal, valid, and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except that the binding effect and enforceability thereof may be limited (1) by

bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by the limitations on legal remedies against public entities in the State.

- (d) When executed and delivered by the Authority, the Authority Documents will have been duly executed and delivered by the Authority and will be the legal, valid, and binding obligations of the Authority, enforceable against the Authority in accordance with their terms, except that the binding effect and enforceability thereof may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by limitations on legal remedies against public entities in the State.
- (e) When the Series 2014 Bonds are issued, authenticated, and delivered in accordance with the Indenture and paid for by the Underwriters as provided for herein, the Series 2014 Bonds will be legally valid and binding obligations of the Authority, enforceable in accordance with their terms, except as such enforceability may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent-conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by the limitations on legal remedies against public entities in the State. The Series 2014 Bonds will be entitled to the benefits of, and secured by, the Indenture.
- (f) To the actual knowledge of the Authority as of the date hereof, and except as otherwise disclosed in the Official Statement, the adoption of the Resolution, the execution and delivery of the Authority Documents, the compliance with the terms, conditions, or provisions hereof and thereof, and the consummation of the transactions herein and therein contemplated do not and will not in any material way (1) conflict with, or constitute a violation of, any constitutional provision or any law (or any regulations, order, writ, injunction, or decree of any court or governmental instrumentality applicable to the Authority); or (2) result in a breach of, or default on, any resolution, agreement, or instrument to which the Authority is a party; or (3) result in the creation or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority pursuant to any resolution, agreement, or instrument to which the Authority is a party or by which it or any of its properties is bound other than the lien created by the Indenture.

- (g) To the actual knowledge of the Authority as of the date hereof, and except as described in the Official Statement, all authorizations, consents, and approvals of, notices to, registrations or filings with, or actions in respect of, any governmental body, agency, or other instrumentality or court required in connection with the execution, delivery, and performance by the Authority of this Purchase Agreement, the Series 2014 Bonds, the Indenture, and the Resolution have or will have been obtained, given, or taken and will be in full force and effect as of the Closing Date; provided that no representation is made with respect to compliance with the securities or “Blue Sky” laws of the various states of the United States.
- (h) To the actual knowledge of the Authority as of the date hereof, and except as described in the Official Statement, the Authority has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or body (1) seeking to restrain or enjoin the execution, sale, or delivery of the Series 2014 Bonds; or (2) contesting or affecting in any way the validity of enforceability of the Authority Documents; or (3) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any amendment or supplement thereto; or (4) contesting the powers or authority of the Authority with respect to the Authority Documents; or (5) affecting the Authority wherein an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the financial condition or solvency of the Authority or affect the validity or enforceability of, or the authority or ability of the Authority to perform its obligations under, the Authority Documents. Until the end of the underwriting period (as determined in accordance with Section 7(j)), the Authority shall advise the Representative promptly of the institution of any proceedings actually known to it by any governmental agency prohibiting or otherwise affecting the use of the Preliminary Official Statement or the Official Statement in connection with the offering, sale, or distribution of the Bonds.
- (i) The Authority shall cooperate with the Underwriters in the qualification of the Series 2014 Bonds for offering and sale and the determination of the eligibility of the Series 2014 Bonds for investment under the laws of such jurisdictions as the Representative designates and shall continue any such qualification in effect so long as required for the distribution of the Series 2014 Bonds by the Underwriters; provided that the Authority is not required to consent to service of process in any jurisdiction or to expend any funds in connection with such qualification. The Authority is not responsible for compliance with or the consequences of failure to comply with applicable “Blue Sky” laws.
- (j) The Authority hereby agrees that it will notify the other parties hereto if, within the period from the date of this Purchase Agreement to and including the date twenty-five (25) days following the end of the underwriting period (as defined in Section 7(j) hereof), the Authority discovers any pre-existing or subsequent fact or becomes aware of the occurrence of any event, in any such case, which might cause the Official Statement (as the same may have then been supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

- (k) The information in the Preliminary Official Statement and Official Statement set forth under the captions “INTRODUCTION—The Authority” and “THE AUTHORITY” does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
- (l) Any certificate signed by any officer of the Authority authorized to execute such certificate in connection with the execution, sale and delivery of the Series 2014 Bonds and delivered to the Underwriter shall be deemed a representation of the Authority to the Underwriter and the City as to the statements made therein but not of the person signing such certificate.

7. Representations, Warranties and Covenants of the City. The City represents, warrants and covenants to the Underwriter and the Authority that:

- (a) The City is a municipal corporation duly organized and existing under its charter and the Constitution and laws of the State of California (the “**State**”). The City has full power and authority to take all actions required or permitted to be taken by the City by or under, and to perform and observe the covenants and agreements on its part contained in the City Documents.
- (b) On or before the date hereof, the City has duly taken all action necessary to be taken by it before that date for (1) the execution, delivery, and performance of the City Documents; (2) the distribution of the Official Statement; and (3) the carrying out, giving effect to, consummation, and performance of the transactions and obligations contemplated hereby and by the Official Statement; provided that no representation is made with respect to compliance with the securities or “Blue Sky” laws of the various states of the United States.
- (c) The Resolution has been duly adopted by the Sacramento City Council at a meeting called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout. The Resolution is in full force and effect and has not been modified or supplemented. This Purchase Agreement has been duly executed and delivered by the City and, assuming the due execution and delivery by the Representative, is the legal, valid, and binding obligation of the City, enforceable against the City in accordance with its terms, except that the binding effect and enforceability thereof may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors’ rights generally (including, without limitation, fraudulent conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by the limitations on legal remedies against public entities in the State.
- (d) When executed and delivered by the City, the City Documents will have been duly executed and delivered by the City and, and, assuming the due execution and delivery by the other parties thereto, will be the legal, valid, and binding obligations of the

City, enforceable against the City in accordance with their terms, except that the binding effect and enforceability thereof may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases; or (5) by limitations on legal remedies against public entities in the State.

- (e) To the actual knowledge of the City as of the date hereof, and except as otherwise disclosed in the Official Statement, the adoption of the Resolution, the execution and delivery of the City Documents, the compliance with the terms, conditions, or provisions hereof and thereof, and the consummation of the transactions herein and therein contemplated do not and will not in any material way (1) conflict with, or constitute a violation of, the City Charter or any constitutional provision or any law (or any regulations, order, writ, injunction, or decree of any court or governmental instrumentality applicable to the City); or (2) result in a breach of, or default on, any resolution, agreement, or instrument to which the City is a party; or (3) result in the creation or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of the properties or assets of the City pursuant to any resolution, agreement, or instrument to which the City is a party or by which it or any of its properties is bound other than the lien created by the Indenture.
- (f) To the actual knowledge of the City as of the date hereof, and except as described in the Official Statement, all authorizations, consents, and approvals of, notices to, registrations or filings with, or actions in respect of, any governmental body, agency, or other instrumentality or court required in connection with the execution, delivery, and performance by the City of the City Documents have or will have been obtained, given, or taken and will be in full force and effect as of the Closing Date; provided that no representation is made with respect to compliance with the securities or "Blue Sky" laws of the various states of the United States.
- (g) To the actual knowledge of the City as of the date hereof, and except as described in the 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 before or by any court, public board, or body (1) seeking to restrain or enjoin the execution, sale, or delivery of the Series 2014 Bonds; or (2) contesting or affecting in any way the validity of enforceability of the City Documents; or (3) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any amendment or supplement thereto; or (4) contesting the powers or authority of the City with respect to the City Documents; or (5) affecting the City wherein an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the financial condition or solvency of the City or affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, the City Documents. Until the end of the underwriting period (as determined in accordance with Section 3(j)), the City shall advise the Representative promptly of the institution of any proceedings actually known to it by any governmental agency

prohibiting or otherwise affecting the use of the Preliminary Official Statement or the Official Statement in connection with the offering, sale, or distribution of the Bonds.

- (h) The City shall cooperate with the Underwriters in the qualification of the Series 2014 Bonds for offering and sale and the determination of the eligibility of the Series 2014 Bonds for investment under the laws of such jurisdictions as the Representative designates and shall continue any such qualification in effect so long as required for the distribution of the Series 2014 Bonds by the Underwriters; provided that the City is not required to consent to service of process in any jurisdiction or to expend any funds in connection with such qualification. The City is not responsible for compliance with or the consequences of failure to comply with applicable “Blue Sky” laws.
- (i) As of its date and up until the City’s acceptance hereof, the Preliminary Official Statement and, as of the date hereof, the Official Statement (excluding the statements and information relating to the DTC and the book-entry system, as to which no opinion need be expressed) did not and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
- (j) If between the date of this Agreement and the date that is 25 days after the end of the underwriting period (as determined in accordance with this Section 7(j)) any event occurs that would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, then the City shall notify the Representative of any such event of which it has actual knowledge. If, in the reasonable opinion of the Representative the event requires the preparation and publication of a supplement or amendment to the Official Statement, then the City shall, at its own expense, prepare and furnish the following to the Underwriters: a reasonable number of copies of a supplement or amendment to the Official Statement in form and substance reasonably acceptable to the Representative; and, if the event notice is subsequent to the Closing Date, such legal opinions, certificates, instruments, and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement. The term “end of the underwriting period” means the later of the following: when the City delivers the Series 2014 Bonds to the Underwriters or when the Underwriters do not retain an unsold balance of the Series 2014 Bonds for sale to the public. Unless the Representative gives notice to the contrary, the end of the underwriting period is deemed to be the Closing Date. Any notice delivered pursuant to this section must be delivered in writing to the City at or before the Closing Date and must specify a date, other than the Closing Date, to be deemed the end of the underwriting period. In no event will the “end of the underwriting period” extend beyond the date that is 60 days after the Closing Date.
- (k) If the information contained in the Official Statement is amended or supplemented pursuant to Section 7(j), then at the time of each supplement or amendment and at all times subsequent thereto up to and including the date that is 25 days after the Closing

Date, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained herein) will be true and correct in all material respects and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the information therein, in light of the circumstances under which it was made, not misleading.

- (l) Any certificate signed by an authorized representative of the City and delivered in connection with the transactions contemplated by the Official Statement and this Purchase Agreement will be deemed to be a representation and warranty by the City to the Underwriters as to the statements made therein.
- (m) Except as disclosed in the Official Statement, the City has not failed to comply in the last five years in any material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of events as required by the Rule.
- (n) The Audited Financial Statements of the City for the Fiscal Year ended June 30, 2013, as contained in Appendix B to the Official Statement, fairly and accurately present the financial condition of the City as of such date, and, except as referred to in or contemplated by the Official Statement, there has not been, nor does the City anticipate that there will be, any adverse change of a material nature in the financial position, assets, properties, results of operations, or condition (financial or otherwise) of the City.
- (o) Any certificate signed by any officer of the City authorized to execute such certificate in connection with the execution, sale and delivery of the Series 2014 Bonds and delivered to the Underwriter shall be deemed a representation of the City to the Underwriter and the Authority as to the statements made therein but not of the person signing such certificate.
- (p) [[Representation re: CEQA.]]
- (q) [[Representation re: Title to Arena Site.]]

8. Conditions to the Obligations of the Underwriter. The obligations of the Underwriters under this Purchase Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the City and the Authority of their obligations and agreements to be performed hereunder and to the accuracy of and compliance with the representations, warranties, covenants, and agreements of the City and the Authority contained herein, in each case on and as of the date of delivery of this Purchase Agreement and on and as of the Closing Date. The obligations of the Underwriters hereunder are also subject, in the discretion of the Representative, to the following further conditions:

- (a) The representations, warranties and covenants of the City and the Authority contained herein shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the Closing Date.
- (b) At the time of Closing, the City Documents and the Authority Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the City Documents, the Authority Documents and the Official

Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter.

- (c) At the time of the Closing, no default shall have occurred or be existing under the City Documents or the Authority Documents, and the City shall not be in default in the payment of principal or interest with respect to any of its financial obligations, which default would adversely impact the ability of the City to pay the Base Rental Payments.
- (d) At or prior to the Closing, the Underwriter shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriter:
 - (1) All resolutions relating to the Series 2014 Bonds adopted by the Authority and certified by an authorized official of the Authority authorizing the issuance of the Series 2014 Bonds and the execution and delivery of the Authority Documents;
 - (2) All resolutions relating to the Series 2014 Bonds adopted by the City and certified by an authorized official of the City authorizing the execution and delivery of the City Documents and the delivery of the Series 2014 Bonds and the Official Statement;
 - (3) The City Documents and the Authority Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Representative;
 - (4) The approving opinion of Bond Counsel dated the Closing Date and addressed to the Authority and the City, in substantially the form attached as Appendix E to the Official Statement, and a reliance letter thereon addressed to the Representative;
 - (5) A supplemental opinion of Bond Counsel dated the Closing Date and addressed to the Representative, to the effect that:
 - (A) the statements in the Official Statement under the captions “INTRODUCTION,” “THE SERIES 2014 BONDS,” “SECURITY FOR THE SERIES 2014 BONDS” and “TAX MATTERS,” and in Appendix D—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS,” excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the Indenture, Project Lease, Site Lease and Bond Counsel’s final opinion concerning certain federal tax matters relating to the Series 2014 Bonds, are accurate in all material respects as of the Closing Date;
 - (B) The Purchase Agreement has been duly authorized, executed and delivered by the City and the Authority and is the valid, legal and

binding agreement of the City and the Authority, enforceable in accordance with its terms, except that the rights and obligations under the Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein; and

- (C) The Series 2014 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;
- (6) The Official Statement, executed on behalf of the Authority and City, and the Preliminary Official Statement;
- (7) Evidence that the ratings on the Series 2014 Bonds are as described in the Official Statement;
- (8) A certificate, dated the Closing Date, signed by a duly authorized officer of the Authority satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the Authority contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the Authority, and the Authority has complied with all of the terms and conditions of this Purchase Agreement required to be complied with by the Authority at or prior to the Closing Date; (ii) to the best of such officer's knowledge, no event affecting the Authority has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (iii) the information and statements contained in the Official Statement under the captions "INTRODUCTION—The Authority" and "THE AUTHORITY" did not as of its date and do not as of the Closing contain an 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 in any material respect;
- (9) A certificate, dated the Closing Date, signed by the appropriate City representatives and in form and substance satisfactory to the Representative, to the effect that, to the current actual knowledge of such representatives as of the Closing Date: (i) the representations and warranties of the City contained in this Purchase Agreement are accurate on and as of the Closing Date as if made on that date; (ii) the City Documents have been executed and are in full force and effect; (iii) the City has complied or is then in compliance with all

agreements and has satisfied all conditions on its part to be observed or satisfied under each City Document at or before the Closing; (iv) between the date of the Official Statement and the date of the certificate, there has been no material adverse change in the condition (financial or otherwise) of the Water System, whether or not arising from transactions in the ordinary course of business, as described in the Official Statement; and (v) the representatives have examined the Official Statement, and in their opinion the Official Statement as of its date and as of the Closing Date did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.;

- (10) An opinion dated the Closing Date and addressed to the Representative, the Authority and the City, of the City Attorney of the City of Sacramento, as counsel to the Authority, to the effect that:
 - (A) The Authority is a public body, organized and existing under the Constitution and laws of the State, including the JPA Act and the JPA Agreement;
 - (B) The resolution relating to the Series 2014 Bonds adopted by the Authority and certified by an authorized official of the Authority authorizing the issuance and sale of the Series 2014 Bonds and the execution and delivery of the Authority Documents and the Official Statement has been duly adopted at a regular meeting of the Authority, and is in full force and effect and has not been modified, amended, rescinded or repealed since the date of its adoption;
 - (C) The Authority Documents have been duly authorized, executed and delivered by the Authority and constitute valid, legal and binding agreements of the Authority enforceable in accordance with their respective terms;
 - (D) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process having been accomplished, or threatened in writing against the Authority, challenging the creation, organization or existence of the Authority, or the validity of the Authority Documents or seeking to restrain or enjoin the collection of Base Rental Payments with respect to the Project Lease or the repayment of the Series 2014 Bonds or in any way contesting or affecting the validity of the Authority Documents or contesting the authority of the Authority to enter into or perform its obligations under any of the Authority Documents;
 - (E) the execution and delivery of the Authority Documents and the issuance of the Series 2014 Bonds and compliance with the provisions

thereof, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject, which breach or default has or may have a material adverse effect on the ability of the Authority to perform its obligations under the Authority Documents; and

- (F) no authorization, approval, consent, or other order of the State or any other governmental body within the State is required for the valid authorization, execution and delivery of the Authority Documents or the Official Statement by the Authority or the consummation by the Authority of the transactions on its part contemplated therein, except such as have been obtained and except such as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Series 2014 Bonds by the Underwriter.
- (11) an opinion dated the Closing Date and addressed to the Representative, of the City Attorney of the City of Sacramento, to the effect that:
- (A) the City is a municipal corporation duly organized and validly existing under its charter and the Constitution and the laws of the State;
 - (B) the City has duly approved Official Statement relating to the Series 2014 Bonds;
 - (C) the Sacramento City Council duly adopted the Resolution at a meeting called and held according to law with all public notice required by law and at which a quorum was present and acting throughout, and the Resolution is in full force and effect and has not been amended, modified, or rescinded;
 - (D) the City has full right and lawful authority to execute and deliver the City Documents, and the City has duly authorized, executed, and delivered the Official Statement and the City Documents;
 - (E) the City Documents are legally valid and binding obligations of the City enforceable against the City in accordance with their terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent-conveyance laws); or (ii) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (iii) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (iv) by the exercise of judicial discretion in appropriate cases or; (v) by the limitations on legal

remedies against public entities in the State, and provided that no opinion need be expressed with respect to any indemnification or contribution provision contained in the City Documents, or with respect to the state or federal laws that pertain to the tax-exempt status of the Series 2014 Bonds;

- (F) to the actual knowledge of the City Attorney or his designee as of the date of the opinion, the adoption of the Resolution and the execution and delivery of the Series 2014 Bonds, the Indenture, this Purchase Agreement, and compliance with the provisions hereof and thereof, under the circumstances contemplated thereby and hereby, do not and will not in any material way (i) conflict with or constitute on the part of the City a breach of, or default on, any agreement or other instrument applicable to, or binding upon, the City or any of its properties; or (ii) violate the City Charter; or (iii) violate any existing law, regulation, court order, or consent decree to which the City or any of its properties are subject; and
- (G) except as described in the Official Statement, to the actual knowledge of the City Attorney or his designee as of the date of the opinion, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or body (i) that contests in any way the completeness or accuracy of the Official Statement; or (ii) in which an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the financial condition of the Water System or on the transactions contemplated by the Purchase Agreement or the Official Statement; or (iii) that is likely to adversely affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, the Resolution or the City Documents;

in each case subject to the exceptions and limitations described in the Legal Opinion Accord included in the Third-Party Legal Opinion Report of the ABA Section of Business Law (1991) and the “California Provisions” as defined 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), and certain other standard exceptions and limitations specified in the opinion of the City Attorney or his designee.;

- (12) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel to the Authority and the City, dated the Closing Date and addressed to City, Authority and the Representative, to the effect that, based on the information made available to it in its role as Disclosure Counsel, without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, but on the basis of their participation in the above-mentioned conferences, and in reliance thereon and on the records, documents, certificates and matters mentioned above, such counsel advises such parties as a matter of fact and not opinion that, during the course of such counsel’s role as disclosure counsel with respect to the Series 2014 Bonds, no facts came to

the attention of the attorneys in such firm rendering legal services in connection with such role which caused them to believe that the Official Statement as of its date (excluding therefrom any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the information in Appendix __, __, __, __ to the Official Statement, or any information about book-entry or DTC, included therein, as to all of which no opinion is expressed) contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

- (13) An opinion of Nixon Peabody LLP, counsel to the Underwriters, dated the Closing Date, addressed to the Representative to the effect that, although such attorneys have not undertaken to check the accuracy, completeness or fairness of, or verified the information contained in, the Official Statement, and are therefore unable to make any representation in that regard, such attorneys have participated in conferences prior to the date of the Official Statement with representatives of the City, the Authority, the Underwriter and others, during which conferences the contents of the Official Statement and related matters were discussed. Based upon the information made available to such attorneys in the course of their participation in such conferences, their review of the documents referred to above, their reliance on the certificates and the opinions of counsel described above and their understanding of applicable law, such attorneys do not believe that the Official Statement (excluding therefrom any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the information in Appendix __, __, __, __ to the Official Statement, or any information about book-entry or DTC, included therein, as to all of which no opinion is expressed) as of its date contained, or as of the date of such opinion, contains, any untrue statement or a material fact, or as of its date omitted, or as of the date of such opinion omits, to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;
- (14) An opinion of counsel to the Trustee, addressed to the Representative and dated the Closing Date, in form and substance satisfactory to the Representative;
- (15) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee in form and substance satisfactory to the Representative;
- (16) CERTIFICATE OF ESCROW AGENT (HOLDING PROCEEDS PURSUANT TO ARENA FINANCING AGREEMENT);
- (17) OPINION OF COUNSEL TO ESCROW AGENT;
- (18) [CERTIFICATE OF HOLDCO, ARENACO AND OTHER PRIVATE PARTIES AS TO DUE AUTHORIZATION AND EXECUTION OF DOCUMENTS; ABSENCE OF LITIGATION; OTHER MATTERS;

- (19) OPINION OF COUNSEL TO PRIVATE PARTIES;
- (20) The preliminary and final Notice of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;
- (21) A copy of the executed Blanket Issuer Letter of Representations by and between the Authority and DTC relating to the book-entry system;
- (22) The tax and nonarbitrage certificate of the City and the Authority in form and substance to the reasonable satisfaction of Bond Counsel and the Representative;
- (23) A certificate, dated the date of the Preliminary Official Statement, of the City, as required under Rule 15c2-12;
- (24) A certificate, dated the date of the Preliminary Official Statement, of the Authority, as required under Rule 15c2-12;
- (25) Certified copies of the JPA Agreement and all amendments thereto and related certificates issued by the Secretary of State of the State;
- (26) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture and the authentication and delivery of the Series 2014 Bonds by the Trustee;
- (27) Evidence of insurance as required by the Project Lease; and
- (28) Such additional legal opinions, certificates, proceedings, instruments or other documents as Bond Counsel or the Underwriter may reasonably request.

9. Termination.

- (a) If the City cannot satisfy the conditions to the obligations of the Underwriters to be satisfied by the City under this Purchase Agreement, and satisfaction of such conditions is not waived by the Representative then this Purchase Agreement will terminate with the effect stated in Section 9(c) below.
- (b) The Representative may terminate this Purchase Agreement, with the effect stated in Section 9(c) below, at any time after the date of this Purchase Agreement and at or before the Closing by notifying the City in writing of its election so to do if, in the reasonable judgment of the Representative, between the date hereof and the Closing, the marketability of the Series 2014 Bonds at the initial offering prices set forth in the Official Statement has been materially adversely affected by reason of any of the following:

- (1) An amendment to the Constitution of the United States or the State is passed; or legislation is introduced in or enacted by the Congress of the United States or the legislature of any state having jurisdiction of the subject matter, or legislation pending in the Congress of the United States is amended; or legislation is recommended to the Congress of the United States or to any state having jurisdiction of the subject matter or otherwise endorsed for passage (by press release, other form of notice, or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service, or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives; or legislation is proposed for consideration by either committee by any member thereof or presented as an option for consideration by either such committee by the staff of the committee or by the staff of the Joint Committee on Taxation of the Congress of the United States; or legislation is favorably reported for passage to either House of the Congress of the United States by a committee of the House to which such legislation has been referred for consideration; or a decision is rendered by a court of the United States or of the State or the Tax Court of the United States; or a ruling is made or a regulation or temporary regulation is proposed or made or any other release or announcement is made by the Treasury Department of the United States, the Internal Revenue Service, or other federal or State authority, which, in the reasonable judgment of the Representative, may have the purpose or effect, directly or indirectly, of affecting the tax status of the Series 2014 Bonds or the interest thereon, or any tax exemption granted or authorized by State legislation.
- (2) Legislation is enacted, introduced in the Congress, or recommended for passage by the President of the United States; or a decision is rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States; or an order, ruling, regulation (final, temporary or proposed), or official statement is issued or made by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Series 2014 Bonds, or the Series 2014 Bonds themselves, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended.
- (3) The declaration of war or engagement or significant escalation in major military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government of, or the financial community in, the United States.
- (4) The declaration of a general banking moratorium by federal, New York, or California authorities, or the general suspension of trading on any national securities exchange.

- (5) The occurrence of a major financial crisis, a material disruption in commercial banking or securities settlement or clearance services, or a material disruption or deterioration in the fixed income or municipal securities market.
 - (6) The imposition by the New York Stock Exchange or other national securities exchange, or by any governmental authority, of any material restrictions not now in force with respect to the Series 2014 Bonds or obligations of the general character of the Series 2014 Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriters.
 - (7) An order, decree, or injunction of any court having jurisdiction, or an order, ruling, regulation, or official statement by the Securities and Exchange Commission or by any other governmental agency having jurisdiction of the subject matter is issued or made to the effect that the issuance, offering, or sale of obligations of the general character of the Series 2014 Bonds, or the issuance, offering, or sale of the Series 2014 Bonds themselves, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect.
 - (8) Any rating agency rating the Series 2014 Bonds downgrades, suspends, or withdraws (or announces its intent to downgrade, suspend, or withdraw) any rating of the Series 2014 Bonds, or issues any negative qualification with respect to the Series 2014 Bonds (such as being placed on “credit watch” with negative implications or “negative outlook” or any similar qualification).
 - (9) Any event occurs, or information becomes known that, in the reasonable judgment of the Representative, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of 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.
- (c) If this Purchase Agreement is terminated as herein provided, then the parties hereto will have no obligations to each other except as provided in Section 10.

10. Expenses. Whether or not the transactions contemplated by this Purchase Agreement are consummated, the Underwriter shall be under no obligation to pay, and the Authority shall pay only from the proceeds of the Series 2014 Bonds, but only as the Authority and such other party providing such services may agree, all expenses and costs of the Authority and the City incident to the performance of their obligations in connection with the authorization, execution, sale and delivery of the Series 2014 Bonds to the Underwriter, including, without limitation, printing costs, rating agency fees and charges, initial fees of the Trustee and Escrow Agent, including fees and disbursements of their counsel, if any, fees and disbursements of Bond Counsel, the Verification Agent, and other professional advisors employed by the Authority or the City, costs of preparation, printing, signing,

transportation, delivery and safekeeping of the Series 2014 Bonds and for expenses (included in the expense component of the spread) incurred by the Underwriter on behalf of City's employees which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those employees. The Underwriter shall pay all out-of-pocket expenses of the Underwriter, including, without limitation, the fees and expenses of its counsel, advertising expenses, the California Debt and Investment Advisory Commission fee, CUSIP Services Bureau charges, regulatory fees imposed on new securities issuers and any and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Series 2014 Bonds. Certain payments may be in the form of inclusion of such expenses in the expense component of the Underwriters' discount.

11. Notices. Any notice or other communication to be given to the Representative under this Purchase Agreement may be given by delivering the same in writing to Goldman, Sachs & Co., 2121 Avenue of the Stars, Suite 2600, Los Angeles, California 90067, Attention: Tim Rohmer. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given the Authority under this Purchase Agreement may be given by delivering the same in writing to the Sacramento Public Financing Authority, c/o City of Sacramento Treasurer, 915 I Street, Third Floor, Sacramento, California 95814. Any notice or communication to be given the City under this Purchase Agreement may be given by delivering the same in writing to the City of Sacramento City of Sacramento Treasurer, 915 I Street, Third Floor, Sacramento, California 95814.

12. Parties in Interest. This Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriters (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the Authority and the City in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriters and shall survive the delivery of and payment for the Series 2014 Bonds.

13. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

14. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

15. Governing Law. This Purchase Agreement shall be governed by the laws of the State.

GOLDMAN, SACHS & CO.

By: _____
Title: Authorized Officer

Accepted as of the date first stated above:

CITY OF SACRAMENTO

By: _____
Its: City Manager

SACRAMENTO PUBLIC FINANCING AUTHORITY

By: _____
Its: Chair

EXHIBIT A

**SACRAMENTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2014
(ESC Project)**

MATURITY SCHEDULE

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>
--	-----------------------------	----------------------	--------------

^(c) Yield to optional redemption date of _____ 1, 20__.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the 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, qualification or filing under the securities laws of any such jurisdiction.

FORM OF PRELIMINARY OFFICIAL STATEMENT; THIS FORM HAS BEEN PREPARED CONCURRENTLY WITH THE FINAL NEGOTIATION OF THE PROJECT AGREEMENTS AND WILL BE REVISED IMMEDIATELY PRIOR TO THE FINANCING TO REFLECT (1) EXECUTED FORMS OF THE PROJECT AGREEMENTS; (2) THEN-CURRENT STATUS OF PROJECT DEVELOPMENT; AND (3) CITY'S ADOPTED 2014-15 BUDGET AND OTHER THEN-CURRENT FINANCIAL INFORMATION.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2014

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS:
[[Moody's "____"
S&P: "____"
Fitch: "____"]]
See "RATINGS" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, interest on the Series 2014 Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest is not excluded from gross income for federal income tax purposes. 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 Series 2014 Bonds. See "TAX MATTERS" herein.

\$ _____ *
SACRAMENTO PUBLIC FINANCING AUTHORITY
Lease Revenue Bonds, Series 2014
(ESC Project)

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The \$ _____ * aggregate principal amount of Sacramento Public Financing Authority Lease Revenue Refunding Bonds, Series 2014 (ESC Project) (the "Series 2014 Bonds"), are being issued by the Sacramento Public Financing Authority, a joint exercise of powers entity organized and existing under the laws of the State of California (the "Authority"), pursuant to Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the California Government Code, a resolution of the Authority authorizing the issuance of the Series 2014 Bonds and an indenture, dated as of _____ 1, 2014 (the "Indenture"), by and among the City of Sacramento (the "City"), the Authority and [TRUSTEE], as trustee (the "Trustee"). The Series 2014 Bonds are being issued to (a) pay a portion of the costs of the acquisition, construction, installation and equipping of a multi-purpose entertainment and sports center (the "Arena Project") to be located in the downtown area of the City, (b) fund capitalized interest on the Series 2014 Bonds through _____, 20__ (c) fund a reserve fund for the Series 2014 Bonds, and (d) pay costs of issuance of the Series 2014 Bonds. See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" herein. The Series 2014 Bonds and any additional bonds which may be issued in accordance with the Indenture will be secured by a pledge of and lien on the Lease Revenues (as defined herein) and the amounts in the Reserve Fund (as defined herein). The Series 2014 Bonds and such additional bonds, if any, are referred to herein as "Bonds."

The Series 2014 Bonds are issuable in denominations of \$5,000 and any integral multiple thereof. Interest on the Series 2014 Bonds is payable on _____ 1 and _____ 1 of each year, commencing _____ 1, 2014. See "THE SERIES 2014 BONDS" herein.

The Series 2014 Bonds will be delivered in fully registered form only, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2014 Bonds. Ownership interests in the Series 2014 Bonds may be purchased in book-entry form only. Principal of, premium, if any, and interest on the Series 2014 Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Series 2014 Bonds. See "THE SERIES 2014 BONDS" herein and APPENDIX G – "BOOK-ENTRY ONLY SYSTEM."

The Series 2014 Bonds are subject to optional and extraordinary redemption as described herein. See "THE SERIES 2014 BONDS—Redemption" herein.

* Preliminary; subject to change.

The City will lease the Project from the Authority pursuant to a Project Lease, dated as of _____ 1, 2014 (the "Lease Agreement"), by and between the Authority and the City. Under the Project Lease, the City is required to make Base Rental Payments (as defined herein) from legally available funds in amounts calculated to be sufficient to pay principal of and interest on the Series 2014 Bonds when due, subject to abatement, as described herein. All of the Authority's right, title and interest in and to the Project Lease (except for the right to receive any Additional Payments (as defined herein) to the extent payable to the Authority and certain rights to indemnification), including the right to receive Base Rental Payments under the Project Lease, are assigned to the Trustee under the Indenture for the benefit of the Owners and beneficial owners of the Series 2014 Bonds. See "SECURITY FOR THE SERIES 2014 BONDS" herein.

MATURITY SCHEDULE
See Inside Cover Page

THE SERIES 2014 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE LEASE REVENUES PLEDGED UNDER THE INDENTURE. THE SERIES 2014 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, EXCEPT THE AUTHORITY TO THE EXTENT DESCRIBED HEREIN, AND NEITHER THE CITY, THE STATE OF CALIFORNIA NOR ANY OF ITS POLITICAL SUBDIVISIONS, EXCEPT THE AUTHORITY TO THE EXTENT DESCRIBED HEREIN, IS LIABLE THEREON. IN NO EVENT SHALL THE SERIES 2014 BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS SET FORTH IN THE INDENTURE. THE SERIES 2014 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AUTHORITY, THE CITY NOR ANY PERSONS EXECUTING THE SERIES 2014 BONDS ARE LIABLE PERSONALLY ON THE SERIES 2014 BONDS BY REASON OF THEIR ISSUANCE.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2014 Bonds will be offered when, as and if issued, and received by the Underwriters, subject to the approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the City and the Authority by the Sacramento City Attorney, and by Stradling Carlson Yocca & Rauth, a Professional Corporation, as Disclosure Counsel to the Authority. Certain legal matters will be passed on for the Underwriters by Nixon Peabody LLP. First Southwest Company is serving as Financial Advisor to the City. It is anticipated that the Series 2014 Bonds will be available for delivery through DTC in New York, New York, on or about _____, 2014.

Goldman

Morgan Stanley

Dated: _____, 2014

MATURITY SCHEDULE

Maturity (_____ 1)	Principal Amount	Interest Rate	Yield	CUSIP[†]
-------------------------------	-----------------------------	--------------------------	--------------	--------------------------

[†] Copyright 2014, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Authority or the City and are included solely for the convenience of the registered owners of the applicable Series 2014 Bonds. Neither the Authority, the City nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Series 2014 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2014 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2014 Bonds.

SACRAMENTO PUBLIC FINANCING AUTHORITY

CITY OF SACRAMENTO

Authority Board of Directors and City Council

Kevin Johnson, *Authority Chair/Mayor*
Jay Schenirer, *Authority Vice Chair/Vice Mayor*
Angelique Ashby, *Authority/City Council Member/Mayor Pro Tem*
Allen Wayne Warren, *Authority/Council Member*
Steve Cohn, *Authority/Council Member*
Steve Hansen, *Authority/Council Member*
Kevin McCarty, *Authority/Council Member*
Darrell Fong, *Authority/Council Member*
Bonnie Pannell, *Authority/Council Member*

CHIEF CITY ADMINISTRATIVE PERSONNEL

John F. Shirey
City Manager

Russell T. Fehr
Treasurer/City Treasurer

James Sanchez
Legal Counsel/City Attorney

Leyne Milstein
Controller/City Finance Director

Shirley Concolino
Clerk/City Clerk

Special Services

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel

Stradling Yocca Carlson & Rauth,
A Professional Corporation

Financial Advisor

First Southwest Company

Trustee

[TRUSTEE]

No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriters to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2014 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2014 Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information set forth in this Official Statement has been obtained from official sources and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the City since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2014 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement contains forward-looking statements within the meaning of the Federal securities laws. Such statements are based on currently available information, expectations, estimates, assumptions, projections and general economic conditions. Such words as expects, intends, plans, believes, estimates, anticipates or variations of such words or similar expressions are intended to identify forward-looking statements and include, but are not limited to, statements under the captions "SECURITY FOR THE SERIES 2014 BONDS," "THE PROJECT," "CITY FINANCIAL INFORMATION," "CITY FINANCIAL PRESSURES" and APPENDIX A - "GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY." The forward-looking statements are not guarantees of future performance. Actual results may vary materially from what is contained in a forward-looking statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the Authority's or the City's forecasts in any way, regardless of the level of optimism communicated in the information. The City and the Authority assume no obligation to provide public updates of forward-looking statements.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2014 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2014 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

The City maintains a website, however, the information presented therein is not a part of this Official Statement and should not be relied on in making an investment decision with respect to the Series 2014 Bonds.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
General Description	1
Terms of the Series 2014 Bonds	1
Book-Entry Only	2
Source of Payment for the Series 2014 Bonds	2
Abatement	2
[[Reserve Fund	3
The City	3
The Authority	3
Other Participants	3
Continuing Disclosure	4
Certain Risk Factors	4
Other Information	4
ESTIMATED SOURCES AND USES OF FUNDS	5
THE SERIES 2014 BONDS	5
General	5
Optional Redemption	6
Extraordinary Redemption from Insurance or Condemnation Proceeds	6
Selection of Bonds for Redemption	6
Notice of Redemption	7
Partial Redemption of Bonds	8
Effect of Redemption	8
SECURITY FOR THE SERIES 2014 BONDS	9
General	9
Base Rental Payments and Additional Payments	9
Insurance and Condemnation Awards	10
[[Reserve Fund	12
Abatement	13
Insurance	14
Debt Service Schedule	15
Additional Bonds	15
Substitution and Release of Project	16
THE ARENA PROJECT	16
General	16

TABLE OF CONTENTS

	Page
Background	17
Arena Agreements	18
Arena Construction	21
The Arena Site	22
Governmental Permits and Approvals	22
Arena Operations and Maintenance	22
Insurance Requirements	23
THE AUTHORITY	23
THE CITY	23
CITY FINANCIAL INFORMATION	24
CITY FINANCIAL PRESSURES	24
Property Tax	24
Sales Tax	25
Measure U	25
Prior Fiscal Year Budgets	27
Fiscal Year 2014/15 General Fund Budget	27
The Six-Year Forecast	28
Additional Financial Pressures	30
CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS	30
Article XIII A of the State Constitution	30
Article XI B of the State Constitution	31
Articles XIII C and XIII D of the State Constitution	32
Statutory Spending Limitations	33
Proposition 1A	34
Future Initiatives	35
RISK FACTORS	35
Limited Obligation	35
Base Rental Payments Are Not Debt	35
Valid and Binding Covenant to Budget and Appropriate	36
Abatement	36
ArenaCo May Not Satisfy Its Obligation to Provide Funds to Complete the Arena	37
Construction Risks	37
Governmental Permits and Approvals	39
Third Party Contract Risk	39

TABLE OF CONTENTS

	Page
Risk of Uninsured Loss	40
Eminent Domain	40
Hazardous Substances	40
Flood	41
Earthquake	41
Bankruptcy	41
Limitations on Remedies	42
No Liability of Authority to the Owners	43
Risk of Tax Audit	43
State Budget	43
Loss of Tax Exemption	43
Limited Secondary Market	44
Changes in Law	44
TAX MATTERS	44
CERTAIN LEGAL MATTERS	44
FINANCIAL STATEMENTS	44
LITIGATION	45
RATINGS	45
UNDERWRITING	45
CONTINUING DISCLOSURE	46
ADDITIONAL INFORMATION	47
APPENDIX A – GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO	A-1
APPENDIX B – CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2013	B-1
APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS	C-1
APPENDIX D – PROPOSED FORM OF BOND COUNSEL OPINION	D-1
APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE	E-1
APPENDIX F – BOOK-ENTRY ONLY SYSTEM	F-1
[ADD ADDITIONAL DOCUMENT SUMMARIES AND/OR FORMS OF AGREEMENTS AS APPROPRIATE]	

OFFICIAL STATEMENT

\$ _____ *

SACRAMENTO PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS, SERIES 2014 (ESC PROJECT)

INTRODUCTION

The following introduction presents a brief description of certain information in connection with the Series 2014 Bonds (as defined below) and is qualified in its entirety by reference to the entire Official Statement and the documents summarized or described herein. References to, and summaries of, provisions of the Constitution and the laws of the State of California (the “State”) and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions thereof. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given such terms in the Indenture (as defined below). See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—Definitions.”

General Description

This Official Statement, including the cover page, the inside cover page and the attached appendices (this “Official Statement”), provides certain information concerning the issuance of \$ _____ aggregate principal amount of Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 (ESC Project) (the “Series 2014 Bonds”), by the Sacramento Public Financing Authority, a joint exercise of powers entity organized under the laws of the State (the “Authority”). The Series 2014 Bonds are being issued pursuant to Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the California Government Code, a resolution of the Authority authorizing the issuance of the Series 2014 Bonds (the “Authority Resolution”) and an indenture, dated as of _____ 1, 2014 (the “Indenture”), by and among the City of Sacramento (the “City”), the Authority and [TRUSTEE], as trustee (the “Trustee”). The Series 2014 Bonds are being issued to (a) pay a portion of the costs of the acquisition, construction, installation and equipping of multi-purpose entertainment and sports center (the “Project”) to be located in the downtown area of the City, (b) fund capitalized interest on the Series 2014 Bonds through _____, 20__ (c) fund a reserve fund for the Series 2014 Bonds, and (d) pay costs of issuance of the Series 2014 Bonds. See “THE PROJECT” and “ESTIMATED SOURCES AND USES OF FUNDS.”

Terms of the Series 2014 Bonds

The Series 2014 Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2014 Bonds is payable semiannually on each _____ 1 and _____ 1 (each, an “Interest Payment Date”), commencing _____ 1, 2014, computed at the respective rates of interest set forth on the inside cover page of this Official Statement. The Series 2014 Bonds will be issuable in denominations of \$5,000 or any integral multiple thereof. The Series 2014 Bonds are subject to optional and extraordinary redemption as described herein. See “THE SERIES 2014 BONDS.”

* Preliminary; subject to change.

Book-Entry Only

The Depository Trust Company, New York, New York (“DTC”). DTC will act as the depository of the Series 2014 Bonds and all payments due on the Series 2014 Bonds will be made to DTC or its nominee. Ownership interests in the Series 2014 Bonds may be purchased in book-entry form only. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Source of Payment for the Series 2014 Bonds

Pursuant to the Site Lease, dated as of _____ 1, 2014 (the “Site Lease”), by and between the City and the Authority, the City will lease to the Authority certain real property and facilities and improvements located thereon (the “Arena”) owned by the City. See “THE ARENA PROJECT.” Concurrently, the City will sublease the Arena from the Authority pursuant to a Lease Agreement, dated as of _____ 1, 2014 (the “Lease Agreement”), by and between the Authority and the City. Under the Project Lease, subject initially to completion of construction of the Arena and thereafter subject to abatement as provided therein, the City is required to make rental payments (the “Base Rental Payments”) from legally available funds for use and occupancy of the Arena in amounts calculated to be sufficient to pay principal of and interest on the Series 2014 Bonds when due. The City has covenanted in the Project Lease to take such action as may be necessary to include the Base Rental Payments in each of its annual budgets during the term of the Project Lease and has further covenanted to take such action as may be necessary to include all Rental Payments due under the Project Lease in its annual budgets and to make necessary annual appropriations for all such Rental Payments, such covenants to be and will be construed to be duties imposed by law and it will be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform such covenants.

The Series 2014 Bonds and any additional bonds which may be issued in accordance with the Indenture will be secured by a pledge of and lien on the Lease Revenues (as defined herein) and the amounts in the Reserve Fund (as defined herein). The Series 2014 Bonds and such additional bonds, if any, are referred to herein as “Bonds.”

The Bonds are special limited obligations of the Authority payable solely from and secured by all of the Lease Revenues and all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund) are pledged to the payment of the principal of and interest on the Series 2014 Bonds as provided the Indenture, and the Lease Revenues may not be used for any other purpose while any of the Series 2014 Bonds remain Outstanding; provided, however, that the Lease Revenues may be applied for such other purposes as are permitted under the Indenture. As defined in the Indenture, the term “Lease Revenues” means all Base Rental Payments payable by the City pursuant to the Project Lease, including any prepayments thereof, any Net Proceeds and any amounts received by the Trustee as a result of or in connection with the Trustee’s pursuit of remedies under the Project Lease upon a Lease Default Event.

Abatement

Except to the extent of amounts otherwise available to the City for payments under the Project Lease, during any period in which, by reason of delay in completion, or material damage or destruction (other than by condemnation, which is provided for in the Project Lease) there is substantial interference with the use and occupancy by the City of any portion of the Project, Base

Rental Payments will be adjusted or abated in the proportion in which the value of that portion of the Project rendered unusable bears to the entire value of the Project. Such adjustment or abatement will end with the substantial replacement or reconstruction of the Project. To the extent proceeds of rental interruption insurance are available or there are moneys available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, the Project Lease provides there will be no abatement of Base Rental Payments. See “SECURITY FOR THE SERIES 2014 BONDS—Abatement” and “RISK FACTORS – Construction Risk.”

[[Reserve Fund

A debt service reserve fund (the “Reserve Fund”) will be established and held under the Indenture in order to secure the payment of principal of and interest on the Series 2014 Bonds in an amount, as of the Closing Date, equal to the Reserve Requirement. A portion of the proceeds of the Series 2014 Bonds will be deposited in the Reserve Fund in an amount equal to the Reserve Requirement. If, on any Interest Payment Date for the Series 2014 Bonds, the amounts on deposit under the Indenture to pay the principal of and interest due on the Series 2014 Bonds are insufficient therefor, the Trustee will draw on the amounts in the Reserve Fund to replenish the Interest Account or the Principal Account, in that order, to make up such deficiencies. See “SECURITY FOR THE SERIES 2014 BONDS—Reserve Fund” and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” for additional information on the Reserve Fund.]]

The City

The City is a municipal corporation and chartered city of the State. See “THE CITY,” “CITY FINANCIAL INFORMATION” and APPENDIX A – “GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY.”

The Authority

The Authority is a joint exercise of powers entity, by agreement between the City and the Housing Authority of the City, dated as of February 25, 2014 and effective April 29, 2014, pursuant to Articles 1 through 4, Chapter 5, Division 7, Title 1 of the California Government Code. See “THE AUTHORITY.”

Other Participants

As described in “THE ARENA PROJECT” the City has entered into a number of agreements with Sacramento Basketball Holdings LLC (“HoldCo”), a private entity which owns a controlling interest in the Sacramento Kings NBA franchise (the “Sacramento Kings”), and affiliated entities. These affiliated entities will undertake specific activities with respect to the Arena and the Sacramento Kings. Sacramento Downtown Arena LLC (“ArenaCo”) will be responsible for the design and construction of the Arena Facility, and will lease the Arena from the City. ArenaCo will license the use of the Arena to Sacramento Kings Limited Partnership (“TeamCo”), which will be the owner of the Sacramento Kings.

Continuing Disclosure

The City, as an obligated person within the meaning of the Rule (as defined below), has agreed to undertake the continuing disclosure responsibilities required by the Rule. The Authority has not undertaken a commitment to provide any continuing disclosure required by the Rule.

The City has covenanted in the Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (the “EMMA System”), for purposes of Rule 15c2-12(b)(5) (the “Rule”) adopted by the U.S. Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended, certain annual financial information and operating data of the type set forth herein including, but not limited to, its audited financial statements and, in a timely manner, notice of certain enumerated events. See “CONTINUING DISCLOSURE” and APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” for a description of the specific nature of the annual report and notices of enumerated events and a summary description of the terms of the Continuing Disclosure Certificate pursuant to which such reports and notices are to be made.

Certain Risk Factors

Certain events could affect the ability of the City to make the Base Rental Payments when due. See “CERTAIN RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2014 Bonds.

Other Information

The descriptions herein of the Indenture, the Project Lease and any other agreements relating to the Series 2014 Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2014 Bonds are qualified in their entirety by the forms thereof and the information with respect thereto included in the aforementioned documents. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement, under any circumstances, creates any implication that there has been no change in the affairs of the City or the Authority since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City or the Authority. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds realized upon the sale of, or in connection with, the Series 2014 Bonds as follows:

Estimated Sources:

Principal Amount of Bonds
 Plus: Original Issue Premium
 Total Sources

=====

Estimated Uses:

Deposit to Project Fund ⁽¹⁾
 Deposit to Interest Account Fund ⁽²⁾
 Deposit to Reserve Fund ⁽³⁾
 Deposit to Costs of Issuance Fund ⁽⁴⁾
 Total Uses

=====

- ⁽¹⁾ Represents the amount necessary to [fund required City contribution for Project costs]. See “THE PROJECT.” [DESCRIBE DEPOSIT TO ESCROW]
- ⁽²⁾ Represents capitalized interest on the Series 2014 Bonds through _____.
- ⁽³⁾ Represents the Reserve Requirement as of the date of delivery of the Series 2014 Bonds.
- ⁽⁴⁾ Includes, but is not limited to, the Underwriters’ discount, the fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Trustee, and the rating agencies, costs of printing the Official Statement, the premium for title insurance and other costs incurred by the Authority and the City in connection with the issuance and delivery of the Series 2014 Bonds.

THE SERIES 2014 BONDS

General

The Series 2014 Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2014 Bonds will mature on September 1 in each of the years and in the amounts, and will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates set forth on the inside cover page hereof.

Interest on the Series 2014 Bonds will be payable semiannually on each _____ 1 and _____ 1, commencing _____ 1, 20__ (each, an “Interest Payment Date”), to the person whose name appears on the Registration Books as the Owner thereof as of the fifteenth calendar day of the month immediately preceding each such Interest Payment Date (each, a “Record Date”). Except as provided in APPENDIX F – “BOOK-ENTRY ONLY SYSTEM,” Interest on the Series 2014 Bonds will be paid by check of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Owners of the Series 2014 Bonds at their addresses shown on the Registration Books as of the close of business on the preceding Record Date, except as follows: for an Owner of \$1,000,000 or more in aggregate principal amount of Series 2014 Bonds, payment of interest will be made by wire transfer of immediately available funds on the following Interest Payment Date if the Owner delivers a written request to the Trustee specifying the account or accounts to which such payment must be made and if the request is received at least ten days before a Record Date; any such request will remain in effect until the Owner revokes or revises it by an instrument in writing delivered to the Trustee. Principal of and interest and premium (if any) on the Series 2014 Bonds will be payable in lawful money of the United States of America.

Each Bond will be dated as of its date of delivery and will bear interest from the Interest Payment Date next preceding such date of authentication thereof, unless (1) a Series 2014 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from that Interest Payment Date; (2) a Series 2014 Bond is authenticated on or before the first Record Date, in which event interest will be payable from the Closing Date; or (3) interest on any Series 2014 Bond is in default as of the date of authentication thereof, in which event interest will be payable from the date to which interest has previously been paid or duly provided for.

The Series 2014 Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC,” and together with any successor securities depository, the “Securities Depository”). DTC will act as Securities Depository for the Series 2014 Bonds. Individual purchases of the Series 2014 Bonds will be made in book-entry form. Purchasers will not receive certificates representing their ownership interest in the Series 2014 Bonds. So long as Cede & Co. is the registered owner of the Series 2014 Bonds, as nominee of DTC, references herein to the Owners or registered owners thereof means Cede & Co. as aforesaid, and not the Beneficial Owners of the Series 2014 Bonds. So long as Cede & Co. is the registered owner of the Series 2014 Bonds, principal of and interest on the Series 2014 Bonds are payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Optional Redemption

The Series 2014 Bonds maturing on or after _____ 1, 20__, are subject to optional redemption prior to their respective stated maturities, on any date on or after _____ 1, 20__, in whole or in part, in Authorized Denominations, from (i) amounts received from the City in connection with the City’s exercise of its right pursuant to the Project Lease to cause Series 2014 Bonds to be optionally redeemed, or (ii) any other source of available funds, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

Extraordinary Redemption from Insurance or Condemnation Proceeds

The Series 2014 Bonds are also subject to redemption, in whole or in part, on any date, in Authorized Denominations, from and to the extent of any Net Proceeds (other than Net Proceeds of rental interruption insurance) received with respect to all or a portion of the Project and deposited by the Trustee in the Redemption Fund in accordance with the provisions of the Indenture at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

Selection of Bonds for Redemption

Whenever less than all of the Outstanding Series 2014 Bonds are to be redeemed under the Indenture, the Trustee shall select the maturities of the Series 2014 Bonds to be redeemed from the maturities of the Outstanding Series 2014 Bonds not previously called for redemption, as directed in a Written Certificate of the City. If less than all of the Series 2014 Bonds of the same maturity are to be redeemed at any one time, the principal of all Series 2014 Bonds of that maturity will be subject to redemption on a pro-rata basis. If the Series 2014 Bonds are not

registered in book-entry-only form, then any redemption of less than all of the Series 2014 Bonds of the same maturity will be effected by the Trustee among Owners on a pro-rata basis subject to Authorized Denominations. For so long as the Series 2014 Bonds are held in book-entry-only form and DTC or a successor securities depository is the sole Owner of the Series 2014 Bonds, if less than all of the Series 2014 Bonds of the same maturity are called for prior redemption, then the Trustee shall select, on a “Pro Rata Pass-Through Distribution of Principal” basis in accordance with DTC procedures, the particular Series 2014 Bonds or portions thereof to be redeemed, subject to the following: so long as the Series 2014 Bonds are held in book-entry-only form, the Trustee shall select the Series 2014 Bonds for redemption in accordance with the operational arrangements of DTC then in effect (as of the date of this Indenture those operational arrangements provide for adjustment of the principal by a factor provided under the operational arrangements). If the Trustee does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, then the Series 2014 Bonds will be selected for redemption by lot in accordance with DTC procedures. Redemption allocations made by DTC, by direct or indirect participants in DTC, or by such other intermediaries as may exist between the Authority and the Beneficial Owners are to be made on a “Pro Rata Pass Through Distribution of Principal” basis as described above.

Notice of Redemption

Unless otherwise provided with respect to a Series of Additional Bonds in the Supplemental Indenture providing for the issuance of the Series of Additional Bonds, the Trustee on behalf of the Authority shall mail (by first-class mail, postage prepaid) notice of any redemption to the Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, at least 20 but not more than 60 days before the date fixed for redemption. The notice must do all of the following: state the date of the notice, the redemption date, the redemption place, and the redemption price; designate the CUSIP numbers, the maturity or maturities of the Bonds to be redeemed, and the principal amount of the maturity or maturities to be redeemed (except in the event of redemption of all of the Bonds of the maturity or maturities in whole); and require that the Bonds be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on the Bonds will not accrue from and after the date fixed for redemption

Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the redemption of the Series 2014 Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

With respect to any notice of any optional redemption of Bonds, unless, at the time notice is given, the Bonds to be redeemed are deemed to have been paid within the meaning of the Indenture, the notice must state the following: that redemption is conditional upon receipt by the Trustee, on or before the date fixed for redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the Bonds to be redeemed; and that, if such moneys have not been so received, the notice will be of no force and effect, and the Authority will not be required to redeem the Bonds. If a notice of optional redemption of Bonds contains such a condition and the moneys are not so received, then the redemption of Bonds as described in the conditional notice of redemption will not be made and, within a reasonable time after the date on which redemption was to occur, the Trustee shall give notice to the Persons, in the manner in which the notice of redemption was given, that the moneys were not so received and that there will be no redemption of Bonds under that notice

of redemption. The failure to optionally redeem the Bonds does not constitute an Event of Default.

The Authority may rescind any notice of optional redemption of Bonds by giving the Trustee notice, in writing or by electronic means, no later than five Business Days before the date specified for redemption. The Trustee shall give notice of the rescission as soon thereafter as practicable in the same manner, and to the same Persons, as notice of the redemption was given.

So long as the book-entry system is used for the Series 2014 Bonds, the Trustee will give any notice of redemption or any other notices required to be given to registered Owners of Bonds only to DTC. Any failure of DTC to advise any Participant, or of any Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2014 Bonds called for redemption or any other action premised on such notice. Beneficial Owners may desire to make arrangements with a Participant so that all notices of redemption or other communications to DTC which affect such Beneficial Owners, and notification of all interest payments, will be forwarded in writing by such Participant. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Partial Redemption of Bonds

Upon surrender of any Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same Series in Authorized Denominations equal in aggregate principal amount representing the unredeemed portion of the Series 2014 Bonds surrendered.

Effect of Redemption

If notice of redemption has been given as aforesaid, and moneys for the redemption price, and the interest to the applicable date fixed for redemption, having been set aside, the Series 2014 Bonds will become due and payable on said date and, upon presentation and surrender thereof at the Office of the Trustee, said Bonds will be paid at the redemption price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the redemption price of all the Series 2014 Bonds to be redeemed, together with interest to said date, will be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof will have been mailed as aforesaid and not canceled, then, from and after said date, interest on said Bonds will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds will be held in trust for the account of the Owners of the Series 2014 Bonds so to be redeemed without liability to such Owners for interest thereon.

All Bonds redeemed pursuant to the provisions of the Indenture will be canceled by the Trustee upon surrender thereof and destroyed.

SECURITY FOR THE SERIES 2014 BONDS

General

The Bonds are special limited obligations of the Authority payable solely from and secured solely by the Lease Revenues pledged therefor under the Indenture, together with amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund).

Under the Indenture, the Authority assigns to the Trustee, for the benefit of the Owners from time to time of the Series 2014 Bonds, all of the Lease Revenues and all of the rights of the Authority in the Project Lease (except for the right to receive any Additional Payments to the extent payable to the Authority and certain rights to indemnification set forth therein). The Trustee is entitled to collect and receive all of the Lease Revenues, and any Lease Revenues collected or received by the Authority are required to be held, and to have been collected or received, by the Authority as the agent of the Trustee and must be paid by the Authority to the Trustee.

THE SERIES 2014 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE LEASE REVENUES AND OTHER MONEYS PLEDGED THERETO IN THE INDENTURE. THE SERIES 2014 BONDS ARE NOT A DEBT OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS AND NEITHER THE AUTHORITY, THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS, EXCEPT THE AUTHORITY TO THE EXTENT DESCRIBED HEREIN, IS LIABLE THEREON. IN NO EVENT WILL THE SERIES 2014 BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS SET FORTH IN THE INDENTURE. THE SERIES 2014 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AUTHORITY NOR ANY PERSONS EXECUTING THE SERIES 2014 BONDS ARE LIABLE PERSONALLY ON THE SERIES 2014 BONDS BY REASON OF THEIR ISSUANCE.

Base Rental Payments and Additional Payments

The Project Lease requires the City, subject to abatement as provided therein, to deposit with the Trustee, as assignee of the Authority, on the third Business Day next preceding each Interest Payment Date, commencing on _____, [[2014]] (the "Base Rental Deposit Dates"), an amount equal to the Base Rental Payment coming due and payable on each such Base Rental Deposit Date. The Base Rental Payments payable in any fiscal year of the City constitute payment for the use and possession of the Project during such fiscal year. The City will receive a credit towards payment of Base Rental Payments for amounts on deposit in the Payment Fund (including the Interest Account and the Principal Account therein) on each Base Rental Deposit Date.

The obligation of the City to make Base Rental Payments under the Project Lease does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation. Neither the full faith and credit nor the taxing power of the City, the State or any of its political

subdivisions is pledged to make Base Rental Payments under the Project Lease. The Authority has no taxing power. The Base Rental Payments are calculated to be sufficient to pay, when due, the principal of and interest on the Series 2014 Bonds.

In addition to the Base Rental Payments, the City is required to pay when due the following Additional Payments: (a) all taxes and assessments of any type or nature relating to or affecting the Project; (b) all reasonable administrative costs of the Authority relating to the Project including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Project Lease or to defend the Authority and its members, officers, agents and employees; (c) insurance premiums for all insurance required pursuant to the Project Lease; (d) any amounts with respect to the Series 2014 Bonds required to be rebated to the federal government in accordance with Section 148(f) of the Code; and (e) all other payments required to be paid by the City under the provisions of the Project Lease or the Indenture.

Pursuant to the Project Lease, the City covenants to take such action as may be necessary to include all Rental Payments due under the Project Lease in its annual budgets and to make necessary annual appropriations for all such Rental Payments. As provided in the Project Lease, such covenants of the City thereunder are deemed to be and will be construed to be duties imposed by law and it will be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform such covenants.

California law requires, and the Project Lease provides, that Base Rental Payments are required to be abated in whole or in part during any period in which there is substantial interference with the use and occupancy of the Project by the City due to delay in completion, damage, destruction or taking in eminent domain proceedings. Under these circumstances, failure to make any Base Rental Payment will not be an event of default under the Project Lease. See “SECURITY FOR THE SERIES 2014 BONDS – Abatement” below.

Base Rental Payments made by the City to the Authority are payable from lawful money of the United States of America to or upon the order of the Authority at the Principal Office of the Trustee, or such other place or entity as the Authority may designate. Notwithstanding any dispute between the Authority and the City, the City will make all Rental Payments when due without deduction or offset of any kind and will not withhold any Rental Payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, will be credited against subsequent Rental Payments due under the Project Lease or refunded at the time of such determination. The Lease Agreement and the Indenture require that Base Rental Payments be deposited in the Payment Fund maintained by the Trustee, which fund is held for the benefit of the owners of the Series 2014 Bonds.

Insurance and Condemnation Awards

Subject to the terms of the Arena Sublease, the Net Proceeds of any insurance received by the City on account of any damage or destruction of the Arena Project or a portion thereof (excluding Net Proceeds of rental-interruption insurance but including the proceeds of any self-

insurance) must be deposited with the Trustee as soon as possible. The Trustee shall hold those Net Proceeds in a special account and, upon receipt of a Written Request of the City together with supporting invoices, shall make the Net Proceeds available for, and shall apply them to, the cost of repair or replacement of the Arena Project or the affected portion. Until those proceeds are so applied, the Trustee may invest them, if authorized by a Written Request of the City, in Permitted Investments that mature not later than such times as the moneys are expected to be needed to pay the costs of repair or replacement. Within 60 days after the occurrence of the event of damage or destruction, the City shall notify the Trustee in writing as to whether the City intends to replace or repair or cause to be replaced or repaired the Arena Project or the portions of the Arena Project that were damaged or destroyed.

If the damage or destruction was such that it resulted in a substantial interference with the City's right to the use or occupancy of the Arena Project, and if an abatement in whole or in part of Rental Payments results from the damage or destruction under the Project Lease, then, subject to the terms of the Arena Sublease, the City shall do one of the following:

- (1) Apply or cause to be applied sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Arena Project or the portions thereof that have been damaged to substantially the same condition and annual fair-rental value that existed before the damage or destruction.
- (2) Apply or cause to be applied sufficient funds from the insurance proceeds and other legally available funds to the redemption of (A) all of the Outstanding Bonds or (B) such portion of the Outstanding Bonds as will result in the remaining, non-abated Base Rental Payments being sufficient to pay, as and when due, the principal of, and interest on, the Bonds that will remain Outstanding after the redemption. In addition, the City shall direct the Trustee, in a Written Request of the City, to transfer the funds to be applied to the redemption to the Redemption Fund, and the Trustee shall transfer the funds to the Redemption Fund.

Subject to the terms of the Arena Sublease, the City shall deposit in the Reserve Fund any proceeds of any insurance (including self-insurance) remaining after the application of the proceeds as described in the preceding paragraphs, as evidenced by a Written Certificate of the City if, and to the extent that, the amount in the Reserve Fund is less than the Reserve Requirement. If the City is not required to apply insurance proceeds as described in the preceding paragraph, then the City shall deposit the proceeds in the Reserve Fund if, and to the extent that, the amount in the Reserve Fund is less than the Reserve Requirement. Any insurance proceeds not required to be so deposited into the Reserve Fund must be paid to the City, to be used for any lawful purpose, if both of the following apply: (1) the City delivers to the Trustee a Written Certificate of the City to the effect that the annual fair-rental value of the Arena Project after the damage or destruction and after any repairs or replacements made as a result of the damage or destruction is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Project Lease in the then-current Rental Period or in any subsequent Rental Period; and (2) the fair replacement value of the Arena Project after the damage or destruction is at least equal to the sum of the then-unpaid principal components of Base Rental Payments.

Subject to the terms of the Arena Sublease, the Trustee shall deposit in the Redemption Fund the proceeds of any award the City receives in eminent domain and shall apply those proceeds to the redemption of Bonds under the Indenture.

[[Reserve Fund

The Reserve Fund is established under the Indenture in an amount equal to the Reserve Requirement, which as of the date of delivery of the Series 2014 Bonds is \$ _____. As defined in the Indenture, the term “Reserve Requirement” means, as of the date of any calculation, the least of (a) 10% of the original aggregate principal amount of the Series 2014 Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service. All amounts in the Reserve Fund are required to be used and withdrawn by the Trustee solely for the purpose of paying principal of or interest on the Series 2014 Bonds when due and payable to the extent that moneys deposited in the Interest Account or the Principal Account are not sufficient for such purpose, and making the final payments of principal of and interest on Bonds on the date on which such Bonds are required to be retired or provision made therefor.

The City may substitute a Reserve Facility for all or part of the moneys on deposit in the Reserve Fund by depositing such Reserve Facility with the Trustee, provided that, at the time of such substitution, the amount on deposit in the Reserve Fund, together with the amount available under all Reserve Facilities, shall be at least equal to the Reserve Requirement. Moneys for which a Reserve Facility has been substituted as provided in the Indenture will be transferred, at the election of the City, to the Redemption Fund or, upon receipt of an Opinion of Counsel that such transfer will not, in and of itself, adversely affect the exclusion of interest on Outstanding Tax-Exempt Bonds from gross income for federal income tax purposes, to the City and applied to the payment of capital costs of the City. Amounts on deposit in the Reserve Fund which were not derived from payments under any Reserve Facility credited to the Reserve Fund to satisfy a portion of the Reserve Requirement will be used and withdrawn by the Trustee prior to using and withdrawing any amounts derived from payments under such Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under any such Reserve Facility, the Trustee will, as and to the extent necessary, liquidate any investments purchased with such amounts.

In the event that, on the second Business Day prior to a date on which the Trustee is to transfer money from the Payment Fund to the Interest Account or to the Principal Account each pursuant to Indenture, amounts in the Payment Fund are insufficient for such purpose, the Trustee will withdraw from the Reserve Fund, to the extent of any funds therein, the amount of such insufficiency, and will transfer any amounts so withdrawn to the Payment Fund. If the amount on deposit in the Reserve Fund is not sufficient to make such transfer, the Trustee will make a claim under any available Reserve Facility, in accordance with the provisions thereof, in order to obtain an amount sufficient to allow the Trustee to make such transfer as and when required.

In the event of any transfer from the Reserve Fund or the making of any claim under a Reserve Facility, the Trustee will, within two Business Days thereafter, provide written notice to the Authority and the City of the amount and the date of such transfer or claim; provided, however, that such notice need not be provided if such transfer is made pursuant to the following two sentences. If, as a result of the payment of principal of or interest on the Series 2014 Bonds, the Reserve Requirement is reduced, amounts on deposit in the Reserve Fund in excess of such reduced Reserve Requirement will be transferred to the Payment Fund. On any date on which Bonds are defeased in

accordance with the Indenture, the Trustee will, if so directed in a Written Request of the City, transfer any moneys in the Reserve Fund in excess of the Reserve Requirement resulting from such defeasance to the entity or fund so specified in such Written Request of the City, to be applied to such defeasance.

If the sum of the amount on deposit in the Reserve Fund, plus the amount available under all available Reserve Facilities, is less than the Reserve Fund Requirement, the first of Base Rental Payments thereafter received from the City under the Project Lease and not needed to pay the principal of and interest on the Series 2014 Bonds on the next Interest Payment Date or Principal Payment Date will be used, first, to reinstate the amounts available under any Reserve Facilities that have been drawn upon and, second, to increase the amount on deposit in the Reserve Fund, so that the amount available under all available Reserve Facilities, when added to the amount on deposit in the Reserve Fund, will equal the Reserve Requirement.]]

Abatement

The Lease Agreement provides for the abatement of Rental Payments during any period in which, by reason of delay in completion of, material damage to, or destruction or condemnation of, the Project, or any defect in title to the Project, there is substantial interference with the City's right to use and occupy any portion of the Project, and the City waives the right to terminate the Project Lease by virtue of any such interference, and the Project Lease will continue in full force and effect. The amount of abatement will be as specified in a Written Certificate of the City to the Trustee accompanied by a written appraisal of an independent qualified appraiser selected by the City, which appraisal must express an opinion as to the annual fair-rental value of the Arena Project absent such substantial interference and the annual fair-rental value of the portion of the Arena Project for which there has been substantial interference. Such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Project, ending when the City has beneficial use and occupancy of the Arena Project or such part, and the term of the Project Lease will be extended as provided therein.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts. See “– Insurance – Rental Interruption Insurance.”

If all of the Arena Project (or portions thereof such that the remainder is not usable for public purposes by the City) are taken under the power of eminent domain, then the term of the Project Lease will cease as of the day possession is taken. If less than all of the Arena Project is taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of the taking, then this Project Lease will continue in full force and effect as to the remainder, the parties waive the benefits of any law to the contrary, and Rental Payments will be partially abated in accordance with the Project Lease. So long as any Bonds are Outstanding, and subject to the Arena Sublease, any award made in eminent domain for the taking of the Arena Project, or any portion thereof, and received by the City will be paid to the Trustee and applied to the redemption of Bonds as provided in the Indenture. Any award remaining after all of the Bonds and all other amounts due under the Indenture and this Project Lease have been fully paid will be paid to the City.

Insurance

Fire and Extended Coverage Insurance. The City is required under the Project Lease to maintain reasonable and customary liability insurance, which obligations may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Project Lease as summarized below. The City will maintain or cause to be maintained casualty insurance insuring the Project against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake) to the full insurable value of the Project, subject to a \$100,000 loss deductible provision. Full insurable value will not be less than the aggregate principal amount of the Outstanding Bonds. [[In addition, the City will maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Project as a result of any of the hazards required to be covered pursuant to the prior sentence in an amount not less than an amount equal to two times Maximum Annual Debt Service, which insurance may not be maintained in whole or in part in the form of self-insurance.]]

Any self-insurance maintained by the City pursuant to the Project Lease will comply with the following terms: (a) the self-insurance program will be approved in writing by City's Risk Manager; (b) the self-insurance program will include an actuarially sound claims reserve fund out of which each self-insured claim will be paid, the adequacy of each such fund will be evaluated on an annual basis by the City's Risk Manager and any deficiencies in any self-insured claims reserve fund will be remedied in accordance with the recommendation of the City's Risk Manager; (c) the self-insured claims reserve fund will be held in a separate trust fund by an independent trustee, which may be the Trustee serving as such under the Indenture; and (d) in the event the self-insurance program will be discontinued, the actuarial soundness of its claims reserve fund, as determined by the City's Risk Manager, will be maintained.

The City is required to provide, at its own expense, one or more California Land Title Association leasehold-owner's title-insurance policies for the Arena Project, in the aggregate amount of not less than the aggregate principal amount of the Series 2014 Bonds. The policy or policies must insure (a) the Authority's leasehold estate in the Arena Project under the Site Lease and (b) the City's leasehold estate in the Arena Project under the Project Lease, subject only to Permitted Encumbrances. Alternatively, the City may insure either or both of these leasehold estates through endorsements to one or more California Land Title Association leasehold-owner's title-insurance policies. All Net Proceeds received under the policy or policies must be deposited with the Trustee and applied as provided in the Indenture. So long as any of the Bonds remain Outstanding, each policy of title insurance obtained as required pursuant to the Indenture must provide that all policy proceeds be payable to the Trustee for the benefit of the Owners.

Debt Service Schedule

The following table sets forth the debt service due on the Series 2014 Bonds.

Debt Service Schedule

Year Ending June 30	Principal	Interest	Total
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Pursuant to the Project Lease, the City is required to make Base Rental Payments which have been calculated to be sufficient to make the interest and principal payments on the Series 2014 Bonds when due. The City’s Base Rental Payments are due on the fifth Business Day next preceding each Interest Payment Date.

Additional Bonds

Pursuant to the Indenture, the Authority may at any time issue one or more series of Additional Bonds (in addition to the Series 2014 Bonds) payable from Lease Revenues as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture subject to certain conditions precedent including the following: (a) the issuance of such Additional Bonds shall have been authorized under and pursuant to the Act and under and pursuant to the Indenture and will have been provided for by a Supplemental Indenture which will specify the following: (i) the purposes for which such Additional Bonds are to be issued; provided, that the proceeds of the sale of such Additional Bonds will be applied only for one or more of the following purposes: (A) providing funds to pay costs of any improvements (including capitalized interest) designated by the City, (B) providing funds to refund any Bonds issued under the Indenture or other obligations of the City, (C) providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional

Bonds, and (D) providing funds to make any deposit to the Reserve Fund required pursuant to paragraph (b) below; (ii) the principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds, which will be Authorized Denominations; and (iii) that such Additional Bonds will be payable as to interest on the Interest Payment Dates, except that the first installment of interest may be payable on either _____ 1 or _____ 1; (b) upon the issuance of such Additional Bonds, the amount on deposit in the Reserve Fund will be at least equal to the Reserve Requirement; and (c) upon the issuance of such Additional Bonds, the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of the issuance of such Additional Bonds, plus Additional Rental Payments, in any Rental Period will not be in excess of the annual fair rental value of the Project after taking into account the use of the proceeds of such Additional Bonds (evidence of the satisfaction of such condition will be made by a Written Certificate of the City). See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

Substitution and Release of Project

The Lease Agreement provides that, upon compliance with certain conditions specified therein, the City may release from the Project Lease any portion of the Project or substitute alternate real property for all or any portion of the Project, including the following conditions: (a) the City and the Authority must have executed, and the Trustee must have consented to, amendments to the Site Lease and this Project Lease that contain the amended description of the Arena Project as constituted after the substitution and release, and the City must have caused the amendments to be duly recorded with Sacramento County Clerk/Recorder; (b) the City must have filed with the Trustee a Written Certificate of the City certifying that (1) the sum of Base Rental Payments plus Additional Rental Payments due under the Project Lease in any Rental Period is not in excess of the annual fair-rental value of the Arena Project as constituted after the substitution or release, (2) the Arena Project as constituted after the substitution or release has a useful life equal to or greater than the remaining term of the Bonds, and (3) the City has beneficial use and occupancy of the Arena Project as constituted after such substitution or release; (c) the City must have obtained or caused to be obtained a California Land Title Association leasehold-owner’s title-insurance policy or policies (or an amendment or endorsement to an existing policy or policies) with respect to the Arena Project as constituted after the substitution or release, in substantially the same form as required by the Project Lease and in an amount at least equal to the principal amount of the Bonds then Outstanding; and (d) the City must have filed or caused to be filed with the Trustee an Opinion of Counsel to the effect that the substitution or release will not, in and of itself, cause the interest on Tax-Exempt Bonds to be included in gross income for federal income-tax purposes.

See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

THE ARENA PROJECT

General

The “Arena Project” consists of (i) approximately 7.8 acres of land located in the downtown area of the City (the “Arena Site”) and (ii) facilities and improvements to be constructed thereon (the “Arena Facility”) consisting of an approximately 732,000 square feet complex which will serve as

the home court of the Sacramento Kings National Basketball Association team (the “Sacramento Kings” or the “Team”), on-site retail and parking facilities for ___ vehicles. The Arena Facility will include a performance bowl with general and premium seating, suites, indoor standing viewing areas, and outdoor courtyard and terrace areas, designed to accommodate up to 17,500 attendees. The performance venue would be configured for basketball, other sporting events, concerts, conferences and conventions, trade shows, circuses, and family oriented shows and other performances. The Arena Facility includes administrative offices for the Sacramento Kings, a two-court practice area, restaurants and retail space. The retail stores and restaurants which are part of the Arena Facility may be accessible to the public from outside the facility and may operate during regular non-event business hours.

The Arena Project will be owned by the City, and leased by the City to the Authority pursuant to the Site Lease. The Authority will subsequently lease the Arena Project to the City pursuant to the Project Lease. See “SECURITY FOR THE SERIES 2014 BONDS.” The City will in turn lease the Arena Project to ArenaCo as described below.

Background

The Sacramento Kings have been located in Sacramento since 1985, and currently play their home games at the SleepTrain (formerly Arco) Arena located in the City approximately 6 miles from the City’s downtown area. In 2013, an investor group formed Sacramento Basketball Holdings LLC (“HoldCo”) purchased a controlling interest in the Sacramento Kings, and in cooperation with the City made a commitment to the National Basketball Association (the “NBA”) to develop a new state of the art arena to serve as the Kings’ home court.

In order to establish the process and framework by which the City and HoldCo would negotiate final agreements and pursue potential approvals relating to the Arena and related development to be considered by the City, the City and HoldCo entered into a non-binding Sacramento Entertainment and Sports Center Term Sheet dated March 23, 2013 (the “Term Sheet”), setting forth the parties’ desires and intentions regarding (i) the development of the Arena; (ii) the ownership, financing, design, development, construction, occupancy, use, maintenance, and operation of the Arena; (iii) the redevelopment of the land located in downtown Sacramento between 3rd and 7th Streets and J and L Streets (the “Downtown Plaza”), including the Arena Site; and (iv) certain other matters.

The City and HoldCo subsequently entered into (i) the Sacramento ESC Predevelopment Process Agreement, dated October 22, 2013, to govern certain predevelopment activities for the Arena (the “Predevelopment Process Agreement”); and (ii) the Sacramento ESC Predevelopment Expenses Agreement, dated September 24, 2013, to provide a mechanism by which HoldCo would reimburse the City for its costs and expenses incurred with its predevelopment activities (the “Predevelopment Expenses Agreement” and, together with the Predevelopment Process Agreement, the “Predevelopment Agreements”).

Since purchasing the controlling interest in the Sacramento Kings, HoldCo has acquired a number of parcels in Downtown Plaza consisting of approximately ___ acres. See “The Arena Site” below.

HoldCo has established affiliated entities to undertake specific activities with respect to the Arena and the Sacramento Kings. Sacramento Downtown Arena LLC (“ArenaCo”) will be responsible for the design and construction of the Arena Facility, and will lease the Arena from the City. ArenaCo will license the use of the Arena to Sacramento Kings Limited Partnership (“TeamCo”), which will be the owner of the Sacramento Kings. HoldCo, ArenaCo and TeamCo are collectively referred to herein as the “Private Entities”).

Arena Agreements

The City and the Private Entities have entered into a number of agreements providing for the development, design, financing, permitting, construction and operation of the Arena. These agreements include:

The Comprehensive Project Agreement. The Comprehensive Project Agreement for the Sacramento Entertainment and Sports Center, dated as of _____, 2014, by and among the City, HoldCo, ArenaCo and TeamCo (the “Comprehensive Project Agreement”) provides for the basic framework and respective rights and obligations of the City and the Private Entities with respect to the Arena, and describes a number of additional agreements between or among the parties that specifically relate to the funding, design, permitting, construction and operation of the Arena. The Comprehensive Project Agreement provides for the transfer to HoldCo or an affiliate of certain City-owned land parcels outside of the Downtown Plaza. The Comprehensive Project Agreement also describes the terms and conditions under which the City (or a Financing JPA or similar entity) will issue replacement bonds that will retire the 1997 lease-revenue bonds issued in connection with the funding of costs of the Sleep Train Arena, and HoldCo will debt payments sufficient to pay for the debt service associated with the new bonds, and will provide security or collateral sufficient to cover the repayment of the bonds.

The Arena Construction Agreement. The Arena Design and Construction Agreement, dated as of _____, 2014, between the City and ArenaCo (the “Arena Construction Agreement”) supersedes the Predevelopment Process Agreement. Pursuant to the Arena Construction Agreement, ArenaCo is obligated to design and construct the Arena on behalf of the City. See “Arena Construction” below.

Arena Financing Agreement. Pursuant to the Arena Finance, Escrow, and Disbursement Agreement, dated as of _____, 2014, among the City, ArenaCo and [ESCROW AGENT] (as escrow agent)(the “Arena Financing Agreement”), the City and ArenaCo are obligated to fund their respective shares of the costs to develop and construct the Arena. The Arena Financing Agreement provides for the establishment of an escrow account (the “Construction Escrow”) to be maintained by the Escrow Agent. The Arena Financing Agreement also established the manner in which ArenaCo may withdraw moneys from the Escrow Fund to pay eligible costs of the Arena. See “Arena Funding” below.

The ArenaCo Lease. Pursuant to the Arena Management, Operations, and Lease Agreement, dated as of _____, 2014, between the City and ArenaCo (the “ArenaCo Lease”), the City will lease the Arena (including the Arena Site and Arena Facility) to ArenaCo and ArenaCo is obligated to operate, maintain, and repair the Arena. See “Arena Operation and Maintenance” below.

Team Use Agreement. Pursuant to the Team Use Agreement, dated as of _____, 2014, between ArenaCo and TeamCo (the “Team Use Agreement”), ArenaCo is obligated to operate, maintain, and repair the Arena for, and license the Arena to, TeamCo.

Team Non-Relocation Agreement. Pursuant to the Team Non-Relocation Agreement, dated as of _____, 2014, between the City and TeamCo (“Team Non-Relocation Agreement”), TeamCo is obligated to use the Arena as the exclusive venue for the Sacramento Kings’ home games and to not relocate the Team.

Arena Parking Agreement. Pursuant to the Arena Parking Agreement, dated as of _____, 2014, between the City and ArenaCo, ArenaCo or one of the other Private Entities (or an affiliate thereof) is obligated to operate, maintain, and repair the City-owned parking facilities for approximately ___ vehicles commonly referred to as (i) Downtown Plaza Parking East; (ii) Downtown Plaza Parking Central; and (iii) Downtown Plaza Parking West;

Property Conveyance Agreement. Pursuant to the Property Parcel Conveyance Agreement, dated as of _____, 2014, between the City, HoldCo, and ArenaCo (the “Property Conveyance Agreement”), the City is obligated to transfer, as part of the City's contribution to the Arena, certain City-owned parcels of land that are not located on the Arena Site to one of the Private Entities, and one of the Private Entities is obligated to transfer certain parcels of the Arena Site to the City. See “The Arena Site” below.

Arena Funding

The following table sets forth ArenaCo’s estimates as of _____ 1, 2014 of the costs of the Arena, as well as the sources of funding to pay Arena construction costs. Pursuant to the Arena Funding Agreement, the City is required to contribute \$[_____] to be funded with a portion of the proceeds of Series of the Series 2014 Bonds. ArenaCo. or the other Private Entities are required to fund the remainder of the costs of the Arena, including any cost overruns. As described in “Arena Construction” the contributions of the City and HoldCo will be deposited into an escrow for disbursement for construction costs in accordance with the provisions of the Arena Financing Agreement.

The estimates are based on [[costs already incurred, the provisions of the [CONSTRUCTION CONTRACTOR] Contract discussed below, remaining soft cost estimates with respect to construction of the Arena, certain contractor bids and current estimates with respect to construction of the Arena, and ArenaCo’s judgments and assumptions, which it believes are relevant and accurate.]]

[FILL IN DETAILS TO REFLECT FINAL DETAILS OF AGREEMENTS AND PROJECT STATUS AT TIME OF FINANCING]]

Arena costs including site preparation costs, hard costs, soft costs and contingency which total approximately \$ _____ million. Of this amount approximately \$ _____ million of total Arena costs, approximately \$ _____ million has been contributed [by ArenaCo as of _____, 2014]. As of _____ 1, 2014, approximately \$ _____ million in costs will be required to complete the Arena. Of the approximately \$ _____ million of remaining Arena costs, approximately \$ _____ million are covered by the provisions of the [CONSTRUCTION CONTRACTOR] Contract. The approximately \$ _____ million covered by the [CONSTRUCTION CONTRACTOR] Contract includes

approximately \$_____ million of contingency. [[Furthermore, there is an additional Arena contingency in the amount of approximately \$_____ million.]]

[[Although the technical review of the [CONSTRUCTION CONTRACTOR] Contract, other contractor bids and ArenaCo’s estimates for the Arena is on-going, in the opinion of _____ (the “_____”), as of the date of this Official Statement, both the Arena budget and the construction schedule appear to be reasonable.]]

Estimated Arena Construction Costs

Costs

Design and Development

Site Acquisition:

Construction Costs

Contingency

Total Costs

Funding Sources:

City Contribution

HoldCo Funding

[OTHER?]

Total Sources

=====

- _____
 (1)
 (2)

ArenaCo Funding. Costs of the Arena in excess of the City contribution will be paid by ArenaCo or its members as part of ArenaCo’s obligations under the Arena Construction Agreement. As of _____, 2014, ArenaCo and the other Private Entities have expended approximately \$_____ million toward the \$_____ million total estimated Arena cost for which ArenaCo is responsible, which is comprised of site preparation, site work and pre-construction costs, permits, architecture and engineering costs, legal costs, and development costs.

At the time of the issuance of the Series 2014 Bonds, ArenaCo as entered into [DESCRIBE ARENACO FINANCING ARRANGEMENTS] (the “ArenaCo Initial Funding Commitment”) in order to satisfy its obligation to provide funding of the cost of the Arena in excess of the City contribution.

At the time of issuance of the Series 2014 Bonds, ArenaCo will not have sources of funding of costs of construction of the Arena in excess of the ArenaCo Initial Funding commitment. In the event that amounts available to ArenaCo are insufficient to complete the Arena, ArenaCo expects to raise sufficient funds from one or more of the following sources: (a) additional financing at one or more of the Private Entities, (b) additional equity contributions from the Investor Group, (c) additional equity contributions from the third parties or (d) any combination of the foregoing, in each case subject to the receipt of any applicable NBA approvals. Although ArenaCo expects that the necessary funds will be timely raised, there can be no assurance that the funds will be raised or that

the amount of such funds will be sufficient to complete the Arena. If such additional funding is insufficient to complete the Arena, and ArenaCo fails to cause completion of construction of the Arena by ____ 1, _____ (the period through which capitalized interest is being funded from the proceeds of the Series 2014 Bonds; see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS -- Capitalized Interest”), the obligation of the City to make Base Rental Payments will be abated during the period of delay, and such circumstance would have a material adverse impact on the ability of the Authority to pay debt service with respect to the Series 2014 Bonds. See “CERTAIN RISK FACTORS --Abatement” and “-- Construction Risk.”

Arena Construction

Arena Construction Agreement. Pursuant to the Arena Construction Agreement, ArenaCo will be responsible for constructing the Arena. [DESCRIBE PROVISIONS OF ARENA CONSTRUCTION AGREEMENT]

[SAMPLE LANGUAGE FOLLOWS; REVISE AS NECESSARY TO REFLECT FINAL AGREEMENT AND SPECIFIC CIRCUMSTANCES AT TIME OF FINANCING] The Arena Financing Agreement provides that ArenaCo may utilize amounts in the Project Funds established pursuant to the Arena Financing Agreement to pay costs of construction, including the Guaranteed Maximum Price (described below). Pursuant to the Arena Construction Agreement, ArenaCo is required to pay any costs of construction in excess of the amount provided by the City, including cost overruns or any increased costs caused by uncontrollable circumstances, acts of God, unforeseen geotechnical conditions or the presence of hazardous materials, items of archeological significance, or endangered species on the Site or any other reason. The City has no obligation under the Arena Construction Agreement or Arena Financing Agreement to provide any of its own funds other than the City contribution to be deposited into the Project Funds under the Arena Financing Agreement from the proceeds of the Series 2014 Bonds.

In accordance with the requirements of the Arena Construction Agreement, Arena will enter into a construction agreement (the “[CONSTRUCTION CONTRACTOR] Contract”) with [CONSTRUCTION CONTRACTOR] Construction (the “Construction Contractor”), which provides for a maximum construction cost with respect to the major portion of construction of \$_____ (subject to increase under certain limited circumstances, including the occurrence of force majeure events) (the “Guaranteed Maximum Price”). Although the [CONSTRUCTION CONTRACTOR] Contract contains provisions to establish and attain the completion date, there can be no assurance as to the exact timing of completion of the Arena or that unforeseen factors will not substantially delay the completion or increase the cost of the Arena. However, the Construction Contractor will be responsible for the entire construction and design work for the Arena.

The Construction Contractor is a general building and engineering firm headquartered in New York, New York (with a local office in the City). The Arena will be designed by AECOM, headquartered in Los Angeles, California. AECOM has designed several arenas used by NBA teams, including Barclays Center in Brooklyn, New York and FedEx Forum in Memphis, Tennessee.

[CONSTRUCTION CONTRACTOR] Contract. [[ADD DETAILED DESCRIPTION OF [CONSTRUCTION CONTRACTOR] CONTRACT- SAMPLE LANGUAGE FOLLOWS]] Pursuant to the [CONSTRUCTION CONTRACTOR] Contract, the Construction Contractor is obligated to use its best efforts to do and cause to be done all acts necessary to diligently and continuously perform the work to achieve substantial completion of the Arena by _____ (subject

to extension in certain circumstances, including the occurrence of force majeure events). [[In the event construction of the Arena is not substantially completed by such date (as such date may be extended in accordance with the [CONSTRUCTION CONTRACTOR] Contract), the Construction Contractor is obligated to pay liquidated damages in an amount specified in the [CONSTRUCTION CONTRACTOR] Contract. The Arena Construction Agreement requires ArenaCo to supervise and provide for the complete acquisition and construction of the Arena within the time set forth in the Arena Construction Agreement and to require the Construction Contractor to obtain and maintain certain assurances of performance, including performance bonds and labor and materials payment bonds. The Construction Contractor has obtained a performance bond in an amount equal to the Guaranteed Maximum Price identified in the [CONSTRUCTION CONTRACTOR] Contract.

After providing the City contribution from the proceeds of the Series 2014 Bonds, the City does not have any obligation whatsoever to provide any funds for the completion of the Arena in the event that amounts on deposit in the Project Funds established pursuant to the Arena Financing Agreement are insufficient. Although ArenaCo is obligated to pay any costs of construction of the Arena in excess of the City contribution, there can be no assurances that ArenaCo or any other of the Private Entities will be able to provide funds to complete the Arena in the event costs of completion exceed anticipated levels, or that the Construction Contractor will meet its obligations pursuant to the [CONSTRUCTION CONTRACTOR] Contract. In the event that ArenaCo fails to cause completion of construction of the Arena by _____ 1, _____ (the period through which capitalized interest is being funded from the proceeds of the Series 2014 Bonds; see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS -- Capitalized Interest”), the obligation of the City to make Base Rental Payments will be abated during the period of delay, and such circumstance would have a material adverse impact on the ability of the Authority to pay debt service with respect to the Series 2014 Bonds. See “CERTAIN RISK FACTORS --Abatement” and “-- Construction Risk.”

The Arena Site

[DESCRIBE STATUS OF ARENA SITE AT TIME OF FINANCING]

Governmental Permits and Approvals

[DESCRIBE STATUS OF GOVERNMENTAL APPROVALS AT TIME OF FINANCING]

Prior to completion of the Arena, a number of governmental permits and approvals must be obtained. See “RISK FACTORS AND INVESTMENT CONSIDERATIONS-Governmental Permit and Approvals.” ArenaCo expects that the other permits required for the Arena will be obtained in the ordinary course as they are required. Such permits will likely include building permits and various approvals by the City.

Arena Operations and Maintenance

Pursuant to the ArenaCo Lease, ArenaCo is obligated to operate, maintain, and repair the Arena, and is responsible for all costs related thereto, including taxes, insurance, repairs, replacements, and improvements (including all capital items). The ArenaCo Lease requires ArenaCo to establish a capital fund to help ensure that sufficient funds are available for capital items. The AMOLA also grants to ArenaCo the right, at the end of the term, to purchase either (a) the Arena Site, or (b) the Arena Site and the Arena Facility. The purchase price for the arena land will be \$____. The purchase price for the improvements will be _____.

For use of the Arena, ArenaCo will be obligated to the City a Use Fee as specified in the ArenaCo Lease. The ArenaCo Lease provides for a City suite and reserves to the City the right to use the ESC for certain civic events per year. As between the City and ArenaCo, ArenaCo will retain all revenues from the Arena (including revenues from events, advertising, concessions, and merchandise sales) except for revenues directly attributable to events held by the City.

Insurance Requirements

DESCRIBE INSURANCE PROVISIONS OF ARENA CONSTRUCTION AGREEMENT AND ARENACO LEASE.

THE AUTHORITY

The Authority is a public agency duly organized and existing pursuant to a Joint Exercise of Powers Agreement (the “JPA Agreement”) between the City and the Housing Authority of The City of Sacramento, dated as of February 25, 2014 and effective April 29, 2014. The Authority is governed by a board of directors comprised of the members of the City Council of the City. The Authority is statutorily authorized by Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and is empowered under the JPA Agreement to issue its bonds for, among other things, the purposes of the plan of financing described herein. To exercise its powers, the Authority is authorized, in its own name, to do all necessary acts, including but not limited to making and entering into contracts; employing agents and employees; and to sue or be sued in its own name. The Authority has no employees and all staff work is performed by City staff.

THE CITY

The City of Sacramento (the “City”) is located at the confluence of the Sacramento and American Rivers in the Northern part of California’s Central Valley. The City is approximately 75 air miles northeast of San Francisco, and benefits from a mild climate with many days of sunshine each year and with daily average temperatures ranging from 54 degrees Fahrenheit in January to 92 degrees Fahrenheit in July. The average elevation of the City is 25 feet above sea level.

The City was settled in the late 1830s and was incorporated in 1849. In 1854, the City became the location of the capital of the State of California (the “State”), a position made permanent by the State’s Constitutional Convention in 1879. Today, State government employees and government-related activities contribute substantially to the City’s economy.

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

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

CITY FINANCIAL INFORMATION

Certain financial, economic and demographic information regarding the City of Sacramento is contained in APPENDIX A - "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO" and APPENDIX B - "CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2013." Each contains important information concerning the City and should be read in its entirety. In particular, Appendix A describes certain factors that have affected the City's financial condition in the past and that could materially affect the financial condition of the City in future fiscal years, including variations in property tax growth rates, retirement and other labor costs, and the financial condition of the State. See also "CITY FINANCIAL PRESSURES."

CITY FINANCIAL PRESSURES

THE FOLLOWING CITY FINANCIAL INFORMATION IS BASED ON THE PROPOSED 2014-15 BUDGET. THE CITY FINANCIAL INFORMATION WILL BE REVISED AT THE TIME OF FINANCING TO REFLECT THE ADOPTED 2014-15 BUDGET.

The Proposed Budget for Fiscal Year 2014/15 projects that overall General Fund revenues will be \$384.8 million, compared to \$379.0 million in the Fiscal Year 2013/14 Amended Budget. In connection with the Fiscal Year 2014/15 Proposed Budget, the City's base General Fund expenditures are below projected revenues for the first time in seven years. However, the six-year forecast for the City's General Fund shows a gap between expenditures and revenues returning in Fiscal Year 2016/17 and growing through Fiscal Year 2019/20.

Property Tax

Revenues related to property taxes are affected by fluctuations in the real estate market, levels of new construction activity, and the corresponding changes to the assessed value of those properties on the tax roll. The majority of current secured property tax revenues are received in mid-December and mid-April, while the balance of current secured, current unsecured, supplemental, and miscellaneous property tax revenues are received in late January and late May.

After several years of rapid price appreciation, home prices in the Sacramento area fell sharply beginning in Fiscal Year 2006/07. The overall decline in the real estate market resulted in substantial reductions in the number and value of both the sale of new homes and the resale of existing homes. This is especially significant as property taxes are the single largest discretionary revenue in the General Fund. Over the last six years, the market value of both residential and commercial properties has declined significantly, reducing the City's property tax revenues from a high of \$138.7 million in Fiscal Year 2008/09 to a low of \$112.6 million in Fiscal Year 2012/13 (an 18.8% decline). Property values in many hard-hit markets, including Sacramento, remain well short of their pre-recession peak prices.

After four consecutive years of property tax decline, assessed values within the City rebounded in Fiscal Year 2013/14. Additionally, properties with reduced values due to Proposition 8 ("Prop 8") (temporary reduction in assessed value based on the current market) have rebounded significantly over the past year. Prop 8 requires the County Assessor to annually enroll either a property's adjusted base year value ("Proposition 13 value") or its current market value, whichever is

less. The Prop 8 value is the value at the time the current market value replaces the higher Proposition 13 value on the assessor's roll. On March 7, 2014, at the request of the City, the County Assessor for the first time provided additional data allowing the City to better forecast the effect of Prop 8 actions on estimated property tax revenues. Previously this information was not available until July when the property tax roll was set by the Assessor. This information has been included in the Fiscal Year 2014/15 property tax forecast.

Early indications from the Assessor are positive and there is potential that when the 2014-2015 property tax roll closes in June, the City could see Prop 8 values increase by as much as 5-6%. However, the Assessor does not finalize property tax valuations until early July. The forecast for property tax revenues is based on preliminary information from the Assessor and will be re-evaluated when final information is available.

Based on the data from the Assessor and the improving economic conditions in the region, the property tax forecast for Fiscal Year 2014/15 is 8.6% higher (\$6.7 million) than the Fiscal Year 2013/14 adopted budget, and estimates for Fiscal Year 2015/16 through Fiscal Year 2018/19 include an annual 3% growth rate assumption as properties that had values reduced as a result of Prop 8 continue to be reassessed at higher values.

See APPENDIX A - "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – CITY FINANCES - Property Taxation Within the City."

Sales Tax

As a result of the economic recession, the City's sales tax revenues declined by almost 25% over a three year period between Fiscal Years 2007/08 and 2009/10. However, sales tax revenues have increased year-over-year for the last three fiscal years.

Over the previous four quarters, the City's sales tax has increased by 5.6% compared to the prior four quarters. Statewide sales tax increased by 6.3% during the same period. This quarter the City has seen its highest level of sales tax receipts compared to the previous eight quarters across several economic segments including restaurants, building materials (wholesale and retail), auto sales (new and used), and apparel stores.

When compared to statewide data, the City continues to lag in sales of automobiles (a significant source of sales taxes) because of lack of dealerships within the City limits and no central auto mall location, resulting in sales tax leakage to surrounding jurisdictions; and in the construction segment, likely due to the building moratorium in the Natomas Basin. Growth in the construction segment has surpassed 10% in other jurisdictions, whereas the City is projecting just 4% growth in Fiscal Year 2014/15. Based on the most recent information from the City's sales tax consultant, growth projections are currently estimated at 4% in Fiscal Year 2014/15 and 3-4% annually from Fiscal Year 2015/16 through Fiscal Year 2018/19.

Measure U

In November 2012, City of Sacramento voters approved the City of Sacramento Essential Services Protection Measure (Measure U) authorizing the implementation of an additional one-half cent transaction-and-use tax effective April 1, 2013 through March 31, 2019. Based on the first three quarters of sales tax data, the Fiscal Year 2014/15 revenue budget for Measure U is projected to

be \$31.8 million, up from the \$27 million estimated for Fiscal Year 2013/14. MuniServices, the City's sales tax consultant, is evaluating Measure U tax receipts and is working with the State Board of Equalization to reconcile and correct the over/under payments received by the City. The following provides a summary of the variances affecting the City's collections that are currently under review: (1) the City is erroneously receiving collections from businesses located within the county but not within the city limits; and (2) businesses with multiple locations appear to be remitting Measure U taxes for non-city locations. Additionally, the taxability of internet transactions and "business-to-business" and "business-to-government" sales are being reviewed as these purchases do not follow a cyclical pattern.

The revenue forecast for this tax assumes 4% growth in future fiscal years, with Fiscal Year 2018/19 reflecting the expiration of the tax in March of 2019. While the Measure U funds provide resources to protect and restore vital services, the use of temporary resources will create an enormous burden when the tax expires in 2019 unless contingency planning is done. Consistent with City Council adopted policies relative to Measure U, a reserve has been established which will provide resources through the end of Fiscal Year 2018/19.

The Proposed Budget for Measure U reflects the annual cost of programs and services Council has previously approved. As originally proposed in the restoration plan, the Police Department will be adding 14 new sworn positions and the costs associated with the retention of positions for the new COPS Hiring Program approved in Fiscal Year 2013/14, which funded 10 additional positions.

The Measure U Restoration plan as shown on the following chart is based on the information below:

- Fiscal Year 2012/13 (FY13) = actuals as reported in the CAFR
- Fiscal Year 2013/14 (FY14) = budget as approved by Council to date
- Fiscal Year 2014/15 (FY15) = proposed budget including the addition of 14.0 FTE in the Police Department
- Fiscal Years 2015/16 through 2018/19 (FY16, FY17, FY18, and FY19) = forecast with 4% annual revenue growth and projected labor growth

MEASURE U REVENUES AND EXPENDITURES
(in 000s)

	Total FTE	FY13	FY14	FY15	FY16	FY17	FY18	FY19
REVENUES		\$4,820	\$27,000	\$31,824	\$33,097	\$34,421	\$35,798	\$27,922
Fire Department	95.00	1,082	9,391	11,704	11,553	12,016	12,503	13,013
Police Department	150.00	274	12,352	12,580	15,200	16,038	17,417	18,001
Parks Department	73.95	274	5,330	4,624	4,647	4,671	4,694	4,718
Miscellaneous	1.00	506	591	591	594	598	602	606
Total Measure U	319.95	\$2,136	\$27,664	\$29,499	\$31,994	\$33,323	\$35,216	\$36,337
Restorations								
Annual Reserve		2,684	(664)	2,325	1,103	1,098	582	(8,415)
Cumulative Reserve		\$2,684	\$2,020	\$4,345	\$5,447	\$6,546	\$7,128	4(1,287)

*14.0 new FTE are included in the Fiscal Year 2014/15 Proposed Budget for the Police Department

Prior Fiscal Year Budgets

The City began to experience financial pressure in Fiscal Year 2006/07, due primarily to increasing labor costs and, later, exacerbated by the impact of the recession on revenues. The “structural budget deficit” resulted as revenue growth was insufficient to keep pace with compounding expenditure growth caused by increasing service demands, escalating personnel costs, and the ongoing operations and maintenance of aging infrastructure. Each fiscal year since then, until Fiscal Year 2014/15, a projected budget deficit had to be closed before a budget could be adopted. As shown in the table below, the strategy for closing that budget deficit shifted from the sole use of one-time resources in Fiscal Year 2006/07, to a blend of position reductions and structural improvements, to eliminating the use of one-time resources in Fiscal Year 2012/13.

Reduction Strategy	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	Total
Projected General Fund Deficit (\$ in 000s)	\$29,000	\$58,000	\$50,000	\$43,000	\$38,900	\$15,700	\$8,900	\$243,500
One-Time Funding	\$29,543	\$19,000	\$8,300	\$17,511	\$4,600	-	-	\$78,954
New/Increased Revenues	-	3,700	5,100	1,000	2,400	-	-	12,200
Labor Reductions	-	30,200	28,900	12,367	27,100	15,700	4,700	118,967
Other Reductions/Reimbursements	-	5,100	7,700	12,400	4,800	-	4,200	34,200
Budget Reductions	\$29,543	\$58,000	\$50,000	\$43,278	\$38,900	\$15,700	\$8,900	\$244,321
FTE Reductions	-	359.01	360.26	207.50	302.70	41.70	40.0	1,311.17

Fiscal Year 2014/15 General Fund Budget

The proposed General Fund budget for Fiscal Year 2014/15 is the first budget since 2008 that does not require reductions in services, programs, or employees. The Proposed General Fund budget includes revenues of \$384.8 million and expenditures of \$382.8 million resulting in a projected \$2.0 million surplus. While revenues are projected to exceed expenditures in Fiscal Years 2014/15 and 2015/16, the changes recently approved by the California Public Employees’ Retirement System (“PERS”) relative to actuarial assumptions and methodologies will result in increased costs for PERS

member agencies. As a result, the City's expenditures are forecast to once again outpace revenues beginning in Fiscal Year 2016/17.

The General Fund budget funds the delivery of most common programs and services to the community. Because the primary function of the City is to provide services, the largest portion of the budget is tied to the cost of City employees. Currently, 71.1 % of the General Fund budget is dedicated to funding employee services. Aside from the outright elimination of funded positions and employee layoffs, the City has a very limited ability to reduce the cost of labor absent the cooperation of the City's employee unions.

In addition, there are several areas of expense that have pre-determined payment schedules and that Council is highly unlikely to reduce, including debt service, payments for taxes and services to the County of Sacramento (County), and contributions to PERS and SCERS. These "required" expenditures effectively limit the discretionary portion of the budget.

The Proposed Budget does not reflect any changes resulting from State and/or County budget actions. Further budget adjustments may be necessary depending on the outcome of those budget processes.

The Six-Year Forecast

The General Fund forecast provides a multi-year view of revenues and expenditures, allowing an assessment of the fiscal consequences of both prior and current funding decisions in the context of forecasted revenues and expenditures. Given the Council's sustainable budget policy, proposed fiscal actions are evaluated in a longer-term, rather than a short-term, context. The Fiscal Year 2014/15 Proposed Budget for the General Fund is being considered within the context of a six-year forecast in order to understand the expiration of Measure U funding in March of 2019.

The following table projects a structural gap between revenues and expenditures in the General Fund that is expected to develop again in Fiscal Year 2016/17, in the absence of further policy initiatives. The primary drivers of the projected structural gap are increased pension costs as approved by PERS and base expenditure growth. Actual results will depend on a variety of factors, including local economic conditions, and there can be no assurances actual results will not materially differ from the projections.

**GENERAL FUND REVENUES AND EXPENSES
6-YEAR FORECAST
(\$ in Thousands)**

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Total Revenue	\$384,829	\$392,826	\$400,739	\$408,909	\$417,355	\$426,087
Total Expenditures	382,551	391,435	403,124	411,869	421,101	430,843
Revenues less Expenditures	\$2,278	\$1,391	\$(2,385)	\$(2,960)	\$(3,746)	\$(4,756)
Other Sources and (Uses)	(295)	105	105	105	105	105
Loss of Measure U Revenues	-	-	-	-	(8,415)	(36,337)
Annual Operating	\$1,983	\$1,496	\$(2,280)	\$(2,855)	\$(12,056)	\$(40,988)

The six-year forecast is based on a set of point-in-time assumptions. Revenues are derived from economically sensitive sources and the six-year revenue forecasts are subject to the same uncertainty and downside risk surrounding national economic forecasts, and will be subject to revision. It is important to note that the City’s major tax revenues, property and sales taxes, trail economic trends. Even while national and statewide economic conditions are improving, Sacramento’s tax revenue growth continues to lag.

The City believes that the projected expenditure growth assumptions are reasonable, particularly through the term of the current labor contracts. A projection of the impact of recent changes in PERS policies are reflected in these estimates. See APPENDIX A – “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – Employees’ Retirement Plans.”

Budget sustainability and the fiscal capacity to address longer-term fiscal issues require that annual base operating cost increases be held to a level below annual revenue growth. The fiscal reality is that given the lack of significant revenue growth beyond that of expenditures in the forecast and the expiration of Measure U revenues in March of 2019, current expenditure commitments are unsustainable.

As a result, the City will need to continue to reduce expenditures or implement long-term revenue growth strategies in order to account for anticipated expenditure growth not supported by revenues.

Planned Sources for City Payments with Respect to the Arena Project

As described herein, the obligation of the City to make Base Rental Payments when due is an obligation payable from amounts in the General Fund of the City. However, in order to mitigate the impact on the General Fund and use of General Fund moneys, the City currently plans to use amounts received by the City pursuant to the ArenaCo Lease, parking revenues, hotel taxes, and additional sales taxes and other revenues resulting from increased economic activity due to the construction and operation of the Arena. See “THE ARENA PROJECT – Arena Agreements” for a description of amounts the City expects to receive pursuant to the ArenaCo Lease. In order to provide for the availability of sufficient available funds in the early years of operation of the Arena Project, the City currently plans to establish and maintain a liquidity reserve, in which it would set aside certain of these revenues prior to completion of the

Arena Project and the commencement of Base Rental Payments. Notwithstanding the City's plans to use these revenues to make Base Rental Payments, the obligation of the City to pay Base Rental Payments is not conditioned on the availability of such revenues in the amounts expected by the City.

Additional Financial Pressures

As the largest employer in the region, the State's employment and employee compensation changes, as well as the dampening impact on local consumer confidence, have disproportionate impacts on the City's finances. See APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – CITY FINANCES - Impact of State Budget on City."

Increasing pension and retiree medical benefit costs place additional pressure on the City. See APPENDIX A - "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – Employees' Retirement Plans."

CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS

Following is a description of certain constitutional limitations on taxes and appropriations applicable to the City. For a description of other factors relating to the revenues of the City, see APPENDIX A — GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO."

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the Voters prior to June 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after June 1, 1978, by two thirds of the votes cast by the voters voting on the Proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, does not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. This amendment could serve to reduce the property-tax revenues of the City. Other amendments permitted the State Legislature to allow persons over 55 or "severely disabled homeowners" who sell their residences and buy or build

another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of "newly constructed" the construction or installation of seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, provided that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster. See APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — CITY FINANCES — Property Taxation Within the City."

Article XIII B of the State Constitution

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, special district, authority or other political subdivision of the State to the appropriations limit for the prior Fiscal Year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The "base year" for establishing this appropriations limit is the 1978/79 Fiscal Year. The appropriations limit may also be adjusted in emergency circumstances, subject to limitations.

Appropriations of an entity of local government subject to Article XIII B generally include authorizations to expend during a Fiscal Year the "proceeds of taxes" levied by or for the entity, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include but are not limited to, all tax revenues, certain State subventions received by the local governmental entity and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost of providing the service or regulation) and (2) the investment of tax revenues. Article XIII B provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIII B does not limit the appropriation of moneys to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose, or appropriations for certain other limited purposes. Furthermore, Article XIII B was amended in 1990 to exclude from the appropriations limit "all qualified capital outlay projects, as defined by the Legislature" from proceeds of taxes. The Legislature has defined "qualified capital outlay project" to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds \$100,000. As a result of this amendment, the appropriations to pay the lease payments on the City's long term general fund lease obligations are generally excluded from the City's appropriations limit.

The City's appropriation limit for Fiscal Year 2013/14 is estimated to be \$643,056,000, for which expenditures subject to the appropriation limitation are \$307,781,000.

Articles XIIC and XIID of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City’s General Fund, require a two-thirds vote. Further, any general purpose tax the City imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election that must be held before November 6, 1998. The voter-approval requirements of Article XIIC reduce the flexibility of the City to raise revenues for the general fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

The City currently imposes the following general taxes: business-operations tax, utility-users tax, real-property-transfer tax and transient-occupancy tax. Since all of these taxes (except the utility users tax, as described below) were imposed before January 1, 1995, and have not been extended or increased since that date, these taxes should be exempt from the requirements of Article XIIC. Any future increases in these taxes, however, would be subject to the voter requirement of Article XIIC. See APPENDIX A - “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – Other Taxes – Utility Users Tax” for a discussion of Measure O, approved by the voters in November 2008, which reduced the utility user tax on telephonic services from 7.50% to 7.00% and expanded the scope of the tax to include new communication technologies.

Article XIID also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments confer a “special benefit,” as defined in Article XIID, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected parties, and (iv) a prohibition against fees and charges used for general governmental services, including police, fire and library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution by expanding the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and does not exceed

the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. As of the date of this Official Statement, the City is unaware of any fees that would have to be reduced or eliminated because of Proposition 26.

The City currently levies more than 39 service districts, maintenance districts and property and business improvement districts. These levies are in excess of \$37.9 million for Fiscal Year 2012/13, including \$2.3 million from two capital acquisition, pay-as-you-go districts. The City believes that each of such assessments and districts complies with the requirements of Article XIID, unless otherwise exempt. Subsequent increases of such levies, if any, would be required to comply.

The City also levies assessments for 14 improvement districts under the California improvement district acts, which assessments were approximately \$15.6 million in Fiscal Year 2012/13. Each of such assessments secures bonded indebtedness that is payable solely from such assessments and has no claim on the City's General Fund.

Article XIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's general fund. If such repeal or reduction occurs, the City's operations could be adversely affected.

See Appendix A – "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – CITY FINANCES - Limitations on Taxes; Proposition 218 Matters" for a discussion of certain litigation based on alleged Proposition 218 violations described, which was settled in 2010.

Statutory Spending Limitations

At the November 4, 1986, general election, the voters of the State approved Proposition 62, a statutory initiative (1) requiring that any tax imposed by local governmental entities for general governmental purposes be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (2) requiring that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction; (3) restricting the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (4) prohibiting the imposition of ad valorem taxes on real property by local governmental entities, except as permitted by Article XIII A; (5) prohibiting

the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (6) requiring that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara City Local Transportation Authority v. Guardino*, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address whether it should be applied retroactively.

In response to *Guardino*, the California Legislature adopted Assembly Bill 1362, which provided that *Guardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill 1362 was vetoed by the Governor; hence the application of the *Guardino* decision on a retroactive basis remains unclear.

The *Guardino* decision also did not decide the question of the applicability of Proposition 62 to charter cities such as the City. Two cases decided by the California Courts of Appeals in 1993, *Fielder v. City of Los Angeles* (1993) 14 Cal.App.4th 137 (rev. den. May 27, 1993), and *Fisher v. County of Alameda* (1993) 20 Cal.App.4th 120 (rev. den. Feb. 24, 1994), held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities because charter cities derive their power to enact such taxes under Article XI, Section 5, of the California Constitution relating to municipal affairs.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62.

The City does not believe that it imposes any tax or fee that is subject to Proposition 62.

Proposition 1A

As part of former Governor Schwarzenegger's agreement with local jurisdictions, Senate Constitutional Amendment No. 4 was enacted by the Legislature and subsequently approved by the voters as Proposition 1A at the November 2004 election. Among other things, Proposition 1A amended the State Constitution to reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales and vehicle-license fee revenues as of November 3, 2004, and by providing that the State may not reduce any local sales-tax rate, limit existing local government authority to levy a sales-tax rate or change the allocation of local sales-tax revenues, subject to certain exceptions. See "APPENDIX A – GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO—CITY FINANCES—Impact of State Budget on City" for additional information regarding Proposition 1A and the circumstances in which allocations may be changed.

Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 62 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting the City's revenues or the City's ability to expend revenues.

RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Series 2014 Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Series 2014 Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Series 2014 Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Series 2014 Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Limited Obligation

The Series 2014 Bonds are not City debt and are limited obligations of the Authority. Neither the full faith and credit of the Authority nor the City is pledged for the payment of the interest on or principal of the Series 2014 Bonds nor for the payment of Base Rental Payments. The Authority has no taxing power. The obligation of the City to pay Base Rental Payments when due is an obligation payable from amounts in the General Fund of the City. The obligation of the City to make Base Rental Payments under the Project Lease does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Series 2014 Bonds nor the obligation of the City to make Base Rental Payments under the Project Lease constitute a debt or indebtedness of the Authority, the City, the State or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restrictions.

Base Rental Payments Are Not Debt

The obligation of the City to make the Base Rental Payments under the Project Lease does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Series 2014 Bonds nor the obligation of the City to make Base Rental Payments constitute a debt of the City, the State of California or any political subdivision thereof (other than the Authority) within the meaning of any constitutional or statutory debt limitation or restriction.

The Series 2014 Bonds are not general obligations of the Authority, but are limited obligations payable solely from and secured by a pledge of Lease Revenues and amounts held in the funds and accounts created under the Indenture, consisting primarily of Base Rental Payments. The Authority has no taxing power.

Although the Project Lease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Project Lease to pay the Base Rental Payments from any source of legally available funds and the City has covenanted in the Project Lease that, for so long as the Project is available for its use, it will make the necessary annual appropriations within its budget for the Base Rental Payments. The City is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Base Rental Payments, or which the City, in its discretion, may determine to pay prior to the Base Rental Payments.

The City has the capacity to enter into other obligations payable from the City's General Fund, without the consent of or prior notice to the Owners of the Series 2014 Bonds. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services before making Base Rental Payments. The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. The City's appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the California Constitution. For information on the City's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS-Article XIII B of the California Constitution."

Valid and Binding Covenant to Budget and Appropriate

Pursuant to the Project Lease, the City covenants to take such action as may be necessary to include Base Rental Payments due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenants. Upon issuance of the Series 2014 Bonds, Bond Counsel will render its opinion (substantially in the form of APPENDIX D – "PROPOSED FORM OF BOND COUNSEL OPINION") to the effect that, subject to the limitations and qualifications described therein, the Project Lease constitutes a valid and binding obligation of the City. As to the Authority's practical realization of remedies upon default by the City, see "– Limitations on Remedies."

Abatement

In the event of loss or substantial interference in the use and possession by the City of all or any portion of the Project caused by material damage, title defect, destruction to or condemnation of the Project, Base Rental Payments will be subject to abatement. In the event that such component of the Project, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the City's rental interruption insurance will be available in lieu of Base Rental Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such component of the Project or prepayment of the Series 2014 Bonds, there could be insufficient funds to make payments to Owners in full. Reduction in Base Rental Payments due to abatement as provided in the Project Lease does not constitute a default thereunder.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Project Lease or at the time of the abatement. If the latter, it may be that the value of the Arena Project is substantially higher or lower than its value at the time of issuance of the Series 2014 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2014 Bonds. Depending on its severity, an earthquake could result in abatement of Base Rental Payments under the Project Lease. See “– Earthquakes.”

ArenaCo May Not Satisfy Its Obligation to Provide Funds to Complete the Arena

Pursuant to the Arena Construction Agreement and the ArenaCo Lease, ArenaCo will be obligated to pay all costs of constructing the Arena in excess of the City Contribution. As described herein, ArenaCo’s contribution has been estimated [[by the Independent Engineer]] to be \$_____. At the time of the issuance of the Series 2014 Bonds, ArenaCo has entered into arrangements to provide these funds. In the event that actual costs of completing the Arena exceed the amount projected, and for which ArenaCo has financing arrangements, ArenaCo expects to raise sufficient funds from one or more of the following sources as described in “THE ARENA PROJECT – Arena Funding.” Although ArenaCo expects that the necessary funds will be timely raised, there can be no assurance that the funds will be raised or that the amount of such funds will be sufficient to make the full payment of the Completion Cost. In the event that ArenaCo fails to cause completion of construction of the Arena by _____ 1, _____ (the period through which capitalized interest is being funded from the proceeds of the Series 2014 Bonds; see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS -- Capitalized Interest”), the obligation of the City to make Base Rental Payments will be abated during the period of delay, and such circumstance would have a material adverse impact on the ability of the Authority to pay debt service with respect to the Series 2014 Bonds. See “CERTAIN RISK FACTORS --Abatement” and “-- Construction Risk.”

Construction Risks

As described herein, the obligation of the City to make Base Rental payments does not commence until the Arena is completed and available for beneficial use and occupancy by the City. If ArenaCo fails to cause completion of construction of the Arena by _____ 1, _____ (the period through which capitalized interest is being funded from the proceeds of the Series 2014 Bonds; see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS -- Capitalized Interest”), the obligation of the City to make Base Rental Payments will be abated during the period of delay, and such circumstance would have a material adverse impact on the ability of the Authority to pay debt service with respect to the Series 2014 Bonds. This section describes certain risks specifically relating to the construction of the Arena, and does not constitute an exhaustive list of all construction-related risks.

General Construction Risks for Arena. Completion of the Arena involves many risks common to large construction projects such as shortages of materials and labor, work stoppages, labor disputes, litigation, environmental law compliance, errors and omissions by architects, engineers and contractors, significant increases in material costs for steel, lumber and other key commodities, weather interferences, terrorism, construction accidents, contractor or subcontractor defaults, defective workmanship, unforeseen engineering, geotechnical or environmental problems, land use permitting problems and unanticipated cost increases, any of which could give rise to

significant delays or cost overruns. In addition, in recent years, these problems have been particularly significant in the construction of large sports stadiums and arenas, many of which have encountered significant delays and cost overruns. No assurance can be given that the factors mentioned above will not cause significant delays and cost overruns. Any such delays and overruns may materially and adversely affect the construction budget, possibly requiring ArenaCo to provide additional funds under the Arena Construction Agreement in respect of the construction completion shortfall amount or to value-engineer out of the Arena otherwise desirable features or amenities.

Any and all aspects of construction, including but not limited to labor and materials, could be subject to material price escalation. [[Although ArenaCo believes that its estimates of costs of the Arena and the adequacy of the contingencies are reasonable]], it is possible that the ArenaCo's judgments and assumptions are materially mistaken and that the actual costs of the Arena will vary materially from the estimates thereof, including those set forth in this Official Statement. It is also possible that the aggregate costs of the Arena, whether included or excluded from the [CONSTRUCTION CONTRACTOR] Contract and any other contracts applicable to the Arena, will exceed the sum of the price of the [CONSTRUCTION CONTRACTOR] Contract (and such other contracts), ArenaCo's estimate of the costs of the Arena excluded from the [CONSTRUCTION CONTRACTOR] Contract (and such other contracts) and the aggregate contingencies budgeted to pay for such excess costs, and that ArenaCo will require significant additional funds in order to complete the work.

Nonperformance by Design-Builder. The [CONSTRUCTION CONTRACTOR] Contract is a [[lump-sum design-build]] construction contract that limits the ability of the Construction Contractor's to make claims for increases in the price specified in the [CONSTRUCTION CONTRACTOR] Contract or extensions of the completion deadlines specified therein. The [CONSTRUCTION CONTRACTOR] Contract also imposes liquidated damages for failure to meet certain completion deadlines and obligates the Construction Contractor to assume full risk and responsibility with respect to design of the Project. If the Construction Contractor finds it uneconomic to perform the obligations under the [CONSTRUCTION CONTRACTOR] Contract, or otherwise becomes unwilling or unable to perform, there is a risk that the Construction Contractor may abandon the Arena and breach its obligations under the [CONSTRUCTION CONTRACTOR] Contract. While the [CONSTRUCTION CONTRACTOR] Contract includes provisions to secure contractor performance, including performance and payment bond requirements and retention of contractor payments, there can be no assurance given that such provisions will ensure the Construction Contractor's full performance of its obligations under the [CONSTRUCTION CONTRACTOR] Contract. The Construction Contractor's nonperformance may lead to substantial cost increases and delays in completion of the Project.

Failure of Providers of Performance and Payment Bonds. A potential purchaser of the Series 2014 Bonds can have no assurance that any surety or property insurer will be willing or capable of meeting its responsibilities in connection with the Arena, or that the issuer of any performance or payment bond or property insurance policy will honor or will be able to honor a claim in a timely manner.

The total contract price under the Design-Build Contract is \$ _____, and the [CONSTRUCTION CONTRACTOR] Contract requires performance and payment bonds in an amount equal to \$ _____. See "CONSTRUCTION OF THE PROJECT."

There can be no assurance that the performance and payment bonds provided by the Construction Contractor will be sufficient to satisfy the ArenaCo's performance and payment obligations under the [CONSTRUCTION CONTRACTOR] Contract. Not all events are covered under such performance and payment bonds. The issuer of performance and payment bonds is not guaranteeing performance and payment under all circumstances, and the issuer of such bonds may assert any defenses it or the Construction Contractor may have for performance and payment. Moreover, in the event that a default occurs under the [CONSTRUCTION CONTRACTOR] Contract, there is a possibility of litigation between ArenaCo and the Construction Contractor, or between ArenaCo and the providers of the performance bonds or payment bonds, which could further delay the construction and opening of the Arena. In addition, there can be no assurance that the ArenaCo or the City could recover any amounts under any performance bonds or payment bonds.

Governmental Permits and Approvals

The Arena and related infrastructure require numerous discretionary state and local governmental permits or approvals. See "THE ARENA PROJECT - Governmental Permits and Approvals." The City and ArenaCo are not aware of any engineering or technical circumstances which would prevent ArenaCo from obtaining in the ordinary course the remaining permits and approvals required, prior to the commencement of construction of or completion of the Arena and related infrastructure, in a timely manner. Those permits and approvals that have been obtained contain conditions, and those that have not yet been obtained are expected to contain conditions when they are issued. In addition, the state and local statutory and regulatory requirements (including requirements to obtain additional permits or approvals) applicable to the Arena and related infrastructure are subject to change. No assurance can be given that ArenaCo will be able to comply with such changes or that such changes will not materially increase the cost of the Arena and related infrastructure or cause delays. Delays in obtaining or any failure to obtain and maintain in full force and effect any such approval or permit, or delays in or any failure to satisfy any such conditions or other applicable requirements, could delay or prevent completion of the Arena or result in additional costs.

Third Party Contract Risk

Completion of the Arena depends on the performance by third parties (such as the Construction Contractor and the Architect) of their obligations under certain of the Contract Documents, including obligations with respect to the coordination of construction. If these parties do not perform their obligations, if construction and design are not adequately coordinated, if disputes arise between parties, or if third parties are excused from performing their obligations because of nonperformance by ArenaCo or the Construction Contractor or due to force majeure events, ArenaCo may not be able to acquire substitute services on substantially the same terms and conditions (if at all) or may be required to incur greater construction costs, and ArenaCo's ability to complete the Arena may be adversely affected.

This Official Statement contains no financial information regarding the Private Entities. As a result, in making an investment decision with respect to the Series 2014 Bonds, a purchaser can have no assurance, based on the information contained herein, that the Private Entities or any third party will have the ability to meet its obligations under the agreements to which it is a party.

Risk of Uninsured Loss

The City covenants under the Project Lease to maintain insurance on the Project. See “SECURITY FOR THE SERIES 2014 BONDS – Insurance.” These insurance policies do not cover all types of risk, and the insurance required under the Project Lease may be maintained in whole or in part in the form of self-insurance, provided that such self-insurance complies with the terms thereof. The Project could be damaged or destroyed due to earthquake or other casualty for which the Project is uninsured. Additionally, the Project could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Base Rental Payments could occur and could continue indefinitely. There can be no assurance that the providers of the City’s liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Project will be sufficient to redeem the Series 2014 Bonds.

Under the Project Lease the City may obtain casualty insurance which provides for a specified. Should the City be required to meet such deductible expenses, the availability of General Fund revenues to make Base Rental Payments may be correspondingly affected.

The City is not obligated under the Project Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Project. The City currently carries earthquake insurance on the Project although the Project Lease does not require it to do so. The City plans to continue to purchase earthquake insurance on the Project so long as such insurance can be obtained on the open market at reasonable rates. Depending on its severity, an earthquake could result in abatement of Base Rental Payments under the Project Lease. See “– Abatement.”

Eminent Domain

If the Project is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Project Lease will cease as of the day possession is taken. If less than all of the Project is taken permanently, or if the Project or any part thereof is taken temporarily, under the power of eminent domain, (a) the Project Lease will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Base Rental Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Base Rental Payments, in an amount to be agreed upon by the City and the Authority such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Project.

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Project. In general, the owners and lessees of the Project may be required by law to remedy conditions of such parcel relating to release 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 similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Project may be limited in the future resulting from the current existence on the Project of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Project of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Project.

The City is unaware of the existence of hazardous substances on the Project site which would materially interfere with the beneficial use thereof.

Flood

The Federal Emergency Management Agency (“FEMA”) produces Flood Insurance Rate Maps (“FIRMs”) that show which portions of the City are in the 100-year floodplain. A 100-year floodplain is an area expected to be inundated during a flood event of the magnitude for which there is a 1-in-100 probability of occurrence in any year.

According to the City, the Arena Site currently outside the 100-year floodplain. However, there can be no assurances that a significant flooding event would not materially adversely affect the use of the Arena. In the event that the Arena is not available for the use and occupancy by the City as a result of flooding, Base Rental Payments would be subject to abatement. See “RISK FACTORS - Abatement” herein.

Earthquake

Under the Project Lease, the City is not obligated to procure and maintain, or cause to be procured or maintained, earthquake insurance on the Project. Depending on its severity, an earthquake could result in abatement of Base Rental Payments under the Project Lease. See “RISK FACTORS – Abatement” herein.

Bankruptcy

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture and the Project Lease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors’ rights. The City is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the “Bankruptcy Code”). However, pursuant to Chapter 9 of the Bankruptcy Code, the City may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of Series 2014 Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the City’s debt (a “Plan”) without the consent of the Trustee or all of the Owners of

Series 2014 Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the City could either reject the Project Lease or assume the Project Lease despite any provision of the Project Lease which makes the bankruptcy or insolvency of the City an event of default thereunder. In the event the City rejects the Project Lease, the Trustee, on behalf of the Owners of the Series 2014 Bonds, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the Series 2014 Bonds. Moreover, such rejection would terminate the Project Lease and the City's obligations to make payments thereunder.

The Authority is a public agency and, like the City, is not subject to the involuntary procedures of the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have priority of payment superior to that of the Owners of the Series 2014 Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Series 2014 Bonds, which plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable. However, the bankruptcy of the Authority, and not the City, should not affect the Trustee's rights under the Project Lease. The Authority could still challenge the assignment, and the Trustee and/or the Owners of the Series 2014 Bonds could be required to litigate these issues in order to protect their interests.

[DESCRIBE POTENTIAL RAMIFICATIONS OF BANKRUPTCY OF PRIVATE ENTITIES]

Limitations on Remedies

The rights of the Owners of Series 2014 Bonds are subject to the limitations on legal remedies against cities in the State, including applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of Series 2014 Bonds, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Project Lease, and from taking any steps to collect amounts due from the City under the Project Lease.

All legal opinions with respect to the enforcement of the Project Lease and the Indenture will be expressly subject to a qualification that such agreements may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity if equitable remedies are sought.

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Series 2014 Bonds with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Project Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Risk of Tax Audit

In December 1999, as a part of a larger reorganization of the Internal Revenue Service (the "IRS"), the IRS commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division. The new TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations (which would include the issuance of securities such as the Series 2014 Bonds) is expected to increase significantly under the new TE/GE Division. There is no assurance that if an IRS examination of the Series 2014 Bonds was undertaken that it would not adversely affect the market value of the Series 2014 Bonds. See "TAX MATTERS."

The City has not been contacted by the IRS regarding the examination of any of its bond transactions.

State Budget

From time to time the State has experienced significant financial stress, with budget shortfalls in the billions of dollars. While the State is not a significant source of City revenues, and the City does not anticipate that the State's financial condition to materially adversely affect the financial condition of the City, there can be no assurances potential future state financial pressures will not adversely affect the City. In addition, future State budgets will be affected by national and State economic conditions and other factors over which the City has no control.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2014 Bonds, the City has covenanted in the Project Lease not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series 2014 Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Series 2014 Bonds could become includable in gross income for purposes of Federal income taxation retroactive to the date the Series 2014 Bonds were issued, as a result of acts or omissions of the City in violation of the Code. Should such an event of taxability occur, the Series 2014 Bonds are

not subject to early redemption and will remain outstanding to maturity or until prepaid under the optional redemption provisions of the Indenture.

Limited Secondary Market

As stated herein, investment in the Series 2014 Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risk of investment in the Series 2014 Bonds should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the Series 2014 Bonds or, if a secondary market exists, that the Series 2014 Bonds can or could be sold for any particular price.

Changes in Law

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the General Fund revenues of the City and consequently, having an adverse effect on the security for the Series 2014 Bonds. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”

[OTHER RISKS RELATING TO PRIVATE ENTITIES AND CONSTRUCTION TO COME]

TAX MATTERS

[TO COME]

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery by the Authority of the Series 2014 Bonds are subject to the approval as to their validity of Orrick, Herrington & Sutcliffe LLP, as Bond Counsel to the Authority. Certain legal matters will be passed upon for the City and the Authority by the City Attorney, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriters by Nixon Peabody LLP. Bond Counsel, Disclosure Counsel, the City Attorney and underwriter’s counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

FINANCIAL STATEMENTS

The City’s financial statements for the fiscal year ended June 30, 2013, included in APPENDIX B – “CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2013,” have been audited by Macias Gini & O’Connell, LLP, Certified Public Accountants & Consultants, Newport Beach, California, as stated in their reports appearing in such appendix. Macias Gini & O’Connell, LLP has not undertaken to update its reports or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Macias Gini & O’Connell, LLP with respect to any event subsequent to its report.

LITIGATION

To the best knowledge of the Authority and the City, except as otherwise disclosed in this Official Statement, there is no pending or threatened litigation concerning the validity of the Series 2014 Bonds or the pledge of the Lease Revenues or challenging any action taken by the Authority or the City in connection with the authorization of the Indenture or the Project Lease, or any other document relating to the Series 2014 Bonds or the performance by the Authority or the City of any of their obligations under any of the foregoing. Further, to the best knowledge of the City, except as otherwise disclosed in this Official Statement, there is no litigation, proceeding, action, suit, or investigation pending, with service of process having been accomplished, or threatened in writing against the City, which in any manner, questions the right of the City to pay the Base Rental Payments under the Project Lease.

RATINGS

[[Moody's Investors Service ("Moody's")]] [[Fitch Ratings]] and [[Standard and Poor's Ratings Services, a Standard & Poor's Financial Services ("S&P")]] have assigned their ratings of "___," "____" and "____," respectively, to the Series 2014 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2014 Bonds.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Series 2014 Bonds. The Financial Advisor's compensation for services rendered with respect to the sale of the Series 2014 Bonds is not contingent upon the issuance and delivery of the Series 2014 Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2014 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITING

The Series 2014 Bonds are being purchased by _____, as representative of itself and _____ (the "Underwriters"). The Underwriters have agreed to purchase the Series 2014

Bonds at a price of \$ _____, which amount represents the principal amount of the Series 2014 Bonds of \$ _____, less \$ _____, representing the Underwriters' discount, plus \$ _____, representing original issue premium. The contract of purchase pursuant to which the Series 2014 Bonds are being purchased by the Underwriters provides that the Underwriters will purchase all of the Series 2014 Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in such contract of purchase. The Underwriters may offer and sell the Series 2014 Bonds to certain dealers and others at prices different from the prices stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriters.

[UNDERWRITER DISCLOSURES IF APPLICABLE]

CONTINUING DISCLOSURE

The City has agreed, in a Continuing Disclosure Certificate executed by the City in connection with the issuance of the Notes, to report the occurrence of specified "Material Events" to the Municipal Securities Rulemaking Board through its EMMA system. Pursuant to the Continuing Disclosure Certificate, the City is required to give notice of the occurrence of certain specified events with respect to the Notes in a timely manner not more than ten (10) business days after the event, including but not limited to principal and interest payment delinquencies; issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB); and rating changes.

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 of the Sacramento City Financing Authority ("SCFA") 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 the SCFA's bonds and SHRA's bonds did not expressly include all the required information (including in one instance unaudited financial statements). In addition, certain filings were made after the required filing date. On one occasion, the City inadvertently failed to file a notice of an insurer-related rating change.

The City believes it has established processes to ensure that in the future it will make its continuing disclosure filings as required.

ADDITIONAL INFORMATION

Summaries and explanations of the Series 2014 Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements of their provisions.

The preparation and distribution of this Official Statement have been authorized by the Authority and the City.

**SACRAMENTO PUBLIC FINANCING
AUTHORITY**

By _____
Treasurer

CITY OF SACRAMENTO

By _____
Treasurer

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APPENDIX A

**GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION
RELATING TO THE CITY OF SACRAMENTO**

APPENDIX B

**CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX E
FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX F
BOOK-ENTRY ONLY SYSTEM

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO

Introduction

The City of Sacramento (the “City”) is located at the confluence of the Sacramento and American Rivers in the Northern part of California’s Central Valley. The City is approximately 75 air miles northeast of San Francisco, and benefits from a mild climate with many days of sunshine each year and with daily average temperatures ranging from 54 degrees Fahrenheit in January to 92 degrees Fahrenheit in July. The average elevation of the City is 25 feet above sea level.

The City was settled in the late 1830s and was incorporated in 1849. In 1854, the City became the location of the capital of the State of California (the “State”), a position made permanent by the State’s Constitutional Convention in 1879. Today, State government employees and government-related activities contribute substantially to the City’s economy.

Government

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

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

On November 5, 2013, the City Council adopted Resolution No. 2013-0362, which submits the “Sacramento Checks and Balances Act of 2014” (the “Act”) to the voters at the November 4, 2014 general election. The Act, if approved by a majority of the voters voting on the measure, would change the Sacramento City Charter. The Act changes the current council-manager form of government to a mayor-council form of government. The mayor would no longer be a part of the city council, but would be the chief executive officer of the city, with control over the city manager and veto powers. The Act changes the process for redistricting, by establishing an independent redistricting commission. The Act makes changes related to ethics and government process. And the Act contains trial period, reauthorization, and implementation provisions. City of Sacramento voters will be presented the following question on the ballot: “Shall the City of Sacramento Charter be revised, on a trial basis, to establish: a mayor-council governance structure wherein the elected mayor oversees city operations and a budget subject to Council approval and override; an Ethics Committee; Code of Ethics and Sunshine Ordinances; an Independent Budget Analyst Office; a Neighborhood Advisory Committee; an Independent Redistricting Commission; and a three-term limit for mayors; with most provisions subject to voter reapproval by 11/03/2020?” The Act, if approved, would take effect when it is filed with the California Secretary of State in accordance with state law.

Key Personnel

John F. Shirey, City Manager. Mr. Shirey has over 35 years of experience from a variety of government positions. Most recently, Mr. Shirey was the Executive Director of the California Redevelopment Association. Mr. Shirey has also served in senior executive positions as City Manager of Cincinnati, Assistant City Manager of Long Beach, California, and Assistant Chief Administrative Officer of Los Angeles County. Mr. Shirey holds a Bachelor of Science degree in industrial engineering from Purdue University and a Master's degree in public administration from the University of Southern California.

James Sanchez, City Attorney. In October 2012, James Sanchez was appointed City Attorney effective December 2012. Mr. Sanchez has practiced municipal law for over twenty five years holding various positions. His prior positions include City Attorney for the City of Fresno, Chief Assistant City Attorney for the City of Fresno, City Attorney for the City of Salinas, Deputy County Counsel for the County of Fresno. He received a B.A. from Pepperdine University in 1981 graduating Magna Cum Laude (High Honors), and a law degree from the University of California Hastings College of Law in 1984.

Russell T. Fehr, City Treasurer. Mr. Fehr was appointed City Treasurer in May 2008. As Treasurer, he is responsible for investing City funds, banking, and debt management. Before being appointed City Treasurer, Mr. Fehr was the City's Finance Director. Prior to joining the City Mr. Fehr was the Budget and Debt Officer in the Sacramento County Executive's Office for nineteen years. During his career, Mr. Fehr has managed and participated in a wide variety of debt financings including facility issues, revenue-anticipation notes, redevelopment issues, and a tobacco-settlement securitization. The facilities financed include a Triple-A baseball park, a musical theater in the round, libraries, parks, an art museum, a golf course, a jail, a juvenile courthouse, health clinics, and office buildings. Mr. Fehr holds a Bachelor's Degree in Classics from Dartmouth College and a Master's Degree in Anthropology from the University of Arizona.

Shirley Concolino, City Clerk. Ms. Concolino was appointed City Clerk in December 2003. Before that appointment, she was the Mayor-and-Council Operations Manager for the Sacramento City Council from 1990 to 2003. Prior to her positions with the City, Ms. Concolino was the Administrative Assistant to the County Executive Officer in Solano County from 1985 to 1990, and before that was Assistant to the City Manager in Davis, California.

Leyne Milstein, Director of Finance. Ms. Milstein was appointed Finance Director in October 2008, bringing over fourteen years of experience in government management, policy and finance at the state and local level. Prior to becoming the Finance Director, Ms. Milstein was the Manager of the Budget, Policy and Strategic Planning Division. Prior to joining the City, Ms. Milstein worked for the State of California as Director of the Information Technology and Support Management Division for the California Commission on Teacher Credentialing; as an analyst at the California Department of Finance; and as staff to the State Public Works Board. Ms. Milstein holds a Bachelor's degree in Political Science from the University of California at Davis and a Master's degree in Public Administration from California State University Hayward.

Employee Relations

Under the terms of the Meyers-Milius-Brown Act (California Government Code section 3500 *et seq.*), the City is required to meet and confer with its employees on all matters concerning wages, hours, and working conditions.

City employees are represented in 16 bargaining units by nine labor organizations. The Stationary Engineers, Local 39 of the International Union of Operating Engineers, is the largest labor organization, representing approximately 32% of all City employees in a variety of classifications. The most recent recognized employee organization, the Sacramento City Exempt Employee Association (SCXEA), was formed in 2011 and is the recognized employee organization of employees in the Exempt Management Unit, the Exempt Management Support Unit and the Confidential/Administrative Unit. These three units represent approximately 14% of the City's labor force.

There have been no major work stoppages by City employees since 1970. Approximately 99% of all City employees are covered under negotiated agreements. Salary and benefits for all units are defined until the agreements expire.

The City is in negotiations with three of the City's largest labor organizations. Negotiations are in progress with Stationary Engineers, Local 39 (contract expired December 2013) and Sacramento Area Firefighters, Local 522 (contract expired June 2013). Mediation is in progress with Sacramento Police Officers Association (SPOA) (contract expired June 2013). Agreements with the Sacramento City Exempt Employees Association (SCXEA) and Auto, Marine and Specialty Painters, Local 1176 expire in December 2014. The agreement with Western Council of Engineers (WCE) expires in June 2015. The agreement with Plumbers and Pipefitters expires in June 2016. The agreements with International Association of Machinists and Aerospace Workers (IAMAW) and Sacramento-Sierra Building Trades and Construction Trades Council (BT) expire in June 2017. Generally, the provisions of the expiring contracts will continue until expiring contracts are renegotiated.

There are three unrepresented employee units consisting of Executive Management, Mayor/Council Support, and Non-career employees. Remaining employees not currently represented include the Charter Officers: the City Manager (and key staff), the City Attorney, the City Treasurer and the City Clerk; the Fire Chief, Fire Deputy Chiefs, Police Chief, and Police Deputy Chiefs, Department heads, and a few employees that deal directly with negotiations, such as the Budget Manager and the Labor Relations Manager.

Employees Retirement Plans

Plans Description. The City provides defined-benefit retirement benefits through the State of California's Public Employees' Retirement System ("CalPERS") and the Sacramento City Employees' Retirement System ("SCERS"). CalPERS is a multiple employer public-employee defined-benefit pension plan while SCERS is a single-employer defined-benefit pension plan.

All full time and certain part-time City employees hired after January 28, 1977, and City safety employees regardless of the date of hire, are eligible to participate in CalPERS. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment and administrative

agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and City Ordinance. Copies of the CalPERS annual financial report and a separate report for the City's plans within CalPERS may be obtained from the CalPERS-Executive Office at 400 Q Street, Sacramento, California 95811.

All full-time, non-safety employees hired before January 29, 1977, are eligible to participate in SCERS. SCERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The City reports SCERS as a pension trust fund. SCERS issues a publicly available annual financial report that includes financial statements and required supplementary information. This financial report may be obtained by writing to the City of Sacramento, Department of Finance, 915 I Street, NCH, 4th Floor, Sacramento, California 95814.

CalPERS Details. The tables below summarize the funded status of the City's retirement plans as of the most recent actuarial valuation dates. The funded status information presented from the June 30, 2012 actuarial valuation takes into account the impact of CalPERS' decision to lower its assumed investment earnings by 0.25% to 7.50%, which impacted contribution rates commencing in Fiscal Year 2013-14. Additional information regarding the City's employee-retirement plans, annual pension costs, the funding status thereof and significant accounting policies related thereto is set forth in Note 8 to the City's audited financial statements for the fiscal year ended June 30, 2013, attached as Appendix B to the Official Statement.

**CITY OF SACRAMENTO
RETIREMENT PLAN TREND INFORMATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Miscellaneous Employees
(\$ in Millions)**

Valuation Date (June 30)	Market Asset Value	Actuarial Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Actuarial Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as % of Covered Payroll
2006	\$ 418	\$ 487	\$ 398	\$ 89	82%	\$ 153	58%
2007	521	549	457	92	83	173	53
2008	510	617	510	107	83	178	60
2009	403	696	556	140	80	175	80
2010	477	751	607	144	81	171	84
2011	590	819	660	159	81	165	96
2012	596	861	709	152	82	151	101

Source: CalPERS actuarial valuations through June 30, 2012. The actuarial valuation for the City through June 30, 2013 is expected to be available later in 2014.

**CITY OF SACRAMENTO
RETIREMENT PLAN TREND INFORMATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Safety Employees
(\$ in Millions)**

Valuation Date (June 30)	Market Asset Value	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Actuarial Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as % of Covered Payroll
2005	\$ 751	\$ 823	\$ 730	\$ 93	89%	\$ 83	111%
2006	834	908	787	121	87	92	131
2007	989	971	853	118	88	100	118
2008	928	1,048	908	140	87	110	127
2009	687	1,135	946	189	83	110	172
2010	770	1,183	987	196	83	111	178
2011	917	1,249	1,035	214	83	109	196
2012	897	1,313	1,077	236	82	108	219

Source: CalPERS actuarial valuations through June 30, 2012. The actuarial valuation for the City through June 30, 2013 is expected to be available later in 2014.

**CITY OF SACRAMENTO
RETIREMENT PLAN TREND INFORMATION
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
(\$ in Millions)**

Valuation Date (June 30)	Market Asset Value	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as % of Covered Payroll
2006	\$ 365	\$ 395	\$ 365	\$ 30	92%	\$ 10	292%
2007	378	395	365	30	92	10	313
2008	355	392	360	32	92	9	356
2009	273	398	314	84	79	6	1,406
2010	280	395	297	98	75	5	1,848
2011	304	397	297	100	75	4	2,420
2012	296	389	294	95	76	3	3,211
2013	296	382	292	90	76	2	3,949

Source: SCERS actuarial valuations through June 30, 2013.

Recent CalPERS Developments.

At its April 16 and 17, 2013 meetings, the CalPERS Board of Administration (“PERS Board”) approved a plan to replace the current 15-year asset-smoothing policy with a 5-year direct-rate smoothing process and replace the current 30-year rolling amortization of unfunded liabilities with a 30-year fixed amortization period. The approach provides a single measure of funded status and unfunded liabilities, less volatility in extreme years, a faster path to full funding, and more transparency to employers about future contribution rates. These changes will accelerate the repayment of unfunded liabilities (including the 2008-09 market losses) of CalPERS participants’

plans (including the City's) in the near term. The new methods are included in the June 30, 2012 valuation for rate projections, but actual rates will not be set using the new methods until fiscal year 2014-15, reflected in the June 30, 2013 valuation.

At its February 18, 2014 meeting, the PERS Board approved new actuarial assumptions based on a recently completed experience study of CalPERS membership. The experience study was based on CalPERS member demographic data for the experience period from June 30, 1997 to June 30, 2011. The study focused on recent patterns of termination, death, disability, retirement and salary increases. The major findings from the study showed that on average men are expected to live two years longer and women a year and a half longer. The actuarial assumptions adopted also reflect improvements to life expectancy.

PERS recent review of actuarial assumptions confirmed that government workers, including public safety employees, are living longer. Since PERS last addressed the issue in 2010, there have been dramatic changes in life expectancy: by 2028, men retiring at age 55 are projected to live an average of 29.4 years and women 31.9 years post-retirement, longer than the prior assumptions of 27.3 years for men and 30.3 years for women post-retirement. Based on the revised figures, the PERS Board adopted the 20-year mortality projection along with 20-year amortization and a five-year phasing policy, with associated costs for local government agencies beginning in FY2016/17. On a preliminary basis, the City anticipates that its general fund contributions to CalPERS could increase by \$10 million by FY2019/20.

Also at its February 18, 2014 meeting, the PERS Board adopted an asset allocation mix that lowers CalPERS' investment risk, but largely keeps its investment strategy unchanged, holding the fund's long-term assumed rate of return at 7.5 percent.

SCERS Details. In the early 1980s, safety employees in the SCERS pension plan were moved to CalPERS after voters approved a change to the City Charter. There are currently approximately 50 active members and 1,237 retirees and other beneficiaries participating in the SCERS plan.

The SCERS pension plan has been closed to new members since 1977. Since SCERS is closed to new members and has only approximately 50 remaining active members, the Actuarial Value of Assets is a three-year smoothed market-value. Investment gains and losses are recognized over a three-year period. The actuarial value of assets is limited by a 15% corridor, meaning the actuarial value of assets will be no greater than 115% of market value of assets and no less than 85% of market value of assets.

Overall Contributions. Pursuant to collective bargaining arrangements signed in 2012, the City does not pay the employee contribution to CalPERS for most employee organization members. However, the City is still currently paying the employee contribution for the following employee organization members: the Sacramento Police Officers Association ("SPOA"); the Auto Marine and Specialty Painters, Local 1176; the International Association of Machinists and Aerospace Workers; the Sacramento Sierra Building Trades and Construction Trades Council; and the Western Council of Engineers.

The following table summarizes the City's contributions to its defined-benefit pension plans.

**CITY OF SACRAMENTO
ANNUAL CONTRIBUTION TO RETIREMENT PLANS
(\$ in Millions)**

Fiscal Year	CalPERS	SCERS	Total City Employer Contribution⁽¹⁾	Total City- Paid Employee Contribution⁽²⁾	Total General Fund Contribution
2008-09	\$41.7	\$3.2	\$44.9	\$17.1	\$52.3
2009-10	44.6	3.4	48.0	16.7	54.6
2010-11	44.3	10.5	54.8	16.1	58.9
2011-12	49.5	10.4	59.9	15.4	63.3
2012-13	47.7	10.6	58.3	12.7	59.8
2013-14	58.5	9.6	68.1	6.7	62.6
2014-15 ⁽³⁾	61.4	9.1	70.5	5.7	64.3

(1) Includes contributions payable from special funds.

(2) Employee contribution amount paid by the City pursuant to collective bargaining arrangements.

(3) Estimate. If concessions are achieved, City-paid employee contribution is expected to be zero in Fiscal Year 2014-15.

Source: The City of Sacramento.

The City also provides defined contribution retirement benefits through the City of Sacramento 401(a) Money Purchase Plan (the “Plan”). The Plan is administered by the International City Management Association Retirement Corporation. Plan provisions and contribution requirements are established and may be amended by the City Council. Unrepresented exempt and certain represented employees may elect to participate in the Plan. Participating exempt employees are required to contribute five percent of covered salary and the City contributes four percent, while participating non-exempt employees are required to contribute two percent of covered salary and the City contributes two percent. For the year ended June 30, 2013, employees contributed \$2,397,000 and the City contributed \$2,045,000 to the Plan.

On June 25, 2012, the Governmental Accounting Standards Board (“GASB”) approved two new standards (“Statements”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, will replace Statement No. 27 and most of Statements No. 25 and No. 50. The changes will impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: 1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, such unfunded liabilities are typically included as notes to the government’s financial statements); 2) more components of full pension costs will be shown as expenses regardless of actual contribution levels; 3) lower actuarial discount rates will be required to be used for underfunded plans in certain cases for purposes of the financial statements; 4) closed amortization periods for unfunded liabilities will be required to be used for certain purposes of the financial statements; and 5) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the City is not known at this time. The reporting requirements for pension plans will take effect

for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the City, will take effect for the fiscal year beginning July 1, 2014.

Annual OPEB Cost and Net OPEB Obligation

The City provides health and dental-care insurance benefits for all retirees and their survivors and dependents. Participants have the choice of enrolling in one of several health plans and one of two dental plans. To be eligible for these benefits, an employee must retire with a minimum of ten full years of active service and be 55 years of age for miscellaneous employees or 50 years of age for safety employees. Participants with a minimum of twenty years of service are eligible for 100% of the maximum benefit while participants with less than twenty years of service are eligible for 50% of the maximum benefit. The post-retirement health care and dental-care benefits range from \$300 and \$694 per month per participant, which covers between 16% and 100% of the benefit cost, depending on the choice of plan and number of dependents.

City retiree health benefits are defined by labor agreements and resolutions approved by the City Council. Benefit costs are recorded on a pay-as-you-go basis. The City's financial statements assume that pay-as-you-go funding will continue. The City's annual other post-employment benefits ("OPEB") cost is calculated based on the Annual Required Contribution ("ARC") of the City, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for Fiscal Year 2011-12, the amount contributed to the plan, and the changes in the City's net OPEB obligation.

In February 2013, the City Council voted to establish an OPEB trust fund and begin funding a portion of its OPEB liability with a one-time investment of \$2,000,000. Again, in February 2014, the City Council voted to contribute another \$2,000,000 to the OPEB trust fund. The following table does not reflect these contributions to the OPEB trust fund because the trust fund was established Fiscal Year 2013-14.

**CITY OF SACRAMENTO
ANNUAL OPEB COST COMPONENTS
FISCAL YEAR 2012-13
(\$ in Thousands)**

Annual Required Contribution (ARC)	\$42,744
Interest on beginning OPEB liability	4,499
Adjustment to the ARC	<u>(7,864)</u>
Annual OPEB cost	\$39,379
Contributions made	<u>(12,843)</u>
Increase in net OPEB obligation	\$26,536
Net OPEB obligation - Beginning of year	<u>105,203</u>
Net OPEB obligation - End of year	<u>\$131,739</u>

Source: The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013.

The City's annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous five fiscal years were as follows:

**CITY OF SACRAMENTO
ANNUAL OPEB COST, ACTUAL CONTRIBUTIONS,
ANNUAL COST CONTRIBUTED, AND NET OBLIGATION
(\$ in Millions)**

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Contributions</u>	<u>% of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2007-08	\$ 31.5	\$ 10.5	33%	\$ 21.0
2008-09	32.6	11.4	35	42.2
2009-10	29.5	11.0	38	60.7
2010-11	31.4	11.9	38	80.2
2011-12	37.2	12.2	33	105.2
2012-13	39.4	12.8	33	131.8

Source: The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013.

The City has projected on a preliminary basis, that by the end of Fiscal Year 2014-15, its annual OPEB costs will increase to \$42.1 million, its annual contribution will increase to \$14.6 million, and its net OPEB obligation will increase to \$183.8 million.

The following table summarizes the funded status of the City's OPEB plan as of the most recent biennial actuarial-valuation dates, June 30, 2012. Additional information regarding the City's OPEB plan, annual OPEB costs, the funding status thereof and significant accounting policies related thereto is set forth in Note 9 to the City's audited financial statements attached as Appendix B hereto. The June 30, 2013 actuarial valuation will be available by late-summer 2014.

**CITY OF SACRAMENTO
OPEB TREND INFORMATION
(\$ in Millions)**

Actuarial Valuation Date (June 30)	Actuarial Accrued Liability (AAL)	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as % of Covered Payroll
2007	\$ 380	--	\$ 380	0.00%	\$ 266	142.9%
2009	376	--	376	0.00	275	136.7
2011	440	--	440	0.00	254	173.4
2012	447	--	447	0.00	262	170.9

Source: The City's OPEB actuarial valuations.

CITY FINANCES

City Budget

The City Council annually adopts an operating and capital budget for a single fiscal year beginning July 1 and ending June 30 in the subsequent calendar year.

To establish the annual budget, department fund managers, in coordination with the Budget Division of the Finance Department, review actual revenue receipts, economic and revenue forecasts from an outside consultant, and internal revenue forecasts developed by the Finance Department from estimates of tax revenues and other discretionary revenues, to determine what resources will be available to support operating requirements, Departments are then tasked with developing a plan for expenditure of projected available resources for the coming fiscal year. Similarly, capital-improvement program priorities are matched with available funds from multiple funding sources. Labor costs are updated to reflect salary and benefit changes called-for in negotiated agreements and estimates for any unrepresented employees are also updated.

A base budget reflecting the estimated costs of providing programs and services in the new budget year is then prepared. This base budget also includes the estimates of revenues and other financing sources and also contains the operating and capital budgets which are prepared and are transmitted to the Mayor and City Council by the City Manager, as required by City Charter, at least 60 days before the start of the fiscal year. The Mayor and Council review the proposed operating and capital-improvement budgets in public hearings held in May and/or June.

Following the public hearing process, changes from the Mayor and City Council are incorporated into an amended budget. The budget is then formally adopted by the vote of the City Council on or before June 30 of each year. The budget for Fiscal Year 2014-15 will be adopted on June 10, 2014. The proposed budget will be available on the City's website at cityofsacramento.org/finance/budget/ effective May 1st, 2014.

The following table shows the adopted budget for Fiscal Year 2013-14 and the proposed budget for Fiscal Year 2014-15.

CITY OF SACRAMENTO - GENERAL FUND BUDGET
(\$ in Thousands)

	Fiscal Year 2013-14 Adopted	Fiscal Year 2014-15 Proposed
AVAILABLE FUNDS:		
Property Taxes	\$114,482	\$125,103
Sales and Use Taxes	65,305	67,918
Utility Users Tax	58,982	58,982
Other Taxes	22,307	22,205
Licenses and Permits	11,877	12,509
Fines, Forfeitures and Penalties	12,035	12,168
Use of Money	1,053	714
Intergovernmental Revenue	12,048	10,856
Charges, Fees and Services	46,311	45,187
Other Revenues	124	137
Transfers from Other Funds	<u>28,036</u>	<u>29,049</u>
Total Resources:	372,560	384,829
REQUIREMENTS:		
Current Operations:		
Employee Services	353,708	363,773
Other Services and Supplies	93,445	98,124
Equipment	6,208	6,989
Debt Service	23,496	24,024
Labor/Supply Offset	(111,715)	(118,870)
Use of Contingency	1,000	1,000
Operating Transfers	<u>2,407</u>	<u>2,407</u>
Subtotal Current Operations:	368,550	377,447
Capital Improvements:		
General Government	1,714	2,204
Public Safety	2,400	2,900
Subtotal Capital Improvement:	<u>4,114</u>	<u>5,104</u>
Total Requirements:	372,664	382,551
Operational Surplus (Deficit)		
Other Financing Sources:		
Beginning Undesignated Fund Balance:	--	--
Other	<u>105</u>	<u>(295)</u>
Total Other Sources:	<u>105</u>	<u>(295)</u>
Ending Undesignated Fund Balance:	<u><u>1</u></u>	<u><u>1,983</u></u>
Fund Balance Reserve for Economic Uncertainty:	<u><u>24,400</u></u>	<u><u>29,025</u></u>

Source: City of Sacramento.

General Fund Financial Summary

The information contained in the table on the following page is summarized from audited financial statements for Fiscal Years 2007-08 through 2011-12 of the City.

**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
(\$ in Thousands)**

	Actual 2008-09	Actual 2009-10	Actual 2010-11	Actual 2011-12	Actual 2011-12
REVENUES:					
Property Taxes	\$ 151,551	\$ 140,013	\$ 133,099	\$ 130,287	\$ 129,370
Sales and Use Taxes	48,905	45,670	47,680	50,683	52,301
Utilities Use Tax	57,775	58,700	58,887	58,787	59,066
Other Taxes	17,495	15,937	14,461	16,386	17,633
Licenses and Permits	15,263	12,709	13,582	12,124	12,688
Fines, Forfeitures and Penalties	10,999	11,131	10,134	11,020	9,165
Interest, Rents and Concessions	861	(88)	1,927	1,702	1,788
Intergovernmental Revenues	16,833	15,294	15,516	12,021	11,108
Charges, Fees and Services	44,153	41,737	41,486	38,157	47,392
Other Revenues	180	142	411	2,090	3,440
Total Revenues:	<u>\$ 364,015</u>	<u>\$ 341,245</u>	<u>\$ 337,183</u>	<u>\$ 333,257</u>	<u>\$ 343,951</u>
EXPENDITURES:					
General Government	\$ 29,014	\$ 24,009	\$ 22,453	\$ 21,250	\$ 19,073
Public Safety	229,653	230,225	218,984	210,124	216,760
Public Works	22,846	19,425	15,204	16,082	16,353
Neighborhood Services	72,116	56,493	51,499	46,334	48,350
Non-Departmental	25,336	26,330	32,247	31,957	32,945
Capital Improvements	9,005	4,918	6,068	2,151	5,755
Debt Service	9,746	1,189	1,970	1,839	2,187
Total Expenditures:	<u>397,716</u>	<u>362,589</u>	<u>348,425</u>	<u>329,737</u>	<u>341,423</u>
Excess of Revenues over Expenditures	<u>\$ (33,701)</u>	<u>\$ (21,344)</u>	<u>\$ (11,242)</u>	<u>\$ 3,520</u>	<u>\$ 2,528</u>
OTHER FINANCING SOURCES (USES):					
Transfers from Other Funds	\$ 33,540	\$ 23,948	\$ 31,937	\$ 28,679	\$ 28,541
Transfers to Other Funds	(28,776)	(24,136)	(22,878)	(24,055)	(23,530)
Proceeds from Long-Term Debt	-	4,551	-	-	2,818
Proceeds from Sale of Property	2,992	-	-	-	-
Special Items	(929)	-	-	-	8,534
Total Other Financing Sources (Uses):	<u>\$ 6,827</u>	<u>\$ 4,363</u>	<u>\$ 9,059</u>	<u>\$ 4,624</u>	<u>\$ 16,363</u>
Net Change In Fund Balance	(26,874)	(16,981)	(2,183)	8,144	18,891
Fund Balance, beginning of year	98,962	\$ 72,088	55,107	52,924	61,068
Fund Balance, end of year	<u>\$ 72,088</u>	<u>\$ 55,107</u>	<u>\$ 52,924</u>	<u>\$ 61,068</u>	<u>\$ 79,959</u>
Less Reserves and Commitments:					
Reserved / Nonspendable	\$ 6,474	\$ 7,119	\$ 308	\$ 94	\$ 72
Restricted	-	-	86	64	40
Designated / Committed:					
Economic Uncertainty	10,540	10,540	14,340	20,263	27,765
Capital Projects	25,925	24,157	19,612	21,542	21,789
Balanced Budget	11,339	3,800	-	-	-
Community Center Theater renovation					8,500
OPEB trust fund					2,000
Other Programs	16,935	9,491	12,468	9,349	9,347
Assigned:					
Next Year's Budget	-	-	5,138	9,354	10,446
Unrealized Investment Gains	-	-	972	402	-
Fund Balance Available for Appropriation	<u>\$ 875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Certain amounts in years prior to Fiscal Year 2010-11 have been reclassified for presentation in order to be consistent with the GASB Statement No. 54 presentation.

Source: City of Sacramento.

Financial Schedules

A copy of the City's Comprehensive Annual Financial Report (the "CAFR") for the Fiscal Year ended June 30, 2013 is attached as Appendix B to this Official Statement. Prospective investors are encouraged to read the City's CAFR, including the Management's Discussion and Analysis, the Financial Statements, and the Notes to the Financial Statements, because it includes important information concerning the City and its financial condition.

Audited financial statements for prior years are available upon request from the City's Finance Department or may be obtained from the City's website at www.cityofsacramento.org/finance/accounting/reporting.cfm. Information on the City's website is not incorporated into this Official Statement. Macias Gini & O'Connell LLP, headquartered in Sacramento, California, performed the financial statement audit for the City for the fiscal year ended June 30, 2013.

Property Taxation within the City

Property taxes make up the largest source of City discretionary revenue. The City lost the ability to set a property-tax rate with the adoption of Proposition 13 in 1978, which added Article XIII A to the State Constitution.

As a result, beginning with Fiscal Year 1981-82, property has been assessed at 100% of cash value and the maximum property-tax rate is \$1.00 per \$100 of taxable value. See the forepart of the Official Statement under the caption "CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution" for discussion of the constitutional limitations on the City's ability to issue general obligation debt payable from an increase in the tax rate.

Additionally, the taxable value reflects homeowners and business-inventory exemptions. Tax revenues lost as a result of each homeowner's exemption are reimbursed by the State based on the total taxes that would be due on the taxable value of the property qualifying for that exemption, without allowance for delinquencies. Provided the owner files for the exemption, an individual homeowner's exemption is \$7,000 of the taxable value of an owner-occupied dwelling, corresponding to \$70 in taxes.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed real property and property on which the taxes are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Personal property is assessed on the "unsecured roll."

The following table provides a summary of assessed valuations in the City for Fiscal Years 2001-02 through 2013-14.

**GROSS ASSESSED VALUES
FOR ALL TAXABLE PROPERTY⁽¹⁾
(\$ in Thousands)**

Fiscal Year	Secured Roll	Unsecured Roll	Public Utility	Total
2001-02	\$ 19,718,191	\$ 1,717,368	\$ 57,292	\$ 21,492,851
2002-03	21,855,519	1,157,123	66,428	23,079,070
2003-04	23,859,347	1,168,917	60,909	25,089,173
2004-05	27,010,976	1,343,104	57,800	28,411,880
2005-06	31,112,448	1,374,566	56,950	32,543,964
2006-07	35,687,712	1,441,042	54,611	37,183,365
2007-08	39,286,839	1,548,914	15,371 ⁽²⁾	40,851,124
2008-09	40,360,550	1,691,096	11,948	42,063,594
2009-10	37,446,222	1,819,726	11,937	39,277,885
2010-11	36,388,660	1,742,828	11,977	38,143,465
2011-12	35,267,406	1,711,462	12,132	36,991,000
2012-13	34,332,037	1,626,943	13,157	35,972,137
2013-14	35,829,529	1,546,891	12,381	37,388,801

⁽¹⁾ Stated at full value; exclude property subject to redevelopment tax increments.

⁽²⁾ The decrease in public utility assessed value is primarily due to the transfer of the downtown railyards to a private developer and the City.

Source: County of Sacramento, Office of Auditor/Controller.

The City receives only a portion of the property taxes collected within the City, sharing the revenue with school districts, successors to redevelopment agencies, special districts, and the County of Sacramento. The sharing of property-tax revenue is based on formulae set in State law and regulation, and annual changes in tax revenue are proportional to changes in the tax roll values within the City. Property taxes are billed, collected, and allocated by the County of Sacramento. The table below summarizes property-tax revenues derived from the Secured Rolls from Fiscal Year 2001-02 to Fiscal Year 2013-14.

**PROPERTY TAX REVENUES
RECEIVED BY THE CITY**

Fiscal Year	Property Tax Revenues Current Secured
2001-02	\$47,856,588
2002-03	49,975,253
2003-04	56,252,512
2004-05	59,130,256
2005-06	67,732,223
2006-07	80,513,714
2007-08	86,512,564
2008-09	88,326,770
2009-10	82,698,410
2010-11	78,787,724
2011-12	80,731,000
2012-13	78,309,000
2013-14	78,309,000

Source: City of Sacramento Revenue Division.

Until the recent economic downturn, particularly acute in the Sacramento area and its housing market, the assessed values in the City had grown each year from Fiscal Year 2000-01 through Fiscal Year 2008-09. Notices of default and foreclosures of property within the City significantly increased beginning in Fiscal Year 2006-07, before ebbing in recent years. The table below shows the historical data of the notices of default and foreclosures of property within the City.

**NOTICES OF DEFAULT
AND FORECLOSURES OF PROPERTY
WITHIN THE CITY**

Fiscal Year	Number of Notices
2001-02	219
2002-03	130
2003-04	78
2004-05	57
2005-06	517
2006-07	2,858
2007-08	6,971
2008-09	4,838
2009-10	4,343
2010-11	3,842
2011-12	2,270

Source: County of Sacramento, Office of the Assessor 2012 Annual Report.

In addition, the assessed values of a large number of properties in the City have been reduced pursuant to Proposition 8, which generally provides for reductions in assessed valuations of properties to reflect current market values. The table below shows the recent historical impact of those reductions.

**PROPOSITIONS 8 REDUCTIONS
WITHIN THE CITY**

Fiscal Year	Number of Parcels	Aggregate Amount of Revaluations (\$ in million)
2010-11	51,331	\$ 774
2011-12	59,945	1,270
2012-13	71,243	1,270
2013-14	40,781	573

Source: County of Sacramento, Office of the Assessor 2013 Annual Report.

**HISTORICAL ASSESSED VALUATIONS
WITHIN THE CITY**

Fiscal Year	Assessed Valuation (change from prior Fiscal Year)
2009-10	(5.6%)
2010-11	(2.4)
2011-12	(-5.0)
2012-13	(0.2)
2013-14*	3.2

* projected

Source: County of Sacramento, Office of the Assessor 2013 Annual Report.

The following table lists the City's largest local secured taxpayers for the fiscal year ending June 30, 2012. Many of the largest taxpayers are owners of commercial office space in downtown Sacramento.

**CITY OF SACRAMENTO
LARGEST LOCAL SECURED TAXPAYERS
AS OF JUNE 30, 2013
(\$ in Thousands)**

Property Owner	Assessed Valuation	Rank	% of Total
Hines VAF II Sacramento	\$ 394,930	1	1.11%
CIM Sacramento LLC	231,013	2	0.65
Verizon	152,482	3	0.43
Arden Fair Associates	134,668	4	0.38
621 Capitol Mall LLC	117,394	5	0.33
300 Capitol Association NF LP	109,000	6	0.31
Comcast Cable	105,943	7	0.30
CLPF Promenade LP	83,028	8	0.23
Target Corp	80,789	9	0.23
HP Hood LLC	78,083	10	0.22
Net Assessed Value Total:	\$1,487,330		4.19%
Net Assessed Value Total:	\$35,494,811		100.00%

Source: The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013.

Other Taxes

Sales and Use Tax. In 1956, the City adopted a Bradley-Burns Sales Tax Ordinance that allows the City to be allocated a percentage of the overall sales tax imposed in the City. The level of that sales tax has been set at one percent since April 1, 1969. The State Board of Equalization collects and distributes sales and use tax for the State, cities, counties, and other entities receiving sales-tax revenue.

Proposition 172 was approved by voters to permanently extend an additional one-half percent sales tax beyond December 21, 1993. The legislation requires that this sales tax continues to be deposited to the Public Safety Augmentation Trust Fund for distribution to counties and cities based on sales-tax-allocation percentages previously calculated. The City receives approximately 4% of this Proposition 172 sales tax revenue allocated to jurisdictions within Sacramento County.

In November 2004, voters approved Measure A to extend the sales-and-use tax rate in Sacramento County by one-half percent for a period of 30 years (i.e., extending the end-date from 2009 to 2039). The proceeds of this Measure A tax are administered by the Sacramento Transportation Authority and are used to fund a comprehensive program of roadway and transit improvements, including highway, street, and road construction; highway, street, and road maintenance; bus and light-rail capital and operations; improved transportation services for elderly and handicapped persons; and transportation-related air-quality programs.

As part of the Fiscal Year 2003-04 budget for the State that was signed by the Governor of the State on July 31, 2004, and of the State's economic-recovery plan, a bond initiative formally known as the "California Economic Recovery Act" was approved by the voters on March 2, 2004. This act authorized the issuance of \$15 billion in economic-recovery bonds which were to be used to

finance the State's Fiscal Year 2002-03 and Fiscal Year 2003-04 budget deficits, and which are payable from a fund established by the redirection to the State of one-quarter of local governments' one percent share of the sales tax imposed on taxable transactions within their jurisdictions, commencing on July 1, 2004.

As a result, the portion of the sales-and-use tax amounts that otherwise would have been allocated to local governments, including to the City, would have decreased by a commensurate amount. However, commencing in Fiscal Year 2004-05, the local governments' share of local property-tax revenues was restored by an amount equal to the one-quarter percent reduction in the local sales-and-use tax, creating a revenue-neutral effect on local governments tax revenues for Fiscal Year 2004-05 and subsequent fiscal years. This system will remain in effect until the State's economic-recovery bonds have been retired. See also "Impact of State Budget on City" below.

As a result of the recent economic recession, sales tax revenues to the City declined by almost 25% over a four year period between Fiscal Years 2007-08 and 2010-11. Over the previous four quarters, the City's sales tax has increased by 5.6% compared to the prior four quarters. Statewide sales tax increased by 6.3% during the same period. This quarter the City has seen its highest level of sales tax receipts compared to the previous eight quarters across several economic segments including restaurants, building materials (wholesale and retail), auto sales (new and used), and apparel stores.

While construction has rebounded statewide Sacramento lags other jurisdictions, likely due to the building moratorium in the Natomas Basin. Growth in the construction segment has surpassed 10% in other jurisdictions, whereas the City is projecting just four percent growth in Fiscal Year 2014-15. Based on the most recent information from the City's sales tax consultant, growth projections are currently estimated at four percent in Fiscal Year 2014-15 and three-to-four percent annually from Fiscal Year 2015-16 to 2018-19.

Utility Users Tax. On November 8, 1988, Measure C was approved by voters. The Measure was presented in the form of an advisory vote asking the question: "Should the utility users tax rate be maintained at 7.50% in order to provide additional General Fund revenues to augment City services such as public safety?" On November 4, 2008, Measure O was approved by voters, reducing the utility users tax ("UUT") on telephonic services from 7.50% to 7.00% and expanding the scope of the tax to include new communication technologies. All other UUT rates remained unchanged at 7.50%.

There are some possible upcoming challenges to the UUT revenue stream. Changes to the taxation and franchise-fee structure for telecommunications and cable television are being proposed at the federal level, and legislation related to such changes was recently approved at the State level. Some of the proposed changes, if and when implemented, could reduce the UUT imposed on telephone and cable television use. The five components of UUT revenue have seen minimal growth over the past five years as industry trends and regulations have changed. Based on actual revenues collected over the past five years, UUT is projected to remain flat at \$59 million in Fiscal Year 2014-15 and the annual growth projected from Fiscal Year 2015-16 to Fiscal Year 2018-19 is forecast at one percent annually.

Transient Occupancy Tax. Since 1990, the City has imposed a transient-occupancy tax ("TOT"), the level of which is currently set at 12.00%. The revenues from the TOT are currently designated for the City's Community Center Fund (10%) and the General Fund (2%).

The General Fund component of the TOT is projected to increase by \$100,000, compared to expected Fiscal Year 2013-14 receipts of \$3.3 million for projected receipts total of \$3.4 million for Fiscal Year 2014-15.

Measure U. On November 6, 2012, the voters of the City of Sacramento passed Measure U, authorizing a temporary ½-cent sales tax to restore and protect City services, to become effective on April 1, 2013 and to terminate on March 31, 2019.

MuniServices, the City’s sales tax consultant, is continuing to evaluate Measure U tax receipts and is working with the State Board of Equalization (“BOE”) to reconcile and correct the over/under payments received by the City. The following provides a summary of the variances affecting the City’s collections that are currently under review: (1) the City is erroneously receiving collections from businesses located within the county but not within the city limits; and (2) businesses with multiple locations appear to be remitting Measure U taxes for non-city locations. Additionally, the taxability of internet transactions, and “business-to-business” and “business-to-government” sales are being reviewed as these purchases do not follow a cyclical pattern.

Based on only three quarters of sales tax data, the Fiscal Year 2014-15 revenue budget for Measure U is projected to be \$31.8 million, up from \$27 million in Fiscal Year 2013-14. Staff will provide an update on Measure U collections and updated projections as they become available. The revenue forecast for this tax assumes four percent growth in the out years, with Fiscal Year 2018-19 reflecting the expiration of the tax in March 2019.

Programs and Services: The Proposed Budget for Measure U reflects the annual cost of programs and services Council has previously approved. As originally proposed in the restoration plan, the Police Department will be adding 14 new sworn positions and the costs associated with the retention of positions for the new COPS Hiring Program approved in Fiscal Year 2013-14, which funded 10 additional positions.

A summary and chart of Measure U programs and services is provided below:

- Fire – \$11.7 million provides the department resources to eliminate all brownouts. The implementation of the two additional medic units approved in Fiscal Year 2013-14 has been delayed while the department continues to evaluate the reduction in transports and the potential use of non-sworn employees. Additionally, the funding provides for the restoration of resources for the coordination of fire prevention services as well as department administrative infrastructure for daily field operations support.
- Police – \$12.6 million includes the addition of 14 additional positions (10 Police Officers and 4 Police Sergeants) as reflected in the Measure U plan approved by Council and match/retention costs associated with 10 additional grant funded positions approved by the City Council on November 19, 2013 (Resolution 2013-0369). The Proposed Budget also provides for continued funding of previously restored critical public safety services as well as funding to retain previously grant-funded police officers.
- Parks and Recreation – \$4.6 million provides the department resources to continue the restoration of park maintenance operations, the operation of eleven City swimming pools and five stand-alone wading pools, and the extension of hours and

programs at the City's community centers for youth services as well as grant management and coordination of services related to gang prevention.

- General Services – \$85,000 provides the department resources to address critical animal control challenges including animal bites, animal cruelty, and rabies control.
- Sacramento Public Library Authority (SPLA) Maintenance of Effort (MOE) – \$506,000 to the SPLA for continued funding for library services consistent with the MOE (additional information on the MOE is provided in the Citywide and Community Support section of the budget).

Limitations on Taxes; Proposition 218 Matters

As described in the forepart of the Official Statement under the caption “CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS,” the State Constitution limits the City's ability to raise taxes without a vote of the electorate.

In addition, Proposition 218, which added Articles XIIC and XIID to the State Constitution in 1996, imposes significant limitations relating to the imposition of rates, fees, and charges for various enterprises of the City

Similarly, Proposition 26, which amended Articles XIII A and XIII C of the State Constitution in 2010, extends some of the limitations of Proposition 218 to additional charges, fees, and fines.

Litigation Relating to Proposition 218. A lawsuit was filed against the City on January 15, 2010, seeking declaratory relief and a writ of mandate based on certain Proposition 218 violations. In June 2010 this lawsuit was settled and dismissed subject to the following requirements, among others: the City must charge all City departments the City's standard rates for water and solid-waste-collection services provided by DOU, with a three-year phase-in for rates paid by City parks; all public events for which the City collects and disposes or recycles solid waste must pay the City's standard rates; the City may not use rate revenues paid by solid-waste customers to fund the collection and disposal of trash from City trash containers located on City sidewalks and other City rights-of-way; and DOU must continue its pre-existing policy requiring reimbursement for the cost of providing employees or equipment to perform maintenance and repair work for non-DOU facilities.

Finally, the City and the County of Sacramento currently have sued each other over the County's repeated failure to pay City storm-drainage charges for the Executive Airport property (*City of Sacramento v. County of Sacramento*, Sacramento County Superior Court, Case No. 34-2009-00054835; *County of Sacramento v. City of Sacramento*, et al., Sacramento County Superior Court, Case No. 34-2009-00054635). The County's complaint against the City includes allegations that the City's storm-drainage charges do not comply with Proposition 218. These two lawsuits may result in additional fiscal impacts, but at this time those impacts are unknown.

Impact of State Budget on City

Educational Revenue Augmentation Fund (“ERAF”) Contributions. Starting in Fiscal Year 1992-93, the State has required counties, cities, and special districts to shift property-tax revenues to school districts by contributing to the ERAF in lieu of direct payments to school districts from the State General Fund. These property-tax shifts were increased in Fiscal Year 1993-94. The City's ERAF contribution changes annually in proportion to changes in the annual equalized property-tax roll. For Fiscal Year 2011-12, the ERAF contribution amount was \$27.2 million.

Vehicle License Fee (“VLF”) revenues. Prior to Fiscal Year 2004-05, annual vehicle-license fees were generally to be calculated at 2.00% of the market value of the applicable vehicle and that the net fee proceeds were to be distributed to cities and counties, subject to an offset of 67.50% of 2.00%. Additionally, the amount of that offset was to be backfilled to cities and counties by the State from monies in the State’s General Fund.

Senate Bill No. 1096 (Chapter 211, Statutes of 2004) (“SB 1096”) repealed the offset, and instead provided that annual vehicle-license fees were to be calculated at 0.65% of the market value of the applicable vehicle. SB 1096 also repealed the obligation for the State to backfill the offset from the State’s General Fund, and instead compensated cities and counties for the reduced vehicle-license-fee revenues by providing for a “vehicle license fee adjustment” commencing in Fiscal Year 2004-05 and continuing in every fiscal year thereafter. The replacement revenues for direct State backfill payments are generated through an increased allocation of local property taxes. In Fiscal Year 2004-05 the property-tax backfill was based on an estimate from the State Controller. Starting in Fiscal Year 2005-06, the property-tax backfill had been based on an increased share of base and growth of property taxes.

In the Fiscal Year 2011-12, SB89 was included State budget and resulted in the loss of vital City General Fund revenues. Statewide \$130 million of local Vehicle License Fee (VLF) funds were diverted to finance the realignment of state public safety programs to counties. For the City of Sacramento, this amounted to a loss of \$1.3 million in on-going revenues.

Proposition 1A. Proposition 1A was approved by the voters on November 2, 2004 and amended the State Constitution to (1) prohibit the shift of property-tax revenues from cities, counties, and special districts, except to address a “severe state financial hardship” (and then only if (a) such amounts were agreed to be repaid with interest within three years, (b) the State had repaid certain other borrowed amounts, and (c) certain other conditions were met including that such borrowing could not occur more often than twice within ten fiscal years) and except voluntary exchanges of local sales-tax and property-tax revenues among local governments within a county; (2) protect the property-tax backfill of sales-tax revenues diverted to pay the economic-recovery bonds, and the reinstatement of the sales-tax revenues once the bonds are repaid; and (3) protect local agency vehicle-license-fee revenue (or a comparable amount of backfill payments from the State). Backfill payments are now in the form of property-tax shifts from schools to cities.

The State’s Fiscal Year 2009-10 budget included a shift of local property taxes as allowed under Proposition 1A. However, the State legislation provided for a mechanism by which local governments could “sell” their right to repayment to a joint-powers agency that could then issue bonds. The City followed this course of action, received a share of proceeds from a debt issue which resulted in no net loss of financing for Fiscal Year 2009-10. Pursuant to the provisions of Proposition 1A, the State cannot shift again local property taxes until the 2009-10 take is repaid and then only once more until the end of Fiscal Year 2018-19.

State Budgets. Information about the State budget is available through various State-maintained websites. Historical State budgets can be found at http://www.dof.ca.gov/budget/historical_ebudgets, while the proposed budget can be found at <http://www.ebudget.ca.gov>. Additionally, budget analyses are regularly posted at www.lao.ca.gov.

The information referred to above is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of

the internet addresses and/or for the accuracy, completeness, or timeliness of information posted there. Information on these websites is not incorporated by reference into this Official Statement.

In recent years the State experienced significant financial stress, with budget shortfalls in the billions of dollars. State revenues declined significantly as a result of recent economic conditions and other factors. While the State is not a significant source of City revenues, and the City does not anticipate that the State's financial condition will materially adversely affect the financial condition of the City, there can be no assurances state financial pressures will not adversely affect the City.

The City cannot predict what actions will be taken with respect to Fiscal Year 2013-14 and in future years by the State Legislature and the Governor to address the State's chronic budget deficits. There can be no assurances that financial pressures on the State will not materially adversely impact the City's financial condition. In addition, future State budgets will be affected by national and State economic conditions and other factors over which the City has no control. To the extent that the State budget process results in reduced sources of funds available to the City, the City will be required to make necessary adjustments to its budget.

Amendments to Funding Mechanism for Redevelopment Agencies

As described in the footnotes of the table detailing the City's General Fund obligations below, the City receives significant funding from other sources that it uses to make payments with respect to several financings that otherwise would be payable from the City's General Fund. One such source of funding was the Redevelopment Agency of the City (the "City RDA") which, as described herein, has been dissolved. The City entered into a number of agreements with the City RDA, under which the City RDA was obligated to make payments to the City from tax increment revenue from several redevelopment project areas (the "RDA Agreements"). (The RDA Agreements do not include bonds issued directly by the City RDA, which are not payable from the City's General Fund.) The aggregate amount of the payments payable to the City pursuant to the RDA Agreements is approximately \$5.5 million annually through 2018, declining afterwards to average annual payments of \$2.56 million through 2037.

Pursuant to Assembly Bill No. 1x 26 ("AB 26"), which was enacted in June 2011, most redevelopment agency activities in California were suspended and redevelopment agencies were prohibited from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB 26 also dissolved all existing redevelopment agencies and specified procedures for establishment of "successor agencies" and "oversight boards" to insure that payments for "enforceable obligations" of the dissolved redevelopment agencies and to administer the dissolution and wind down of the dissolved redevelopment agencies. Certain provisions of AB 26 are described further below.

On February 1, 2012, AB 26 dissolved all redevelopment agencies in existence in the State and authorized establishment of "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the dissolved redevelopment agencies and to administer dissolution and wind down of the agencies. On January 31, 2012, the City elected to become the City RDA's successor agency under AB 26 (the "City RDA Successor Agency") for the City RDA's non-housing assets and functions. On the same date, the Housing Authority of the City of Sacramento (the "Authority") elected to become the successor agency for the City RDA's housing assets and functions under AB 26. However, the City RDA Successor Agency is responsible for managing payment of all of the City RDA's "enforceable obligations." AB 26 requires an oversight board for each successor agency

to be established no later than May 1, 2012. The Oversight Board for the City RDA Successor Agency was formed on April 16, 2012.

Obligation Payment Schedules. AB 26 requires a successor agency to continue to make payments on enforceable obligations of the dissolved redevelopment agency with funds received from the City RDA, which were deposited into the Redevelopment Obligation Retirement Fund (“RORF”) and with tax increment proceeds received from the County Auditor-Controller from the Redevelopment Property Tax Trust Fund (“RPTTF”).

As required by AB 26, the City RDA Successor Agency has prepared, and the DOF has approved, Recognized Obligation Payment Schedules (“ROPS”) for each six-month period since dissolution. All City RDA bond debt payments listed on the ROPS have been approved by DOF. Pursuant to these DOF approved ROPS, the City RDA Successor Agency received funding from the County from the RPTTF to pay the enforceable obligations. On February 24, 2014, the Oversight Board approved the ROPS for the period July 1, 2014 through December 31, 2014 (“ROPS 14-15A”) which is currently under review by DOF.

Although the City RDA Successor Agency is obligated to continue including on the ROPS all payments under the RDA Agreements that are enforceable obligations under AB 26 (so as to avoid defaults), no assurances can be given regarding the actions of the Oversight Board to include scheduled payments under the RDA Agreements on a ROPS. In addition, the actions of the Oversight Board are subject to review by DOF as described later in this section.

RDA Agreements. AB 26 generally provides that agreements between a redevelopment agency and the city or county that established the agency are not “enforceable obligations;” however, certain agreements for “indebtedness obligations” will be deemed “enforceable obligations” if entered into before December 31, 2010, as well as loans for start-up funds entered into within two years of the formation of an agency or project area, or the agreements are otherwise approved by the Oversight Board.

The City believes that the RDA Agreements meet the AB 26 criteria for “indebtedness obligations” and therefore constitute “enforceable obligations” that will remain in effect. However, there can be no assurances that, if the validity of the RDA Agreements is challenged, the RDA Agreements will ultimately be determined to constitute “enforceable obligations” under AB 26.

State Department of Finance and/or State Controller review. AB 26 provides that most of the actions and activities taken by redevelopment agencies pending dissolution, by their successor agencies and oversight boards post dissolution, and by county auditor-controllers are subject to review and approval by the DOF. In addition, the State Controller was authorized to conduct audits of the transfer of prior redevelopment agency assets. DOF’s review and approval authority is for the preparation and adoption of the ROPS and the transfer of the dissolved redevelopment agency’s assets. As described in this Official Statement, the City believes, for itself and as the City RDA Successor Agency, that the RDA Agreements are enforceable obligations under AB 26. But no assurances can be given that such a review of various actions of the City RDA, the City RDA Successor Agency, the Oversight Board, or the Sacramento County Auditor-Controller, and DOF—particularly a review of actions involving future ROPS—will not have an adverse effect on the timing of payments under the RDA Agreements.

There can be no assurances that agreements listed on the ROPS as approved by the Oversight Board and DOF in prior periods will not be challenged in future when subsequent ROPS are prepared and submitted for approval. However, DOF has not, to-date, disallowed payments to the City under

the RDA Agreements when it approved each of the ROPS, and AB 26 specifically provides that it is the intent of the law that “pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored.”

Administrative Costs. AB 26 allows a limited amount of tax-increment revenue to be used to pay certain administrative expenses of the City RDA Successor Agency, on a subordinate basis to debt service and other enforceable obligations of the City RDA. The amount is based on 3% of the total property tax increment that the Sacramento County Auditor-Controller is to pay to the City RDA Successor Agency to make payments of enforceable obligations, or a minimum of \$250,000 per fiscal year. For Fiscal Year 2013-14, this amount was \$1,000,000.

Additional Legislation and Audits. On June 27, 2012, the State Legislature enacted AB 1484 to “clean up” various inconsistencies contained in AB 26, to clarify successor agency duties with regard to implementing the RDA’s enforceable obligations, and to require certain audits or “due diligence reviews” (DDRs) of the prior RDA’s assets and liabilities. The State Controller conducted an audit of the transfer of the prior RDA’s assets by the City RDA and the City RDA Successor Agency and found with one exception that all of the City RDA assets were properly transferred and held by the City RDA Successor Agency. The one exception was a non-housing property which the Authority subsequently transferred to the City RDA Successor Agency; this action was ratified by the Oversight Board on December 3, 2012.

The County Auditor-Controller arranged for the preparation of the DDR reports for the City RDA’s housing and non-housing assets by an independent auditing firm. These DDR reports were approved by the Oversight Board on January 28, 2013 and by DOF on June 12, 2013 and August 14, 2013. The City RDA Successor Agency transmitted \$4,710,491 of unobligated housing and non-housing cash identified in the DDR reports to the County on September 16, 2013, for distribution to the taxing entities. DOF issued its Finding of Completion to the City RDA Successor Agency on September 29, 2013. This Finding of Completion will allow for City loans to the City RDA for start-up costs for the Railyards project area to be repaid, and for the City RDA Successor Agency to spend the remaining unencumbered bond proceeds on planned infrastructure and development improvement projects. AB 1484 also required preparation of a Long Range Property Management Plan regarding the sale or transfer of the City RDA property assets. The plan was approved by the Oversight Board on December 16, 2013 and is pending DOF approval. Once that plan is approved, the City RDA Successor Agency can proceed with the disposal of the City RDA properties.

There may be additional legislation proposed and/or enacted in the future affecting the winding up of the affairs of the dissolved redevelopment agencies under AB 26 and AB1484. No assurances can be given about the effect of any such future proposed and/or enacted legislation on the RDA Agreements.

General Fund Obligation Debt Service Payments

The following table sets forth a summary of the City’s total annual General Fund Obligation debt-service payments as of June 30, 2012. Obligations set forth on the following table are payable from the City’s General Fund; however, the City utilizes amounts budgeted from certain enterprise and other funds as indicated in the following table. To the extent such other sources were to be unavailable, the General Fund would be responsible for such payments.

The following table does not include obligations of the City payable solely from tax increment revenues.

GENERAL FUND OBLIGATION DEBT SERVICE

Fiscal Year	1993 ⁽¹⁾	1997 ⁽²⁾	1999 CFD 2A Lease Portion	1999 ^{(3)*}	2002 ^{(4)*}	2003 ⁽⁶⁾	2005 ^{(7)*}	2006 ⁽⁸⁾	2006 ⁽⁹⁾	Total Equip. Leases & Loans	Total Debt Service Obligations	% of Budgeted FY 13-14 ⁽¹¹⁾	Total Offset Debt Service	Total General Fund Debt Service	% of Budgeted FY General Fund Rev.
	Lease Revenue Bonds Series A, B	Lease Revenue Bonds (2007 Remarketing)		Capital Impr. Revenue*	Capital Impr. Revenue*	Capital Impr. Revenue	Ref. Rev. Bonds*	Capital Impr. Revenue Series A, B	Capital Impr. Rev. Series C,D,E						
2015	\$15,468,171	\$5,599,302	\$243,438	\$-	\$1,217,019	\$1,115,678	\$2,637,126	\$19,623,150	\$10,812,511	\$11,091,126	\$6,745,764	19.4%	\$47,509,883	\$27,043,401	7.0%
2016	15,437,935	5,767,979	245,000	-	302,400	1,117,448	2,755,469	20,530,025	10,805,696	11,091,683	6,407,907	19.3%	47,340,803	27,120,738	7.0
2017	15,430,735	5,758,070	245,938	-	291,275	1,117,938	2,794,966	20,509,400	10,799,388	11,091,855	6,100,504	19.3%	47,383,485	26,756,584	7.0
2018	15,408,975	5,953,976	251,094	-	792,825	1,117,108	2,836,544	19,994,775	9,225,313	11,090,825	4,042,855	18.4%	46,241,147	24,473,142	6.4
2019	15,391,035	6,086,638	255,313	-	-	1,114,918	2,952,846	16,591,000	9,229,575	11,540,000	2,560,671	17.1%	41,592,154	24,129,842	6.3
2020	15,369,890	6,209,110	253,750	-	-	1,116,215	2,044,926	16,533,475	9,212,048	11,573,525	1,696,441	16.6%	40,623,664	23,385,715	6.1
2021	15,348,515	6,400,018	256,406	-	-	1,044,958	1,718,776	16,470,100	9,210,746	11,042,000	1,036,665	16.2%	40,368,358	22,159,826	5.8
2022	-	6,446,610	262,969	-	-	1,047,831	279,601	16,337,475	9,198,629	12,755,675	1,036,665	12.3%	47,365,456	17,983,121	4.7
2023	-	6,648,342	263,438	-	-	1,043,975	277,395	5,685,600	9,191,481	22,593,150	967,336	12.1%	46,670,716	18,441,884	4.8
2024	-	6,796,051	262,969	-	-	1,043,000	279,754	5,537,225	9,182,750	22,126,169	898,006	12.0%	46,125,923	17,979,747	4.7
2025	-	6,956,041	-	-	-	1,044,625	271,772	5,538,688	9,181,265	22,027,794	898,006	11.9%	45,918,190	17,662,535	4.6
2026	-	7,124,005	-	-	-	1,044,500	273,375	5,527,644	9,171,351	22,043,856	898,006	12.0%	46,082,737	17,680,314	4.6
2027	-	7,305,017	-	-	-	1,042,625	274,375	5,533,631	9,162,435	22,035,025	898,006	12.0%	46,251,114	17,687,260	4.6
2028	-	7,461,356	-	-	-	1,039,000	274,875	5,537,250	9,163,419	22,039,475	898,006	12.1%	46,413,381	17,697,880	4.6
2029	-	-	-	-	-	1,038,500	284,625	5,517,000	9,158,354	22,132,225	898,006	10.1%	39,028,710	17,764,799	4.6
2030	-	-	-	-	-	1,036,000	288,500	5,514,500	9,146,692	22,135,788	898,006	10.1%	39,019,486	17,788,208	4.6
2031	-	-	-	-	-	1,036,375	291,625	-	9,132,759	22,135,044	898,006	8.7%	33,493,808	16,845,786	4.3
2032	-	-	-	-	-	1,034,500	289,125	-	9,130,306	22,137,375	898,006	8.7%	33,489,312	16,831,962	4.3
2033	-	-	-	-	-	1,035,250	291,000	-	9,113,362	22,144,775	898,006	8.7%	33,482,393	16,805,361	4.3
2034	-	-	-	-	-	-	292,125	-	9,106,001	5,639,300	898,006	4.1%	15,935,432	11,313,622	2.9
2035	-	-	-	-	-	-	-	-	9,096,828	2,005,000	898,006	3.1%	3,099,345	8,900,489	2.3
2036	-	-	-	-	-	-	-	-	9,074,993	2,004,250	897,980	3.1%	3,092,327	8,884,897	2.3
2037	-	-	-	-	-	-	-	-	9,069,174	2,003,875	790,925	3.1%	2,986,846	8,877,128	2.3
2038	-	-	-	-	-	-	-	-	-	-	790,839	0.2%	790,839	-	0.0
2039	-	-	-	-	-	-	-	-	-	-	634,389	0.2%	634,389	-	0.0
2040	-	-	-	-	-	-	-	-	-	-	634,389	0.2%	634,389	-	0.0
2041	-	-	-	-	-	-	-	-	-	-	634,389	0.2%	634,389	-	0.0
2042	-	-	-	-	-	-	-	-	-	-	634,368	0.2%	634,368	-	0.0
Total	\$107,855,256	\$90,512,516	\$2,540,313	-	\$2,603,519	\$20,230,441	\$21,408,801	\$190,980,938	\$215,575,073	\$346,479,789	\$46,388,159	94.0%	\$1,044,574,803	\$620,861,266	\$423,713,537
Offset	73.7%	100.0%	0.0%	0.0%	41.9%	100.0%	7.7%	78.0%	23.7%	46.5%	94.0%	62.3%			

* Does not include amounts payable solely from tax increment revenues.

(1) 1993 Lease A: 80.5% Community Center Fund, 11.5% General Fund, 8.0% Golf Fund

1993 Lease B: 47.8% General Fund, 30.2% Parking Fund, 13.0%, Drainage Fund, 9.0% Community Center Fund

(2) 1997 Lease (ARCO Arena Sublease): Assumes the fixed rate established in the 2007 remarketing is in effect for the remaining term of the bonds.

(3) 1999 Capital Improvement Revenue Bonds: amounts remaining supported solely from tax increment revenues

(4) 2002 Capital Improvement Revenue Bonds: 55.7% General Fund, 24.7% RASA Master Lease, 19.6% North Natomas Fund

(5) 2002 COP: payable from H Street Theatre Revenues (obligation of General Fund if insufficient)

(6) 2003 Capital Improvement Revenue Bonds: 85.3% General Fund, 14.7% - North Natomas Fund

(7) 2005 Refunding: 40.1% Water Fund, 19.6% Solid Waste Fund, 17.3% Parking Fund, 12.6% RASA (Del Paso Heights, Merged Downtown, North Sacramento, Oak Park, River District), 8.7% General Fund, 1.4% North Natomas Fund, 0.3% Golf Fund

(8) 2006 Capital Improvement Revenue Bonds Series A and B: 76.9% General Fund, 17.9% RASA Master Lease (65th Street, Army Depot, North Sacramento, River District), 5.2% Haggin Oaks Bridge Loan

(9) 2006 Capital Improvement Revenue Bonds, Series C, D and E: 50.4% General Fund, 42.0% Water Fund, 6.4% North Natomas Fund, 0.7% Golf Fund, 0.5% RASA Master Lease (Stockton Boulevard)

(10) Total Leases and Loans: 59.4% Marina, 18.5% Solid Waste, 1.5% Wastewater

(11) Data based on Fiscal Year 2013-14 General Fund Revenue Budget.

Source: City of Sacramento

Interest Rate Swap

In 2007, the City entered into an interest-rate swap with Goldman Sachs Capital Markets, L.P. (the “Counterparty”) in connection with remarketing the Sacramento City Financing Authority’s (the “Authority”) \$73,725,000 1997 Lease Revenue Bonds (Arco Arena Acquisition) variable-interest-rate bonds (the “Arena Bonds”). The Arena Bonds carry an interest rate equal to the 3-month London Interbank Offered Rate (“LIBOR”) plus 0.25% (with total rate not-to-exceed 14.00%), payable quarterly, until July 19, 2017. The swap agreement terminates on July 19, 2017, and has a notional amount as of July 18, 2013, of \$62,015,000. Under the swap, the Authority pays the Counterparty a fixed payment of 5.607% and receives a variable payment equal to the interest rate payable on the Arena Bonds. See Note 7 in Appendix B – “CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2012.”

The City’s interest-rate swap entails risk to the City. Actual interest rates may vary from assumptions made at the time the swap was executed, and the City may not realize the expected financial benefits from the swap. In addition, the potential future exposure to the City relating to the difference in payments between the amount the City receives in connection with any swap and pays pursuant to that swap, including termination payments or other non-scheduled payments, cannot be predicted. The Counterparty may terminate the swap upon the occurrence of certain termination events or events of default, which may include failure of either the City or the Counterparty to maintain credit ratings at specified levels. If either the Counterparty or the City terminates the swap, the City may be required to make a termination payment to the Counterparty (even if such termination is due to an event affecting the Counterparty, including the Counterparty’s failure to maintain credit ratings at specified levels), and there is no assurance that such payment by the City would not have a material adverse impact on its financial position. The current estimated amount of such termination payment that would be payable by the City, as of June 3, 2013, is approximately \$11.1 million. The valuation of the swap or any future swaps is volatile and will vary based on a variety of factors, including current interest rates. There can be no assurances that termination amounts potentially payable by the City will not significantly increase. The City may enter into additional interest-rate swaps in the future.

Debt Statement

Set forth below is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. as of June 30, 2013. The Debt Report is included for general-information purposes only. The City makes no representations as to its completeness or accuracy.

The Debt Report generally includes long-term obligations sold in the public-credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by property within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**CITY OF SACRAMENTO
DIRECT AND OVERLAPPING BONDED DEBT
AS OF JUNE 30, 2013**

2012-13 Assessed Valuation: \$35,972,136,738

	Total Debt 6/30/13	% Applicable (1)	City's Share of Debt 6/30/13 (2)
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Los Rios Community College District	\$297,395,000	25.422%	\$ 75,603,757
Natomas Unified School District	177,849,033	86.933	154,609,500
Sacramento Unified School District	313,677,966	83.400	261,607,424
San Juan Unified School District	355,755,134	3.074	10,935,913
Twin Rivers Unified School District	87,799,616	48.209	42,327,317
Twin Rivers Unified School District (former Grant Joint Union High School District bonds)	185,252,240	47.665	88,300,480
Robla School District	23,881,349	51.697	12,345,941
City of Sacramento Community Facilities Districts	156,030,000	100.	156,030,000
Elk Grove Unified School District Community Facilities District No. 1	185,189,881	11.665	21,602,400
Sacramento City Unified School District Community Facilities District No. 1	595,000	100.	595,000
City of Sacramento 1915 Act Bonds	12,290,000	100.	12,290,000
Sacramento Area Flood Control Agency Consolidated Capital Districts Assessment District	196,895,000	80.334	158,173,629
Sacramento Area Flood Control Agency Operation and Maintenance Assessment District	3,350,000	42.554	1,425,559
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$995,846,920

Ratios to 2012-13 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 2.77%

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Sacramento County General Fund Obligations	\$317,356,921	31.090%	\$ 98,666,267
Sacramento County Pension Obligations	959,632,708	31.090	298,349,809
Sacramento County Board of Education Certificates of Participation	8,740,000	31.090	2,717,266
Los Rios Community College District Certificates of Participation	5,890,000	25.422	1,497,356
Sacramento Unified School District Certificates of Participation	80,160,000	83.400	66,853,440
Sacramento Unified School District Pension Obligations	2,255,000	83.400	1,880,670
San Juan Unified School District Certificates of Participation	1,246,189	3.074	38,308
Twin Rivers Unified School District Certificates of Participation	129,825,000	47.665	61,881,086
City of Sacramento General Fund Obligations	690,377,500	100.	690,377,500
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$1,222,261,702
Less: Sacramento County supported obligations			2,072,926
City of Sacramento supported obligations			405,295,927
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 814,892,849

OVERLAPPING TAX INCREMENT DEBT:

\$210,109,136

GROSS TOTAL DIRECT DEBT

\$690,377,500

NET TOTAL DIRECT DEBT

\$285,081,573

GROSS TOTAL OVERLAPPING DEBT

\$1,737,840,258

NET TOTAL OVERLAPPING DEBT

\$1,735,767,332

GROSS COMBINED TOTAL DIRECT AND OVERLAPPING DEBT

\$2,428,217,758 (3)

NET COMBINED TOTAL DIRECT AND OVERLAPPING DEBT

\$2,020,848,905

(1)Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2)Report prepared 5/21/13. Excludes any bonds sold between 5/21/13 and 6/30/13.

(3)Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2012-13 Assessed Valuation:

Gross Combined Total Direct Debt (\$690,377,500) 1.92%

Net Combined Total Direct Debt (\$285,081,573) 0.79%

Gross Combined Total Direct and Overlapping Debt 6.75%

Net Combined Total Direct and Overlapping Debt 5.62%

Ratios to Redevelopment Increment Valuation (\$4,561,181,319):

Total Overlapping Tax Increment Debt..... 4.61%

No Default

The City has no record of having ever defaulted in the payment of principal or interest on any of its loans, bonds, notes, or other debt obligations or on any of its lease obligations.

CITY ECONOMICS

Population

A comparison of the City's population growth to that of the County of Sacramento (the "County") and the State is provided in the table below. Population estimates are as of as of January 1 for each year.

POPULATION ESTIMATES⁽¹⁾
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
AND THE STATE OF CALIFORNIA
FOR SELECTED CALENDAR YEARS 1970 THROUGH 2013

<u>Year</u>	<u>City of Sacramento</u>	<u>Average Annual % Change</u>	<u>County of Sacramento</u>	<u>Average Annual % Change</u>	<u>State of California</u>	<u>Average Annual % Change</u>
1970	257,105		634,373		19,935,134	
1980	275,741	0.72%	783,381	2.35%	23,782,000	1.87%
1990	369,365	3.40	1,046,870	3.36	29,828,496	2.57
1995	384,300	0.81	1,120,733	1.41	31,910,000	1.45
2000	407,018	0.81	1,233,599	2.01	34,095,209	1.27
2005	453,592	1.85	1,378,538	1.46	36,899,392	1.32
2009	481,356	1.35	1,440,500	0.84	38,476,724	0.98
2010 ⁽²⁾	466,279	-3.09	1,417,259	-1.61	37,223,900	-3.26
2011 ⁽²⁾	469,477	0.69	1,427,961	0.76	37,427,946	0.55
2012 ⁽²⁾	470,437	0.20	1,433,525	0.39	37,668,804	0.64
2013 ⁽²⁾	473,509	0.65	1,445,806	0.86	37,966,471	0.79

⁽¹⁾ Totals are estimates and may not add due to rounding.

⁽²⁾ The population estimates for 2010 forward incorporate the 2010 Census Population Benchmark.

Source: State of California, Department of Finance.

<http://www.dof.ca.gov/research/demographic/reports/estimates/e-1/view.php>

Industry and Employment

As the seat of State government, the City has traditionally had a large public-sector workforce. In recent years, the employment base in Sacramento and the surrounding area has diversified as the relatively low cost of living and supply of skilled labor have drawn a number of technology, financial services, and healthcare employers to the City.

As a result of the recent recession, unemployment levels throughout the country (including in the City) have significantly increased since Fiscal Year 2007-08. The table below shows historical unemployment rates for the City, the County of Sacramento and the State of California.

**UNEMPLOYMENT RATES
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
AND THE STATE OF CALIFORNIA**

Year	City of Sacramento	County of Sacramento	State of California
2003	7.0	5.9	6.8
2004	6.7	5.6	6.2
2005	5.9	5.0	5.4
2006	5.6	4.8	4.9
2007	6.4	5.4	5.4
2008	8.5	7.2	7.2
2009	13.3	11.3	11.4
2010	14.9	12.8	12.4
2011	14.1	12.1	11.7
2012	12.4	10.6	10.5
2013	8.6	8.8	8.9
2014 ⁽¹⁾	9.5	8.1	8.4

⁽¹⁾ March 2014

Source: Source: State of California. Employment Development Department.

<http://www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/areaselection.asp?tablename=labforce>

Set forth below are data reflecting the County's civilian labor force, employment, and unemployment. These figures are County-wide and may not necessarily accurately reflect employment trends in the City.

**SACRAMENTO COUNTY METROPOLITAN STATISTICAL AREA (MSA)
CIVILIAN LABOR FORCE, EMPLOYMENT AND
THE ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY
FOR YEARS 2009 THROUGH 2013**

LABOR FORCE (COUNTY):	2009	2010	2011	2012	2013
Labor force ⁽¹⁾	681,400	674,600	675,600	682,900	680,000
Employment	604,500	588,300	594,100	611,400	620,200
Unemployment	76,900	86,300	81,500	71,400	59,800
Unemployment Rate	11.3%	12.8%	12.1%	10.5%	8.8%
EMPLOYMENT INDUSTRY (MSA):					
Total All Industries ⁽²⁾	839,800	817,900	816,800	831,100	873,200
Total Farm	8,300	8,100	8,300	8,600	8,800
Total Non-farm	831,500	809,900	802,000	822,500	864,400
Goods Producing	78,400	71,600	69,500	71,600	77,100
Natural Resources & Mining	400	400	400	400	500
Construction	43,500	38,400	36,200	37,300	42,900
Manufacturing	34,400	32,800	32,800	33,900	33,700
Service Providing	753,100	738,300	732,600	750,800	787,400
Trade, Transportation & Utilities	134,900	132,500	132,700	138,800	142,100
Wholesale Trade	24,100	22,800	23,000	25,300	25,000
Retail Trade	87,600	88,000	88,900	91,600	93,900
Transportation, Warehousing & Utilities	23,200	21,700	20,900	21,900	23,200
Information	18,300	17,200	16,700	15,300	15,000
Financial Activities	52,900	48,300	46,600	47,600	49,500
Professional & Business Services	101,100	102,200	101,400	110,600	114,300
Education & Health Services	99,800	99,400	102,700	105,500	127,700
Leisure & Hospitality	81,900	80,200	79,800	83,300	88,000
Other Services	28,800	28,100	28,000	28,200	28,900
Total Government	235,300	230,300	224,600	221,400	222,000
Federal Government	13,300	14,600	13,900	13,700	13,500
State and Local Government	222,100	215,600	210,700	207,700	208,500

⁽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.

Source: Labor Market Information Division of the California State Employment Development Department.
<http://www.labormarketinfo.edd.ca.gov/>

The two tables below represent the Sacramento Region Major Private Sector Employers for the greater Sacramento area (including, Sacramento, El Dorado, Placer, Sutter, Yolo, and Yuba Counties) and the major public-sector employers. Major private employers in the Sacramento area include those in health care, electronics, telecommunications, retail and financial services. Major public-sector employers include the State and the County. The data provided is through December 2012 and may not reflect subsequent changes in work force.

**GREATER SACRAMENTO AREA
2013 MAJOR PRIVATE SECTOR EMPLOYERS**

Company	Type of Business	No. of Full-Time Employees
Sutter Health Sacramento Sierra Region	Health care	6,507
Intel Corp.	Researches and develops computer chips and chipsets, including desktop, mobile and server processor products	6,000
Dignity Health	Health care	5,756
Kaiser Permanente	Health care	5,696
Raley's Inc.	Retail grocery chain	3,592
Health Net of California	Managed health care	2,305
VSP Global	Vision health care insurance, eyewear, ophthalmic products and lab services sales systems for the optical industry optical medical record software	2,223
Wells Fargo & Co.	Financial Services	2,189
Apple Inc.	Consumer Goods – Electronic Equipment	1,800
GenCorp Inc.	Design, develop and manufactures solid waste rocket motors, and liquid and electric in-space propulsion systems	1,783
Delta Dental of California	Dental benefits	1,190

Source: Sacramento Business Journal Book of Lists 2013, December 2013.

**COUNTY OF SACRAMENTO
2013 MAJOR PUBLIC SECTOR EMPLOYERS**

Name of Employer	No. of Full-Time Employees ¹
State of California	69,469
Sacramento County	10,634
UC Davis Health System	9,985
U.S. Government	5,750
Elk Grove Unified School District	5,535
San Juan Unified School District	4,700
City of Sacramento	3,831
Sacramento City Unified School District	3,320
Los Rios Community College District	3,147
California State University Sacramento	3,023
Folsom Cordova Unified School District	1,850

¹ Does not include substitutes or seasonal employees.
Source: Sacramento Business Journal Book of Lists 2013, December 2013.

Commercial Activity

The following table shows a summary of historic taxable sales within the City.

**CITY OF SACRAMENTO
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
FOR YEARS 2008 THROUGH 2012
(\$ in Thousands)**

Type of Business	2008	2009	2010	2011	2012
Apparel	\$279,933	\$314,415	\$319,555	\$331,037	\$339,108
General Merchandise	635,959	486,181	484,713	500,631	504,732
Food	265,079	272,980	282,078	291,616	295,149
Eating & Drinking	690,946	675,035	687,669	718,749	762,531
Household Furnishings	155,001	245,042	232,782	223,797	203,543
Building Materials	274,463	222,703	249,593	304,603	258,469
Automotive	367,082	285,724	259,294	282,738	338,082
Service Stations	535,786	424,739	484,980	574,763	612,199
Other Retail	<u>576,099</u>	<u>444,823</u>	<u>455,716</u>	<u>475,042</u>	<u>487,314</u>
Retail Stores Total	<u>\$3,780,349</u>	<u>\$3,371,643</u>	<u>\$3,456,380</u>	<u>\$3,702,978</u>	<u>\$3,801,126</u>
All Other Outlets	<u>1,924,068</u>	<u>1,577,522</u>	<u>1,491,067</u>	<u>1,588,997</u>	<u>1,670,192</u>
TOTAL:	<u><u>\$5,704,418</u></u>	<u><u>\$4,949,165</u></u>	<u><u>\$4,947,448</u></u>	<u><u>\$5,291,975</u></u>	<u><u>\$5,471,319</u></u>

Note: Detail may not compute to total due to rounding.
Source: State Board of Equalization, Taxable Sales in California, 2012 Annual Report

ESCROW AGREEMENT
RELATING TO
SACRAMENTO PUBLIC FINANCING AUTHORITY

\$ _____
LEASE REVENUE BONDS, SERIES 2014
([Project Description])
(Federally Taxable)

This Escrow Agreement is made and entered into as of [July] 1, 2014 (this “**Agreement**”), among the [TRUSTEE], as trustee (the “**Trustee**”) pursuant to that indenture between the Authority, the City and the Trustee (the “**Indenture**”) relating to the issuance of the above-captioned bonds (the “**Bonds**”), and [ESCROW AGENT], as escrow agent (the “**Escrow Agent**”), qualified to accept and administer the escrow created hereby.

W I T N E S S E T H:

WHEREAS, the Bonds have been issued in an original aggregate principal amount of \$[_____] pursuant to the Indenture;

WHEREAS, the Bonds may be converted to the Fixed Interest Rate Period on a Fixed Rate Conversion Date pursuant to Section 2.13 of the Indenture;

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

Section 1. Definitions. Capitalized terms used but not defined in this Escrow Agreement have the meanings ascribed to them in the Indenture and, to the extent not defined therein, in Exhibit A hereto.

Section 2. Establishment and Maintenance of Escrow Fund; Scheduled Termination Date.

(a) The Escrow Agent shall establish in trust a special and separate escrow fund (wholly segregated from all other securities, investments or money on deposit with the Escrow Agent) designated the “Sacramento Public Financing Authority Lease Revenue Bonds, Series 2014 Escrow Fund” (the “**Escrow Fund**”). The Escrow Agent shall maintain the Escrow Fund until the Total Disbursement Date. The Escrow Agent shall administer and maintain the Escrow Fund and the money and securities on deposit therein in accordance with the terms of this Agreement.

(b) The Scheduled Termination Date of the Escrow Fund shall be _____, 2015 [**18 months after issuance of the Bonds**]. The Scheduled Termination Date shall be extended one or more instances upon the satisfaction of the following requirements: (i) an authorized representative of the City shall deliver to the Trustee, the Escrow Agent and the Purchaser

Representative a certificate stating the revised Scheduled Termination Date, (ii) the City transfers to the Escrow Agent for deposit in the Escrow Fund an amount in immediately available funds that causes the amount on deposit in the Escrow Fund to pay the full amount of payments of principal and interest of the Series 2014 Bonds through to the revised Stated Termination Date [EVALUATE ASSUMPTIONS OF INTEREST], and (iii) [DISCUSS INDEPENDENT VERIFICATION]; provided, however, that the Scheduled Termination Date shall not be extended later than the last day of the Index Floating Rate Period and the Scheduled Termination Date shall not be extended pursuant to this Section 2(b) on any date that is less than 30 days before the Scheduled Termination Date then in effect.

Section 3. Funding of Escrow. On the Closing Date, the Trustee shall transfer to the Escrow Agent for deposit into the Escrow Fund (and the Escrow Agent shall so deposit an amount of \$[_____], consisting of (a) \$[_____] from proceeds of the Bonds and (b) the amount of \$[_____] to be transferred from the City. On or after the Closing Date, the City may deposit additional amounts in the Escrow Fund (which the Escrow Agent shall deposit in the Escrow Fund upon receipt from the City). Under the terms and conditions of the Indenture, the City has irrevocably pledged and assigned all amounts on deposit in the Escrow Fund solely to secure the payment of the principal of and interest on the Bonds. **[Pledge structure to be determined.]**

Section 4. Investment of Amounts on Deposit in the Escrow Fund.

(a) Initially, the amounts in the Escrow Fund shall be invested in the [2014 Guaranteed Investment Contract][U.S. Treasuries MMF].

(b) [Upon the written direction of the Purchaser Representative, the Escrow Agent shall sell, transfer and request the redemption of or otherwise dispose of all or any portion of the 2014 Guaranteed Investment Contract and invest any proceeds received in the U.S. Treasuries MMF.]

(c) Except in connection with the disbursement of amounts on deposit in the Escrow Fund under Section 5, at any time that amounts on deposit in the Escrow Fund are cash or investments other than [the 2014 Guaranteed Investment Contract][the U.S. Treasuries MMF], the Escrow Agent shall invest such amounts in the U.S. Treasuries MMF.

Section 5. Disbursements from the Escrow Fund. The Escrow Agent hereby agrees and it is irrevocably instructed to apply amounts on deposit in the Escrow Fund as follows:

(a) Prior to a Total Disbursement Date, on or before the fifth Business Day before each Interest Payment Date, the Escrow Agent shall transfer the amount of each Debt Service Payment for such date to the Trustee for scheduled payment of principal and interest on the Bonds.

(b) On any Total Disbursement Date that occurs after [a successful Fixed Rate Conversion Date pursuant to Section 2.13 of the Indenture][ADD ESCROW RELEASE UPON SATISFACTION OF CONDITIONS IF APPLICABLE], the Escrow Agent shall transfer the entire amount on deposit in the Escrow Fund to the Trustee for deposit in the 2014 Project Fund

and other funds and accounts in the Indenture as specified by the terms and conditions of the Indenture as directed by the [Authority].

(c) On any Total Disbursement Date that is a Mandatory Redemption Event, the Escrow Agent shall (i) first, immediately transfer to the Owners of the Bonds an amount equal to the Redemption Price of the Bonds. [MECHANICS TO BE INCORPORATED INTO THE INDENTURE] and (ii) second, solely after the full amount of the Redemption Price of the Bonds has been paid in full, transfer any amounts remaining in the Escrow Fund to the City.

Section 6. Draws on the 2014 Guaranteed Investment Contract. The Escrow Agent shall timely take such action and procedures to draw amounts under the 2014 Guaranteed Investment Contract to pay amounts that the Escrow Agent is required to transfer to the Trustee under Section 5(a) hereof. Not earlier than one Business Day before any Total Disbursement Date, the Escrow Agent shall sell, transfer and request the redemption of or otherwise dispose of all of [the 2014 Guaranteed Investment Contract][interests in the U.S. Treasury MMF], and all proceeds received by the Escrow Agent shall be held uninvested in cash. The instructions set forth in this Section 6(a) are irrevocable.

Section 7. Responsibilities of Escrow Agent. The Escrow Agent and its respective successors, assigns and agents shall not be held to any personal liability whatsoever, in tort, contract or otherwise, and to the extent permitted by law shall be indemnified by the Authority against any action, claim or liability (other than as a result of negligence by the Escrow Agent) in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or any securities deposited therein, the purchase of the securities to be purchased pursuant hereto, the retention of such securities or the proceeds thereof, the sufficiency of the securities or any uninvested moneys held hereunder to accomplish the payment and redemption of the Bonds, or any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The Escrow Agent makes no representation as to the sufficiency of the securities to be purchased pursuant hereto and any uninvested moneys to accomplish the payment and redemption of the Bonds pursuant to the Indenture or to the validity of this Agreement as to the other parties thereto and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate of the Purchaser Representative. Whenever the Escrow Agent shall deem it necessary or desirable that a matter specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of Bond Counsel be proved or established prior to taking, suffering or omitting any action, such matter may be established only by a certificate signed by a nationally recognized firm of certified public accountants or such opinion of Bond Counsel.

Section 8. Amendments. The parties hereto may amend this Agreement or enter into such agreements supplemental to this Agreement; provided, however, that no amendment or

supplement to this Agreement may be effected without the written consent of the Purchaser Representative.

Section 9. Resignation of Escrow Agent.

(a) The Escrow Agent or any successor may resign at any time by giving written notice to the other parties hereto and by giving notice to the Holders, by first class mail, of its intention to resign and of the proposed date of resignation.

(b) Upon the receipt of such notice of resignation by the Escrow Agent, the Purchaser Representative shall promptly appoint a successor escrow agent by an instrument in writing; provided, however, that in the event that the Purchaser Representative fails to appoint a successor escrow agent within 30 days following receipt of such written notice of resignation, then the resigning Escrow Agent may petition the appropriate court having jurisdiction to appoint a successor. Any resignation of the Escrow Agent shall become effective only upon acceptance of appointment by the successor Escrow Agent.

Section 10. Term. This Agreement shall commence upon its execution and delivery and shall terminate one Business Day following a Total Disbursement Date.

Section 11. Severability. If any section, paragraph, sentence, clause or provision of this 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 this Agreement.

Section 12. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13. Fees and Expenses. On the date hereof, the City has paid in full the fees and expenses of the Escrow Agent incurred in consequence of this Agreement and the acceptance thereof by the Escrow Agent as set forth in Exhibit B hereto. So long as the Bonds have not been paid in full, the Escrow Agent shall not have any right to be paid from the Escrow Fund, nor any lien whatsoever upon any of the moneys deposited in accordance with the terms hereof, for the payments of fees and expenses for services rendered by it under this Agreement

Section 14. Successors. Any entity succeeding to all or substantially all of the Escrow Agent's corporate trust business shall be the successor to the Escrow Agent hereunder without the execution or filing of any paper or any further act.

Section 15. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California applicable to contracts made and performed in such state.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed each on its behalf as of the day and year first above written.

[ESCROW AGENT]

By: _____
Authorized Officer

[TRUSTEE]

By: _____
Authorized Officer

EXHIBIT A

DEFINITIONS

["2014 Guaranteed Investment Contract"] means that certain investment agreement, dated as of _____, 2014, by and among the Trustee, the Escrow Agent and _____.]

"Closing Date" means _____, 2014.

"Debt Service Payment" means an amount equal to the payment of principal and interest that is due and payable on the immediately next succeeding Interest Payment Date with respect to the Bonds, as specified by the Trustee pursuant to Section __ of the Indenture.

"Escrow Release Event" means [the occurrence of the Fixed Rate Conversion Date][ADD ESCROW RELEASE CONDITIONS IF ESCROW WILL BE RELEASED UPON RESOLUTION OF LITIGATION AND SATISFACTION OF CONDITIONS RELATING TO CONSTRUCTION AND PROJECT ASSURANCES].

"Incipient CEQA Litigation Event" means *[to be determined]*.

"Mandatory Redemption Event" means the earlier of the following:

- (a) the Scheduled Termination Date;
- (b) an Incipient CEQA Litigation Event;
- (c) a failure of the City to perform its obligations under Section 5(j) and (k) of the Purchase Agreement in all material respects, and such failure continues for a period of 30 days following notice of such failure by the Purchaser Representative; and
- (d) a failure of the [TEAM] to perform its obligations in any material respect under that certain due diligence undertaking, dated the date hereof, between the [TEAM] and Goldman, Sachs & Co., as initial Purchaser Representative, and such failure continues for a period of 30 days following notice of such failure by the Purchaser Representative.

"Purchaser Representative" has the meaning given such term in the Purchase Agreement.

"Redemption Price" means an amount equal to the principal of the Bonds plus accrued and unpaid interest on the Bonds to and not including the date of redemption.

"Scheduled Termination Date" means _____, 2015, or such later date as provided in Section 2(b) of this Escrow Agreement.

"Total Disbursement Date" the occurrence of either the Escrow Release Event or the Mandatory Redemption Event.

"U.S. Treasuries MMF" means [TO COME].

EXHIBIT B
SCHEDULE OF FEES

(See Attached)