

Meeting Date: 4/23/2015

Report Type: Staff/Discussion

Report ID: 2015-00314

Title: Issuance of Special Tax Refunding Bonds for North Natomas Community Facilities
District No. 97-01

Location: District 1

Recommendation: 1) Pass a Resolution authorizing a) the issuance of the City of Sacramento North Natomas Community Facilities District No. 97-01 Special Tax Refunding Bonds, Series 2015; b) the execution and delivery of a Fourth Supplemental Indenture, a Bond Purchase Contract, an Official Statement, a Continuing Disclosure Certificate, an Escrow Agreement, an Agreement for Bond Counsel Services, and a Disclosure Counsel Agreement in connection with the Bonds; and c) certain other actions in connection with the Bonds.

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Presenter: Brian Wong, Senior Debt Analyst, (916) 808-5811, Office of the City Treasurer

Department: City Treasurer

Division: City Treasurer

Dept ID: 05001011

Attachments:

01-Description/Analysis

02-Background

03-Resolution

04-Fourth Supplemental Indenture

05-Bond Purchase Contract

06-Preliminary Official Statement

07-Continuing Disclosure Certificate

08-Escrow Agreement

09-Agreement for Bond Counsel Services

10-Disclosure Counsel Agreement

City Attorney Review

Approved as to Form

Joseph Cerullo

4/14/2015 6:33:46 PM

Approvals/Acknowledgements

Department Director or Designee: Russell Fehr - 3/31/2015 11:30:26 AM

Description/Analysis

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

As part of this monitoring, North Natomas CFD No. 97-01, Series 2005 bonds have been identified as a possible refunding candidate that could yield significant economic savings.

Policy Considerations: Monitoring and recommending opportunities for refunding debt issues for economic savings is consistent with the City’s Debt Management Policy.

Economic Impacts: Not applicable.

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

Sustainability: Not applicable

Commission/Committee Action: None

Rationale for Recommendation: Ongoing monitoring of interest rates and modeling of potential refunding opportunities indicate that at current rates the refunding of the outstanding balances of North Natomas CFD 97-01, Series 2005 bonds (“**Series 2005**”) will generate substantial net present value savings.

Approval of the recommendation authorizes the City Treasurer to take the actions necessary to refund the outstanding *North Natomas CFD 97-01, Series 2005* bonds only.

Financial Considerations: Based on preliminary projections as of March 9, 2015, an estimated net-present-value savings of \$2.7 million can be realized over the remaining life of the CFD 97-01 bonds, which equates to 9.66% of the outstanding amount. The final maturity of the refunding bonds (“**Series 2015**”) will remain the same as the current Series 2005 bonds — September 1, 2035. The actual savings will not be known until the bond-pricing date, currently scheduled for the week of May 4, 2015.

Although the Series 2015 bonds will be issued by the City, the City’s General Fund has no obligation to pay or ensure the full and timely payment of debt service related to the Series 2015 bonds. Debt service associated with any CFD is solely the responsibility of property owners in the district.

Local Business Enterprise (LBE): Not applicable.

Background

History of the CFD / Prior Issuances of CFD bonds

North Natomas CFD 97-01 (“**CFD 97-01**”) consists of approximately 19,000 parcels on more than 4,000 net acres. There have been four series of bonds issued on behalf of CFD 97-01 to finance the acquisition and construction of drainage-related improvements in North Natomas: Series A in October 1997, Series B in June 2000, and Series C in March 2003. In June 2005, the City issued bonds to refund the Series A, B, and C bonds, and those refunding bonds (“**Series 2005 Bonds**”) are the only CFD 97-01 bonds still outstanding.

Current Status and Refunding of CFD Bonds

Since December 2008, construction in the Natomas Basin, including North Natomas, has been under a building moratorium until such time as the Federal Emergency Management Association (“**FEMA**”) re-designates the flood designation of the floodplain map from “AE” to “A99.” By a letter dated March 30, 2015, FEMA has notified the City that a new revised map and designation of the Natomas Basin as Zone A99 will be effective on June 16, 2015. After that date, a limited number of new residential building permits may be issued until the Natomas Levee Improvement Project is complete. Below is the current make-up of the land use and development status of parcels in the district.

Land Use / Development Status	Number of Parcels	Approx. Acreage
Developed / Improved	15,932	2,318
Detached Residential Unit	14,065	1,813
Duplex / Condominium	1,737	n/a
Other Residential / Non-Residential	130	505
Developed / Unimproved	2,888	325
Detached Residential Unit	2,470	198
Duplex / Condominium	373	n/a
Other Residential / Non-Residential	45	127
Undeveloped *	79	829

* A parcel that does not have an approved final small-lot map for residential uses permitting up to two units per lot, an approved special-use permit for residential use permitting three or more units per lot, or an approved special-use permit for Non-Residential Development.

Currently, Series 2005 Bonds with a principal amount of \$27.96 million and a final maturity of September 1, 2035, are outstanding. Based on projections as of March 9, 2015, the City could issue \$24.225 million in North Natomas CFD 97-01, Series 2015

refunding bonds, generating a net-present-value savings of approximately \$2.7 million. Actual savings will not be known until the bond-pricing date, currently scheduled for the week of May 4, 2015.

RESOLUTION NO. 2015-XXXX

Adopted by the Sacramento City Council

April 23, 2015

AUTHORIZING (1) THE ISSUANCE OF CITY OF SACRAMENTO NORTH NATOMAS DRAINAGE COMMUNITY FACILITIES DISTRICT NO. 97-01, SPECIAL TAX REFUNDING BONDS, SERIES 2015; (2) THE EXECUTION AND DELIVERY OF A FOURTH SUPPLEMENTAL INDENTURE, A BOND PURCHASE CONTRACT, AN OFFICIAL STATEMENT, A CONTINUING DISCLOSURE CERTIFICATE, AN ESCROW AGREEMENT, AN AGREEMENT FOR BOND COUNSEL SERVICES, AND A DISCLOSURE COUNSEL AGREEMENT IN CONNECTION WITH THE BONDS; AND (3) CERTAIN OTHER ACTIONS IN CONNECTION WITH THE BONDS

BACKGROUND:

- A.** At an election held in the North Natomas Drainage Community Facilities District No. 97-01, City of Sacramento, County of Sacramento, State of California (the “**CFD**”) on June 3, 1997, the qualified electors in the CFD duly authorized the issuance of \$35,000,000 principal amount of special-tax bonds under the Mello Roos Community Facilities Act of 1982 (Government Code sections 53311 through 53368) as amended (the “**Act**”) for the purpose of financing the acquisition and construction of certain public facilities.
- B.** At the election, the qualified electors in the CFD also authorized the levy and collection of a special tax under the Act to be used to pay the interest on, principal of, and redemption premiums (if any) on, such bonds.
- C.** In connection with the issuance of bonds through the CFD, the City of Sacramento (the “**City**”) and U.S. Bank National Association (as successor to U.S. Bank Trust, National Association, and formerly known as First Trust of California, National Association), as trustee (the “**Trustee**”), entered into an Indenture dated as of September 1, 1997 (the “**1997 Indenture**”). In 2000, the City and the Trustee entered into the First Supplemental Indenture to the 1997 Indenture (the “**First Supplemental Indenture**”). And in 2003, the City and the Trustee entered into the Second Supplemental Indenture to the 1997 Indenture (the “**Second Supplemental Indenture**”).
- D.** On June 8, 2005, the City of Sacramento (the “**City**”) issued its North Natomas Drainage Community Facilities District No. 97-01, Special Tax Bonds, Series 2005 in the principal amount of \$35,460,000 (the “**Prior Bonds**”). In connection with the issuance of the Prior Bonds, the City and the Trustee entered into a Third Supplemental Indenture to the 1997 Indenture (the “**Third Supplemental Indenture**”).

- E. The Act authorizes the City to issue bonds for the purpose of refunding the Prior Bonds.
- F. The Sacramento City Council (the “**City Council**”) has determined to authorize the issuance of City of Sacramento North Natomas Drainage Community Facilities District No. 97-01, Special Tax Refunding Bonds, Series 2015 (the “**Bonds**”) under the Act for the purpose of refunding all or a portion of the outstanding Prior Bonds and has determined that the issuance of the Bonds is prudent in the management of the City’s fiscal affairs.
- G. The City desires to sell the Bonds to Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”), and the City Council has determined that a private (i.e., negotiated) sale of the Bonds to the Underwriter under the Act will result in a lower overall cost to the City.
- H. In furtherance of the City’s issuance of the Bonds, forms of the following documents have been filed with the Sacramento City Clerk (the “**Clerk**”) for the City Council’s consideration and approval:
- A Fourth Supplemental Indenture between the City and the Trustee, which supplements the 1997 Indenture and under the terms of which the Bonds are to be issued and secured (the “**Fourth Supplemental Indenture**” and, together with the 1997 Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, and the Third Supplemental Indenture, the “**Indenture**”).
 - A Bond Purchase Contract, under the terms of which, among other things, the City agrees to sell the Bonds to the Underwriter and the Underwriter agrees to purchase the Bonds (the “**Bond Purchase Contract**”).
 - A preliminary form of an Official Statement describing the Bonds (the “**Preliminary Official Statement**”).
 - A Continuing Disclosure Certificate obligating the City to provide certain ongoing disclosure with respect to the Bonds (the “**Continuing Disclosure Certificate**”).
 - An Escrow Agreement between the City and U.S. Bank National Association, as escrow agent (the “**Escrow Agent**”), providing for the defeasance and redemption of the Prior Bonds to be refunded (the “**Escrow Agreement**”).
 - An Agreement for Bond Counsel Services under which the firm of Orrick, Herrington & Sutcliffe LLP will provide legal services to the City as bond counsel with respect to the Bonds (the “**Agreement for Bond Counsel Services**”).
 - A Disclosure Counsel Agreement under which the firm of Stradling Yocca Carlson & Rauth, a Professional Corporation, will provide legal services to the

City as disclosure counsel with respect to the Bonds (the “**Disclosure Counsel Agreement**”).

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

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

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

Section 2. The City Council hereby authorizes and approves the issuance of the Bonds in accordance with the Indenture in an aggregate principal amount not to exceed \$28,000,000. The final maturity date of the Bonds may not be later than the final maturity date of the Prior Bonds. The total interest cost to maturity on the Bonds plus the principal amount of the Bonds may not exceed the total interest cost to maturity on the Prior Bonds to be refunded plus the principal amount of the Prior Bonds to be refunded.

Section 3. The City Council hereby determines that the value of the real property within the CFD that will be subject to the levy of a special tax under the Act to pay debt service on the Bonds (based upon the full cash value as shown on the ad valorem assessment roll) is at least three times the sum of the following: the principal amount of the Bonds, plus the principal amount of all other bonds outstanding that are secured by a special tax levied under the Act on property within the CFD, plus the principal amount of all other bonds outstanding that are secured by special assessments levied on property within the CFD. Accordingly the limitations of section 53345.8(a) of the Act have been duly satisfied.

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

- (a) The Sacramento City Treasurer or his designee (the “**Treasurer**”) is hereby authorized and directed to execute and deliver to the Trustee, on the City’s behalf, the Fourth Supplemental Indenture in substantially the form on file with the Clerk, with any changes the Treasurer may require or approve with the concurrence of the

Sacramento City Attorney or his designee (the “**City Attorney**”), and with approval to be conclusively evidenced by the execution and delivery of the Fourth Supplemental Indenture.

- (b) The City Council hereby authorizes and directs the Treasurer to execute and deliver to the Trustee, on the City’s behalf, written instructions providing for the delivery of the Bonds to the Underwriter in accordance with the Bond Purchase Contract upon payment by the Underwriter of the purchase price of the Bonds (the “**Instructions**”).
- (c) The Bonds are to be executed by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the Clerk, and each of the Bonds must be in the form set forth in, and otherwise be in accordance with, the Indenture. When the Bonds are so executed, the Treasurer shall deliver them to the Trustee under the Indenture for authentication by the Trustee. The Trustee is then to deliver the Bonds to the Underwriter in accordance with the Instructions.

Section 5. The City Council hereby approves the Bond Purchase Contract and authorizes the Treasurer to execute and deliver it to the Underwriter on the City’s behalf in substantially the form on file with the Clerk, with any changes the Treasurer may require or approve with the concurrence of the City Attorney, and with approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Contract, all subject to the following: the true interest cost for the Bonds may not exceed 5.00% and the Underwriter’s compensation may not exceed 1.50% of the principal amount of the Bonds.

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

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

approval to be conclusively evidenced by the execution and delivery of the Final Official Statement.

- (c) The City Council hereby authorizes the Underwriter to distribute the Final Official Statement.

- Section 7.** The City Council hereby approves the Continuing Disclosure Certificate and authorizes and directs the Treasurer to execute and deliver it to the Underwriter on the City's behalf in substantially the form on file with the Clerk, with any changes the Treasurer may require or approve with the concurrence of the City Attorney, and with approval to be conclusively evidenced by the execution and delivery of the Continuing Disclosure Certificate.
- Section 8.** The City Council hereby approves the Escrow Agreement and authorizes and directs the Treasurer to execute and deliver it to the Escrow Agent on the City's behalf in substantially the form on file with the Clerk, with any changes the Treasurer may require or approve with the concurrence of the City Attorney, and with approval to be conclusively evidenced by the execution and delivery of the Escrow Agreement.
- Section 9.** The City Council hereby approves the Agreement for Bond Counsel Services and authorizes and directs the City Attorney to execute and deliver it to Orrick, Herrington & Sutcliffe LLP on the City's behalf in substantially the form on file with the Clerk, with any changes the City Attorney may require or approve, and with approval to be conclusively evidenced by the execution and delivery of the Agreement for Bond Counsel Services.
- Section 10.** The City Council hereby approves the Disclosure Counsel Agreement and authorizes and directs the City Attorney to execute and deliver it to Stradling Yocca Carlson & Rauth, a Professional Corporation, on the City's behalf in substantially the form on file with the Clerk, with any changes the City Attorney may require or approve, and with approval to be conclusively evidenced by the execution and delivery of the Disclosure Counsel Agreement.
- Section 11.** In accordance with City Charter section 113, the City Council hereby authorizes and directs the Treasurer and the City's Finance Director to implement inter-fund transfers to the Special Tax Fund established by Section 6.01 of the 1997 Indenture if such transfers are needed to satisfy the City's obligations under the Indenture. The inter-fund transfers must be duly made during fiscal year 2014-2015, must be recorded in the City's records, and must be repaid to the fund that is the source of the transfer from the CFD's special-tax proceeds for levy year 2014-2015.
- Section 12.** The officers of the City, each acting alone, are hereby authorized and directed to do any and all things and to execute and deliver any and all

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

Section 13. This resolution takes effect when adopted.

FOURTH SUPPLEMENTAL INDENTURE

between the

CITY OF SACRAMENTO

and

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

Relating to the

[\$PAR]

CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX REFUNDING BONDS, SERIES 2015

Dated as of May 1, 2015

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FOURTH SUPPLEMENTAL INDENTURE

This Fourth Supplemental Indenture (the “**Fourth Supplemental Indenture**”), dated as of May 1, 2015, is between the City of Sacramento, a California municipal corporation (the “**City**”), and U.S. Bank National Association (as successor to U.S. Bank Trust National Association, formerly First Trust of California, National Association), a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character herein set forth, as trustee (the “**Trustee**”).

WITNESSETH:

WHEREAS, the City and the Trustee duly executed an Indenture (the “**Indenture**”) dated as of September 1, 1997, which Indenture authorized the issuance of \$35,000,000 aggregate principal amount of City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Bonds and of any refunding bonds to refund any thereof (collectively, the “**Bonds**”) and provided for the issuance of the Bonds in series; and

WHEREAS, under the Indenture the City issued \$20,175,000 aggregate principal amount of a first series of the Bonds designated the “City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Bonds, Series A” (the “**Series A Bonds**”), which Series A Bonds are no longer outstanding; and

WHEREAS, under a First Supplemental Indenture dated as of May 1, 2000, between the City and the Trustee, the City issued \$5,400,000 aggregate principal amount of a second series of the Bonds designated the “City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Bonds, Series B” (the “**Series B Bonds**”), which Series B Bonds are no longer outstanding; and

WHEREAS, under a Second Supplemental Indenture dated as of March 1, 2003, between the City and the Trustee, the City issued \$6,040,000 aggregate principal amount of a third series of the Bonds designated the “City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Subordinated Special Tax Bonds, Series C” (the “**Series C Bonds**”), which Series C Bonds are no longer outstanding; and

WHEREAS, under a Third Supplemental Indenture dated as of June 1, 2005, between the City and the Trustee, the City issued \$35,460,000 aggregate principal amount of a fourth series of Bonds designated the “City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Bonds, Series 2005 (the “**Series 2005 Bonds**”), which Series 2005 Bonds were issued to refund and defease the Series A Bonds, the Series B Bonds, and the Series C Bonds and to finance the costs of acquiring and constructing certain Facilities; and

WHEREAS, the City has determined to provide for the issuance of a series of the Bonds in the aggregate principal amount of \$[PAR] to refund all the outstanding Series 2005 Bonds; and

WHEREAS, the City has determined to prescribe hereunder the terms, conditions, and form of such series of the Bonds to be designated the “City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Refunding Bonds, Series 2015” (the “**Series 2015 Bonds**”); and

WHEREAS, the Fourth Supplemental Indenture was approved by Resolution No. 2015-[____] of the Sacramento City Council adopted on _____, 2015, as the supplemental indenture required by the Indenture to prescribe the conditions, terms, and form of the Series 2015 Bonds; and

WHEREAS, the City has determined that all things necessary to cause the Series 2015 Bonds, when duly executed by the City and authenticated by the Trustee and delivered as provided herein, to be legal and valid special-tax obligations of the City enforceable in accordance with their terms, and to constitute the Fourth Supplemental Indenture a valid agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery hereof and the execution and delivery of the Series 2015 Bonds, subject to the terms hereof, have in all respects been duly authorized.

NOW, THEREFORE, THE FOURTH SUPPLEMENTAL INDENTURE WITNESSETH, that in order to secure the payment of the interest on, and principal of, and redemption premiums, if any, on, all Series 2015 Bonds at any time issued and outstanding hereunder according to their tenor; and to secure the observance and performance of all the agreements, conditions, covenants, and terms therein and herein set forth; and to declare the conditions and terms upon and subject to which the Series 2015 Bonds will be issued and received; and in consideration of the premises and of the mutual agreements and covenants contained herein and of the purchase and acceptance of the Series 2015 Bonds by the registered owners thereof from time to time; and for other valuable considerations, the receipt whereof is hereby acknowledged, the City does hereby agree and covenant with the Trustee, for the benefit of the registered owners from time to time of the Series 2015 Bonds, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions.

- (a) All terms defined in Section 1.01 of the Indenture (except as otherwise provided herein) have the same definitions in the Fourth Supplemental Indenture that are given to them in Section 1.01 of the Indenture.
- (b) Unless the context otherwise requires, for all purposes hereof and of the Indenture and of the Series 2015 Bonds and of any certificate, opinion, report, request, or other document mentioned herein or therein, the terms defined in this Section 1.01(b) have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

“**Escrow Agent**” means U.S. Bank National Association, acting as escrow agent under the Escrow Agreement.

“Escrow Agreement” means the Escrow Agreement, dated as of May 1, 2015, between the City and the Escrow Agent, relating to the defeasance of the outstanding Series 2005 Bonds.

“Escrow Fund” means the fund referred to by that name established under the Escrow Agreement.

“Fourth Supplemental Indenture” means this Fourth Supplemental Indenture dated as of May 1, 2015, between the City and the Trustee entered into under the Law and the Indenture providing for the issuance of the Series 2015 Bonds.

“Indenture” means the Indenture dated as of September 1, 1997, by and between the City and the Trustee, entered into under the Law providing for the issuance of \$35,000,000 aggregate principal amount of City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Bonds and any refunding bonds to refund any thereof.

“Serial Series 2015 Bonds” means the Series 2015 Bonds maturing during the period beginning on September 1, 2015, and ending on September 1, 20[___], both dates inclusive.

“Series 2005 Bonds” means the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Bonds, Series 2005, issued in the original principal amount of \$35,460,000 and currently outstanding in the principal amount of \$27,960,000.

“Series 2015 Bonds” means the Series 2015 Bonds authorized to be issued under the Indenture and Article II hereof.

“Series 2015 Costs of Issuance Fund” means the “City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Refunding Bonds, Series 2015 Costs of Issuance Fund” established by Section 2.08(c) hereof.

“Series 2015 Refunding Fund” means the “City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Refunding Bonds, Series 2015 Refunding Fund” established by Section 2.08(b) hereof.

“Series 2015 Sinking Fund Account” means the account by that name that is established in the Redemption Fund by Section 2.03 hereof.

“Term Series 2015 Bonds” means the Series 2015 Bonds maturing on September 1, 20[___].

ARTICLE II

ISSUANCE OF SERIES 2015 BONDS

SECTION 2.01. Authorization and Designation of Series 2015 Bonds. The Council has reviewed all proceedings heretofore taken relative to the authorization of the Series 2015 Bonds and has found, as a result of that review, and hereby finds and determines, that all acts, conditions, and things required by law to exist, happen, and be performed precedent to, and in the issuance of, the Series 2015 Bonds do exist, have happened, and have been performed in due time, form, and manner as required by the Law. Accordingly, the City is now authorized, by the Law and the Indenture and hereof, to issue the Series 2015 Bonds in the aggregate principal amount of \$[PAR] in the form and manner provided herein. The Series 2015 Bonds will be entitled to the benefit, protection, and security of the Law and the Indenture and hereof; will be designated as “Special Tax Refunding Bonds, Series 2015”; and will be distinguished from the Bonds of all other Series by that title.

SECTION 2.02. Denominations of Series 2015 Bonds. The Series 2015 Bonds will be issued as fully registered Bonds in denominations of \$5,000 or any integral multiple of \$5,000 (not exceeding the principal amount of Series 2015 Bonds maturing at any one time).

SECTION 2.03. Date and Maturity Dates of and Interest Rates on and Minimum Sinking Fund Account Payments for Series 2015 Bonds. The Series 2015 Bonds will be dated the date of their initial delivery. The Series 2015 Bonds will mature on the dates and in the principal amounts and will bear interest at the rates per annum set forth in the following schedule:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
September 1		

Minimum Sinking Fund Account Payments are hereby established for the mandatory redemption and payment of the Term Series 2015 Bonds, which payments will become due during the years ending on the dates and in the amounts as set forth in the following schedule (except that if any of the Term Series 2015 Bonds will have been optionally redeemed under Section 2.05 hereof, the amounts of the Minimum Sinking Fund Account Payments will be reduced proportionately by the principal amount of all such Term Series 2015 Bonds so optionally redeemed):

20[] Term Bonds

Year Ending
September 1

Minimum Sinking Fund
Account Payment

All such Minimum Sinking Fund Account Payments must be deposited in the Series 2015 Sinking Fund Account hereby established in the Redemption Fund and which account the City hereby agrees and covenants to cause to be maintained by the Trustee so long as any of the Term Series 2015 Bonds are Outstanding. All money in the Series 2015 Sinking Fund Account must be used and withdrawn by the Trustee at any time upon receipt of a Written Request of the City for the purchase of the Term Series 2015 Bonds at public or private sale as and when and at such prices (including brokerage and other charges) as the City may in its discretion determine, but not to exceed the principal amount of such Term Series 2015 Bonds. All money in the Series 2015 Sinking Fund Account on September 1 of each year, beginning on September 1, 20[], must be used and withdrawn by the Trustee on that September 1 for the mandatory redemption or payment of the Term Series 2015 Bonds. The Trustee hereby agrees and covenants with the Holders of the Term Series 2015 Bonds to call and redeem in accordance with Article IV of the Indenture or to pay the Term Series 2015 Bonds from the Minimum Sinking Fund Account Payments deposited in the Series 2015 Sinking Fund Account as required by this paragraph whenever on September 1 of any year there is money in the Series 2015 Sinking Fund Account available for that purpose.

SECTION 2.04. Interest Payment Dates of Series 2015 Bonds. Interest on the Series 2015 Bonds will be computed on the basis of a 360-day year of twelve 30-day calendar months and will be payable on [September 1, 2015], and semiannually thereafter on March 1 and September 1 in each year. The Series 2015 Bonds will bear interest from the interest-payment date next preceding the date of authentication thereof, unless they are authenticated on a day during the period from the sixteenth day of the month next preceding an interest-payment date to that interest payment date, both days inclusive, in which event they will bear interest from that interest-payment date, or unless they are authenticated on a day on or before the fifteenth day of the month next preceding the first interest-payment date, in which event they shall bear interest from their date, in each case subject to the following: if, at the time of authentication of any Series 2015 Bond, interest is then in default on the Outstanding Series 2015 Bonds, then that Series 2015 Bond will bear interest from the interest-payment date to which interest has previously been paid or made available for payment on the Outstanding Series 2015 Bonds.

SECTION 2.05. Redemption Prices and Terms of Series 2015 Bonds.

- (a) The Term Series 2015 Bonds maturing by their terms on September 1, 20[], are subject to mandatory redemption by the City before their maturity date in part on each September 1 on or after September 1, 20[], to and including September 1, 20[], solely from Minimum Sinking Fund Account Payments deposited in the Series 2015

Sinking Fund Account, upon mailed notice as provided in the Indenture, at the principal amount thereof, together with accrued interest thereon to the date of redemption, without premium.

- (b) [The Series 2015 Bonds are subject to extraordinary redemption by the City before their maturity date as a whole or in part on any date solely from money derived by the City from prepayments of the Special Tax under the Law, upon mailed notice as provided in the Indenture, at the following redemption prices (computed upon the principal amount of the Series 2015 Bonds or portions thereof called for redemption), together with accrued interest thereon to the date of redemption:

103% if redeemed before September 1, 20[___]

102% if redeemed from September 1, 20[___], through August 31, 20[___]

101% if redeemed from September 1, 20[___], through August 31, 20[___]

100% if redeemed on or after September 1, 20[___], and before maturity]

- (c) The Series 2015 Bonds maturing by their terms on or after September 1, 20[___], are subject to optional redemption by the City before their [maturity dates] as a whole or in part on any date on or after September 1, 20[___], from money derived by the City from any source other than Minimum Sinking Fund Account Payments or prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

- (d) Notwithstanding anything to the contrary in the Indenture or this Fourth Supplemental Indenture, when notice of redemption of Series 2015 Bonds is given under Section 2.05(b) or Section 2.05(c) of this Fourth Supplemental Indenture, the notice must state both of the following unless, upon giving the notice, the Series 2015 Bonds to be redeemed are deemed to have been paid within the meaning of Article XI of the Indenture: (1) redemption will be conditioned upon the Trustee's receipt, on or before the date fixed for redemption, of amounts sufficient to pay the principal of, and premium, if any, and interest on, the Series 2015 Bonds to be redeemed; and (2) if those amounts have not have been so received, the notice will be void and the City will not be required to redeem the Series 2015 Bonds specified in the notice. If a notice of redemption contains such a condition and the required amounts are not so received, then the redemption will not be made, and, within a reasonable time, the Trustee shall notify the Holders of the Series 2015 Bonds specified in the notice that the amounts were not so received and that the redemption was not made, the notice to be given in the manner in which the notice of redemption was given. The failure to redeem Series 2015 Bonds subject to a conditional notice of redemption is not an Event of Default.

- (e) Notwithstanding anything to the contrary in the Indenture or this Fourth Supplemental Indenture, the City may rescind any notice of redemption of Series 2015 Bonds under Section 2.05(b) or Section 2.05(c) hereof by giving the Trustee written notice at least five Business Days before the date specified for redemption. As soon as is practicable after

receiving the City's notice, the Trustee shall give notice of the rescission in the same manner, and to the same parties, as notice of the redemption was given.

- (f) Selection of the Series 2015 Bonds for redemption will be as set forth in Section 4.02 of the Indenture.

SECTION 2.06. Form of Series 2015 Bonds. The Series 2015 Bonds and the authentication and registration endorsements and the assignment to appear thereon must be substantially in the following forms:

[FORM OF SERIES 2015 BOND]

No. _____ \$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SACRAMENTO

CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX REFUNDING BOND, SERIES 2015

Interest Rate	Maturity Date	Dated	CUSIP
_____ %	September 1, 20__	May __, 2015	_____

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: _____ DOLLARS

The City of Sacramento, a municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "City"), for value received hereby promises to pay (but only out of the proceeds of the Special Tax hereinafter referred to and certain other funds described herein) to the registered owner set forth above on the maturity date set forth above (subject to any right of prior redemption hereinafter provided for) the principal amount set forth above, together with interest thereon computed on the basis of a 360-day year of twelve (12) 30-day calendar months from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is authenticated as of a day during the period from the sixteenth (16th) day of the month next preceding an interest payment date to such interest payment date, both days inclusive, in which event it shall bear interest from such interest payment date, or unless this Bond is authenticated on a day on or before the fifteenth (15th) day of the month next preceding the first interest payment date, in which event it shall bear interest from its date, in each case subject to the following, if, at the time of authentication of this Bond, interest is then in default on the hereinafter defined Series 2015 Bonds, then this Bond will bear interest from the interest payment date to which interest has previously been paid or made available for payment on the outstanding Series 2015 Bonds) until the principal hereof shall have been paid, at the interest rate per annum set forth above, payable on [September 1,

2015], and semiannually thereafter on March 1 and September 1 in each year. The interest on and principal of and redemption premium, if any, on this Bond are payable in lawful money of the United States of America at the Principal Corporate Trust Office (as that term is defined in the Indentures hereinafter referred to, and herein the “**Principal Corporate Trust Office**”) of U.S. Bank National Association in St. Paul, Minnesota, or at the Principal Corporate Trust Office of any other bank or trust company which may at any time be substituted in its place as provided in the Indentures hereinafter referred to in Los Angeles or San Francisco, California, the Trustee of the City for the Bonds (the “**Trustee**”). The interest on this Bond due on or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books required to be kept by the Trustee as the registered owner hereof at the close of business as of the fifteenth (15th) day of the month next preceding each interest payment date, such interest to be paid by check mailed by first class mail to such registered owner at his address as it appears on such books, except that in the case of a registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds then outstanding, payment shall be made at such owner’s option by wire transfer on each such interest payment date of immediately available funds to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the continental United States of America according to written instructions provided by such owner to the Trustee at least fifteen (15) days before such interest payment date. The principal of and redemption premium, if any, on this Bond shall be payable only to the person whose name appears in such registration books as the registered owner hereof, such principal and redemption premium, if any, to be paid only on the surrender of this Bond at the Principal Corporate Trust Office of the Trustee at maturity or on redemption prior to maturity.

This bond is one of a duly authorized issue of Bonds issued by the City Council of the City for the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 (the “**Community Facilities District**”) located in the City, designated the “City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Bonds” (the “**Bonds**”), which Bonds are issued in various series under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 et seq. of the Government Code of the State of California) and all laws amendatory thereof or supplemental thereto (the “**Law**”), and under and pursuant to the provisions of an Indenture dated as of September 1, 1997 (the “**Indenture**”) between the City and U.S. Bank National Association (as successor to U.S. Bank Trust National Association, formerly First Trust of California, National Association), as Trustee, and is one of a series of Bonds designated as the “City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Refunding Bonds, Series 2015” (the “**Series 2015 Bonds**”) in the aggregate principal amount of [PAR IN WORDS] dollars (\$PAR) issued under and pursuant to the Law and the Indenture and a Fourth Supplemental Indenture supplemental thereto dated as of May 1, 2015 (the “**Fourth Supplemental Indenture**,” and together with the Indenture, the “**Indentures**”) between the City and the Trustee, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, denominations, maturities, interest rates and redemption provisions). This Series 2015 Bond is equally and ratably secured with all other Series 2015 Bonds issued under the Indentures in accordance with the terms and conditions of the Indentures (copies of which are on file at the office of the City Clerk and at the above-mentioned office of the Trustee), and reference is hereby made to the Law and to the Indentures and any and all amendments thereof and supplements thereto for a description of the terms on which the Series

2015 Bonds are issued and for the rights of the registered owners of the Series 2015 Bonds; and all the terms of the Law and the Indentures are hereby incorporated herein and constitute a contract between the City and the registered owner from time to time of this Series 2015 Bond, to all the provisions of which the registered owner of this Series 2015 Bond, by his acceptance hereof, agrees and consents; and each taker and subsequent registered owner hereof shall have recourse to all the provisions of the Law and the Indentures and shall be bound by all the conditions and terms thereof.

The Series 2015 Bonds are issued to refund the outstanding Series 2005 Bonds issued under the Indenture and a Third Supplemental Indenture supplemental thereto dated as of June 1, 2005, between the City and the Trustee. **The Series 2015 Bonds are special tax obligations of the City, and the interest on and principal of and redemption premiums, if any, on the Series 2015 Bonds are payable solely from the proceeds of the Special Tax (as that term is defined in the Indentures, and herein the “Special Tax”) and certain other funds provided in the Indentures, and the City is not obligated to pay them except from the proceeds of the Special Tax and such other funds. The General Fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Series 2015 Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Series 2015 Bonds. The Series 2015 Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts except the proceeds of the Special Tax and such other funds, as provided in the Indentures, and neither the payment of the interest on or principal of or redemption premiums, if any, on the Series 2015 Bonds is a general debt, liability or obligation of the City.** Additional Bonds to refund any of the Bonds payable from the proceeds of the Special Tax may be issued which will rank equally as to security with the Series 2015 Bonds, but only subject to the conditions and limitations contained in the Indentures.

The Series 2015 Bonds maturing by their terms on September 1, 20[___], are subject to mandatory redemption by the City prior to their maturity date in part on each September 1 on or after September 1, 20[___], to and including September 1, 20[___], solely from Minimum Sinking Fund Account Payments deposited in the Series 2015 Sinking Fund Account (as those terms are defined in and as provided in the Indentures), upon mailed notice as hereinafter provided, at the principal amount thereof, together with accrued interest thereon to the date of redemption, without premium.

[The Series 2015 Bonds are subject to extraordinary redemption by the City prior to their maturity date as a whole or in part on any date solely from money derived by the City from prepayments of the Special Tax under the Law, upon mailed notice as hereinafter provided, at the following redemption prices (computed upon the principal amount of the Series 2015 Bonds or portions thereof called for redemption), together with accrued interest thereon to the date of redemption:

103% if redeemed prior to September 1, 20[___];

102% if redeemed on September 1, 20[___], through August 31, 20[___];

101% if redeemed on September 1, 20[___], through August 31, 20[___]; and
100% if redeemed on or after September 1, 20[___], and prior to maturity.)

The Series 2015 Bonds maturing by their terms on or after September 1, 20[___], are subject to optional redemption by the City prior to their maturity date as a whole or in part on any date on or after September 1, 20[___], from money derived by the City from any source other than Minimum Sinking Fund Account Payments or prepayments of the Special Tax, upon mailed notice as hereinafter provided, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

If less than all the outstanding Series 2015 Bonds are to be redeemed at the option of the City at any one time, the City shall select the maturity dates from which the Series 2015 Bonds shall be redeemed, and if less than all the outstanding Series 2015 Bonds of any one maturity date are to be redeemed at any one time, the Trustee shall select the Series 2015 Bonds or portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars (\$5,000) by lot in any manner that it deems appropriate.

Notice of redemption of any Series 2015 Bond or any portion thereof shall be mailed by first class mail not less than thirty (30) days nor more than ninety (90) days before the redemption date to the registered owner thereof and to all securities depositories and securities information services selected by the City in accordance with the Indentures and to the original purchaser or underwriter of the Series 2015 Bonds, but neither failure to receive any such mailed notice nor any immaterial defect contained therein shall affect the sufficiency or validity of such proceedings for redemption. If notice of redemption has been duly given as aforesaid, then this Series 2015 Bond or the portion thereof to be redeemed shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated interest on this Series 2015 Bond or the portion thereof to be redeemed shall cease to accrue and the registered owner of this Series 2015 Bond shall have no rights in respect hereof except to receive payment of the redemption price of this Series 2015 Bond or the portion thereof to be redeemed, and upon surrender of this Series 2015 Bond if redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the registered owner hereof at the expense of the City a new Series 2015 Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of this Series 2015 Bond so surrendered.

With respect to any notice of optional or extraordinary redemption of Series 2015 Bonds given pursuant to the Indentures, unless, upon the giving of such notice, such Series 2015 Bonds shall be deemed to have been paid under the Indentures, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Series 2015 Bonds to be redeemed, and that if such amounts shall not have been so received the notice shall be of no force and effect and the City shall not be required to redeem such Series 2015 Bonds. In the event that any such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and such failure to redeem such Series 2015 Bonds shall not constitute an Event of Default.

Any notice of optional or extraordinary redemption of Series 2015 Bonds given pursuant to the Indentures may be rescinded by written notice given to the Trustee by the City no later than five Business Days prior to the date specified for redemption.

The City has covenanted that, so long as any Bonds are outstanding, it will annually levy against all Taxable Land (as that term is defined in the Indentures) in the Community Facilities District and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Indentures, and which in any event will be sufficient to pay the interest on and the principal of and the Minimum Sinking Fund Account Payments for and the redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund established under the Indentures and to pay all current Expenses (as that term is defined in the Indentures) as they become due and payable in accordance with the provisions of the Indentures.

The Series 2015 Bonds are issuable in the form of fully registered Bonds in the denomination of five thousand dollars (\$5,000) or any integral multiple of five thousand dollars (\$5,000) (not exceeding the principal amount of Series 2015 Bonds maturing at any one time). The registered owner of any Series 2015 Bond or Bonds may surrender the same (together with a written instrument of transfer satisfactory to the Trustee duly executed by such registered owner or his duly authorized attorney) in exchange for an equal aggregate principal amount of Series 2015 Bonds of the same maturity date of any other authorized denominations in the manner, subject to the conditions and upon payment of the charges provided in the Indentures.

The registration of this Series 2015 Bond is transferable on the registration books kept by the Trustee by the registered owner hereof or by his duly authorized attorney upon surrender of this Series 2015 Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by such registered owner or his duly authorized attorney, and thereupon a new Series 2015 Bond or Bonds of the same maturity date of authorized denominations in the same aggregate principal amount will be issued to the transferee in exchange therefor in the manner, subject to the conditions and upon payment of the charges provided in the Indentures. The City and the Trustee may deem and treat the person in whose name this Series 2015 Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the interest hereon and principal hereof and redemption premium, if any, hereon and for all other purposes.

The rights and obligations of the City and of the registered owners of the Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Indentures, and in certain circumstances without the consent of such registered owners, but no such amendment shall (1) extend the maturity of this Series 2015 Bond or reduce the interest rate hereon or otherwise alter or impair the obligation of the City to pay the interest hereon or principal hereof or redemption premium, if any, hereon at the time and place and at the rate and in the currency and from the funds provided herein without the express written consent of the registered owner of this Series 2015 Bond, or (2) permit the issuance by the City of any obligations payable from the proceeds of the Special Tax other than as provided in the Indentures, or jeopardize the ability of the City to levy and collect the Special Tax, or (3) reduce

the percentage of the Bonds required for the written consent to an amendment of the Indentures, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto; all as more fully set forth in the Indentures.

The Series 2015 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction, and neither the City Council of the City nor the City nor any officer or employee thereof shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Series 2015 Bonds otherwise than from the proceeds of the Special Tax and the other funds, as provided in the Indentures.

This Series 2015 Bond shall not be entitled to any benefits under the Indentures or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been signed by the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Series 2015 Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Series 2015 Bond, together with all other obligations of the City and the Community Facilities District, does not exceed any limit prescribed by the laws of the State of California and is not in excess of the amount of Series 2015 Bonds permitted to be issued under the Indentures.

IN WITNESS WHEREOF, the City of Sacramento has caused this Series 2015 Bond to be executed in its name and on its behalf by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the City Clerk of the City, and has caused its seal to be impressed hereon or printed herein by facsimile reproduction, and has caused this Series 2015 Bond to be dated _____, 2015.

CITY OF SACRAMENTO

By _____
Mayor

(Seal)

Countersigned:

City Clerk

[FORM OF CERTIFICATE OF AUTHENTICATION AND
REGISTRATION TO APPEAR ON SERIES 2015 BONDS]

This is one of the Series 2015 Bonds described in the within-mentioned Indentures which has been authenticated and registered on the date indicated below.

Date: _____

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Signatory

[FORM OF ASSIGNMENT TO APPEAR ON SERIES 2015 BONDS]

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within Series 2015 Bond and do(es) hereby irrevocably constitute and appoint _____ attorney to transfer the same on the bond register of the Trustee, with full power of substitution in the premises.

Dated: _____

SIGNATURE GUARANTEED BY:

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Series 2015 Bond in every particular, without alteration or enlargement or any change whatsoever, and the signature(s) must be guaranteed by an eligible guarantor institution.

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

[FORM OF DTC ENDORSEMENT]

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

SECTION 2.07. Use of Depository for Series 2015 Bonds.

- (a) Notwithstanding anything to the contrary contained herein, the Series 2015 Bonds will be initially registered in the name of “Cede & Co.,” as nominee of The Depository Trust Company, New York, New York, and will be initially issued as one Series 2015 Bond for each of the maturities in the principal amounts set forth in Section 2.03 hereof, and The Depository Trust Company, New York, New York, is hereby appointed initial depository for the Series 2015 Bonds. After such initial registration, registered ownership of the Series 2015 Bonds, or any portion thereof, may not thereafter be transferred except as follows:
 - (1) to any successor of Cede & Co., as nominee of The Depository Trust Company, or its nominee, or to any substitute depository designated under Section 2.07(a)(2) (a “**substitute depository**”), but only if the successor or substitute depository is

qualified under any applicable laws to provide the services proposed to be provided by it;

- (2) to any substitute depository not objected to by the Trustee, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the City to substitute another depository for The Depository Trust Company (or its successor) because The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository, 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 as provided in Section 2.07(b), upon (A) the resignation of The Depository Trust Company or its successor (or substitute depository or its successor) from its functions as depository or (B) a determination by the City to remove The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository.
- (b) In the case of any transfer under Sections 2.07(a)(1) or 2.07(a)(2), upon receipt of the Outstanding Series 2015 Bonds by the Trustee, together with a Written Request of the City to the Trustee, a new Series 2015 Bond for each maturity will be executed and delivered in the aggregate principal amount of the Series 2015 Bonds 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 City. In the case of any transfer under Section 2.07(a)(3), upon receipt of the Outstanding Series 2015 Bonds by the Trustee, together with a Written Request of the City to the Trustee, new Series 2015 Bonds will be executed and delivered in such denominations numbered in the manner determined by the Trustee and registered in the names of such persons as are requested in such Written Request of the City, subject to the limitations of Section 2.03 hereof, and thereafter, Series 2015 Bonds will be transferred under Section 3.03 of the Indenture, but the Trustee is not required to deliver the new Series 2015 Bonds on a date earlier than 60 days after receipt of such Written Request of the City.
- (c) The City and the Trustee are entitled to treat the person in whose name any Series 2015 Bond is registered as the owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by the City or the Trustee; and the City and the Trustee have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with, any beneficial owners of the Series 2015 Bonds. Neither the City nor the Trustee will have any responsibility or obligation, legal or otherwise, to the beneficial owners or to any other party, including The Depository Trust Company or its successor (or substitute depository or its successor), except to The Depository Trust Company or its successor (or substitute depository or its successor) as a Holder of any Series 2015 Bonds.
- (d) So long as the Outstanding Series 2015 Bonds are registered in the name of Cede & Co. or its registered assigns, the City and the Trustee shall cooperate with Cede & Co. as sole Holder, or with its registered assigns, in effecting payment of the interest on, and

principal of, and redemption premiums, if any, on, the Series 2015 Bonds by arranging for payment in such manner that funds for the payments are properly identified and are made immediately available on the date they are due.

SECTION 2.08. Application of Proceeds of Sale of Series 2015 Bonds. Upon the receipt of payment for the Series 2015 Bonds when they have been duly sold by the City, the Trustee shall (upon receipt of a Written Request of the City) set aside and deposit the purchase price of the Series 2015 Bonds (as determined by the Treasurer) in the following funds (or in a temporary account or fund in its books used to facilitate the transfers) in the following order:

- (a) First, the Trustee shall deposit in the Bond Reserve Fund a sum that is equal to the amount of the Required Bond Reserve, being the sum of \$[_____].
- (b) Second, the Trustee shall deposit in the “City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Refunding Bonds, Series 2015 Refunding Fund,” which fund the Trustee shall establish and maintain, the amount of \$[_____], and all money in the Series 2015 Refunding Fund must be transferred to, and deposited in, the Escrow Fund created under the Escrow Agreement and applied by the Trustee (as Escrow Agent under the Escrow Agreement) in accordance with the Escrow Agreement, except that the Trustee shall deposit in the Redemption Fund any money remaining in the Series 2015 Refunding Fund that is not used for the foregoing purpose and then close the Series 2015 Refunding Fund.
- (c) Third, the Trustee shall transfer to the Treasurer for deposit by the Treasurer in the “City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Refunding Bonds, Series 2015 Costs of Issuance Fund,” which fund the Treasurer shall establish and maintain until _____, _____, the remainder of the purchase price of the Series 2015 Bonds, being the amount of \$[_____], and the proceeds so deposited must be applied in the manner provided by the Law for payment of the costs of issuance of the Series 2015 Bonds, except that on _____, _____, the Trustee shall withdraw any remaining money in the Series 2015 Costs of Issuance Fund, transfer it to the Treasurer for deposit in the Redemption Fund, and then close the Series 2015 Costs of Issuance Fund.

ARTICLE III

MISCELLANEOUS

SECTION 3.01. Authority for the Fourth Supplemental Indenture. The Fourth Supplemental Indenture is executed under and in accordance with the Law and is supplemental to, and is executed in accordance with, Articles II and IX of the Indenture.

SECTION 3.02. Terms of Series 2015 Bonds Subject to the Indenture. Except as expressly provided in this Fourth Supplemental Indenture, every agreement, condition, covenant, and term contained in the Indenture will apply to this Fourth Supplemental Indenture and to the Series 2015 Bonds with the same force and effect as if they were herein set forth at length, with

such omissions, variations, and modifications thereof as may be appropriate to make them conform to the Fourth Supplemental Indenture.

SECTION 3.03. Covenant Regarding Additional Bonds. Notwithstanding anything to the contrary contained in the Indenture or this Fourth Supplemental Indenture, for so long as the Series 2015 Bonds are outstanding, the City shall not issue any additional Bonds (other than the Series 2015 Bonds) under the Indenture except for the purpose of refunding any Bonds (including the Series 2015 Bonds) then outstanding under the Indenture.

SECTION 3.04. Amendments to Indenture. The Indenture is hereby amended as follows (additions shown in ***bold italicized text*** and deletions shown in ~~striketrough~~ text for convenience):

- (a) The definition of “Required Bond Reserve” set forth in Section 1.01 of the Indenture is hereby amended to read in full as follows:

“Required Bond Reserve

“Required Bond Reserve” means, as of any date of calculation, the least of (a) ten per cent (10%) of the original principal amount of the Bonds, or (b) the Maximum Annual Debt Service, or (c) one hundred twenty-five per cent (125%) of the Average Annual Debt Service, all as computed by the City under the Code and specified in writing to the Trustee; provided, that notwithstanding anything contained herein, such requirement (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to “~~Aaa~~” “***Aa***” or higher assigned by Moody’s or “~~AAA~~” “***AA***” or higher assigned by Standard & Poor’s, ***in each case without regard to any numerical modifier or plus or minus sign.***”

- (b) Subsections (b), (c), and (d) and the last paragraph of Section 7.06 are hereby deleted, and Section 7.06 is hereby amended to read in full as follows:

“Section 7.06 Accounting Records; ~~Financial Statements~~
and ~~Other Reports~~.

~~(a)~~ The City will keep, or in the case of transactions made by the Trustee it will cause the Trustee to keep, appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Special Tax and of the proceeds of the Bonds, which accounting records shall at all times during business hours with reasonable prior notice be subject

to the inspection of any Holder (or his representative authorized in writing) and (upon the prior written consent of the City) of any investment banker, security dealer or other person interested in the Bonds.”

- (c) The initial Holders and subsequent Holders of the Series 2015 Bonds, by purchase and acceptance thereof, will be deemed to have consented in accordance with Section 9.01 of the Indenture to the amendments set forth in Sections 3.04(a) and 3.04(b) above.

SECTION 3.05. Effective Date of the Fourth Supplemental Indenture. This Fourth Supplemental Indenture takes effect when it is signed by both parties and delivered.

The City of Sacramento has caused this Fourth Supplemental Indenture to be signed in its name by the City Treasurer, and U.S. Bank National Association has caused this Fourth Supplemental Indenture to be signed in its name by a duly authorized corporate officer.

CITY OF SACRAMENTO

By: _____
Russell T. Fehr, City Treasurer

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Officer

BOND PURCHASE CONTRACT

\$ _____
**CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX REFUNDING BONDS, SERIES 2015**

_____, 2015

City of Sacramento
915 I Street
Sacramento, California 95814

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”) offers to enter into this Bond Purchase Contract (this “**Contract**”) with the City of Sacramento (the “**City**”), with respect to the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 (the “**CFD**”).

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

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

1. **Purchase and Sale of Bonds.** Relying on the representations, warranties, and covenants in this Contract, the Underwriter shall purchase from the City, and the City shall sell to the Underwriter, on the terms and conditions set forth below, all (but not less than all) of \$_____ aggregate principal amount of the special tax refunding bonds captioned above (the “**Bonds**”) at a purchase price (the “**Purchase Price**”) of \$_____ (being an amount equal to the par amount of the Bonds, \$_____, plus a net original-issue premium of \$_____, and less an Underwriter’s discount of \$_____).
2. **Authorizing Instruments.** The City will issue the Bonds under—
 - (a) the Mello-Roos Community Facilities Act of 1982, as amended (the “**Act**”);
 - (b) the resolution of the Sacramento City Council (the “**City Council**”), adopted on April 23, 2015, that authorizes the issuance of the Bonds (the “**Resolution**”); and
 - (c) an Indenture dated as of September 1, 1997, between the City and U.S. Bank National Association (as successor to U.S. Bank Trust National Association, formerly First Trust of California, National Association) (the “**Trustee**”), as supplemented and amended to date,

and as supplemented and amended by a Fourth Supplemental Indenture dated as of May 1, 2015, between the City and the Trustee (the “**Fourth Supplemental Indenture**” and, collectively, the “**Indenture**”).

3. **Terms of the Bonds.** The Bonds are payable solely from special taxes levied under the Act on taxable property in the CFD (the “**Special Taxes**”). The Bonds will mature on the dates and in the principal amounts, will bear interest at the rates, and will be subject to redemption before maturity as set forth on Exhibit A to this Contract. The Underwriter shall make a bona fide public offering of all of the Bonds at the offering prices set forth on Exhibit A. The Bonds are being issued to refund and defease certain outstanding special-tax bonds, which the City previously issued through the CFD, under an Escrow Agreement dated as of May 1, 2015 (the “**Escrow Agreement**”), between the City and U.S. Bank National Association, as escrow agent.
4. **Preliminary Official Statement; Official Statement; Continuing Disclosure.**
 - (a) The City shall deliver to the Underwriter as many copies of the Official Statement relating to the Bonds, dated the date of this Contract (as supplemented and amended from time to time, the “**Final Official Statement**”), as the Underwriter may reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (“**Rule 15c2-12**”). The City shall deliver the Final Official Statement within seven business days after the execution of this Contract and in sufficient time to accompany any confirmation that requires payment from a customer. The Underwriter shall deposit the Final Official Statement with the Municipal Securities Rulemaking Board, which the Securities and Exchange Commission has designated as the sole repository of disclosure information for purposes of Rule 15c2-12, on or as soon as practicable after the Closing Date (defined in Section 7 below). The Underwriter shall deliver a copy of the Final Official Statement to each of its customers purchasing Bonds no later than the settlement date of the transaction.
 - (b) The City has authorized and approved the Preliminary Official Statement relating to the Bonds dated _____, 2015 (the “**Preliminary Official Statement**”) and the Final Official Statement, and consents to their distribution and use by the Underwriter.
 - (c) In connection with issuance of the Bonds, and to assist the Underwriter with complying with Rule 15c2-12, the City shall execute a continuing-disclosure certificate, under which the City will provide certain financial and operating data relating to the CFD as required by Rule 15c2-12 (the “**Continuing Disclosure Certificate**”). The form of the Continuing Disclosure Certificate will be attached as an appendix to the Preliminary and Final Official Statements.
5. **Representations and Warranties of the City.** The City makes the following representations and warranties to the Underwriter:
 - (a) *Due Organization and Authority.* The CFD was duly formed and is validly existing as a community facilities district under the Act.

- (b) *Full Right, Power, and Authority.* The City has complied with all provisions of applicable law, including the Act, in all matters relating to the adoption of the Resolution, the formation of the CFD, the incurrence of bonded indebtedness for the CFD, and the levy of the Special Taxes within the CFD. The City Council thus has the full legal right, power, and authority to adopt the Resolution, and the City has the full legal right, power, and authority—
- (1) to enter into this Contract, the Fourth Supplemental Indenture, the Escrow Agreement, and the Continuing Disclosure Certificate (collectively, the “**City Documents**”);
 - (2) to issue, sell, and deliver the Bonds;
 - (3) to secure the Bonds in the manner contemplated in the Indenture; and
 - (4) to carry out and consummate on its part all other transactions contemplated by the City Documents.
- (c) *Authorization of Documents; Consents and Approvals.* Except as may be required under blue-sky laws or other securities laws of any state, all consents or approvals the City must obtain in connection with the foregoing have been obtained, and the consents or approvals so obtained are still in full force and effect. The City Council thus has duly authorized—
- (1) the execution and delivery of the City Documents and the Final Official Statement, and the execution, delivery, and due performance of the City’s obligations under the Bonds and the City Documents; and
 - (2) the taking of any and all action as may be required on the part of the City to carry out, give effect to, and consummate on its part the transactions contemplated by the Bonds and the City Documents.
- (d) *Due Adoption of Resolution and Enforceability of Documents.* The Resolution has been duly adopted by the City Council and is in full force and effect; and the City Documents, when executed and delivered by the City and the other parties, will constitute legal, valid, and binding obligations of the City, enforceable against the City in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights generally or by the application of equitable principles.
- (e) *Enforceability of Bonds.* When delivered to the Underwriter, the Bonds will have been duly authorized by the City; will have been duly executed, issued, and delivered by the City; and will constitute legal, valid, and binding obligations of the City enforceable against the City in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights generally or by the

application of equitable principles, and will be entitled to the benefit and security of the Resolution and the Indenture.

- (f) *Preliminary and Final Official Statements.* The information in the Preliminary Official Statement relating to the City and the CFD is true in all material respects as of the date of the Preliminary Official Statement, and the information in the Final Official Statement will be true in all material respects as of the Closing Date. The Preliminary Official Statement does not as of its date, and the Final Official Statement will not as of the Closing Date, contain any untrue or misleading statement of a material fact relating to the City or the CFD or omit to state any material fact relating to the City or the CFD necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- (g) *Supplements or Amendments to Official Statement.* The City shall promptly notify the Underwriter in writing if, at any time before the earlier of (1) the City's receipt of the Underwriter's notice that the Final Official Statement is no longer required to be delivered under Rule 15c2-12 or (2) the Closing Date (defined in Section 7 below), any event occurs that is known to the City officers participating in the issuance of the Bonds and that might cause the Final Official Statement, as then amended or supplemented, to include an untrue statement of a material fact or to omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Any information the City supplies for inclusion in any amendments or supplements to the Final Official Statement must not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- (h) *No Conflicts.* To the City's current, actual knowledge, the adoption of the Resolution, the issuance of the Bonds, the execution and delivery of the City Documents, the consummation of the transactions on the part of the City contemplated herein or therein, and the City's compliance with the provisions hereof or thereof, will not conflict with, or constitute on the City's part a violation of, or a breach of or default under, any of the following in a way that would have a material adverse effect on the City's ability to perform its obligations under the Bonds and the City Documents:
 - (1) A material indenture, mortgage, commitment, note, or other agreement or instrument to which the City is a party or by which it is bound.
 - (2) A provision of the Act or the California Constitution.
 - (3) An existing law, rule, regulation, ordinance, judgment, order, or decree to which the City (or the members of the City Council or any of the City's officers in their capacities as such) is subject.
- (i) *No Defaults.* The City has never been in default at any time as to principal of, or interest on, any obligation it has issued where the default might have an adverse effect on the

City's ability to consummate the transactions described in the Bonds and the City Documents, except as specifically disclosed in the Final Official Statement; and except as specifically disclosed in the Final Official Statement, the City has not entered into any agreement or arrangement of any kind that might give rise to any lien or encumbrance on any of the Special Taxes.

- (j) *No Litigation.* To the Sacramento City Attorney's current, actual knowledge, except as is specifically disclosed in the Final Official Statement, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or public body—
 - (1) that questions in any way the powers of the City Council in connection with the issuance of the Bonds;
 - (2) that questions in any way the validity of any proceeding taken by the City Council in connection with the issuance of the Bonds;
 - (3) in which an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the City's financial condition or on the transactions described in this Contract;
 - (4) that is likely to adversely affect the validity or enforceability of the Resolution, the Bonds, or the City Documents; or
 - (5) that questions in any way the status of the Bonds under California's tax laws or tax regulations.
- (k) *Certificates of the City.* Any certificate that is signed by a City official authorized to sign it and is delivered to the Underwriter in connection with the transactions contemplated by this Contract will be deemed a representation and warranty by the City to the Underwriter as to the truth of the statements in the certificate.
- (l) *Security for the Bonds.* Debt service on the Bonds will be paid solely from the Special Taxes the City receives under the Indenture.
- (m) *Levy of Special Taxes.* The Special Taxes have been and will be levied in accordance with the rate and method of apportionment of Special Taxes relating to the CFD and are secured by a lien on the properties on which they are levied.
- (n) *Pledge of Special Taxes.* The Indenture creates a valid pledge of, and first lien upon, the Special Taxes deposited thereunder and the moneys in certain funds and accounts established thereunder, subject in all cases to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

- (o) *Prior Continuing Disclosure Undertakings.* Except as disclosed in the Final Official Statement, the City has never failed to comply in all material respects with previous undertakings under Rule 15c2-12.
 - (p) *Prior Bonded Assessment and Special Tax Liens.* Except as disclosed in the Final Official Statement, to the City's current and actual knowledge there are no entities with outstanding assessment liens or special-tax liens against any of the properties within the CFD.
6. **Blue Sky.** The City shall cooperate with the Underwriter (at the Underwriter's cost) in qualifying the Bonds for offer and sale under the securities or blue-sky laws of such jurisdictions of the United States as the Underwriter may reasonably request, except that the City is not required to consent to suit or to service of process in, or to qualify to do business in, any jurisdiction. The City consents to the Underwriter's use of the City Documents for complying with the securities or blue-sky laws of the various jurisdictions of the documents relating to the Bonds.
7. **Closing.**
- (a) At 9:00 a.m. (Sacramento time) on _____, 2015, or at such other time or date as the City and the Underwriter may agree on (the "**Closing Date**"), the City shall deliver or cause to be delivered to the Underwriter the Bonds in definitive form, duly executed by the City's authorized officers and authenticated by the Trustee, together with the other documents hereinafter mentioned, and the Underwriter shall accept the delivery and pay the Purchase Price of the Bonds by making a wire transfer in federal funds payable to the order of the Trustee.
 - (b) The activities relating to the final execution and delivery of the Bonds and the payment therefor and the delivery of the resolutions, certificates, opinions, and other instruments as described in Section 9 of this Contract will occur at the offices of Orrick, Herrington & Sutcliffe LLP ("**Bond Counsel**") in Sacramento, California. The payment for the Bonds and simultaneous delivery of the Bonds to the Underwriter is the "**Closing**." The Bonds must be delivered as fully registered Bonds initially in denominations of \$5,000 each and any integral multiple thereof. The Bonds must be registered in the name of Cede & Co., as nominee of The Depository Trust Company, and must be made available for checking by the Underwriter at such place as the Underwriter and the Trustee agree at least 24 hours before the Closing.
8. **Termination Events.** The Underwriter may cancel its obligations to purchase the Bonds if any of the following occurs between the effective date of this Contract and the Closing Date:
- (a) The House of Representatives or the Senate of the United States Congress, or a committee of either, has pending before it, or passes or recommends favorably, legislation introduced previous to the date hereof, which legislation, if enacted in its form as introduced or as amended, would have the purpose or effect of imposing federal income taxation upon revenues or other income of the general character to be derived

by the City or by any similar body under the Resolution, the Indenture, or the Act, or upon interest received on obligations of the general character of the Bonds, or of causing interest on obligations of the general character of the Bonds to be includable in gross income for purposes of federal income taxation, and such legislation, in the Underwriter's opinion, materially adversely affects the market price of the Bonds.

- (b) A tentative decision with respect to legislation is reached by a committee of the House of Representatives or the Senate of the United States Congress, or legislation is favorably reported or re-reported by such a committee or introduced, by amendment or otherwise, in or passed by the House of Representatives or the Senate, or recommended to the United States Congress for passage by the President of the United States, or enacted or a decision by a federal court of the United States or the United States Tax Court is rendered, or a ruling, release, order, regulation, or official statement (tentative, proposed, or final) by or on behalf of the United States Treasury Department, the Internal Revenue Service, or other governmental agency is made or proposed to be made having the purpose or effect, or any other action or event occurs that has the purpose or effect, directly or indirectly, that (1) adversely affects the federal income-tax consequences of owning the Bonds, including causing interest on the Bonds to be included in gross income for purposes of federal income taxation; or (2) imposes a federal income tax upon revenues or other income of the general character to be derived by the City under the Resolution or the Indenture, or upon interest received on obligations of the general character of the Bonds, or the Bonds; or (3) which, in the Underwriter's opinion, materially adversely affects the market price of or market for the Bonds.
- (c) Legislation is enacted, or actively considered for enactment with an effective date before the Closing, or a decision by a court of the United States is rendered, the effect of which is that the Bonds are not exempt from the registration, qualification, or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Resolution or the Indenture, as the case may be, is not exempt from the Trust Indenture Act of 1939, as amended and as then in effect.
- (d) A stop order, ruling, regulation, or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter is issued or made or any other event occurs, the effect of which is that the issuance, offering, or sale of the Bonds, or the execution and delivery of the Indenture as contemplated hereby or by the Final Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933 as then in effect, the Securities Exchange Act of 1934 as then in effect, or the Trust Indenture Act of 1939 as then in effect.
- (e) Any event occurs or any information becomes known to the Underwriter that causes the Underwriter to reasonably believe that the Final Official Statement as then amended or supplemented includes an untrue statement of a material fact or omits to state any

material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

- (f) There occurs any outbreak of hostilities or any national or international calamity or crisis, including a financial crisis, the effect of which on the financial markets of the United States is such as, in the Underwriter's reasonable judgment, would materially adversely affect the market for or market price of the Bonds.
 - (g) There is in force a general suspension of trading on the New York Stock Exchange, the effect of which on the financial markets of the United States is such as, in the Underwriter's reasonable judgment, would materially adversely affect the market for or market price of the Bonds.
 - (h) A general banking moratorium is declared by federal, New York, or California authorities.
 - (i) Any proceeding is pending or threatened by the Securities and Exchange Commission against the City.
 - (j) Additional material restrictions not in force as of the date hereof are imposed upon trading in securities generally by any governmental authority or by any national securities exchange, and the restrictions adversely affect the Underwriter's ability to sell the Bonds; or
 - (k) The New York Stock Exchange or other national securities exchange, or any governmental authority, imposes, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increases materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriter.
 - (l) An amendment to the United States or California Constitution is enacted or action is taken by any federal or California court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the City, its property, income, or securities (or interest thereon), the validity or enforceability of the Special Taxes or the ability of the City to issue the Bonds, or the levy of any of the Special Taxes, as contemplated by the Resolution, the Indenture, this Contract, and the Final Official Statement.
9. **Conditions to Closing.** The Underwriter's obligations to purchase the Bonds are subject to the City's performance of the City's obligations hereunder at and before the Closing, to the accuracy as of the date hereof and as of the time of the Closing of the City's representations and warranties herein, and to the following conditions, including the delivery by the City of such documents as are enumerated herein in form and substance satisfactory to the Underwriter:
- (a) At the time of Closing, (1) the Final Official Statement, the Resolution, the Indenture, the Escrow Agreement, the Continuing Disclosure Certificate, and this Contract must be in

full force and effect and must not have been amended, modified, or supplemented except as may have been agreed to in writing by the Underwriter; and (2) the CFD must have been duly formed and there must be in full force and effect such resolutions as in Bond Counsel's opinion are necessary in connection with the transactions contemplated hereby, including but not limited to the Resolution.

- (b) The Underwriter must receive the Bonds at or before the Closing. The terms of the Bonds delivered must in all instances be as described in Final Official Statement.
- (c) At or before the Closing, the Underwriter must receive the following documents in such number of counterparts as are agreeable to the Underwriter and the City:
 - (1) Bond Counsel's final approving opinion, dated the Closing Date and substantially in the form attached as Appendix B to the Final Official Statement, together with a letter addressed to the Underwriter to the effect that the Underwriter may rely upon the opinion to the same extent as if the opinion were addressed to the Underwriter.
 - (2) A letter or letters of Bond Counsel addressed to the Underwriter in substantially the form attached hereto as Exhibit F.
 - (3) A letter of Jones Hall, A Professional Law Corporation, as counsel to the Underwriter ("**Underwriter's Counsel**"), addressed to the City and the Underwriter, stating the following:
 - (A) without passing upon or assuming any responsibility for the accuracy, completeness, or fairness of the statements contained in the Final Official Statement, and making no representation that Underwriter's Counsel has independently verified the accuracy, completeness, or fairness of any such statements, based upon the information made available to them in the course of their participation in the preparation of the Final Official Statement, nothing has come to such counsel's attention that would lead them to believe that the Final Official Statement, including the cover page (but excluding therefrom (i) the appendices thereto, financial statements and statistical data, and information regarding The Depository Trust Company and its book-entry system, as to which no opinion need be expressed) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and
 - (B) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.
 - (4) The City Attorney's opinion, dated the Closing Date and addressed to the Underwriter, and in substantially the form attached hereto as Exhibit G.

- (5) The Final Official Statement executed on the City's behalf by a duly authorized officer.
- (6) A certified copy of the Resolution.
- (7) Specimen Bonds.
- (8) Evidence that the City has signed Internal Revenue Service Form 8038-G and will file it with the Internal Revenue Service.
- (9) Executed copies of the City Documents.
- (10) A tax certificate signed by the City in form and substance satisfactory to Bond Counsel.
- (11) In connection with printing and distribution of the Preliminary Official Statement, a signed certificate of the City in the form attached hereto as Exhibit B.
- (12) A closing certificate of the City, in form and substance as set forth in Exhibit C hereto, dated as of the Closing Date.
- (13) A certificate of NBS Government Finance Group, Temecula, California, as Special Tax Consultant, in form and substance as set forth in Exhibit D hereto, dated as of the Closing Date.
- (14) A certificate of the City, in form and substance acceptable to the Underwriter and Underwriter's Counsel, dated as of the Closing Date, in connection with the City's prior continuing-disclosure obligations.
- (15) A certificate of the Trustee, in form and substance as set forth in Exhibit E hereto, dated as of the Closing Date.
- (16) An opinion of counsel to the Trustee, dated as of the Closing Date, in form and substance satisfactory to the Underwriter and Bond Counsel.
- (17) Evidence that the Bonds have been assigned the rating or ratings set forth in the Final Official Statement and that no withdrawal or downgrading of the rating or ratings has occurred.
- (18) Such additional legal opinions, certificates, proceedings, instruments, and other documents as the Underwriter or Bond Counsel may reasonably request to evidence the City's compliance with legal requirements; the truth and accuracy, as of the time of Closing, of the City's representations herein contained; and the City's due performance or satisfaction at or before such time of all agreements then to be performed and all conditions then to be satisfied by the City.

- (d) If the City is unable to satisfy the conditions in Sections 9(a), 9(b), and 9(c) of this Contract, or if the Underwriter's obligations to purchase and accept delivery of the Bonds are terminated for any reason permitted by this Contract, then this Contract will terminate and neither the Underwriter nor the City will be under further obligation hereunder other than their respective obligations to pay expenses, as provided in Section 12 hereof, which will continue in full force and effect.
10. **Conditions to the City's Obligations.** The City's obligations hereunder are subject to the Underwriter's performance of its obligations hereunder and the Underwriter's delivery of an issue-price certificate in form and substance reasonably satisfactory to Bond Counsel.
11. **Survival of Representations, Warranties, and Agreements.** All of the City's representations, warranties, and agreements hereunder will remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter, and will survive the Closing.
12. **Expenses.**
- (a) The City shall pay or cause to be paid all reasonable expenses incident to the issuance of the Bonds and to the performance of its obligations under this Contract, including but not limited to (1) costs of delivery of the Bonds and this Contract; (2) costs of printing the Preliminary Official Statement, the Final Official Statement, and any amendment or supplement to the Preliminary Official Statement or Final Official Statement; and (3) fees and disbursements of Bond Counsel, any financial advisor, and other consultants, including the fees and expenses of the rating agency, Special Tax Consultant and the Trustee.
- (b) The Underwriter shall pay all advertising expenses in connection with the public offering of the Bonds and all other expenses it incurs in connection with its public offering and distribution of the Bonds, including without limitation the fees and expenses of its counsel.
13. **No Fiduciary Duty.**
- (a) The City and the Underwriter acknowledge and agree that—
- (1) the purchase and sale of the Bonds under this Contract is an arm's-length commercial transaction between the City and the Underwriter;
- (2) in connection with the purchase and sale of the Bonds and with the discussions, undertakings, and procedures leading up to the consummation of the purchase and sale of the Bonds under this Contract, the Underwriter is and has been acting solely as principal and is not acting as the agent or fiduciary of the City;

- (3) the Underwriter has not assumed a fiduciary responsibility in favor of the City with respect to (A) the offering of the Bonds contemplated hereby or the process leading thereto (whether or not the Underwriter or any affiliate of the Underwriter has advised or is currently advising the City on other matters) or (B) any other obligation to the City with respect to the offering contemplated hereby except the obligations expressly set forth in this Contract; and
- (4) the City and the Underwriter have consulted their own legal, financial, and other advisors to the extent they have deemed appropriate in connection with this transaction.

(b) This Section 13 does not limit the Underwriter's obligations of fair dealing under Municipal Securities Rulemaking Board Rule G-17.

14. **Notices.**

- (a) To be effective, any notice or other communication given to the City under this Contract must be in writing and must be delivered to the following person at the following address:

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

- (b) To be effective, any notice or other communication to be given to the Underwriter under this Contract must be in writing and must be delivered to the following person at the following address:

Stifel Nicolaus & Company, Incorporated
One Montgomery Street, 37th Floor
San Francisco, California 94104
Attention: Public Finance Department

- 15. **Benefit.** This Contract is made solely for the benefit of the parties and their successors and assigns, and no other person, including any purchaser of the Bonds, will acquire or have any right under or by virtue of it.
- 16. **Governing Law.** This Contract is to be governed by, and construed in accordance with, the laws of the State of California.
- 17. **Effective Date.** This Contract becomes effective when the City accepts it.
- 18. **Counterparts.** The parties may sign this Contract in counterparts, each of which will be considered as an original, but all of which will constitute same instrument.

19. **Severability.** If any court with jurisdiction rules that any provision of this Contract is invalid or unenforceable, then the rest of this Contract remains valid and enforceable.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____
Authorized Representative

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

CITY OF SACRAMENTO

By: _____
Russell T. Fehr, City Treasurer

Date and Time of Execution: April ____, 2015,
at __: __ a.m./p.m. (Sacramento time)

EXHIBIT A

\$ _____
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX REFUNDING BONDS, SERIES 2015

MATURITY SCHEDULE AND
REDEMPTION TERMS

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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C = Priced to the optional redemption date of September 1, 20__.

T = Term Bonds

Mandatory Sinking Fund Redemption. The Term Bonds maturing by their terms on September 1, 20[___], are subject to mandatory redemption by the City before their maturity date in part on each September 1 on or after September 1, 20[___], to and including September 1, 20[___], solely from Minimum Sinking Fund Account Payments deposited in the Series 2015 Sinking Fund Account, upon mailed notice as provided in the Indenture, at the principal amount thereof, together with accrued interest thereon to the date of redemption, without premium.

Extraordinary Redemption from Special Tax Prepayments. The Bonds are subject to extraordinary redemption by the City before their maturity date as a whole or in part on any date solely from money derived by the City from prepayments of the Special Tax under the Law, upon mailed notice as provided in the Indenture, at the following redemption prices (computed upon the principal amount of the Series 2015 Bonds or portions thereof called for redemption), together with accrued interest thereon to the date of redemption:

- 103% if redeemed prior to September 1, 20[___]
- 102% if redeemed on September 1, 20[___], through August 31, 20[___]
- 101% if redeemed on September 1, 20[___], through August 31, 20[___]
- 100% if redeemed on or after September 1, 20[___], and before maturity]

Optional Redemption. The Bonds maturing by their terms on or after September 1, 20[___], are subject to optional redemption by the City before their [maturity dates] as a whole or in part on any date on or after September 1, 20[___], from money derived by the City from any source other than Minimum Sinking Fund Account Payments or prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

EXHIBIT B

**CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX REFUNDING BONDS, SERIES 2015**

CERTIFICATE REGARDING PRELIMINARY OFFICIAL STATEMENT

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

1. I am the duly appointed, qualified, and acting Treasurer of the City of Sacramento (the “**City**”), a municipal corporation duly organized and existing under its charter and the Constitution and laws of the State of California. As such, I am familiar with the facts herein certified and am authorized and qualified to certify those facts.
2. With respect to the above-captioned bonds, the City has deemed the Preliminary Official Statement dated _____, 2015, including the cover page and all appendices, to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, except for information permitted to be omitted therefrom by Rule 15c2-12.

Dated as of _____, 2015

CITY OF SACRAMENTO

By _____
Russell T. Fehr, City Treasurer

EXHIBIT C

§ _____
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX REFUNDING BONDS, SERIES 2015

CITY CLOSING CERTIFICATE

The undersigned hereby certifies and represents that he is the duly appointed and acting representative of the City of Sacramento (the “**City**”), that he is authorized to execute this certificate in connection with the issuance of the bonds captioned above, and that he further certifies and reconfirms the following on the City’s:

1. The representations, warranties, and covenants of the City contained in a Bond Purchase Contract between the City and Stifel, Nicolaus & Company, Incorporated, dated _____, 2015 (the “**Contract**”), are true and correct and in all material respects as of the date hereof as if made on the date hereof.
2. The City has complied with all agreements, covenants, and conditions to be complied with by the City under the Indenture and the Contract as of the date hereof.

Each capitalized term not defined herein has the meaning given to it in the Contract.

Dated: _____, 2015

CITY OF SACRAMENTO

By: _____
Russell T. Fehr, City Treasurer

EXHIBIT D

\$ _____
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX REFUNDING BONDS, SERIES 2015

CERTIFICATE OF SPECIAL-TAX CONSULTANT

The City of Sacramento has retained NBS Government Finance Group of Temecula, California (“NBS”) as a special-tax consultant in connection with the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 (the “CFD”). NBS has reviewed the rate and method of apportionment of special tax for the CFD (the “Rate and Method of Apportionment”), which is set forth in Appendix C to the Official Statement (the “Official Statement”) dated _____, 2015, relating to the bonds captioned above (the “Bonds”). NBS has also reviewed the summaries and descriptions of the Rate and Method of Apportionment contained in the Official Statement. Based upon that review, NBS hereby certifies as follows:

- (a) The Special Tax levied under the Rate and Method of Apportionment, if levied in the maximum amounts permitted under the special-tax formula set forth in the Rate and Method of Apportionment on the date hereof, would be levied in a combined amount equal to the projected debt service on the Bonds, provided that the annual debt-service figures in the debt-service schedules in the Official Statement, which were relied upon by Special Tax Consultant, are substantially true and correct. Although the Special Tax, if levied in the maximum amounts under the special-tax formula set forth in the Rate and Method of Apportionment, would be levied in an amount equal to the projected debt service on the Bonds, no representation is made herein as to actual amounts that will be collected in future years.
- (b) Except as disclosed in the Official Statement, there are, to the best of the Special Tax Consultant’s knowledge after reasonable and diligent investigation of records made available by the County, no entities with outstanding assessment or special-tax liens against any of the properties within the CFD.
- (c) All summaries of and information with respect to the Rate and Method of Apportionment in the Official Statement, all information in Tables 1 through 8 in the Official Statement, and all other information provided by the Special Tax Consultant for inclusion in the Official Statement are true and correct as of the date of the Official Statement and as of the date hereof.

Each capitalized term not defined herein has the meaning given to it in the Official Statement.

Dated: _____, 2015

NBS GOVERNMENT FINANCE GROUP

By: _____

Title: _____

EXHIBIT E

§ _____
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX REFUNDING BONDS, SERIES 2015

CERTIFICATE OF TRUSTEE

The undersigned hereby states and certifies that he or she is an authorized officer of U.S. Bank National Association (the “**Bank**”), as trustee under an Indenture dated as of September 1, 1997, between the City and U.S. Bank Trust National Association, formerly First Trust of California, National Association, predecessor to the Bank, as supplemented and amended to date, and as supplemented and amended by a Fourth Supplemental Indenture dated as of May 1, 2015 (the “**Fourth Supplemental Indenture**” and, collectively, the “**Indenture**”), between the City and the Bank, as trustee, relating to the bonds captioned above (the “**Bonds**”), and as escrow agent under the Escrow Agreement dated as of May 1, 2015 (the “**Escrow Agreement**”), between the City and the Bank, with respect to the refunding of certain outstanding special-tax bonds of the City.

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

- (1) The Bank is duly organized and existing as a national banking association under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Indenture and the Escrow Agreement.
- (2) The Bank has duly authorized, executed, and delivered the Indenture and the Escrow Agreement.
- (3) To the Bank’s best knowledge after due inquiry, there is no action, suit, proceeding, or investigation at law or in equity before or by any court or governmental agency, public board, or body (a) pending against the Bank or threatened against the Bank that in the Banks’ reasonable judgment would affect the Bank’s existence or (b) in any way contesting or affecting the validity or enforceability of the Indenture or contesting the Bank’s powers or its authority to enter into and perform its obligations under the Indenture and the Escrow Agreement.

Dated: _____, 2015

U.S. BANK NATIONAL ASSOCIATION,
as Trustee and Escrow Agent

By _____
Authorized Officer

EXHIBIT F

SUPPLEMENTAL OPINION OF BOND COUNSEL

[Closing Date]

Stifel, Nicolaus & Company, Incorporated
San Francisco, California

\$ _____
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX REFUNDING BONDS, SERIES 2015

(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as Underwriter, pursuant to Section 9(c)(ii) of the Bond Purchase Contract, dated _____, 2015 (the "**Contract**"), between you and the City of Sacramento (the "**City**"), providing for the purchase of \$_____ principal amount of City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Refunding Bonds, Series 2015 (the "**Bonds**"). The Bonds are being issued pursuant to an Indenture dated as of September 1, 1997, by and between the City and U.S. Bank National Association (as successor to U.S. Bank Trust National Association, formerly First Trust of California, National Association) (the "**Trustee**"), as supplemented and amended to date, and as supplemented and amended by a Fourth Supplemental Indenture dated as of May 1, 2015 (the "**Fourth Supplemental Indenture**" and, collectively, the "**Indenture**"), by and between the City and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture or, if not defined in the Indenture, in the Contract.

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or

omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Tax Certificate and the Contract and their enforceability may be subject to bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. We express no opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the rate and method of apportionment of the Special Tax or the validity of the Special Tax levied upon any individual parcel. Finally, we undertake no responsibility for the accuracy, except as expressly set forth in numbered paragraph 3 below, completeness or fairness of the Official Statement, dated _____, 2015 (the "**Official Statement**"), or other offering material relating to the Bonds and express no opinion relating thereto.

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

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

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

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

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

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

EXHIBIT G

OPINION OF THE CITY ATTORNEY

Stifel, Nicolaus & Company, Incorporated
San Francisco, California

Re: City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Refunding Bonds, Series 2015

Ladies and Gentlemen:

We have been acting as legal counsel for the City of Sacramento (the “**City**”) in connection with the issuance and delivery of \$_____ principal amount of City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Refunding Bonds, Series 2015 (the “**Bonds**”). The Bonds are being issued under an Indenture dated as of September 1, 1997, between the City and U.S. Bank National Association (as successor to U.S. Bank Trust National Association, formerly First Trust of California, National Association) (the “**Trustee**”), as supplemented and amended to date, and as supplemented and amended by a Fourth Supplemental Indenture dated as of May 1, 2015, between the City and the Trustee (the “**Fourth Supplemental Indenture**” and, collectively, the “**Indenture**”). We are providing this opinion to you in connection with the Bond Purchase Contract dated _____, 2015, between the City and Stifel, Nicolaus & Company, Incorporated (the “**Contract**”), which among other things provides for the purchase of the Bonds in the aggregate principal amount of \$_____. Unless otherwise defined in this opinion, or unless the context otherwise requires, the capitalized terms used below have the meanings given them in the Indenture or, if not defined in the Indenture, in the Contract.

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

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

1. The City is a charter city duly organized and validly existing under its charter and the State of California’s Constitution and laws, with full right and lawful authority (a) to adopt the Resolution; (b) to sign and deliver the City Documents, the Bonds, and all related documents; (c) to perform its obligations under the documents identified in clause (b) of this paragraph; and (d) to issue the Bonds.
2. The City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 is a community facilities district duly organized and validly existing under the laws of the State, including the Mello-Roos Community Facilities Act of 1982 set out in the California Government Code beginning with section 53311 (the “**Mello-Roos Act**”).
3. The City has duly and validly authorized, executed, and delivered the City Documents and the Bonds. Hence, the City Documents and the Bonds constitute legal, valid, and binding obligations of the City, enforceable against the City in accordance with their terms, except as enforcement may be limited by—
 - (a) bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors’ rights generally (including but not limited to fraudulent conveyance laws);
 - (b) general principles of equity, including but not limited to concepts of materiality, reasonableness, and good faith and fair dealing;
 - (c) the possible unavailability of specific performance or injunctive relief, whether in a proceeding in equity or at law; or
 - (d) the exercise of judicial discretion in appropriate cases or the limitations on legal remedies against public entities in the State.
4. At a public meeting called and held according to law with all public notice required by law, and at which a quorum was present and acting throughout, the Sacramento City Council (the “**City Council**”) duly adopted the Resolution, which is in full force and effect and has not been amended, modified, or rescinded.
5. To our current, actual knowledge, the City Council’s adoption of the Resolution; the City’s execution and delivery of the City Documents, the Bonds, the Final Official Statement, and all related documents; the consummation of the transactions described in the Resolution, the City Documents, and all related documents; and the City’s compliance with the Resolution, the City Documents, the Bonds, and all related documents do not and will not in any material way—
 - (a) conflict with, or constitute on the part of the City a violation of, or a breach of or default under, any material indenture, mortgage, commitment, note, or other agreement or instrument to which the City is a party or by which it is bound;
 - (b) violate the City’s charter, the Act, or the California Constitution; or

- (c) violate any existing law, rule, regulation, ordinance, judgment, order, or decree that applies to the City or to the members of the City Council or any of the City’s officers in his or her capacity as an officer.
6. Except as specifically disclosed in the Official Statement, to our current, actual knowledge the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or public body—
- (a) that questions in any way the powers of the City Council in connection with the issuance of the Bonds;
 - (b) that questions in any way the validity of any proceeding taken by the City Council in connection with the issuance of the Bonds;
 - (c) in which an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the City’s financial condition or on the transactions described in the Contract;
 - (d) that is likely to adversely affect the validity or enforceability of the Resolution, the Bonds, or the City Documents; or
 - (e) that questions in any other way the status of the Bonds under California’s tax laws or tax regulations.

• • •

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

Sincerely yours,

James Sanchez
City Attorney

By: _____
Joseph Cerullo
Senior Deputy City Attorney

PRELIMINARY OFFICIAL STATEMENT DATED APRIL __, 2015

NEW ISSUE - BOOK-ENTRY ONLY

RATING S&P: __
(See "Rating")

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

\$24,225,000*

**CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX REFUNDING BONDS, SERIES 2015**

Dated: Date of Delivery

Due: September 1, as shown on inside front cover

This Official Statement describes bonds (the "Bonds") being issued by the City of Sacramento (the "City") with respect to the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 (the "Community Facilities District") and delivered primarily to refund the outstanding City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Bonds, Series 2005. The Community Facilities District has been formed by and is located within the boundaries of the City in Sacramento County (the "County"), California.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The Bonds are being issued pursuant to City Resolution No. 2015-__ adopted on [April 14], 2015 and a Fourth Supplemental Indenture dated as of May 1, 2015, by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), which supplements an Indenture, dated as of September 1, 1997, as supplemented by the First Supplemental Indenture dated as of May 1, 2000, the Second Supplemental Indenture dated as of March 1, 2003 and the Third Supplemental Indenture dated as of June 1, 2005 (collectively, the "Indenture"). The Bonds are special obligations of the City issued on behalf of the Community Facilities District and are payable solely from revenues derived from certain annual special taxes to be levied on the taxable parcels within the Community Facilities District (the "Special Taxes") and from certain other funds pledged under the Indenture. The City has applied to certain municipal bond insurers to obtain a municipal bond insurance policy. If a municipal bond insurance policy is obtained, it would guarantee the scheduled payment of the principal of and interest on all or a portion of the Bonds. No assurance can be given as to whether the City will purchase a municipal bond insurance policy. See "INTRODUCTION – Bond Insurance."

The Bonds are being issued in book-entry form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of Bonds will not receive certificates representing their beneficial ownership thereof but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of The Depository Trust Company or as otherwise described herein. Individual purchases may be made in integral multiples of \$5,000.

Interest on the Bonds will be payable on March 1 and September 1 of each year commencing September 1, 2015. Principal of and interest on the Bonds will be paid by the Trustee to Cede & Co., and such payments are expected to be disbursed to the beneficial owners of the Bonds through their nominees.

Neither the faith and credit nor the taxing power of the City, the County, the State of California or any of its political subdivisions (other than the taxing power of the City conferred on it by the Community Facilities District) is pledged to the payment of the Bonds. No taxes other than the Special Taxes are pledged to the payment of the Bonds.

The Bonds are subject to optional redemption, redemption resulting from the prepayment of Special Taxes, and mandatory sinking fund redemption prior to maturity, as described herein.

MATURITY SCHEDULE
(See Inside Cover Page)

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, as Bond Counsel to the City, and to certain other conditions. Certain legal matters will be passed upon for the City by the Office of the City Attorney and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Jones Hall, A Professional Law Corporation and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery to The Depository Trust Company or its agent on or about May __, 2015.

* Preliminary, subject to change.

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.

[STIFEL]
[LOGO]

Dated: April __, 2015

**MATURITY SCHEDULE
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX REFUNDING BONDS, SERIES 2015**

\$ _____ **Serial Bonds**

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.^{®†}</i>
2015	\$	%	%		
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					

\$ _____ **Term Bonds**

\$ _____ % Term Bonds due September 1, 20__ Yield: _____ % Price: _____ CUSIP No. _____^{®†}

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2015 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by S&P Capital IQ. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the City nor the Underwriter takes any responsibility for the accuracy of such numbers.

CITY OF SACRAMENTO

CITY COUNCIL

Kevin Johnson, Mayor
Angelique Ashby, Mayor Pro Tem, District 1
Allen Warren, Vice Mayor, District 2
Jeff Harris, District 3
Steven Hansen, District 4
Jay Schenirer, District 5
Vacant, District 6
Rick Jennings II, District 7
Larry Carr, District 8

ADMINISTRATIVE OFFICES

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

PROFESSIONAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel

Stradling Yocca Carlson & Rauth, A Professional Corporation

Financial Advisor

First Southwest Company, LLC
Oakland, California

Trustee

U.S. Bank National Association
Los Angeles, California

Special Tax Consultant

NBS Government Finance Group
Temecula, California

Verification Agent

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

All information for investors regarding the City, the Community Facilities District and the Bonds is contained in this Official Statement. While the City maintains an internet website for various purposes, none of the information on that website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City. No dealer, broker, salesperson or other person has been authorized by the City to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and the Bonds may not be sold by a person in any jurisdiction in which it is unlawful for that person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of 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 a representation of facts.

The information set forth in this Official Statement has been obtained from the City and certain other sources. It is believed to be reliable but is not guaranteed as to its accuracy or completeness. The information set forth in this Official Statement that has been obtained from third-party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the City. The information and expressions of opinion are subject to change without notice; and neither delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City, the Community Facilities District or in any matters expressed herein since the date of the Official Statement. All summaries of the Indenture or other documents are made subject to the provisions of those documents and do not purport to be complete statements of any or all of such provisions.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

**CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute “Forward-Looking Statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995; Section 21E of the United States Securities Exchange Act of 1934, as amended; and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” and other similar words and include but are not limited to statements that describe possible future development of property within the Community Facilities District.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties, and other factors that may cause actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. While the City has agreed to provide certain on-going financial and operating data for a limited time (see “CONTINUING DISCLOSURE” and Appendix E hereto), it does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions, or circumstances on which statements are based change.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agents at prices lower than the public-offering prices stated on the inside front cover page hereof, and the public offering prices may be changed from time to time by the Underwriter.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The Bonds have not been registered or qualified under the securities laws of any state.

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[INSERT AERIAL PHOTO]

[INSERT MAP]

\$24,225,000*
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX REFUNDING BONDS, SERIES 2015

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the appendices, is to provide certain information concerning the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Refunding Bonds, Series 2015 (the “Bonds”).

The Bonds are being issued pursuant to Resolution No. 2015-____ (the “Resolution”) adopted by the City Council (the “City Council”) of the City of Sacramento (the “City”) on [April 14], 2015, and a Fourth Supplemental Indenture dated as of May 1, 2015, by and between the City and U.S. Bank National Association, as trustee (the “Trustee”), which supplements an Indenture, dated as of September 1, 1997 (the “Original Indenture”), as supplemented by the First Supplemental Indenture dated as of May 1, 2000, the Second Supplemental Indenture dated as of March 1, 2003, and the Third Supplemental Indenture dated as of June 1, 2005 (collectively, the “Indenture”). The Bonds are payable from Special Taxes (defined below) and from certain other funds pledged under the Indenture. Additional bonds secured on a parity with the Bonds may only be issued to refund outstanding Bonds. See “SECURITY FOR THE BONDS — No Additional Bonds.”

The proceeds of the Bonds, together with certain available funds of the City relating to the Refunded Bonds (defined below), will be used to defease all of the outstanding City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Bonds, Series 2005, originally issued in the aggregate principal amount of \$35,460,000 and now outstanding in the principal amount of \$27,960,000 (the “Refunded Bonds”). A portion of the proceeds of the Bonds will also be used to fund a deposit to the Reserve Fund and to pay costs of issuance of the Bonds. See “THE REFUNDING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The Mello-Roos Community Facilities Act of 1982, as amended, Section 53311, *et seq.*, of the California Government Code (the “Act”), was enacted by the California Legislature to provide an alternative method of funding certain essential public capital facilities and services, especially in developing areas of the State of California (the “State”). Subject to approval by a two-thirds vote of the qualified electors voting and compliance with the provisions of the Act, the legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such community facilities district to repay such indebtedness.

On January 28, 1997, the City Council adopted a resolution stating its intention to establish the Community Facilities District and a resolution stating its intention to authorize bonded indebtedness for the Community Facilities District. On March 4, 1997, the City established the Community Facilities District and authorized bonded indebtedness in an aggregate amount not to exceed \$35,000,000 to be issued pursuant to the provisions of the Act. The City administers the Community Facilities District.

* Preliminary, subject to change.

At the June 3, 1997 election within the Community Facilities District, the qualified electors within the Community Facilities District (a) authorized the City to incur bonded indebtedness of up to \$35,000,000 to finance certain public facilities and various costs related thereto, (b) approved a rate and method of apportionment of special tax for the Community Facilities District (the “Rate and Method of Apportionment”), and (c) approved the levy of a special tax on the taxable parcels within the Community Facilities District (the “Special Tax”) to pay the principal of, and interest on, the Bonds and annual administrative expenses, and to make any replenishments to the reserve fund for the Bonds (the “Reserve Fund”).

The Bonds are secured by the Special Taxes and amounts on deposit in certain funds established under the Indenture, including the Special Tax Fund and Reserve Fund, subject to the provisions of the Indenture.

The Special Taxes are included on the regular property tax bills sent to the record owners of property within the Community Facilities District. See “SECURITY FOR THE BONDS — The Special Tax.” The City has covenanted for the benefit of the owners of the Bonds that, under certain circumstances, it will annually on or before October 1 of each year review the public records of the County of Sacramento (the “County”) to determine the Special Tax collected in the prior Fiscal Year and, if certain conditions are met, commence judicial foreclosure proceedings with respect to delinquent Special Taxes by the succeeding December 1 and will diligently pursue such proceedings. See “SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure.”

Neither the faith and credit nor the taxing power of the City, the County, the State or any of its political subdivisions (other than the taxing power of the City conferred upon it by the Community Facilities District) is pledged to the payment of the Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are not general or special obligations of the City but are limited obligations of the City payable solely from the Special Taxes and certain amounts held under the Indenture as more fully described herein.

See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds.

The Community Facilities District was formed by the City to finance various public improvements needed to develop property located within the Community Facilities District. The property in the Community Facilities District is located in the northwest portion of the City. The Community Facilities District is bounded on the south by the American River, on the north by the Cross Canal, on the west by the Sacramento River and on the east by the Natomas East Main Drainage Canal. The Community Facilities District contains approximately 4,000 net developable acres. Based on development status as of May 1, 2014, the Community Facilities District includes 18,899 parcels with residential (single family detached units and multi-family units) and non-residential uses. For purposes of the Fiscal Year 2014-15 Special Tax levy (reflecting development status as of May 1, 2014), 18,820 parcels within the Community Facilities District were classified as Developed Parcels. Certain parcels classified as Developed Parcels under the Rate and Method of Apportionment are unimproved property for which infrastructure necessary for development has been completed but does not have building permits issued. See “THE COMMUNITY FACILITIES DISTRICT.”

The Community Facilities District is located in and about the City's North Natomas Financing Plan Area, within the greater Natomas Basin. At build out, the North Natomas Area is projected to have approximately 65,000 residents and approximately 32,000 residential units. See Appendix F — "General Information About the City of Sacramento and the County of Sacramento" for certain demographic information regarding the City and the County.

In 2008, in response to certain findings regarding the risk of levee failure surrounding the Natomas Basin, the Federal Emergency Management Agency ("FEMA") revised the Flood Insurance Rate Map within the Natomas Basin. The revised map placed the Natomas Basin (including the Community Facilities District) within a Special Flood Hazard Area (a "Zone AE" designation). As a result of the revised map and the Zone AE designation, the Natomas Basin has been subject to a de facto building moratorium since December 2008. Subject to certain restrictions, building construction may resume within the Natomas Basin after FEMA issues a new revised map and designates the Natomas Basin as zone "A99" ("Zone A99"). FEMA has notified the City, by a letter dated March 30, 2015, that a new revised map and designation of the Natomas Basin as Zone A99 will be effective on June 16, 2015. See "THE COMMUNITY FACILITIES DISTRICT—Flood Hazard and Building Moratorium" and "SPECIAL RISK FACTORS — Geologic, Topographic, and Climatic Conditions." As further described herein, approximately 15.3% of the projected 2015-16 Special Tax levy will be on property classified as Developed Parcels for which building permits have not been issued. See "THE COMMUNITY FACILITIES DISTRICT—Assessed Value-to-Lien Ratios."

The City has not engaged an independent appraiser to provide an opinion concerning the updated values of the parcels that comprise the taxable parcels within the Community Facilities District. The most recent independent appraisal of the taxable parcels within the Community Facilities District was prepared in connection with the issuance in June 2000 of the Community Facilities District's Special Tax Bonds, Series B. The aggregate assessed value of the taxable parcels within the Community Facilities District as shown on the Fiscal Year 2014-15 County Assessor's roll is \$5,285,583,384 (based on the January 1, 2014 lien date). See "THE COMMUNITY FACILITIES DISTRICT — Assessed Value-to-Lien Ratios."

This Official Statement sets forth brief descriptions of the Bonds, the Indenture, the City's Continuing Disclosure Certificate, and certain other matters. Those descriptions do not purport to be comprehensive or definitive. All references herein to any of the above documents are qualified in their entirety by reference to their forms, which are available for inspection at the office of the City Clerk in Sacramento, California. Capitalized terms not defined in this Official Statement have the meanings ascribed to them in Appendix A or, if not defined in Appendix A, the meanings ascribed to them in the Indenture. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Bond Insurance

The City has applied to certain municipal bond insurers to obtain a municipal bond insurance policy. If a municipal bond insurance policy is obtained, it would guarantee the scheduled payment of the principal of and interest on all or a portion of the Bonds. No assurance can be given as to whether the City will purchase a municipal bond insurance policy. The City's decision as to the purchase a municipal bond insurance policy will be made at or about the time of the pricing of the Bonds and will be based upon, among other things, market conditions at the time of such pricing. If

the City purchases a municipal bond insurance policy, information regarding the municipal bond insurer will be included in the final Official Statement.

THE REFUNDING PLAN

A portion of the proceeds from the sale of the Bonds will be used along with other funds held by the City relating to the Refunded Bonds to defease and redeem the Refunded Bonds. The City will enter into an Escrow Agreement with regard to the Refunded Bonds (the “Escrow Agreement”), dated as of May 1, 2015, with the Trustee, as escrow bank (the “Escrow Bank”). An irrevocable escrow fund will be established under the Escrow Agreement (the “Escrow Fund”). The moneys deposited with the Escrow Bank will be sufficient to redeem on [June 18], 2015 (the “Redemption Date”), the Refunded Bonds maturing on and after September 1, 2015 at a redemption price equal to the principal amount to be redeemed plus interest accrued to the Redemption Date, without premium (the “Redemption Price”). Moneys on deposit in the Escrow Fund will be held uninvested as cash. The amounts in the Escrow Fund will be held by the Escrow Bank for the benefit of the owners of the Refunded Bonds and will be applied to redeem the Refunded Bonds on the Redemption Date. Upon deposit of the amounts into the Escrow Fund as described above, the Refunded Bonds will be discharged under the Original Indenture as supplemented by the Third Supplemental Indenture, under which such Refunded Bonds were issued, and the owners of the Refunded Bonds will have no rights thereunder except to be paid the Redemption Price from amounts in the Escrow Fund.

Causey Demgen & Moore P.C., Denver, Colorado, upon delivery of the Bonds, will deliver a verification report relating to the sufficiency of moneys deposited into the Escrow Fund to pay the Redemption Price on the Redemption Date.

Amounts deposited in the Escrow Fund will not be available to pay debt service on the Bonds.

Estimated Sources and Uses of Funds

The Bond proceeds and funds related to the Refunded Bonds are expected to be applied approximately as follows:

Sources:	
Principal amount of the Bonds	\$
Plus/Less: Net Original Issue Premium/Discount	
Less: Underwriter’s Discount	
Prior Funds ⁽¹⁾	
Total	\$
Uses:	
Costs of Issuance Account	\$
Escrow Fund	
Reserve Fund ⁽²⁾	
Total	\$

⁽¹⁾ Funds transferred from the Redemption Fund of the Special Tax Fund and the Reserve Fund relating to the Refunded Bonds.

⁽²⁾ Equal to the Required Bond Reserve for the Bonds. See “SECURITY FOR THE BONDS — Reserve Fund.”

THE BONDS

Authority for Issuance

The Community Facilities District was established on March 4, 1997, and bonded indebtedness in an aggregate amount not to exceed \$35,000,000 was authorized to be issued under the Act. A proposition relating to the incurring of the indebtedness in this amount was submitted to and approved by the qualified electors of the Community Facilities District on June 3, 1997. The Rate and Method of Apportionment and the amount of the Special Tax that can be collected from the land within the Community Facilities District are more fully described in the sections herein entitled “SECURITY FOR THE BONDS — The Special Tax” and “THE COMMUNITY FACILITIES DISTRICT.” See also Appendix C — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The Bonds are being issued pursuant to the Act, the Resolution and the Indenture.

General Provisions

The Bonds will be dated as of the date of their initial delivery and bear interest at the rates and mature (subject to prior redemption as described below) on the dates set forth on the inside front cover page of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable on March 1 and September 1 of each year commencing September 1, 2015 (each such date, an “Interest Payment Date”). The Bonds will be issued in fully registered form and 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 Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in integral multiples of \$5,000. See the subsection entitled “Book-Entry System.”

The principal of, and interest on, the Bonds will be payable in lawful money of the United States of America.

Additional bonds secured on a parity with the Bonds can be issued under the Indenture only to refund outstanding Bonds. See “SECURITY FOR THE BONDS — No Additional Bonds.”

Redemption

Optional Redemption. The Bonds maturing by their terms on or after September 1, 20__, are subject to optional redemption by the City before their maturity dates as a whole or in part on any date on or after September 1, 20__, from money derived by the City from any source other than Minimum Sinking Fund Account Payments or prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 20__, are subject to mandatory redemption by the City before their maturity date in part on each September 1, as set forth in the schedule below, solely from Minimum Sinking Fund Account Payments established under the Indenture for that purpose. The Trustee shall select by lot the Term Bonds so called for redemption, which will be redeemed at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the redemption date, without premium, as follows:

TERM BONDS MATURING SEPTEMBER 1, 20__

***Redemption Dates
(September 1)***

Principal Amount

\$

(maturity)

In the event of a partial optional redemption or extraordinary redemption of Term Bonds, each of the remaining Minimum Sinking Fund Account Payments for such Term Bonds will be reduced proportionately by the principal amount of all such Term Bonds optionally or extraordinarily redeemed.

Special Mandatory Redemption from Prepayments. The Bonds are subject to extraordinary redemption by the City before their maturity date as a whole or in part on any date solely from money derived by the City from prepayments of the Special Tax under the Act, upon mailed notice as provided in the Indenture, at the following redemption prices (computed upon the principal amount of the Bonds or portions called for redemption), together with accrued interest to the date of redemption:

Redemption Dates

Redemption Prices

Selection of Bonds for Redemption. If less than all of the Bonds outstanding are to be redeemed at any one time, the City will select the maturity dates from which the Bonds are to be redeemed. If less than all of the outstanding Bonds of any one maturity date are to be redeemed at any one time, the Bonds or portions thereof in integral multiples of \$5,000 to be redeemed will be determined by the Trustee by lot in any manner that it deems appropriate.

Notice of Redemption. When Bonds are to be redeemed under the Indenture the Trustee shall give notice, in the name of the City, of the redemption of such Bonds. The notice of redemption must state (a) the date of the notice; (b) the date of issue of the Bonds; (c) the redemption date; (d) the redemption price; (e) the place of redemption (including the name and appropriate address of the Trustee); (f) the CUSIP numbers of the maturity or maturities of the Bonds to be redeemed; (g) the numbers of Bonds of such maturity, if less than all of that maturity of Bonds are to be redeemed; (h) the respective portions of the principal amount thereof to be redeemed, in the case of Bonds to be redeemed in part only. The notice must further state that additional interest on the Bonds to be redeemed or the portions thereof will not accrue from and after the date of redemption and that all Bonds must be surrendered for redemption at the principal corporate trust office of the Trustee so designated. If any Bond chosen for redemption is not redeemable in whole, the notice must state that the Bond is to be redeemed in part only and that upon presentation of the Bond for redemption there will be issued in lieu of the unredeemed portion of principal a new Bond or Bonds

of the same series and maturity date of authorized denominations equal in aggregate principal amount to the unredeemed portion.

At least 30 days but no more than 90 days before the redemption date, the Trustee shall mail a copy of such notice by first-class mail, postage prepaid, to (a) the Owners at their addresses appearing on the register maintained by the Trustee in accordance with the Indenture, (b) to securities depositories and securities information services selected by the City in accordance with the Indenture, and (c) to the Underwriter. Neither the failure to receive any such notice nor any immaterial defect in such notice will affect the sufficiency or validity of the proceedings for redemption.

Notwithstanding anything to the contrary in the Indenture, with respect to any notice of optional or extraordinary redemption of Bonds, the notice must state both of the following unless, upon giving the notice, the Bonds to be redeemed are deemed to have been paid in accordance with the Indenture: (a) redemption will be conditioned upon the Trustee's receipt, on or before the date fixed for redemption, of amounts sufficient to pay the principal of, and premium, if any, and interest on, the Bonds to be redeemed; and (b) if those amounts have not have been so received, the notice will be void and the City will not be required to redeem the Bonds specified in the notice. If a notice of redemption contains such a condition and the required amounts are not so received, then the redemption will not be made, and, within a reasonable time, the Trustee shall notify the Bond Owners specified in the notice that the amounts were not so received and that the redemption was not made, the notice to be given in the manner in which the notice of redemption was given. The failure to redeem Bonds subject to a conditional notice of redemption shall not constitute an event of default under the Indenture.

Notwithstanding anything to the contrary in the Indenture, any notice of optional redemption of Bonds may be rescinded by written notice given to the Trustee by the City at least five Business Days prior to the date specified for redemption. As soon as is practicable after receiving the City's notice, the Trustee shall give notice of the rescission in the same manner, and to the same parties, as notice of the redemption was given.

Effect of Redemption. If notice of redemption is given as provided in the Indenture and the money necessary for the payment of the principal of, and any redemption premiums and interest to the redemption date on, the Bonds or portions thereof so called for redemption is held by the Trustee, then on the redemption date the Bonds called for redemption or portions thereof will become due and payable, and from and after the redemption date interest on those Bonds or such portions thereof will cease to accrue.

Book-Entry System

DTC will act as securities depository for the Bonds, and the Bonds will be registered in the name of Cede & Co. (DTC's nominee). One fully-registered bond certificate will be issued for each maturity of the Bonds, in each case in the aggregate principal amount of such maturity of such Bonds, and will be deposited with DTC. **So long as Cede & Co. is the registered owner of the Bonds, references herein to the Owners of the Bonds are references to Cede & Co. and do not refer to the actual purchasers (the "Beneficial Owners") of the Bonds. The City does not give any assurances that DTC, its Participants or others will distribute payments with respect to the Bonds or notices concerning the Bonds to the Beneficial Owners thereof or that DTC will service and act in the manner described in this Official Statement.**

See Appendix D for a further description of DTC and its book-entry system. The information presented therein is based solely on information provided by DTC, and no representation is made by the City concerning the accuracy thereof.

DEBT SERVICE SCHEDULE

The table below sets forth the estimated annual debt service payments for the Bonds assuming no redemptions of Bonds before maturity except scheduled mandatory sinking fund redemptions.

<i>Period Ending</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Annual Debt Service</i>
9/1/2015	\$	\$	\$
3/1/2016			
9/1/2016			
3/1/2017			
9/1/2017			
3/1/2018			
9/1/2018			
3/1/2019			
9/1/2019			
3/1/2020			
9/1/2020			
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3/1/2032			
9/1/2032			
3/1/2033			
9/1/2033			
3/1/2034			
9/1/2034			
3/1/2035			
9/1/2035			
Total	\$	\$	\$

LIMITATION OF LIABILITY

The Bonds are secured only by the Special Taxes and amounts on deposit in the Special Tax Fund and the Reserve Fund established by the Indenture. In the event of delinquencies in the payment of Special Taxes, neither the City nor the Community Facilities District is required to advance any funds for the payment of debt service on the Bonds. The City will only be required to enforce delinquent Special Taxes in the manner provided in the Act and in its covenant to take judicial foreclosure proceedings as set forth in the Indenture. See “SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure.” The full faith and credit of the City and the Community Facilities District are not pledged to the payment of the Bonds, nor is the payment of the Bonds secured by any encumbrance, mortgage or other pledge of property of the City or the Community Facilities District, except the pledge described above.

SECURITY FOR THE BONDS

General

The Bonds are payable from and secured by the proceeds of the Special Tax levied within the Community Facilities District and by amounts on deposit in the Special Tax Fund and the Reserve Fund. The Bonds are not secured by moneys on deposit in the Expense Fund, the Rebate Fund or the Community Facilities Fund established by the Indenture.

The Indenture defines the term “Special Taxes” to mean the special tax authorized to be levied and collected annually on all Taxable Land in the Community Facilities District under and pursuant to the Act at the special election held in the Community Facilities District on June 3, 1997. See Appendix A — “SUMMARY OF INDENTURE — Definitions.”

The City is legally authorized and has covenanted in the Indenture to cause the levy and collection of the Special Tax in an amount determined according to the Rate and Method of Apportionment. See “SECURITY FOR THE BONDS — The Special Tax” and “SPECIAL RISK FACTORS — Proposition 218” below. The Rate and Method of Apportionment apportions the total amount of the Special Tax to be collected among the taxable parcels in the Community Facilities District. See “THE COMMUNITY FACILITIES DISTRICT— Rate and Method of Apportionment” and Appendix C — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Although the Special Tax will be levied against taxable parcels within the Community Facilities District, it does not constitute a personal indebtedness of the property owners. There is no assurance that the property owners will be able to pay the annual Special Tax or that they will pay it even if able to do so. See “SPECIAL RISK FACTORS” herein.

The Special Tax

The Special Tax applicable to each Taxable Parcel within the Community Facilities District each Fiscal Year is required to be calculated pursuant to the Rate and Method of Apportionment. See “THE COMMUNITY FACILITIES DISTRICT — Rate and Method of Apportionment” and Appendix C — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The Special Tax is collected by the County at the same time and in the same manner as general *ad valorem* property taxes. The Indenture requires that the City hold the Special Taxes in trust for the benefit of the Owners of the Bonds.

Under the Indenture, all proceeds of the annual Special Tax are to be deposited in the Special Tax Fund, which has been established under the Indenture and is held and maintained in trust by the City Treasurer. The City agrees in the Indenture to deposit all proceeds of the Special Tax (including any prepayments) in the Special Tax Fund when and as received and to transfer all amounts in the Special Tax Fund into the following funds in the following order of priority:

- (1) to the Redemption Fund to pay debt service payments on all outstanding Bonds,
- (2) to the Reserve Fund to the extent necessary to replenish the Reserve Fund to the Required Bond Reserve,
- (3) to the Expense Fund to pay administrative costs of the Community Facilities District,
- (4) to the Prepayment Fund, and
- (5) to the Community Facilities Fund.

At least three Business Days before each March 1 and September 1, the Treasurer will, from the money in the Special Tax Fund, transfer to the Trustee for deposit in the Redemption Fund an amount equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on that March 1 and September 1. At least three Business Days before each September 1, the Treasurer will, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Redemption Fund an amount equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on that September 1, plus the aggregate of the Minimum Sinking Fund Account Payments required by the Indenture to be made on that September 1 into the Sinking Fund Account.

If the money in the Redemption Fund on any September 1 is not equal to the amount of principal to become due and payable on the Outstanding Serial Bonds on any September 1, plus the principal of and redemption premiums, if any, on the Outstanding Term Bonds required to be redeemed or paid at maturity on that September 1, then such money will be applied pro rata in such proportion as such Serial Bonds and such Term Bonds bear to each other, after first deducting for such purposes for such Term Bonds any of such Term Bonds that have been redeemed or purchased during the 12-month period ending on such September 1 and commencing on the immediately preceding September 2.

No deposit needs to be made into the Redemption Fund if the amount of money contained in the Redemption Fund is at least equal to the amount required by the Indenture to be deposited in the Redemption Fund at the times and in the amounts described above.

Annual Debt Service for the Bonds has been structured so that, assuming no delinquencies, the Special Tax levied at the Special Tax rates on Developed Parcels, based on development status as of May 1, 2014 (18,820 parcels), will generate in each Fiscal Year beginning in Fiscal Year 2015-16 not less than 100% of debt service payable with respect to the Bonds in the calendar year that begins in that Fiscal Year, assuming that Special Taxes are levied and collected on the Developed Parcels

pursuant to the Rate and Method of Apportionment. For the Fiscal Year 2014-15 Special Tax levy (development status as of May 1, 2014), 18,820 parcels within the Community Facilities District were classified as Developed Parcels. Notwithstanding the above, under no circumstances will the Special Tax levied against any Parcel of residential property within the Community Facilities District be increased as a consequence of delinquency or default by the owner of any other assessor's parcel within the Community Facilities District by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. See "THE COMMUNITY FACILITIES DISTRICT — Rate and Method of Apportionment."

Reserve Fund

To further secure the payment of principal of and interest on the Bonds, the City will deposit an amount into the Reserve Fund in an amount sufficient to make the balance on deposit therein equal the Required Bond Reserve. The Required Bond Reserve is defined in the Indenture as the amount, as of any date of calculation, that is equal to the sum of the least of (a) 10% of the original principal amount of the Bonds, (b) Maximum Annual Debt Service on the then Outstanding Bonds, or (b) 125% of Average Annual Debt Service on the then Outstanding Bonds. Immediately following the issuance of the Bonds, the Required Bond Reserve will be \$_____. The City may satisfy the Required Bond Reserve by the deposit of: (a) an initial deposit of \$_____; or (b) a surety bond.

The City has applied to certain municipal bond insurers to obtain a surety bond to satisfy the Required Bond Reserve. No assurance can be given as to whether the City will obtain a surety bond to satisfy the Required Bond Reserve. The City's decision as to deposit a surety bond in the Reserve Fund will be made at or about the time of the pricing of the Bonds and will be based upon, among other things, market conditions at the time of such pricing. If the City obtains a surety bond, information regarding the municipal bond insurer will be included in the final Official Statement.

As a condition to the issuance of Parity Bonds (which may be issued for refunding purposes only; See "— No Additional Bonds"), proceeds from the sale of such Parity Bonds in an amount sufficient to cause the balance in the Reserve Fund to equal the Required Bond Reserve are to be deposited in the Reserve Fund.

Moneys in the Reserve Fund must be used solely for the purpose of paying the interest on, and principal of, the Bonds if there is insufficient money in the Redemption Fund available for this purpose; provided, that if as a result of any valuations it is determined that the amount of money in the Reserve Fund exceeds the Required Bond Reserve, the Trustee will withdraw the amount of money representing such excess from the Reserve Fund and shall deposit such amount of money in the Redemption Fund as provided in the Indenture. For a further discussion of the Reserve Fund, see Appendix A — "SUMMARY OF INDENTURE — Allocation of Money in the Special Tax Fund."

Covenant for Superior Court Foreclosure

Pursuant to Section 53356.1 of the Act, the City has covenanted under the Indenture that it will review the County's records in connection with the collection of the Special Tax not later than October 1 of each year to determine the amount of Special Tax collected in the prior Fiscal Year. On the basis of that review, (a) the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by \$1,000 or more to enforce the lien of all such

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

The City is not obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City has received 100% of the amount of the installment from the County under the Teeter Plan (as defined below). See “— Teeter Plan” below.

Under the Act, the City may waive delinquency penalties and redemption penalties if it determines that (a) the waivers will apply only to parcels delinquent at the time of the determination, (b) the waivers will only be available with respect to parcels for which all past due and currently due Special Taxes and all other related costs are paid in full within a limited period of time specified in the determination, (c) the waivers will be available only with respect to parcels sold or otherwise transferred to new owners unrelated to the owner responsible for the delinquency, and (d) the waivers are in the best interest of the Bond Owners.

If foreclosure or foreclosures are necessary, there may be a delay in payments to Bond Owners pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale; it is also possible that no bid for the purchase price or applicable property would be received at the foreclosure sale. See “SPECIAL RISK FACTORS — Foreclosure Delays — Bankruptcy.” Notwithstanding any other provision of the Indenture, the City is not obligated to advance available funds from the City Treasury to cure any deficiency in the Special Tax Fund.

Teeter Plan

In June 1993, the Board of Supervisors of the County approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code.

Under the Teeter Plan, the County apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions for which the County acts as the tax-levying or tax-collecting agency. The County’s Teeter plan has been in effect since Fiscal Year 1993-94, and, under the Teeter Plan, the County purchased all delinquent receivables (comprising delinquent taxes, penalties, and interest) that had accrued as of June 30, 1993, from local taxing entities and selected special assessment districts and community facilities districts, including the Community Facilities District.

Under the Teeter Plan, the County distributes tax collections on a cash basis to taxing entities during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the taxing entities and those special assessment districts and community facilities districts (and individual parcels within each district) that the County determines are eligible to participate in the Teeter Plan. The County may make eligibility determinations on an annual basis and may exclude a district or individual parcel that had previously been included in the plan. The Community Facilities District is included in the County’s Teeter Plan. The County has the discretion to determine which

delinquent assessments will be paid through the Teeter Plan on a case-by-case basis. See “SPECIAL RISK FACTORS – Teeter Plan Termination.”

No Additional Bonds

The City has covenanted in the Indenture that it will not issue any additional bonds payable from the Special Taxes or from any other amounts in the Special Tax Fund on a parity with the Bonds. However, refunding bonds secured by Special Taxes on a parity with the Bonds may be issued to repay and redeem the Bonds in advance of their stated maturities if the annual debt service payable with respect to such refunding bonds will be less than the annual debt service payable with respect to the Bonds that are being so redeemed.

THE CITY

The City is located at the confluence of the Sacramento and American Rivers in the south-central portion of the Sacramento Valley, a part of the State’s Central Valley. The City operates under a charter that currently provides for a nine-member elected City Council, including an elected Mayor. There are no other elected City officials. The Mayor is the chairperson of the City Council and is elected in at-large elections. City Council members are elected by eight individual districts. The City Council appoints the City Manager, the City Attorney, the City Clerk, and the City Treasurer to carry out the City’s adopted policies. Members of the City Council serve four-year terms. The City provides a number of municipal services, including administration, police, fire, library, recreation, parking, public works and utilities such as water production and distribution, refuse collection, storm drainage, and maintenance.

THE COMMUNITY FACILITIES DISTRICT

General Information

The City Council approved the formation of the Community Facilities District under the Act to provide for the financing of public improvements to meet the needs of new development within the Community Facilities District. The qualified electors within the Community Facilities District authorized the City to incur bonded indebtedness, approved the Rate and Method of Apportionment, and authorized the levy of the Special Tax therein.

The Community Facilities District is located within the City’s North Natomas Financing Plan Area, part of the greater Natomas Basin in the northwest portion of the City. At build out, the North Natomas area is projected to have approximately 65,000 residents and approximately 32,000 residential units. See Appendix F — “General Information About the City of Sacramento and the County of Sacramento” for certain demographic information regarding the City and the County.

The Community Facilities District is bounded on the south by the American River, on the north by the Cross Canal, on the west by the Sacramento River, and on the east by the Natomas East Main Drainage Canal. The Community Facilities District contains approximately 4,000 net developable acres. Based on development status as of May 1, 2014, the Community Facilities District includes 18,899 parcels with residential (single family detached units and multi-family units) and non-residential uses. For the Fiscal Year 2014-15 Special Tax levy (development status as of May 1, 2014), of the 18,820 parcels within the Community Facilities District classified as Developed Parcels, 15,932 parcels had improvements completed and 2,888 parcels were unimproved.

For the Fiscal Year 2014-15 Special Tax levy (development status as of May 1, 2014), there were 79 parcels classified as Undeveloped Parcels under the Rate and Method of Apportionment. As of January 1, 2014, 46 (consisting of approximately 675.07 acres) of the 79 parcels classified as Undeveloped Parcels were owned by ten property owners. The Undeveloped Parcels are currently projected to be developed for a combination of residential, commercial, industrial and agricultural uses. There can be no assurance as to when or if such development will occur. See “— Building Moratorium and Flood Hazard” and “— Undeveloped Parcel Owners.”

Although, like all of Northern California, the land within the Community Facility District is subject to seismic activity, it is not located within an Alquist-Priolo Earthquake Fault Zone.

A map showing the location of the Community Facilities District and an aerial photograph thereof appear following the Table of Contents. Information regarding the ownership the Undeveloped Parcels within the Community Facilities District is set forth under the caption “— Undeveloped Parcel Owners.”

Building Moratorium and Flood Hazard

Building Moratorium. In 2005, in response to revised criteria and standards relating to levees and flood protection, the United States Army Corp of Engineers (the “Corps”) and the Sacramento Area Flood Control Agency (“SAFCA”) commissioned the Natomas Levee Evaluation Study (“NLES”). The NLES final report concluded that considerable improvements were necessary along the south levee of the Natomas Cross Canal, the east levee of the Sacramento River, and the north levee of the American River. As a result of these conclusions, on July 20, 2006, the Corps issued a letter to SAFCA stating that the Corps could no longer support its original position certifying the levees in the Natomas Basin. On December 29, 2006, FEMA issued a letter to the City notifying the City that FEMA planned to update the Flood Insurance Rate Map within the Natomas Basin. On December 8, 2008, FEMA’s Revised Map became effective, placing the Natomas Basin (including the Community Facilities District) within a Special Flood Hazard Area (“Zone AE”). As a result of the Revised Map and the Zone AE designation, the Natomas Basin has been subject to a de facto building moratorium since 2008.

The issuance of building permits will resume within the Natomas Basin after FEMA issues a revised map and designates the area as Zone A99. According to FEMA, an area designated as Zone A99 has a 1% annual chance of a flood event but ultimately will be protected upon completion of an under-construction federal flood-protection system. The four major requirements for such designation are (a) 50% of the critical improvements to achieve a 100-year level of flood protection have been constructed, (b) 50% of the total cost for such improvements has been expended, (c) 60% of the total cost of the improvements has been appropriated, and (d) 100% of the improvements have been authorized. These requirements have been satisfied, and the process to issue a revised map and designate the Natomas Basin as Zone A99 is underway. FEMA has notified the City, by a letter dated March 30, 2015, that the revised map and designation of the Natomas Basin as Zone A99 will be effective on June 16, 2015. In anticipation thereof, on March 31, 2015, the City adopted an ordinance allowing for non-residential development and a limited resumption of residential development in the portion of the Natomas Basin that is within the City and designated as Zone A99 (the “Ordinance”). The Ordinance will allow resumption of non-residential development with no cap and limited residential development of up to 1,000 single-family units and 500 multi-family units each calendar year. Dwelling units in excess of those limits will require City Council approval. The

Ordinance will take effect on April 30, 2015 (unless a referendum occurs) but will not be operative until the revised map and Zone A99 designation take effect.

Development of the parcels within the Community Facilities District that were classified, for the Fiscal Year 2014-15 Special Tax levy (development status as of May 1, 2014), as Developed Parcels with no improvements (2,888 parcels) or as Undeveloped Parcels (79 parcels) may not occur until the Zone A99 designation for the Natomas Basin is effective and the City takes the necessary steps to authorize development. Any residential development on the Developed Parcels currently without improvements or on the Undeveloped Parcels will be subject to the limits described above.

Flood Hazard. Even though, as of June 16, 2015, the Natomas Basin will be designated as Zone A99, the Natomas Basin will not be outside of a 100-year flood zone until certain levee improvements are completed. On June 10, 2014, President Barack Obama signed the Water Resources Reform & Redevelopment Act (“WRRDA”) into law. With respect to the Natomas Basin, the WRRDA directs the Corps to strengthen 24 miles of levees surround the Natomas Basin (the “Levee Project”). Although the WRRDA authorizes funding, the Congress must pass annual appropriations to complete the Levee Project. Currently, the completion of the Levee Project is expected to take at least five to ten years. If the Levee Project is completed, the City expects that under current FEMA criteria, the Natomas Basin will be zoned “X (shaded),” meaning an area that is subject to a 0.2% annual chance of a flood event (i.e., a 500-year flood zone).

Until the Levee Project is completed, property within the Natomas Basin (including the Community Facilities District) remains at risk for flood-related property damage. The requirement to purchase flood insurance will remain in effect even if the Natomas Basin is designated as Zone A99. See “SPECIAL RISK FACTORS — Geologic, Topographic, and Climatic Conditions.”

Rate and Method of Apportionment

General. The Special Tax is levied and collected according to the Rate and Method of Apportionment, which provides the means by which the City Council may annually levy the Special Taxes within the Community Facilities District. In general, the Rate and Method of Apportionment imposes different maximum Special Tax rates on Taxable Parcels within the Community Facilities District depending upon whether a Taxable Parcel is a Developed Parcel (i.e., a Taxable Parcel that has (1) an approved final small lot map for residential uses permitting up to two units per lot, (2) an approved special use permit for residential use permitting three or more units per lot or (3) an approved special use permit for Non-Residential Development) or an Undeveloped Parcel (a parcel which that is not a Developed Parcel).

The following summary of the Rate and Method of Apportionment should be read in conjunction with the complete text of the Rate and Method of Apportionment, including its attachments, attached as Appendix C. The meanings of the defined terms used in this section are as set forth in Appendix C. ***This section provides only a summary of the Rate and Method of Apportionment and is qualified by the more complete and detailed information contained in the entire Rate and Method of Apportionment attached as Appendix C.***

Annual Calculation of Special Tax. The calculation of the Special Tax payable by each Taxable Parcel in each year involves the following steps:

First, the City determines the “annual costs” to be funded from the Special Tax for the fiscal year. The annual costs comprise five major components: (i) debt service on the Bonds, (ii) the annual cost of administering the Community Facilities District, (iii) any amounts needed to replenish any bond reserve fund for bonds, (iv) a provision for tax delinquencies (v) and eligible direct (“pay-as-you-go”) expenditures for authorized facilities.

Second, by each May 1, the City classifies each of the parcels within the Community Facilities District as follows:

- (a) Each Parcel is classified as Tax-Exempt, Taxable or Remediation (the last classification refers to parcels on the site of the former Natomas Airport (also formerly known as the Natomas Air Park or Natomas Field) until toxins on those parcels are remediated).
- (b) Each Taxable Parcel is classified as an “East of I-5 Parcel” or a “West of I-5 Parcel.”
- (c) Each Taxable Parcel is classified as a Developed Parcel, Veteran Developed Parcel or Undeveloped Parcel, which are defined as follows:

Developed Parcels. A “Developed Parcel” has either (i) an approved final small lot map for residential uses permitting up to 2 units per lot, (ii) an approved special use permit for residential use permitting 3 or more units per lot, or (iii) an approved special use permit for commercial, office, light industrial or sports complex uses as defined in the North Natomas Community Plan.

Undeveloped Parcels. An “Undeveloped Parcel” is any assessor’s parcel not classified as Developed.

Veteran Developed Parcels. A “Veteran Developed Parcel” is an assessor’s parcel classified as a Developed Parcel for 30 years, at which point it will be subject to the Special Tax only if there is a shortfall in the revenue generated from all other Taxable Parcels to pay for the annual costs of the Community Facilities District.

- (d) Each Developed Parcel is classified in one of the following Land Use Categories:
 - 1: single family/detached residential
 - 2: duplex/condominium
 - 3: other residential/non-residential
- (e) Each Undeveloped Parcel is classified in one of the following Land Use Categories:
 - 4: Final Map Parcel

- 5: Tentative Map / Unmapped Parcel / City Stadium Parcel).¹

Third, after classifying the Parcels, the City assigns the Maximum Annual Special Tax using the Maximum Annual Special Tax Rates for each Land Use Category as shown in Attachments 1 and 2 of the Rate and Method of Apportionment. The Maximum Annual Special Tax Rate may not exceed the rates per dwelling unit or acre in the base year (fiscal year 1997-98) shown in the table below, as adjusted by a 2% annual escalation factor after the base year. For Undeveloped Parcels, however, the Maximum Annual Special Tax Rates escalated at 2% until 2010 and thereafter have remained at the 2010 rate.

Fourth, the City determines if sufficient Special Tax revenues are available by taxing each Developed Parcel at 100% of its Maximum Annual Special Tax. If revenues are greater than the Annual Costs, the tax is reduced proportionately against Developed Parcels until the taxes are set at an amount sufficient to cover Annual Costs.

Fifth, if revenues from taxing Developed Parcels at 100% of their Maximum Annual Special Tax are not sufficient, the City will then proportionately levy the tax on Undeveloped Parcels up to 100% of their Maximum Annual Special Tax until the tax levy is set at an amount sufficient to cover Annual Cost.

Sixth, if revenues from taxing Developed Parcels and Undeveloped Parcels at 100% of their Maximum Annual Special Taxes are not sufficient, the City will then levy the tax on the City Stadium Parcel up to 100% of its Maximum Annual Special Tax until the tax levy is set at an amount sufficient to cover Annual Costs.

Seventh, if revenues from taxing Developed Parcels, Undeveloped Parcels, and the City Stadium Parcel at 100% of their respective Maximum Annual Special Taxes are not sufficient to pay for the Annual Cost, the City will then proportionately tax Veteran Developed Parcels up to 100% of the Maximum Special Annual Tax until the tax levy is set at an amount sufficient to cover Annual Costs.

Maximum Annual Special Tax Rates. The Maximum Annual Special Tax Rates by taxation category for each Fiscal Year are shown in the tables attached as Attachment 1 and Attachment 2 to the Rate and Method of Apportionment. See Appendix C. Tax rates for Developed Parcels escalate 2% annually and tax rates for Undeveloped Parcels escalated up until Fiscal Year 2009-10 and have not escalated beyond such fiscal year.

Prepayment of the Special Tax Obligation. Landowners may permanently satisfy the Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

¹ *The City Stadium Parcel is classified into Land Use Category 5 until it is certified as a Developed Parcel by the City and is transferred to a private owner. For this Parcel, Developed Parcel means that an occupancy permit has been issued. Once the Parcel is a Developed Parcel, it will be treated as Land Use Category 3 and taxed the same as other Developed Parcels. The Parcel will not be considered an Undeveloped Parcel for the purpose of calculating the annual Special Taxes, instead it will be taxed only if all Undeveloped Parcels are taxed at the Maximum Special Tax rate, and if transferred to a private owner, the Parcel will be treated like any other Taxable Parcel.*

- (a) The City determines that the prepayment does not jeopardize the ability to make timely payments of debt service on outstanding Bonds.
- (b) Any landowner who wishes to exercise the right to a prepayment for a parcel must pay any and all delinquent Special Taxes and penalties, and/or any catch-up Special Taxes attributable to that parcel.
- (c) Prepayment must be made on or before June 1 in order to prevent the levy of Special Taxes due during the fiscal year beginning July 1.

The prepayment amount will be established by the procedures that are described in Section 6 of the Rate and Method of Apportionment, which is set forth in full in Appendix C.

Duration of Levy. The Special Tax is authorized to be levied for as long as needed to pay debt service on Bonds issued to fund authorized facilities, but not later than Fiscal Year 2039-40.

Exemptions. Under Section 53340 of the Act, the Rate and Method of Apportionment exempts properties that are or are intended to be publicly owned except; the Special Tax on property not otherwise exempt that is acquired by a public entity will be required to be permanently satisfied pursuant to Sections 53317.3 and 53317.5 of the Act, and the City Stadium Parcel is subject to the Special Tax under certain circumstances, as described above.

Six parcels within the Community Facilities District that contain toxic substances will remain exempt from the Special Tax until the City declares the contamination to have been remediated.

Parcels for which the owner has prepaid and satisfied the Special Tax are also exempt from further Special Taxes. See Appendix C.

Estimated Special Tax Proceeds and Debt Service Coverage

Table 1 below shows the projected Fiscal Year 2015-16 Special Tax levy. In addition, Table 1 shows the estimated debt service coverage on the Bonds for the Bond Year ending September 1, 2016. If Developed Parcels were levied at the Maximum Special Tax rate, subject to the statutory limitation of a 10% increase on residential parcels to account for potential delinquencies or defaults, then Special Tax revenues (\$2,469,959) would exceed Fiscal Year 2015-16 debt service on the Bonds (\$2,120,507*) by approximately 16.5%. If all Taxable Parcels were levied at the Maximum Special Tax rate, subject to the statutory limitation of a 10% increase on residential parcels to account for potential delinquencies or defaults, then Special Tax revenues (\$3,012,095) would exceed Fiscal Year 2015-16 debt service on the Bonds by approximately 42.1%. See “THE BONDS — Debt Service Schedule.” See “THE BONDS — Debt Service Schedule.”

* Preliminary, subject to change.

**TABLE 1
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
PROJECTED SPECIAL TAX LEVY AND
REVENUE REQUIREMENTS
BOND YEAR ENDING SEPTEMBER 1, 2016**

<i>Development Status</i>	<i>Applied Special Tax^{(2)*}</i>	<i>Percentage of Projected Fiscal Year Special Tax Levy^{(3)(7)*}</i>	<i>Maximum Special Tax⁽⁴⁾⁽⁶⁾</i>	<i>Percentage of Maximum Special Tax</i>	<i>Bond Debt Service^{(3)(5)*}</i>	<i>Debt Service Coverage^{(5)*}</i>
DEVELOPED PARCELS						
Improved ⁽¹⁾	\$1,836,983	84.8%	\$2,090,777	69.4%	\$1,471,901	
Unimproved	330,524	15.3	379,182	12.6	266,943	
Subtotal Developed	\$2,167,507	100.0%	\$2,469,959	82.0%	\$2,120,507	116.5%
UNDEVELOPED PARCELS	--	0.0	542,136	18.0	--	
TOTAL	\$2,167,507	100.0%	\$3,012,095	100.0%	\$2,120,507	142.1%

* Preliminary, subject to change.

(1) Improved property describes Developed Parcels for which structure or improvement value is shown on the County secured property tax roll for Fiscal Year 2014-15.

(2) Reflects projected Special Tax levy for Fiscal Year 2015-16 and assumes no delinquencies. Amounts represent the Special Tax levy on Developed Parcels at approximately 79% of the Maximum Special Tax rate under the Rate and Method of Apportionment.

(3) Based on estimated debt service on the Bonds for the Bond Year ending September 1, 2016. Responsibility for debt service on the Bonds is allocated based on the projected Fiscal Year 2015-16 Special Tax levy.

(4) Amounts reflect a Special Tax levy on non-residential Developed Parcels and Undeveloped Parcels at the Maximum Special Tax Rate and a Special Tax levy on residential Developed Parcels at the projected Fiscal Year 2015-16 rate, pursuant to the Rate and Method of Apportionment, plus 10% on residential parcels to account for potential delinquencies or defaults.

(5) Represents projected debt service on the Bonds for the bond year ending September 1, 2016. Coverage of 116.5% is based on a Special Tax levy on non-residential parcels at the Maximum Special Tax rate and a Special Tax levy on residential parcels at the projected Fiscal Year 2015-16 rate plus 10% on residential parcels to account for potential delinquencies or defaults. Coverage of 142.1% is based on a Special Tax levy on non-residential Developed Parcels and Undeveloped Parcels at the Maximum Special Tax rate and a Special Tax levy on residential parcels at the projected Fiscal Year 2015-16 rate plus 10% to account for potential delinquencies or defaults. The City does not expect to levy Special Taxes on Undeveloped Parcels in Fiscal Year 2015-16.

(6) Pursuant to California Government Code Section 53321(d), the Special Tax levied against any assessor's parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other assessor's parcel within the Community Facilities District by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. As a result, it is possible that the Special Tax levy may not be increased to the Maximum Special Tax rate under the Rate and Method of Apportionment in all years.

(7) Totals may not sum due to rounding.

Source: NBS Government Finance Group.

Assessed Value-to-Lien Ratios

The City has not engaged an independent appraiser to provide an opinion concerning the values of the Taxable Parcels within the Community Facilities District. The most recent independent appraisal of property within the Community Facilities District was performed in June 2000 in connection with the issuance of the Community Facilities District's Special Tax Bonds, Series B. The aggregate assessed value of the Taxable Parcels within the Community Facilities District as

shown on the Fiscal Year 2014-15 County Assessor's roll is \$5,285,583,384 (based on a January 1, 2014 lien date).

The value of the property within the Community Facilities District is significant to an evaluation of the Bonds because, in the event of a delinquency in the payment of Special Taxes, the City may foreclose only against delinquent parcels. Likewise, the ratio of the value of a parcel to its "share" of the applicable Bonds is important because it provides an indication of the extent of the relative burden imposed on each parcel by the Special Tax. As indicated above, the aggregate assessed value of the Taxable Parcels within the Community Facilities District as shown on the 2014-15 County Assessor's roll is \$5,285,583,384. The ratio of that value to the \$24,225,000* total principal amount of the Bonds is approximately 218.2 to-1*. This ratio does not include other overlapping debt within the Community Facilities District. See "— Direct and Overlapping Debt" below. Taking that direct and overlapping debt into account, the ratio of the aggregate assessed value of the Taxable Parcels within the Community Facilities District to the total principal amount of all direct and overlapping special tax and assessment bonds for the Community Facilities District (\$154,429,857*, inclusive of the Bonds) is approximately 34.2 to 1*. See Table 3 below.

For the Fiscal Year 2014-15 Special Tax levy (development status as of May 1, 2014), there were 18,820 parcels levied as Developed Parcels and 79 Undeveloped Parcels for which the Community Facilities District did not levy the Special Tax. See "—Undeveloped Parcel Owners."

Each of these value-to-lien ratios is for the entire Community Facilities District; however, the ratios of the value of individual lots within the Community Facilities District to their shares of the principal amount of the Bonds can be expected to vary substantially depending upon the status of development and the selling price of the lots. See Table 3 below.

Assessed values do not necessarily represent market values. Article XIII A of the California Constitution (Proposition 13) defines "full cash value" to mean "the County assessor's valuation of real property as shown on the 1975/76 roll under 'full cash value', or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors. Because of the general limitation to 2% per year in increases in full cash value of properties which remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values. Moreover, as a result of declines in the market value of properties in recent years, assessed valuations of many properties in the County have declined in the recent years. As a result of the foregoing, there can be no assurance that the assessed valuations of the properties within the Community Facilities District accurately reflect their respective market values, and the future fair-market values of those properties may be lower than their current assessed valuations.

Proposition 8. Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions pursuant to Proposition 8 may be initiated by the County Assessor or requested by the property owner, and such reductions apply only to a single tax year.

After a roll reduction is granted pursuant to Proposition 8, the property is reviewed on an annual basis to determine its full cash value, and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. The County Assessor has the ability to use Proposition 8 criteria to apply blanket reductions in valuation to classes of property affected by particular negative economic conditions.

Table 2 below sets forth historic assessed values within the Community Facilities District from Fiscal Years 2005-06 through 2014-15.

**TABLE 2
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
HISTORICAL ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Assessed Value⁽¹⁾</i>	<i>Increase/(Decrease) in Assessed Value</i>
2005-06	\$4,225,363,950	N/A
2006-07	5,243,318,406	24.1%
2007-08	6,310,612,694	20.4
2008-09	6,232,595,515	(1.2)
2009-10	5,207,027,398	(16.5)
2010-11	4,973,929,577	(4.5)
2011-12	4,594,666,241	(7.6)
2012-13	4,263,863,500	(7.2)
2013-14	4,675,037,244	9.6
2014-15	5,285,583,384	13.1

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value.

Sources: NBS Government Finance Group; County Assessor.

Table 3 below sets forth the assessed value-to-lien calculations for the various land use categories of Developed Parcels and Undeveloped Parcels within the Community Facilities District, based on Fiscal Year 2014-15 assessed values and the total direct and overlapping special tax and assessment bonds (including the Bonds) for the Community Facilities District. See Table 5 below for a description of the outstanding direct and overlapping special tax and assessment bonds within the Community Facilities District.

**TABLE 3
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
VALUE-TO-LIEN ANALYSIS BASED ON FISCAL YEAR 2014-15 ASSESSED VALUE**

<i>Land Uses/ Development Status^(1,2)</i>	<i>Number of Parcels</i>	<i>Assessed Value⁽³⁾</i>	<i>Share of Bonds^{(4)*}</i>	<i>Percentage Share of Bonds^{(4)(7)*}</i>	<i>Total Overlapping Land-Secured Debt⁽⁵⁾</i>	<i>Estimated Assessed Value-to-Lien Ratio^{(6)*}</i>
DEVELOPED PARCELS						
Improved Property						
Detached Residential Unit	14,065	\$ 4,067,152,354	\$ 14,492,551	59.8%	\$ 110,685,380	36.8 to 1
Duplex/Condominium	1,737	260,535,315	1,245,088	5.1	6,933,756	37.6 to 1
Other Residential/Non Residential	130	850,682,121	4,793,197	19.8	22,344,622	38.1 to 1
Improved Property Subtotal	15,932	\$ 5,178,369,790	\$ 20,530,836	84.8%	\$ 139,963,758	37.0 to 1
Unimproved						
Detached Residential Unit	2,470	\$ 46,646,428	\$ 2,344,308	9.7%	\$ 8,054,141	5.8 to 1
Duplex/Condominium	373	2,203,263	282,758	1.2	1,880,418	1.2 to 1
Other Residential/Non Residential	45	15,376,321	1,067,098	4.4	3,738,127	4.1 to 1
Unimproved Property Subtotal	2,888	\$ 64,226,012	\$ 3,694,164	15.3%	\$ 13,672,687	4.7 to 1
UNDEVELOPED PARCELS	79	\$ 42,987,582	--	0.0%	\$ 793,412	54.2 to 1
TOTAL	18,899	\$ 5,285,583,384	\$ 24,225,000	100.0%	\$ 154,429,857	34.2 to 1

* Preliminary, subject to change.

- (1) Based on development status as of May 1, 2014. Pursuant to the Rate and Method of Apportionment, a Developed Parcel is generally a parcel for which has (1) an approved final small lot map for residential uses permitting up to two units per lot, (2) an approved special-use permit for residential use permitting three or more units per lot or (3) an approved special use permit for Non-Residential Development.
- (2) Improved property describes Developed Parcels for which structure or improvement value is show on the County Assessor's secured property tax roll for Fiscal Year 2014-15.
- (3) As shown on the Fiscal Year 2014-15 County Assessor's roll (based on a January 1, 2014 lien date).
- (4) Responsibility for Bonds is allocated based on the projected Fiscal Year 2015-16 applied Special Tax levy.
- (5) Includes outstanding direct and overlapping special tax and assessment bonded debt described in Table 5 below.
- (6) Calculated by dividing the Assessed Value column by the Total Overlapping Land-Secured Debt column.
- (7) Total may not sum due to rounding.

Source: NBS Government Finance Group.

As a result of the designation of the property within the Natomas Basin as a Special Flood Hazard Area (an "AE" flood designation), the property within the City, including the Community Facilities District, has been subject to a building moratorium since 2008. The City expects to authorize non-residential development and a limited resumption of residential development after a revised map designating the property within the Natomas Basin as Zone A99 is effective. Development of the parcels within the Community Facilities District that were classified for the Fiscal Year 2014-15 Special Tax levy, as Developed Parcels (development status as of May 1, 2014) with no improvements (2,888 parcels) or as Undeveloped Parcels (79 parcels) may not occur until the Zone A99 designation for the Natomas Basin is effective and the City takes the necessary steps to authorize development. FEMA has notified the City, by a letter dated March 30, 2015, that the revised map and designation of the Natomas Basin as Zone A99 will be effective on June 16, 2015. See "— Building Moratorium and Flood Hazard" above.

As shown in Table 3 above, the 2,888 parcels classified as Developed Parcels for the Fiscal Year 2014-15 Special Tax levy (development status as of May 1, 2014), with no improvement value is expected to be responsible for approximately 15.3% of the projected Fiscal Year 2015-16 Special Tax levy. If the City authorizes the resumption of development as currently proposed, parcels that are currently classified as Undeveloped Parcels within the Community Facilities District could

become classified as Developed Parcels under the Rate and Method of Apportionment (See “—Rate and Method of Apportionment”). There can be no assurance regarding the timing of the construction of improvements on such parcels, if any. If such parcels that are currently Undeveloped Parcels become classified as Developed Parcels upon the termination of the building moratorium and remain unimproved, the percentage of the Special Tax levy allocable to unimproved Developed Parcels may increase (such percentage is currently projected to be 15.3% for Fiscal Year 2015-16, as set forth in Table 3 above).

Top Taxpayers

Table 3 below lists the largest property taxpayers within the Community Facilities District measured by the percentage of the Fiscal Year 2014-15 Special Tax levy. The City did not levy Special Taxes on Undeveloped Parcels in Fiscal Year 2014-15. Based on ownership status as of January 1, 2014, the 10 largest property owners were responsible for 13.1% of the Fiscal Year 2014-15 Special Tax levy. As of such date, no property owner within the Community Facilities District is expected to be responsible for more than 3.5% of the Special Tax levy.

**TABLE 4
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
ESTIMATED VALUE-TO-LIEN RATIOS
OF DEVELOPED PARCELS**

<i>Property Ownership⁽¹⁾</i>	<i>General Use</i>	<i>Number of Parcels⁽¹⁾</i>	<i>Assessed Land Value⁽²⁾</i>	<i>Assessed Improvement Value⁽²⁾</i>	<i>Total Assessed Value⁽²⁾</i>	<i>Percentage Share of Outstanding Bonds^{(3)(7)*}</i>	<i>Share of Outstanding Bonds*</i>	<i>Total Overlapping Land-Secured Debt⁽⁴⁾</i>	<i>Value-to-Lien Ratio^{(5)*}</i>
Kings Arco Arena LTP ⁽⁶⁾	Arena	4	\$11,985,000	\$20,488,000	\$32,473,000	3.5%	\$842,692	\$ 1,363,816	23.8:1
KB Home Sacramento Incorporated ⁽⁸⁾	Residential	277	7,202,000	--	7,202,000	1.3	314,947	2,514,175	2.9:1
Natomas INVS LLC ⁽⁸⁾	Residential	390	9,113,522	--	9,113,522	1.3	310,447	762,995	11.9:1
WBCMT 2005 C21 Retail 4726 LP	Retail Commercial	3	8,238,030	25,369,857	33,607,887	1.2	285,446	2,153,729	15.6:1
Beazer Homes Holdings Corporation ⁽⁸⁾	Residential	246	4,237,842	--	4,237,842	1.2	279,700	288,976	14.7:1
Homecoming at Creekside LLC	Apartments	3	4,219,339	69,477,903	73,697,242	1.0	247,238	2,373,312	31.0:1
Natomas Investors LLC ⁽⁸⁾	Residential	297	3,663,697	--	3,663,697	1.0	236,418	256,098	14.3:1
Alleghany Properties LLC ⁽⁸⁾	Multi-Use Commercial	8	386,585	--	386,585	1.0	229,319	246,877	1.6:1
Carefree Natomas Limited Partnership ⁽⁸⁾	Apartments	2	5,954,958	40,998,463	46,953,421	0.9	218,633	1,846,245	25.4:1
Natomas Gateway West LLC	Office/Retail	8	7,275,320	--	7,275,320	0.9	214,035	230,423	31.6:1
SUBTOTAL – Top Ten Taxpayers		1,238	\$62,276,293	\$ 156,334,223	\$218,610,516	13.1%	\$3,178,875	\$12,036,645	18.2:1
All Others		<u>17,582</u>	<u>\$1,317,774,967</u>	<u>\$3,706,210,319</u>	<u>\$5,023,985,286</u>	<u>86.9%</u>	<u>\$21,046,125</u>	<u>\$141,599,800</u>	<u>35.5:1</u>
TOTAL		18,820	\$1,380,051,260	\$3,862,544,542	\$5,242,595,802	100.0%	\$24,225,000	\$153,636,445	34.1:1

* Preliminary, subject to change.

(1) Based on ownership status as of January 1, 2014, the lien date for the Fiscal Year 2014-15 County Assessor's roll.

(2) As shown on the Fiscal Year 2014-15 County Assessor's roll (based on a January 1, 2014 lien date).

(3) Allocated based on projected Fiscal Year 2015-16 Special Tax levy. The City did not levy Special Taxes on Undeveloped Parcels in Fiscal Year 2014-15 and does not expect to do so in Fiscal Year 2015-16.

(4) Includes the principal amount of the Bonds and the outstanding direct and overlapping special tax and assessment bonded debt described in Table 5 below.

(5) Calculated by dividing the Assessed Value column by the Total Overlapping Land-Secured Debt column.

(6) The City has assembled an Arena Reuse task force to determine the highest and best use of the Arena and Arena related parcels after the professional basketball team, the Sacramento Kings, relocate from the Arena to a new downtown Entertainment and Sports Center. Relocation is expected to occur in the fall of 2016. The Arena and Arena related parcels will remain subject to the Special Tax after the relocation.

(7) Total may not sum due to rounding.

(8) Property without improvement value as show on the County Assessor's roll for Fiscal Year 2014-15.

Source: NBS Government Finance Group.

Direct and Overlapping Indebtedness

The ability of an owner of land within the Community Facilities District to pay the Special Taxes could be affected by the existence of other taxes and assessments imposed upon the land. These other taxes and assessments consist of the direct and overlapping debt in the Community Facilities District are set forth in Table 5 below, (the “Debt Report”). The Debt Report sets forth those entities which have issued debt and does not include entities that only levy or assess fees, charges, ad valorem taxes, or special taxes. The Debt Report includes the principal amount of the Bonds. The Debt Report has been derived from data assembled and reported to the City by NBS Government Finance Group and California Municipal Statistics, Inc., as of March 1, 2015. Neither the City nor the Underwriter has independently verified the information in the Debt Report, and neither of them guarantees the completeness or accuracy of the Debt Report. In addition to current debt, new community facilities districts and/or special assessment districts could be formed in the future encompassing all or a portion of the property within the Community Facilities District; those districts or the agencies that form them could issue more bonds and levy additional special taxes or assessments.

**TABLE 5
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
DIRECT AND OVERLAPPING BONDED DEBT**

<i>Overlapping District</i>	<i>Percent Applicable</i>	<i>Total Outstanding Bonded Debt</i>
City of Sacramento North Natomas CFD 97-01	100.00%	\$ 24,225,000*
City of Sacramento A.D. No. 2	9.80	106,107
SAFCA Consolidated Capital A.D.	11.07	19,612,951
SAFCA Natomas Basin Local A.D.	46.64	15,911,753
SAFCA O&M ⁽¹⁾	5.56	170,527
City of Sacramento North Natomas CFD No. 2	100.00	1,203,520
City of Sacramento CFD No. 99-04 (Basin 8C) ⁽¹⁾	100.00	4,190,000
City of Sacramento North Natomas Westlake CFD No. 2000-01	100.00	7,340,000
City of Sacramento CFD No. 4 ⁽¹⁾	100.00	68,210,000
City of Sacramento North Natomas Regency Park CFD No. 2001-03	100.00	13,460,000
Total		\$ 154,429,857

* Preliminary, subject to change.

⁽¹⁾ The City and SAFCA, as applicable, are currently considering the issuance of refunding bonds to refund all or a portion of such bonds.

Source: NBS Government Finance Group; City of Sacramento Department of Finance; California Municipal Statistics, Inc.

The following table sets forth the estimated total tax obligation of sample Developed Parcels with a single-family detached unit within the Community Facilities District. Based on the outstanding principal amount of the Bonds and the projected Fiscal Year 2015-16 Special Tax levy and the Fiscal Year 2014-15 tax rates for overlapping taxing entities, the average total projected Fiscal Year 2015-16 effective tax rate for a Developed Parcel in the Community Facilities District ranges from approximately 1.35% and 1.60% of the average assessed value of a single-family detached home.

TABLE 6
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
PROJECTED FISCAL YEAR 2015-16 TAX OBLIGATION
FOR INDIVIDUALLY OWNED SAMPLE SINGLE FAMILY DETACHED UNIT

Assessed Valuations and Property Taxes		Quadrant 1	Quadrant 2	Quadrant 3	Quadrant 4
Assessed Value ⁽¹⁾		\$287,143	\$279,723	\$364,998	\$267,872
Homeowner's Exemption		(7,000)	(7,000)	(7,000)	(7,000)
Net Assessed Value		\$280,143	\$272,723	\$357,998	\$260,872
	Percent of Total AV				
Ad Valorem Property Taxes					
General Purposes	1.0000%	\$2,801	\$2,727	\$3,580	\$2,609
Los Rios Community College District GO Bonds	0.0113	32	31	40	29
Natomas USD GO Bonds	0.1614	452	-	578	421
Twin Rivers USD GO Bonds	0.0465	-	127	-	-
Twin Rivers USD (Former High School District GO Bonds)	0.0485	-	132	-	-
Twin Rivers USD (Former Elementary School District GO Bonds)	0.0087	-	24	-	-
Total Ad Valorem Property Taxes		\$3,285	\$3,041	\$4,198	\$3,059
Assessments, Special Taxes, and Parcel Charges⁽²⁾					
City of Sacramento CFD No. 99-04 (Basin 8C)		\$0	\$0	\$0	\$540
City of Sacramento CFD No. 2		-	-	-	-
City of Sacramento CFD No. 4		-	784	-	-
City of Sacramento North Natomas Regency Park CFD No. 2001-03		-	-	-	-
City of Sacramento North Natomas Westlake CFD No. 2000-01 ⁽⁴⁾		-	-	482	-
City of Sacramento North Natomas CFD 97-01		111	111	78	78
SAFCA Consolidated Capital A.D.		108	53	103	106
SAFCA Natomas Basin Local A.D.		77	36	69	77
SAFCA O&M		8	7	15	11
City of Sacramento Assessment District No. 2 L&L		78	78	78	78
City of Sacramento North Natomas Landscaping CFD #3		75	75	75	75
City of Sacramento North Natomas NL CFD 99-02 B		52	-	-	-
City of Sacramento North Natomas NL CFD 99-02 E		-	-	-	104
City of Sacramento North Natomas NL CFD 99-02 I		-	14	-	-
City of Sacramento North Natomas TMA CFD 99-01		25	25	25	25
Natomas Central CFD No. 2006-02		-	-	-	-
Neighborhood Park Maint CFD 2002-02		-	62	-	62
Reclamation District 1000 M & O		25	25	25	25
Sacramento Library Services Tax		31	31	31	31
Sacramento Core Library Services Tax		12	12	12	12
Total Assessments, Special Taxes, and Parcel Changes		\$602	\$1,313	\$993	\$1,224
Total Property Taxes⁽³⁾		\$3,887	\$4,354	\$5,192	\$4,283
Total Effective Tax Rate		1.35%	1.56%	1.42%	1.60%

(1) Estimated assessed value based on average assessed value for single-family detached home within the Community Facilities District.

(2) Reflects amounts for Fiscal Year 2014-15 for sample properties within the Community Facilities District. Amounts and overlapping assessments may not apply to all overlapping assessments for all property within the Community Facilities District.

(3) Totals may not sum due to rounding.

Source: NBS Government Finance Group; California Municipal Statistics, Inc.; the County.

Delinquency History

The following table is a summary of Special Tax levies, collections and delinquency rates in the Community Facilities District for Fiscal Years 2009-10 through 2013-14 and the first installment of Fiscal Year 2014-15. The Community Facilities District is currently included in the County’s Teeter Plan and, as a result, the Community Facilities District receives 100% of the Special Tax levy, without regard to the actual amount of collections. See “SECURITY FOR THE BONDS— Teeter Plan” and “SPECIAL RISK FACTORS—Teeter Plan Termination.”

**TABLE 7
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES
FISCAL YEARS 2009-10 THROUGH 2014-15**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies as of June 30 of Fiscal Year in which Special Taxes Were Levied⁽¹⁾</i>			<i>Delinquencies as of February 10, 2015</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$2,474,207	18,615	529	\$59,812	2.42%	-	-	0.00%
2010-11	2,393,142	18,611	342	62,142	2.60	20	\$2,244	0.09
2011-12	2,401,943	18,524	426	35,280	1.47	25	2,430	0.10
2012-13 ⁽²⁾	2,428,021	18,810	186	25,819	1.06	47	5,531	0.23
2013-14	2,393,371	18,820	126	14,032	0.59	64	6,199	0.26
2014-15 ⁽³⁾	1,180,789	18,820	N/A	N/A	N/A	401	44,210	3.74

⁽¹⁾ As of fiscal year end of year levied.

⁽²⁾ Since Fiscal Year 2012-13, Special Taxes have only been levied on Developed Parcels. Special Taxes may be levied on Undeveloped Parcels in the future pursuant to the Rate and Method of Apportionment to pay principal of, and interest on, the Bonds or the costs of additional authorized facilities, if necessary.

⁽³⁾ Reflects first installment only.

Source: NBS Government Finance Group.

Undeveloped Parcel Owners

The table below lists the entities that own Taxable Parcels that were classified as Undeveloped Parcels under the Rate and Method of Apportionment for the Fiscal Year 2014-15 Special Tax levy (development status as of May 1, 2014), the share of the Maximum Special Tax, and the general use of the parcels. The City did not levy the Special Tax on Undeveloped Parcels in Fiscal Year 2014-15 and does not expect to do so in Fiscal Year 2015-16.

**TABLE 8
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
TOP 10 UNDEVELOPED PARCEL OWNERS
FISCAL YEAR 2014-15**

<i>Property Owner</i>	<i>General Use</i>	<i>Undeveloped Parcels</i>	<i>Acres</i>	<i>Share of Maximum Special Tax Levy</i>
Natomas Creek LLC ⁽¹⁾	Residential	9	184.25	3.8%
Alleghany Properties Inc. ⁽²⁾	Commercial/Industrial	14	175.48	3.6
Commerce Station LLC	Agricultural	3	58.28	1.3
OSE Land No. 2	Commercial/Industrial	3	61.44	0.9
Gateway West LLC	Commercial/Industrial/Residential	8	46.43	0.8
Angelo G Tsakopoulos	Commercial	1	44.90	0.8
Beazer Homes Holding Corporation	Residential	2	38.21	0.8
Buzz Oates LLC/PDA Land LLC/Williams C Cummings	Industrial	3	27.08	0.7
KB Home Sacramento Incorporated	Residential	1	23.34	0.6
Family Real Property Limited Partnership	Commercial/Residential	<u>2</u>	<u>15.66</u>	<u>0.4</u>
Total		46	675.07	13.7%

⁽¹⁾ Property owned by Kern W. Schumacher, who has been developing and acquiring property since the early 1960s and has overseen the construction of over eight million square feet of industrial facilities and 775 homes.

⁽²⁾ Alleghany Properties Inc. is a wholly-owned subsidiary of Alleghany Corporation. Alleghany Corporation is a publicly traded company with its stock listed on the New York Stock Exchange under the symbol "Y." Alleghany Corporation is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and files reports, proxy statements and other information, including financial statements, with the United States Securities and Exchange Commission.

Source: NBS Government Finance Group.

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks that are not appropriate for certain investors. The following is a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors that may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the Community Facilities District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the City to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the

events discussed herein could adversely affect the value of the property in the Community Facilities District. See “— Reductions in Property Values” below.

Risks of Real Estate Secured Investments Generally

The Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, but not limited to, (a) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the Community Facilities District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and sites in the event of sale or foreclosure; (b) changes in real estate tax rates and other operating expenses, governmental rules (including but not limited to zoning laws and laws relating to endangered species and hazardous materials), and fiscal policies; (c) natural disasters (including but not limited to earthquakes, wildfires, and floods), which may result in uninsured losses; (d) adverse changes in local market conditions; and (e) increased delinquencies due to rising mortgage costs and other factors.

No assurance can be given that the property owners within the Community Facilities District will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption “—Foreclosure Delays – Bankruptcy” for a discussion of certain limitations on the City’s ability to pursue judicial proceedings with respect to delinquent parcels.

Risks Related to Housing Market Conditions

The housing market in California experienced significant price appreciation and accelerating demand from approximately 2002 to 2006, but subsequently the housing market weakened substantially, with changes from the prior pattern of price appreciation and a slowdown in demand for new housing and declining prices. Beginning in 2007, home developers, appraisers and market absorption consultants were reporting weak housing market conditions due to factors that include but are not limited to the following: (a) lower demand for new homes; (b) significant increase in cancellation rates for homes under contract; (c) the exit of speculators from the new home market; (d) increasing mortgage defaults and foreclosures; (e) a growing supply of new and existing homes available for purchase; (f) increase in competition for new homes orders; (g) prospective home buyers having a more difficult time selling their existing homes in the more competitive environment; (h) reduced sales prices and/or higher incentives required to stimulate new home orders or to induce home buyers not to cancel purchase contracts; (i) more stringent credit qualification requirements by home loan providers; and (j) increased unemployment levels. Assessed values in the Community Facilities District decreased from the peak of Fiscal Year 2007-08 by approximately 32.4% through Fiscal Year 2012-13. In Fiscal Year 2013-14, assessed valuation in the Community Facilities District increased by approximately 9.6% from Fiscal Year 2012-13 amounts and has further increased in Fiscal Year 2014-15 by approximately 13.1% from Fiscal Year 2013-14 amounts. Although home prices within the Community Facilities District appear to have stabilized, one or more of these factors may negatively impact home values in the Community Facilities District in the future and affect the willingness or ability of taxpayers to pay their Special Tax payment before delinquency.

Insufficiency of Special Tax Revenues

As discussed below, the Special Taxes may not produce revenues sufficient to pay the debt service on the Bonds either due to nonpayment of the amounts levied or because acreage within the

Community Facilities District becomes exempt from taxation due to the transfer of title to a public agency.

To pay debt service on the Bonds, it is generally necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the City has established a Reserve Fund in an amount equal to the Required Bond Reserve to pay debt service on the Bonds to the extent other funds are not available. See “SECURITY FOR THE BONDS — Reserve Fund.” The City has covenanted in the Indenture to maintain in the Reserve Fund an amount equal to the Required Bond Reserve, subject to the availability of Special Taxes in amounts sufficient to do so and subject to the limitation that the City may not levy the Special Tax in any Fiscal Year at a rate in excess of the maximum amounts permitted under the Rate and Method of Apportionment. As a result, if a significant number of delinquencies occur, the City could be unable to replenish the Reserve Fund to the Required Bond Reserve due to the limitations on the amount of the Special Tax that may be levied. If such defaults were to continue in successive years, the Reserve Fund could be depleted and a default on the Bonds could occur.

The Act provides that, if any property within the Community Facilities District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on, and enforceable against, the public entity that acquired the property. In addition, the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts, but it is doubtful that they would be upheld as to, for example, property owned by the federal government. If for any reason property within the Community Facilities District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, then, subject to the limitation of the Special Tax under the Rate and Method of Apportionment, the Special Tax will be reallocated to the remaining taxable parcels within the Community Facilities District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon their willingness and/or ability to pay the Special Tax. Moreover, if a substantial portion of additional land within the Community Facilities District became exempt from the Special Tax because of public ownership or otherwise, the Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of, and interest on, the Bonds when due and a default will occur with respect to the payment of such principal and interest.

The City has covenanted that, under certain circumstances, it will institute foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See “SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure” for provisions that apply in the event of such foreclosure and that the City must follow in the event of delinquencies.

If sales or foreclosures of property are necessary, there could be a delay in payments to Bond Owners (if the Reserve Fund has been depleted) pending such sales or the prosecution of the foreclosure proceedings and receipt by the City of the proceeds of sale. The City may adjust the future Special Tax levied on taxable parcels in the Community Facilities District, subject to limitations described above under the caption “THE COMMUNITY FACILITIES DISTRICT —

Rate and Method of Apportionment,” to provide an amount required to pay interest on, and principal of, the Bonds, and any amount necessary to replenish the Reserve Fund to an amount equal to the Required Bond Reserve and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in the Community Facilities District will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the maximum Special Tax rates authorized under the Rate and Method of Apportionment. See “—Foreclosure Delays – Bankruptcy.”

No assurance can be given that the real property subject to sale or foreclosure will be sold, or if sold, that the proceeds of sale will be sufficient to pay any delinquent installments of the Special Tax. The Act does not require the City to purchase or otherwise acquire any lot or parcel of property to be sold at foreclosure if there is no other purchaser at such sale. The Act and the Indenture do specify that the Special Tax will have the same lien priority as for ad valorem property taxes in the case of delinquency. Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the Outstanding Bonds is obtained. The Indenture provides that the City may waive delinquency penalties and redemption penalties if it determines that (a) the waivers will apply only to parcels delinquent at the time of the determination, (b) the waivers will only be available with respect to parcels for which all past due and currently due Special Taxes and all other costs are paid in full within a limited period of time specified in the determination, (c) the waivers will be available only with respect to parcels sold or otherwise transferred to new owners unrelated to the owner responsible for the delinquency, and (d) the waivers are in the best interest of the Owners.

Before July 1, 1983, the right of redemption from foreclosure sales was limited to a period of one year from the date of sale. Under legislation effective July 1, 1983, the statutory right of redemption from such foreclosure sales has been repealed. However, a period of 20 days must elapse after the date on which the notice of levy of the interest in real property was served on the judgment debtor before the sale of such lot or parcel can be made. Furthermore, if the purchaser at the sale is the judgment creditor (e.g., the City), an action to set aside the sale may be commenced by the delinquent property owner within 90 days after the date of sale. The constitutionality of this legislation repealing the one-year redemption period has not been tested, and there can be no assurance that, if tested, the legislation will be upheld. (California Code of Civil Procedure Section 701.680.)

Uncertainties in Land Development – General

In Fiscal Year 2014-15, 18,820 parcels within the Community Facilities were levied as Developed Parcels, 2,888 parcels of which did not have assessed improvement value. In addition, in Fiscal Year 2014-15 there were 79 parcels classified as Undeveloped Parcels under the Rate and Method of Apportionment. Since land without completed buildings is generally less valuable than land with completed buildings, the vacant land will provide less security for the Bonds should it be necessary for the City to commence foreclosure proceedings because of the non-payment of the Special Taxes. In short, the successful development of the land within the Community Facilities District is important to the ultimate security for, and the payment of principal of, and interest on, the Bonds.

As a result of the designation of the property within the Natomas Basin, including the Community Facilities District, as a Special Flood Hazard Area (Zone AE designation), the property

has been subject to a building moratorium since 2008. The City expects to authorize non-residential development and a limited resumption of residential development after a revised map designating the property within the Natomas Basin as Zone A99 is effective. FEMA has notified the City, by a letter dated March 30, 2015, that the revised map and designation of the Natomas Basin as Zone A99 will be effective on June 16, 2015. See “THE COMMUNITY FACILITIES DISTRICT — Building Moratorium and Flood Hazard.”

There are many additional reasons why a project may not be developed in the manner and within the time frame and budget originally planned. For example, a project might be adversely affected by opposition to it, unfavorable economic conditions, an inability of the landowner to obtain financing; fluctuations in the local real estate market; fluctuations in interest rates unexpected increases in development costs; changes in federal, state, or local governmental policies relating to the ownership and development of real estate; and the appearance of previously unknown environmental considerations or material changes in known environmental considerations. Some of these factors are discussed below as individual risk factors.

Disclosure to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax, even if the value of the parcel is sufficient, may be affected by whether the owner was given due notice of the Special Tax authorization when the owner purchased the parcel; was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate, and the risk of such a levy; and has the ability, at the time of such a levy, to pay it as well as pay other expenses and obligations. The City has caused a Notice of Special Tax lien to be recorded against each parcel with the County Clerk/Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the Community Facilities District or the lending of money thereon.

The Act requires the subdivider of a subdivision (or its agent or representative) to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good-faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Teeter Plan Termination

In 1993, the County implemented its Teeter Plan as an alternative procedure for the distribution of certain property tax and assessment levies on the secured roll. Under its Teeter Plan, the County has elected to provide local agencies and taxing areas, including the Community Facilities District, with full tax and assessment levies instead of actual tax and assessment collections. In return, the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County’s Teeter Plan may protect the Owners of the Bonds from the risk of delinquencies in the payment of the Special Tax. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the

local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to the Community Facilities District would eliminate such protection from delinquent Special Taxes. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Teeter Plan.”

Geologic, Topographic and Climatic Conditions

The market value of the property within the Community Facilities District can be adversely affected by a variety of factors that may affect public and private improvements. Those additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements) and climatic conditions (such as droughts, fire hazard, and floods). The property within the Community Facilities District is not located within an Alquist-Priolo Earthquake Fault Zone.

With respect to geologic conditions, building codes require that some of these factors be taken into account in the design of private improvements of the parcels, and the City has adopted the Uniform Building Code standards with regard to seismic standards. Design criteria are established upon the basis of a variety of considerations and may change, leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of establishment between the present costs of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Consequently, neither the absence of, nor the establishment of, design criteria with respect to any particular condition means that the applicable governmental agency has evaluated the condition and has established design criteria in the situations in which the criteria are needed to preserve value, or has established the criteria at levels that will preserve value. To the contrary, the City expects that one or more of such conditions may occur and may result in damage to improvements of varying seriousness; that the damage may entail significant repair or replacement costs; and that repair or replacement may never occur because of the cost, because repair or replacement will not facilitate habitability or other use, or because other considerations preclude repair or replacement. Under any of these circumstances, the actual value of the parcels might depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

The Community Facilities District is located within the Natomas Basin, which is currently designated as a Special Flood Hazard Area (Zone AE designation). Improvements are underway to allow the Natomas Basin area to be designated as Zone A99. FEMA has notified the City, by a letter dated March 30, 2015, that the revised map and designation of the Natomas Basin as Zone A99 will be effective on June 16, 2015. The Zone A99 designation means that, among other things, at least 50% of the improvements required to achieve 100-year flood protection have been completed. Until the improvements are 100% completed, however, the property within the Community Facilities District will remain at risk for flood-related property damage. See “THE COMMUNITY FACILITIES DISTRICT — Building Moratorium and Flood Hazard.”

The area within the Natomas Basin has experienced flood events. For instance, in 1986, flooding caused seepage in the levees within the proximity of the Sacramento International Airport. As described in this Official Statement, the area within the Natomas Basin, including the Community Facilities District, remains at risk for flood-related property damage until the Levee Project is complete.

Hazardous Substances

Although government taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may also be relevant. One of the most serious in terms of the potential reduction in the value of a parcel is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Super Fund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner (or operator) may be obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the Community Facilities District be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition.

Certain parcels within the Community Facilities District were classified as “Remediation Parcels” under the Rate and Method of Apportionment. Such parcels are associated with the former Natomas Airport (also formerly known as the Natomas Air Park or Natomas Field), on which the presence of pesticide-impacted soils and fuel leaked from underground storage tanks were found. Remediation has been undertaken by the owners of such parcels, which include commercial homebuilders, and is ongoing. Approximately six parcels are affected by such pollutants and remediation activities. The City does not believe the hazardous substances found on such parcels and the remediation that remains to be completed will have a material adverse effect on the ability to pay the principal of and interest on the Bonds from the Special Taxes.

Other than as described in this Official Statement, the City is not aware of the presence of any federally or State classified hazardous substances located on the property within the Community Facilities District. However, it is possible that substances in addition to those described in this Official Statement do currently exist and that the City is not aware of them.

It is possible that property in the Community Facilities District may be liable for hazardous substances in the future as a result of the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or the existence, currently, on the property of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling such substance. All of these possibilities could reduce the value of the applicable property.

Foreclosure Delays – Bankruptcy

In the event of a delinquency in the payment of the Special Taxes, the City is required to commence foreclosure proceedings under the circumstances described under the heading “SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure.” However, prosecution of the proceedings could be delayed by crowded court calendars; by bankruptcy, insolvency, and other laws generally affecting creditors’ rights (such as the Soldiers’ and Sailors’ Relief Act of 1940); and by the laws of the State relating to judicial and non-judicial foreclosure. Although bankruptcy proceedings would not cause the liens of the Special Taxes to become extinguished, bankruptcy of a person or entity with an interest in the applicable property could result

in a delay in the foreclosure proceedings because federal bankruptcy laws provide for an automatic stay of foreclosure and tax sale proceedings. Any such delay could increase the likelihood of delay or default in payment of the principal of, and interest on, the Bonds. The various legal opinions to be delivered in connection with the issuance of the Bonds, including Bond Counsel's approving legal opinion, are qualified as to the enforceability of the Bonds and the Indenture by reference to bankruptcy, reorganization, moratorium, insolvency, and other laws affecting the rights of creditors generally or against public corporations such as the Community Facilities District.

FDIC/Federal Government Interests in Parcels

The ability of the City to collect interest and penalties specified by the Act and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to parcels in which the Federal Deposit Insurance Corporation (the "FDIC"), or other federal government entities such as Fannie Mae or Freddie Mac, have or obtain an interest.

In the case of FDIC, if any financial institution making a loan that is secured by parcels is taken over by the FDIC and the applicable Special Tax is not paid, the remedies available to the City may be constrained. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that non-*ad valorem* taxes secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or before December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the nonpayment of taxes.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court ruled in favor of the FDIC, Orange County appealed, and the FDIC cross-appealed. On August 28, 2001, the United States Court of Appeals for the Ninth Circuit (the "Ninth Circuit"), issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale.

In the case of Fannie Mae and Freddie Mac, if a taxable parcel is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a taxable parcel is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held, based on the supremacy clause of the United States Constitution, that "this Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the

Judges in every State shall be bound thereby, anything in the Constitution or Laws of any State to the contrary notwithstanding.” In the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a taxable parcel but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress provides otherwise, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel because of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Cir. 1979) 597 F.2d 174, the Ninth Circuit held that Fannie Mae is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by Fannie Mae constitutes an exercise of state power over property of the United States. For a discussion of risks associated with taxable parcels within the Community Facilities District becoming owned by the federal government, federal government entities, or federal government sponsored entities, see “— Insufficiency of Special Tax Revenues.”

The City’s remedies may also be limited in the case of delinquent Special Taxes with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

Direct and Overlapping Indebtedness

The ability of an owner of property within the Community Facilities District to pay the applicable Special Taxes could be affected by the existence of other taxes and assessments imposed upon taxable parcels. See “THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Debt” herein. The City and other public agencies whose boundaries overlap those of the Community Facilities District could impose additional taxes or assessment liens on the property within the Community Facilities District to finance public improvements or services inside or outside the Community Facilities District. The lien created on the property within the Community Facilities District through the levy of such additional taxes may be on a parity with the lien of the Special Taxes applicable to the property within the Community Facilities District.

The imposition of additional liens on a parity with the Special Taxes may reduce the ability or willingness of property owners to pay the Special Taxes and increase the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Taxes.

Reductions in Property Values

The value of the land within the Community Facilities District is an important factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the City’s only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes or floods, stricter land-use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See

“THE COMMUNITY FACILITIES DISTRICT —Assessed Value-to-Lien Ratios” for a discussion of the assessed value within the Community Facilities District.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal and generally reflect only the sales price of a parcel when acquired by its current owner, increased or decreased annually by an amount determined by the County Assessor based on current market conditions, generally not to exceed an increase of more than 2% per fiscal year from the date of purchase (except in the case of new construction subsequent to such acquisition). No assurance can be given that a parcel could actually be sold for its assessed value. The actual market value of the property is subject to future events such as downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental agencies as to land use, all of which could adversely impact the value of the parcels in the Community Facilities District that secure the Bonds. See “THE COMMUNITY FACILITIES DISTRICT—Assessed Value-to-Lien Ratios” and “— Risks Related to Housing Market Conditions” above.

No assurance can be given that the estimated value-to-lien ratios set forth in Tables 3 and 4 will be maintained over time. As discussed herein, many factors beyond the City’s control could adversely affect the property values within the Community Facilities District. The City does not have any control over the amount of additional indebtedness that may be issued by other public agencies, the payment of which is through the levy of a tax or an assessment on a parity with the Special Taxes. A decrease in the assessed values in the Community Facilities District or an increase in the indebtedness secured by taxes and amounts with parity liens on property in the Community Facilities District, or both, could result in a lowering of the value-to-lien ratio of the property in the Community Facilities District.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that the bid will be sufficient to pay all delinquent Special Taxes.

Special Tax Delinquencies

Under the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, are customarily billed to the properties within the Community Facilities District on the *ad valorem* property tax bills sent to the property owners. The Act currently provides that Special Tax installments are due and payable when *ad valorem* property-tax installments are due and bear the same penalties and interest for non-payment as do *ad valorem* property tax installments.

See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — Proceeds of Foreclosure Sales,” for a discussion of the provisions that apply, and procedures the City is obligated to follow under the Indenture, in the event of delinquencies in the payment of Special Taxes. See “SPECIAL RISK FACTORS — FDIC/Federal Government Interests in Properties” and “— Bankruptcy and Foreclosure” below, for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessments and limitations on the City’s ability to foreclose on the lien of the Special Taxes in certain circumstances.

Payment of Special Taxes is not a Personal Obligation of the Property Owners

An owner of a taxable parcel is not personally obligated to pay Special Taxes. Rather, Special Taxes are an obligation secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully Special Taxes, the City has no recourse against the property owner.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture.

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D of the California Constitution were adopted through the State's constitutional initiative process. From time to time, other initiatives could be adopted by California voters to limit the ability of the State, the City, or other local agencies to increase revenues or increase appropriations or the ability of the landowners to complete the development of the vacant land within the Community Facilities District.

Proposition 218

An initiative measure entitled "The Right to Vote on Taxes Act" ("Proposition 218") was approved by the voters at the November 5, 1996 statewide general election. Among other things, Proposition 218 added a new Article XIII C to the California Constitution which states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure that includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless the legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. While the application of Proposition 218 in this context has not yet been interpreted by the courts and the matter is not completely free from doubt, it is not likely that Proposition 218 has conferred on the voters the power to effect a repeal or reduction of the Special Tax if the result thereof would be to impair the security of the Bonds.

It may be possible, however, for the City Council or the voters within the Community Facilities District to reduce the Special Taxes in a manner that does not interfere with the timely repayment of the Bonds but does reduce the maximum amount of Special Taxes that may be levied in any year. Therefore, no assurance can be given with respect to the future levy of Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds.

With respect to the approval of the Special Taxes, on August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Shapiro* (2014) 228 Cal.App.4th 756 (the "San Diego Decision"). The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego. The CCFD, a financing district much like a community facilities district established under the Act, comprised of all of the real property in the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered-voter election. This approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The court held that the CCFD special-tax election was invalid under the California Constitution because Article XIII A, Section 4, and Article XIII C, Section 2, require that the electors in such an election be the registered voters within the district.

The facts of the San Diego Decision show that there were hundreds of thousands of registered voters within the CCFD (i.e., all of the registered voters in the City of San Diego). In contrast, there were no registered voters residing within the Community Facilities District at the time of the elections to authorize the Special Tax. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes under the Act in districts that lack a sufficient number of registered voters to conduct a registered-voter election. Thus, by its terms, the Court's holding does not apply to the Special Tax elections in the Community Facilities District. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued under the Act be brought within 30 days of the voters approving the issuance of such bonds. Voters in the Community Facilities District approved the Special Tax and the issuance of bonds on June 3, 1997. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings, and court decisions, the City believes that no successful challenge to the Special Tax being levied in accordance with the Rate and Method of Apportionment may now be brought.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts.

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," interest on the Bonds could cease to be excluded from gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City. In addition, it is possible that future changes in applicable federal tax laws could cause interest on the Bonds to be included in gross income for federal income taxation or could otherwise reduce the equivalent taxable yield of such interest and thereby reduce the value of the Bonds.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the City has committed to provide certain financial and operating information, there can be no assurance that such information will be available to Bond owners on a timely basis. The failure to provide the required annual financial information does not give rise to monetary damages but merely to an action for specific performance. Occasionally, because of general market conditions or lack of current

information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Limitations on Remedies

Remedies available to the Owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of, and interest on, the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of creditor's rights; by equitable principles; by the exercise of judicial discretion; and by limitations on remedies against public agencies in the State of California. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

TAX MATTERS

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

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the

treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration’s budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper

treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the City or Beneficial Owners to incur significant expense.

ABSENCE OF LITIGATION

In connection with the issuance of the Bonds, the Office of the City Attorney will deliver an opinion to the effect that, to its actual knowledge as of the date of delivery of the Bonds, 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 (a) that contests in any way the completeness or accuracy of this Official Statement; (b) that seeks to contest the validity of the Special Taxes or to restrain or enjoin the collection of the Special Taxes; (c) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the City’s ability to complete the transactions contemplated by the Bonds, the Indenture or this Official Statement; or (d) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the validity or enforceability of the Bonds or the Indenture.

FINANCIAL ADVISOR

The City has retained First Southwest Company, LLC (“First Southwest”), as financial advisor in connection with the issuance and sale of the Bonds. Although First Southwest has assisted in the preparation of the Official Statement, First Southwest is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement or any of the other legal documents, and further First Southwest does not assume any responsibility for the information, covenants and representations with respect to the federal income tax status of the Bonds, or the possible impact of any current, pending or future actions taken by any legislative or judicial bodies or rating agencies.

RATING

Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc. (“Standard & Poor’s”) has assigned its municipal bond rating of “___” to the Bonds.

This rating reflects only the views of Standard & Poor's, and an explanation of the significance of such rating may be obtained from Standard & Poor's. There is no assurance that the rating will continue for any given time or that the rating will not be revised downward or withdrawn entirely by Standard & Poor's if in its judgment circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

VERIFICATION OF MATHEMATICAL ACCURACY

Causey Demgen & Moore P.C., Denver, Colorado, independent accountants, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations contained in schedules provided to them, which were prepared by the Underwriter, relating to the sufficiency of moneys to pay the Redemption Price of the Refunded Bonds on the Redemption Date.

The report of Causey Demgen & Moore P.C. will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in the schedules provided to it and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, after the date of its report.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$_____ (\$_____ principal amount, plus/less a net original issue premium/discount of \$_____ and less an Underwriter's discount of \$_____). The Bond Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter's compensation is contingent upon the successful issuance of the Bonds.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside front cover page hereof. The Underwriter may change the offering prices from time to time.

CONTINUING DISCLOSURE

The City will execute a continuing disclosure certificate for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the Community Facilities District (the "Annual Report") and to provide notices of the occurrence of certain enumerated events (the "Listed Events"). The City as the initial Dissemination Agent (the "Dissemination Agent") will file the Annual Report and notices of Listed Events with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board ("EMMA"). The specific nature of the information to be included in the Annual Reports and the notices of Listed Events is set forth in Appendix E — "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The City will sign and deliver to the Underwriter a Continuing Disclosure Certificate to assist the Underwriter in complying with SEC Rule 15c2 12(b)(5) (the "Rule"). The City will file Annual Reports with EMMA no later than nine months after the end of the City's fiscal year, which is currently June 30. The first Annual Report will be due March 31, 2016.

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 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.

The City is required to file certain financial statements with the Annual Reports. This requirement has been included in the Continuing Disclosure Certificate solely to satisfy the requirements of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City other than as described in this Official Statement. See "LIMITATION OF LIABILITY," "SECURITY FOR THE BONDS" and "SPECIAL RISK FACTORS." The list of significant events the City has agreed to report includes items that have absolutely no application whatsoever to the Bonds. These items have been included in the list solely to satisfy the requirements of the Rule. Thus, any implication from the inclusion of these items in the list to the contrary notwithstanding, there are no credit enhancements applicable to the Bonds and there are no credit or liquidity providers with respect to the Bonds.

CERTAIN LEGAL MATTERS

The validity of the Bonds and certain legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel opinion is attached hereto as Appendix B. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Certain legal matters will be passed upon for the City by the Office of the City Attorney.

Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel. Bond Counsel and Disclosure Counsel represent the Underwriter in connection with other financings and matters unrelated to the Bonds.

Compensation for Bond Counsel and Disclosure Counsel services is contingent upon the successful issuance and sale of the Bonds.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as presentations of fact, and actual results may differ substantially from those

set forth therein. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the Owners of the Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City.

The appendices are an integral part of this Official Statement and must be read together with all other parts of the Official Statement.

The distribution of this Official Statement has been authorized by the City.

CITY OF SACRAMENTO

City Treasurer

APPENDIX A

SUMMARY OF INDENTURE

The following is a brief summary of certain provisions of the Indenture. This summary is not intended to be definitive and is qualified in its entirety by reference to the Indenture for the complete terms thereof. Copies of the Indenture are available upon request from the Community Facilities District.

[TO COME FROM BOND COUNSEL]

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

[TO COME FROM BOND COUNSEL]

APPENDIX C

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR CITY OF SACRAMENTO, CALIFORNIA NORTH NATOMAS DRAINAGE COMMUNITY FACILITIES DISTRICT NO. 97-01

1. BASIS OF SPECIAL TAX LEVY

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 (the “Act”) applicable to the land in the North Natomas Drainage Community Facilities District No. 97-01 (the “CFD”) of the City of Sacramento (the “City”) shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate, as described below.

2. DEFINITIONS

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 5331.1 and following of the California Government Code.

“Administrative Expenses” means the actual or estimated costs incurred by the City to determine, levy and collect the Special Taxes, including salaries of City employees and the fees of consultants, legal counsel, corporate bond-paying agents, fiscal agents, and bond trustees; the costs of collecting installments of the Special Taxes upon the general tax rolls; cost of arbitrage calculation and arbitrage rebates, preparation of required reports; and any other costs required to administer the CFD as determined by the City.

“Annexation Parcel” means a Parcel which was not included within the boundaries of the CFD at the time of formation. Later participation in the CFD requires annexation proceedings.

“Annual Costs” means, for any Fiscal Year; the total of (i) Debt Service for the Calendar Year commencing January 1 of such Fiscal Year through December 31 of the following Fiscal Year; (ii) Administrative Expenses for such Fiscal Year, (iii) any amounts needed to replenish any bond reserve fund for bonds of the City issued for the CFD to the level required under the documents pursuant to which such bonds were issued; (iv) an amount equal to the amount of delinquencies in payments of Special Taxes levied in the previous Fiscal Year and an amount for anticipated delinquencies for the current Fiscal Year; (v) pay-as-you-go expenditures for authorized facilities to be constructed or acquired by the CFD, less any credit from earnings on the bond reserve fund, less any reimbursements, less any grants/other project funding and/or less the application of any funds available from Prepayments as described in Section 6. The total Annual Costs shall be limited to those necessary to provide the Authorized Facilities.

“Assessor” means the Assessor of the County of Sacramento.

“Authorized Facilities” means those improvements, as listed in the Resolution forming the CFD adopted on March 4, 1997.

“Base Fiscal Year” means the Fiscal Year beginning July 1, 1997 and ending June 30, 1998.

“Bond Year” means the 12-month period ending on the second bond payment date of each calendar year as defined in the resolution authorizing the issuance of bonds.

“Catch-up Special Tax” means a one-time special tax assigned to Annexation Parcels as described in Section 4.

“CFD” means the North Natomas Drainage Community Facilities District No. 97-01 of the City of Sacramento, California.

“City” means City of Sacramento, California.

“City Stadium Parcel” means the City-owned parcel with Assessor’s Parcel Number 225-0070-076 designated in the Community Plan as a sports stadium. This Parcel shall be classified into Land Use Category 5 until it is certified as a Developed Parcel by the City or is transferred to a private owner. For this Parcel, Developed Parcel means that an occupancy permit has been issued. Once the Parcel is a Developed Parcel, it will be treated as Land Use Category 3 and taxed the same as other Developed Parcels. The Parcel will not be considered an Undeveloped Parcel for the purpose of calculating the annual levy as described in Section 5. If transferred to a private owner, the Parcel will be treated like any other Taxable Parcel.

“Council” means the City Council of the City of Sacramento acting for the CFD under the Act.

“County” means the County of Sacramento, California.

“Debt Service” means for each Fiscal Year or Bond Year, the total amount of principal and interest for any bonds, notes or certificates of participation of the City for the CFD during that Fiscal Year or Bond Year, less any applicable credits that may be available from any other sources available to the City to pay principal and interest for the previous or current Fiscal Year or Bond Year.

“Developed Parcel” means a Parcel which has:

- an approved final small lot map for residential uses permitting up to 2 units per lot,
- an approved special use permit for residential use permitting 3 or more units per lot, or
- an approved special use permit for Non-Residential Development.

Once classified as developed, no Parcel shall be removed from the developed classification unless the special use permit expires, is revoked, or is otherwise terminated.

“Development Year” means, for each Developed Parcel, the Fiscal Year in which the Parcel changes classifications from Undeveloped Parcel to Developed Parcel.

“Estimated Net Acre” means the actual Net Acre of a Parcel(s) or an approximation of the Net Acres based upon the total Gross Developable Acres less an allowance for minor streets as indicated in the North Natomas Community Plan.

“East of I-5 Parcel” means a Parcel located on the east side of Interstate 5.

“Final Map Parcel” means a Parcel which has:

- an approved large lot final map, or
- an approved final master parcel map.

“Fiscal Year” means the period starting July 1 and ending the following June 30.

“Gross Acre” means the entire area of a Parcel prior to dedication of major streets, schools, parks, open space and other public right-of-way.

“Gross Developable Acre” means the area of a Parcel associated with residential and non-residential uses after dedication of major streets, but prior to dedication of minor streets.

“Land Use Category 1” means a Developed Parcel with an approved land use for a single family, detached residential dwelling unit.

“Land Use Category 2” means a Developed Parcel with an approved land use for a duplex (two units per lot) or condominium (more than two attached dwelling units which are owned individually).

“Land Use Category 3” means a Developed Parcel with an approved land use for other than Land Use Category 1 or 2 land uses such as three or more attached residential units owned in common, non-residential uses, or a combination thereof.

“Land Use Category 4” means a Final Map Parcel.

“Land Use Category 5” means a Tentative Map Parcel or an Unmapped Parcel.

“Master Parcel Map” means a map that subdivides large tracts of land into smaller parcels for the purpose of later selling or otherwise transferring the parcels for further subdivision in accordance with City procedures, or for the purpose of securing financing, together with planning and construction of infrastructure elements, but not for the purpose of creating either individual residential lots for sale to end-user homeowners, and not for the purpose of allowing construction or other improvements on non-residential parcels.

“Maximum Annual Special Tax” means the greatest amount of Special Tax that can be levied against a Parcel calculated by multiplying the Maximum Annual Special Tax Rate times the relevant acres or units of the parcel.

“Maximum Annual Special Tax Rate” means the amount shown in either Attachments 1 or 2 for a Fiscal Year that is used in calculating the Maximum Annual Special Tax for a Parcel based on its land use classification.

“Maximum Annual Special Tax Revenue” means the greatest amount of revenue that can be collected in total from a group of Parcels by levying the Maximum Annual Special Tax Rates.

“Net Acre” is the area of a Parcel associated with residential and non-residential uses after dedication of all public uses and rights-of-way.

“Non-Residential Development” means a Taxable Parcel designated for commercial, office, light industrial or the sports complex as defined in the North Natomas Community Plan.

“Parcel” means any Assessor’s parcel in the CFD based on the equalized tax rolls of the County as of March 1 of each Fiscal Year.

“Parcel Number” means the Assessor’s Parcel Number for any Parcel based on the equalized tax rolls of the County as of March 1 of each Fiscal Year.

“Prepayment” means the permanent satisfaction of all of the Special Tax obligation for one or more Parcels by a cash settlement with the City as permitted under Government Code Section 53344 and described in Section 6. Prepayment may occur before or after the initial bond sale, with differing criteria.

“Prepayment Parcel” means a Parcel which has permanently satisfied all of the Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344 and described in Section 6.

“Public Parcel” means any Parcel, in its entirety, that is or is intended to be publicly owned in the North Natomas Community Plan as adopted by the City—or as subsequently designated by the City—that is normally exempt from the levy of general *ad valorem* property taxes under California law, including public streets; schools; parks; and public drainageways, public landscaping, wetlands, greenbelts, and public open space. These parcels are exempt from the levy of Special Taxes as described below. Any such Parcel shall be a Tax-Exempt Parcel, except for Taxable parcels that are acquired by a public agency, in which case the Special Tax obligation for such parcels shall be required to be permanently satisfied pursuant to Sections 53317.3 and 53317.5 of the Government Code by the procedure described in Section 6.

“Remediation Parcel” means a Parcel within Assessor Parcel Numbers (APN) 225-015-14, 225-015-15, 225-015-18, 225-015-28, 225-015-30 and 225-015-032 that contain toxics and therefore require cleanup and abatement. A Remediation Parcel shall remain non-taxable until the City declares it to have been remediated. Once declared remediated, that Parcel shall become a Taxable Parcel.

“Special Tax(es)” mean(s) any tax levy under the Act in the CFD.

“Tax Collection Schedule” means the document prepared by the City for the County Auditor-Controller to use in levying and collecting the Special Taxes each Fiscal Year.

“Taxable Parcel” means any Parcel that is not a Tax-Exempt Parcel or a Remediation Parcel.

“Tax-Exempt Parcel” means a Parcel not subject to the Special Tax. Tax-Exempt Parcels include: (i) Public Parcels (subject to the limitations set forth in Section 4, below) or (ii) any Prepayment Parcel. Certain non-developable privately-owned Parcels may also be exempt from the levy of Special Taxes as determined by the City such as common areas, wetlands, and open space.

“Tentative Map” means a tentative subdivision map defined under the California Subdivision Map Act and Title 40 of the Sacramento City Code.

“Tentative Map Parcel” means a Parcel which has an approved Tentative Master Parcel Map or an approved Tentative Map.

“Undeveloped Parcel” means a Parcel which is not a Developed Parcel.

“Unmapped Parcel” means a Parcel without an approved tentative master parcel map.

“Veteran Developed Parcel” means a Parcel which had been classified as a Developed Parcel for thirty years. After 30 years of being subject to the Special Tax as a Developed Parcel, the Veteran Developed Parcel is only subject to the Special Tax if there is a shortfall in the revenues generated from all other Taxable Parcels to pay for the Annual Cost of the CFD.

“West of I-5 Parcel” means a Parcel located on the west side of Interstate 5.

3. TERMINATION OF THE SPECIAL TAX

The Special Tax will be levied and collected from Taxable Parcels in the CFD for as long as needed to pay the principal and interest on debt for the Bonds issued to fund authorized facilities. However, in no event shall the Special Tax be levied after Fiscal Year 2039-2040.

When all of the bonds issued to pay for authorized facilities have been retired, the Special Tax shall cease to be levied. The City shall direct the County Recorder to record a Notice of Cessation of Special Tax. Such notice will state that the, obligation to pay the Special Tax has ceased and that the lien imposed by the Notice of Special Tax Lien is extinguished.

4. ASSIGNMENT OF MAXIMUM ANNUAL SPECIAL TAX

A. Classification of Parcels. By May 1 of each Fiscal Year, using the Definitions above, the parcel records of the Assessor's Secured Tax Roll as of January 1, and other City development approval records, the City shall cause:

1. Each Parcel to be classified as a Tax-Exempt Parcel, Remediation Parcel, or a Taxable Parcel;

However, Taxable Parcels that are acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if Public Parcels, such as a school site, are relocated and the previously Tax-Exempt Parcels of comparable acreage become Taxable Parcels. This trading of Parcels will be permitted to the extent that there is no net loss in maximum Special Tax revenue.
2. Each Taxable Parcel to be classified as an East of I-5 Parcel or West of I-5 Parcel.
3. Each East of I-5 Parcel and West of I-5 Parcel to be further classified as a Developed Parcel, Veteran Developed Parcel, or Undeveloped Parcel. Once classified as developed, no Parcel shall be removed from the developed classification unless the special use permit expires, is revoked, is otherwise terminated, or the Parcel is classified as a Veteran Developed Parcel.
4. Each Developed Parcel or Veteran Developed Parcel will be classified as Land Use Category 1, 2 or 3.
5. Each Undeveloped Parcel will be classified as Land Use Category 4 or 5.

B. Assignment of Maximum Annual Special Tax. The City shall assign the appropriate Maximum Annual Special Tax for the Fiscal Year of the tax levy to each Taxable Parcel as follows:

1. Developed Parcels and Veteran Developed Parcels

Attachment 1 shows the Maximum Special Tax Rates for Developed Parcels and Veteran Developed Parcels for each Land Use Category by Fiscal Year. The only change in the Maximum Annual Special Tax for a Developed Parcel shall be if a Prepayment occurs after the Development Year in accordance with Section 6 below.
2. Undeveloped Parcels

Attachment 2 shows the Maximum Special Tax Rates for Undeveloped Parcels for each Land Use Category by Fiscal Year.

C. Annexation Parcels. Parcels annexing to the CFD shall have their Maximum Special Tax Rate assigned by following the procedures in Section 4.B above.

1. Catch-up Special Tax. Parcels, included within the boundaries of the Finance Plan Area as identified in the August 9, 1994 North Natomas Financing Plan, annexing to the District after the CFD is formed are subject to the Catch-up Special Tax. The catch-up special tax will be set equal to sum of the applicable Maximum Special Tax per Acre for Land Use Category 5 for the prior ten Fiscal Years in which the special tax was levied for Undeveloped Parcels times the gross acres of the annexing Parcel. The Catch-up Special Tax shall be paid prior to or concurrent with annexation.

2. Exempt Parcels. Those Parcels not included within the boundaries of the Finance Plan Area as identified in the August 9, 1994 North Natomas Financing Plan will not be subject to the Catch-up Special Tax.

However, any Parcels added to the Finance Plan Area which do not concurrently annex to the CFD will, be subject to the Catch-up Special Tax based on the years between annexation to the Finance Plan Area and annexation to the CFD.

- D. Conversion of a Tax-Exempt Parcel to a Taxable Parcel. If a Tax-Exempt Parcel is not needed for public use and is converted to a taxable use, it shall become subject to the Special Tax. The Maximum Annual Special Tax for such a Parcel shall be assigned according to the 4.A and 4.B above and excluded from the provisions of Section 4.C. The catch-up tax provisions described in Section 4.C.1 will not apply to a Parcel converted to a Taxable Parcel under this section.
- E. Development of the City Stadium Parcel or Transfer of the Parcel to a Private Owner. When the City Stadium Parcel is developed or ownership is transferred to a private owner, the City or private owner will be required to pay the Special Taxes that would have been paid if the City Stadium Parcel had been Classified as an Undeveloped Parcel for each year that Special Taxes were levied on Undeveloped Parcels.

5. CALCULATING ANNUAL SPECIAL TAXES

The City shall compute the Annual Costs and determine the Maximum Annual Special Tax for each parcel based on the assignment in the Special Tax in Section 4. The City will then determine the tax levy for each parcel using the following process:

- A. Computes the Annual Cost using the definition in Section 2 for the Fiscal Year.
- B. Calculate the Special Tax for each Taxable Parcel by the following steps:
 - Determine if sufficient special tax revenues are available by taxing each Developed Parcel at 100% of its Maximum Annual Special Tax. If revenues are greater than the Annual Costs, the tax is reduced proportionately against Developed Parcels until the tax levy is set at an amount sufficient to cover Annual Costs.
 - If revenues from taxing Developed Parcels at 100% of their Maximum Annual Special Tax are not sufficient, the City will then proportionately levy the tax on Undeveloped Parcels up to 100% of their Maximum Annual Special Tax until the tax levy is set at an amount sufficient to cover Annual Costs.
 - If revenues from taxing Developed Parcels and Undeveloped Parcels at 100% of their Maximum Annual Special Taxes are not sufficient, the City will then levy the tax on the City Stadium Parcel up to 100% of its Maximum Annual Special Tax until the tax levy is set at an amount sufficient to cover Annual Costs.
 - If revenues from taxing Developed Parcels, Undeveloped Parcels, and the City Stadium Parcel at 100% of their respective Maximum Annual Special Taxes are not sufficient to pay for the Annual Cost, the City will then proportionately tax Veteran Developed Parcels up to 100% of the Maximum Special Annual Tax until the tax levy is set at an amount sufficient to cover Annual Costs.
- C. Levy on each Taxable Parcel the amount calculated above.

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

The City shall make every effort to correctly calculate the Special Tax for each Parcel. It shall be the burden of the taxpayer to correct any errors in the determination of the parcels subject to the tax and their Special Tax assignments.

6. PREPAYMENT OF SPECIAL TAX OBLIGATION

With a Prepayment, a landowner may permanently satisfy the Special Tax obligation for one or more Parcels. By exercising the right to Prepayment, a landowner can eliminate the future annual Special Tax liability for one or more Parcels.

Prepayment is permitted only under the following conditions:

- The City determines that the Prepayment does not jeopardize the ability to make timely payments of Debt Service on outstanding bonds.
- Any landowner who wishes to exercise the right to a Prepayment for a Parcel must pay any and all delinquent Special Taxes and penalties, and or any Catch-up Special Taxes attributable to that Parcel.
- Prepayment shall be made on or before June 1 in order to prevent the levy of special taxes due during the Fiscal Year beginning July 1.

The total Prepayment amount will include the Parcel's proportionate share of all estimated costs necessary to construct the Authorized Facilities (the "base Prepayment amount") plus any additional administrative and financing costs necessary to redeem bonds and calculate the prepayment. These calculations are described below.

CALCULATE BASE PREPAYMENT AMOUNT (for Attachment 3)

The base Prepayment amount will vary each year depending upon whether or not bonds have been issued and whether any bonds have been redeemed. The base Prepayment amount will be recalculated with each bond issue and on an annual basis at the time that the CFI's annual report is prepared. The annual base Prepayment amount shall be calculated using the following steps.

Step 1: Determine the total number of acres within the CFD in each of the following categories: Gross Acres, Gross Developable Acres, and Net Acres. The acreage of all prior Prepayment Parcels will be excluded from the calculation of total acres.

- Gross Acres equal the original Gross Acres at the formation of the CFD plus any acreage that has been annexed into the CFI).
- If the acreage in the Gross Developable Acreage category is not known, it will be set by multiplying Gross Acres by a factor of 0.729.
- If the acreage in the Net Acreage category is not known, it will be set by multiplying Gross Developable Acres by a factor of 0.857.

Step 2: Determine the amount of the facility construction cost including CFD formation costs; total bond authorization; or total outstanding bonds, if all bonds have been issued.

Step 3: Calculate the base Prepayment amount per acre based on the location of the Prepayment Parcel:

Parcels East of Interstate 5: Divide the appropriate cost basis (construction cost, bond authorization, or total outstanding bonds) by the acreage from each of the three acreage categories. Multiply the dividend of the previous calculation by a factor of 1.1 (to account for cost allocation differences between West of I-5 and East of I-5). Where the cost basis is the bond authorization or outstanding bonds, multiply the product of the previous calculation by a factor of 0.925 (to account for the Parcel's share of the Reserve Fund). Multiply the Parcel's total acreage by the appropriate cost per acre (e.g., per Gross Acre, Gross Developable Acre, or Net Acre) to arrive at the base Prepayment amount.

Parcels West of Interstate 5: Divide the appropriate cost basis (construction cost, bond authorization, or total outstanding bonds) by the acreage from each of the three acreage categories; multiply the dividend by a factor of 0.75 (to account for cost allocation differences between West of I-5 and East of I-5). Where the cost basis is the bond authorization or outstanding bonds, multiply the product of the previous calculation by a factor of 0.925 (to account for the Parcel's share of the Reserve Fund). Multiply the Parcel's total acreage by the appropriate cost per acre (e.g., per Gross Acre, Gross Developable Acre, or Net Acre) to arrive at the base Prepayment amount.

Step 4: Update Attachment 3 based on the above calculations to reflect the base Prepayment amount per acre for the upcoming Fiscal Year. The Attachment 3 included in this document is as of the formation of the CFD based on the current estimated acreage, by category, and estimated costs.

DETERMINE TOTAL PREPAYMENT AMOUNT FOR PREPAYING PARCEL

The following steps will be used to determine a Parcel's total Prepayment Amount.

Step 5: Determine whether the acreage of the Parcel making a Prepayment is Gross Acres, Gross Developable Acres, or Net Acres and determine whether the Parcel is a West of I-5 Parcel or an East of I-5 Parcel.

Prior to First Bond Sale (skip to Step 8 if bonds have been sold)

Step 5: If the Prepayment is made prior to the first bond sale, the City will determine the Parcel's base Prepayment amount by multiplying the base Prepayment Amount per acre from column 1 of Attachment 3—for the appropriate acreage and location category—by the Parcel's total acreage.

Step 6: In addition to the base Prepayment amount, the City will also require a contribution to the security fund for the notes issued related to the Habitat Conservation Plan (HCP) based on 10% of the HCP fee obligation for the parcel(s) prepaying. Payment will be made in cash or by another financial instrument acceptable to the City.

Step 7: Determine the total Prepayment amount for a Parcel by adding to the base Prepayment amount calculated in Step 5, the contribution towards the HCP security fund from Step 6, and the City's administrative cost for calculating these amounts.

Subsequent to the Initial Sale of Bonds

Step 8: Determine if all bonds have been sold or if the District is between the first and last bond sale. This will determine the bond issuance category for the base Prepayment amount. If the District is between the first and last bond sale, column 2 of Attachment 3 will be used. If all bonds have been sold, column 3 of Attachment 3 will be used.

Step 8: Determine the Parcel's base Prepayment amount by multiplying the base Prepayment Amount per acre from either column 2 or 3 of Attachment 3—for the appropriate acreage, location, and bond issuance category—by the Parcel's total acreage.

Step 9: Determine the total Prepayment amount for a Parcel by adding to the base Prepayment amount calculated in Step 8 any fees, call premiums, amounts necessary to cover negative arbitrage from the date of the prepayment to first call date on the bonds, early call penalties, and other expenses incurred by the City in connection with the prepayment calculation or the application of the proceeds of the prepayment.

7. RECORDS MAINTAINED FOR THE CFD

As development and subdivision of North Natomas takes place, the City will maintain a file containing records of the following information for each Parcel:

- the current Parcel Number,
- the Parcel acreage (gross, gross developable or net);
- the Maximum Annual Special Taxes which applied in each Fiscal Year; and
- the authorized Special Taxes -levied in each Fiscal Year.

For each Developed Parcel, the City shall further maintain records of:

- the Parcel's Development Year; and
- the Parcel's net acreage;
- the amount of the Maximum Annual Special Tax applied in the Parcel's Development Year and each following Fiscal Year.

The file containing the information listed above will be available for public inspection.

8. APPEALS

Any taxpayer who feels that the amount of the Special Tax assigned to a Parcel is in error, may file a notice with the City appealing the levy of the Special Tax. The City will then promptly review the appeal, and if necessary, meet with the applicant. If the City verifies that the tax should be modified or changed, a recommendation at that time will be made to the Council and, as appropriate, the Special Tax levy shall be corrected and, if applicable in any case, a refund shall be granted.

Interpretations may be made by Resolution of the Council for purposes of clarifying any vagueness or ambiguity as it relates to the Special Tax rate, the method of apportionment, the classification of properties or any definition applicable to the CFD.

Attachment 1
North Natomas Drainage CFD No. 97-01
Maximum Special Tax Rates for Developed Parcels and Veteran Developed Parcels

Development Year	Fiscal Year Ending June 30	Maximum Special Tax East of I-5			Maximum Special Tax West of I-5		
		Land Use Category:			Land Use Category:		
		1	2	3	1	2	3
		Detached Res. Unit per unit	Duplex/ Condominium per unit	Other Res./ Non-Residential per net acre ⁽¹⁾	Detached Res. Unit per unit	Duplex/ Condominium per unit	Other Res./ Non-Residential per net acre ⁽¹⁾
1	1998	\$ 90.00	\$ 60.00	\$ 800.00	\$ 63.00	\$ 42.00	\$ 560.00
2	1999	91.80	61.20	816.00	64.26	42.84	571.20
3	2000	93.64	62.42	832.32	65.55	43.70	582.62
4	2001	95.51	63.67	848.97	66.86	44.57	594.28
5	2002	97.42	64.95	865.95	68.19	45.46	606.16
6	2003	99.37	66.24	883.26	69.56	46.37	618.29
7	2004	101.35	67.57	900.93	70.95	47.30	630.65
8	2005	103.38	68.92	918.95	72.37	48.24	643.26
9	2006	105.45	70.30	937.33	73.81	49.21	656.13
10	2007	107.56	71.71	956.07	75.29	50.19	669.25
11	2008	109.71	73.14	975.20	76.80	51.20	682.64
12	2009	111.90	74.60	994.70	78.33	52.22	696.29
13	2010	114.14	76.09	1,014.59	79.90	53.27	710.22
14	2011	116.42	77.62	1,034.89	81.50	54.33	724.42
15	2012	118.75	79.17	1,055.58	83.13	55.42	738.91
16	2013	121.13	80.75	1,076.69	84.79	56.53	753.69
17	2014	123.55	82.37	1,098.23	86.49	57.66	768.76
18	2015	126.02	84.01	1,120.19	88.22	58.81	784.14
19	2016	128.54	85.69	1,142.60	89.98	59.99	799.82
20	2017	131.11	87.41	1,165.45	91.78	61.19	815.81
21	2018	133.74	89.16	1,188.76	93.61	62.41	832.13
22	2019	136.41	90.94	1,212.53	95.49	63.66	848.77
23	2020	139.14	92.76	1,236.78	97.40	64.93	865.75
24	2021	141.92	94.61	1,261.52	99.34	66.23	883.06
25	2022	144.76	96.51	1,286.75	101.33	67.55	900.72
26	2023	147.65	98.44	1,312.48	103.36	68.91	918.74
27	2024	150.61	100.41	1,338.73	105.43	70.28	937.11
28	2025	153.62	102.41	1,365.51	107.53	71.69	955.86
29	2026	156.69	104.46	1,392.82	109.68	73.12	974.97
30	2027	159.83	106.55	1,420.68	111.88	74.59	994.47
31	2028	163.02	108.68	1,449.09	114.12	76.08	1,014.36
32	2029	166.28	110.86	1,478.07	116.40	77.60	1,034.65
33	2030	169.61	113.07	1,507.63	118.73	79.15	1,055.34
34	2031	173.00	115.33	1,537.79	121.10	80.73	1,076.45
35	2032	176.46	117.64	1,568.54	123.52	82.35	1,097.98
36	2033	179.99	119.99	1,599.91	125.99	84.00	1,119.94
37	2034	183.59	122.39	1,631.91	128.51	85.68	1,142.34
38	2035	187.26	124.84	1,664.55	131.08	87.39	1,165.18
39	2036	191.01	127.34	1,697.84	133.70	89.14	1,188.49
40	2037	194.83	129.88	1,731.80	136.38	90.92	1,212.26
41	2038	198.72	132.48	1,766.43	139.11	92.74	1,236.50
42	2039	202.70	135.13	1,801.76	141.89	94.59	1,261.23
43	2040	206.75	137.83	1,837.80	144.73	96.48	1,286.46

⁽¹⁾ Net Acre is the area of the parcel associated with residential and non-residential uses after dedication of all right-of-way.
Source: Economic and Planning Systems, Inc.

Attachment 2
North Natomas Drainage CFD No. 97-01
Maximum Special Tax Rates for Undeveloped Parcels

<i>Fiscal Year Ending June 30</i>	<i>Maximum Special Tax East of I-5</i>		<i>Maximum Special Tax West of I-5</i>	
	<i>Land Use Category:</i>		<i>Land Use Category:</i>	
	<i>4</i>	<i>5</i>	<i>4</i>	<i>5</i>
	<i>Final Map Parcels⁽¹⁾ per gross developable acre⁽¹⁾</i>	<i>Tentative Map Unmapped & Stadium per gross acre⁽²⁾</i>	<i>Final Map Parcels⁽¹⁾ per gross developable acre⁽¹⁾</i>	<i>Tentative Map Unmapped & Stadium per gross acre⁽²⁾</i>
1998	\$650.00	\$500.00	\$460.00	\$350.00
1999	663.00	510.00	469.20	357.00
2000	676.26	520.20	478.58	364.14
2001	689.79	530.60	488.16	371.42
2002	703.58	541.22	497.92	378.85
2003	717.65	552.04	507.88	386.43
2004	732.01	563.08	518.03	394.16
2005	746.65	574.34	528.40	402.04
2006	761.58	585.83	538.96	410.08
2007	776.81	597.55	549.74	418.28
2008	792.35	609.50	560.74	426.65
2009	808.19	621.69	571.95	435.18
2010	824.36	634.12	583.39	443.88
2011	824.36	634.12	583.39	443.88
2012	824.36	634.12	583.39	443.88
2013	824.36	634.12	583.39	443.88
2014	824.36	634.12	583.39	443.88
2015	824.36	634.12	583.39	443.88
2016	824.36	634.12	583.39	443.08
2017	824.36	634.12	583.39	443.88
2018	824.36	634.12	583.39	443.88
2019	824.36	634.12	583.39	443.28
2020	824.36	634.12	583.39	443.88
2021	824.36	634.12	583.39	443.88
2022	824.36	634.12	583.39	443.88
2023	824.36	634.12	583.39	443.88
2024	824.36	634.12	583.39	443.88
2025	824.36	634.12	583.39	443.88
2026	824.36	634.12	583.39	443.88
2027	824.36	634.12	583.39	443.88
2028	824.36	634.12	583.39	443.28
2029	824.36	634.12	583.39	443.88
2030	824.36	634.12	583.39	443.88
2031	824.36	634.12	583.39	443.88
2032	824.36	634.12	583.39	443.88
2033	824.36	634.12	583.39	443.88
2034	824.36	634.12	583.39	443.88
2035	824.36	634.12	583.39	443.88
2036	824.36	634.12	583.39	443.88
2037	824.36	634.12	583.39	443.88
2038	824.36	634.12	583.39	443.88
2039	824.36	634.12	583.39	443.88
2040	824.36	634.12	583.39	443.88

⁽¹⁾ Gross Developable Acre is the area of the parcel designated for residential and taxable non-residential uses after dedication of major streets, but prior to dedication of minor streets. Final map parcels are identified as parcels with a large lot final map or final master parcel map.

⁽²⁾ Gross Acre is the entire area of the parcel prior to dedication of major streets, school, parks, and other right-of-way.
Source: Economic and Planning Systems, Inc.

Attachment 3
North Natomas Drainage CFD No. 97-01
Estimated Base Prepayment Amount
(Amounts shown are subject to change annually)

	<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>
	<i>Prior to 1st Bond Sale 1996\$</i>	<i>Between 1st & Last Bond Sale Inflated \$</i>	<i>After Last Bond Sale Inflated \$</i>
Construction and Formation Cost - 1996 \$ ⁽¹⁾	\$24,775,000	\$24,775,000	\$24,775,000
Estimated Bonds - Inflated \$ ⁽¹⁾	n/a	\$35,000,000 authorization	\$32,300,000 estimated
East of I-5 Base Prepayment ⁽²⁾			
Gross Acre	\$4,677	\$6,112	\$5,640
Gross Developable Acre	6,414	8,381	7,735
Net Acre	7,485	9,781	9,026
West of I-5 Base Prepayment ⁽²⁾			
Gross Acre	\$3,189	\$4,167	\$3,846
Gross Developable Acre	4,373	5,715	5,274
Net Acre	5,103	6,669	6,154
Initial Estimated CFD Acreage			
Gross Acres ⁽³⁾	5,827		
Gross Developable Acres ⁽³⁾	4,249		
Net Acres ⁽³⁾	3,641		

Notes: Assumes 7.5% reserve fund credit.

⁽¹⁾ Determined annually under Step 2 of the Prepayment formula described in Section 6.

⁽²⁾ Determined annually under Step 3 of the Prepayment formula described in Section 6. Add to these amounts the additional costs described under Steps 6 and 9 of Section 6 to arrive at the total Prepayment Amount.

⁽³⁾ Determined annually under Step 1 of the Prepayment formula described in Section 6.

Source: Economic and Planning Systems.

APPENDIX D

INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

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

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

APPENDIX E
CONTINUING DISCLOSURE CERTIFICATE

APPENDIX F

GENERAL INFORMATION ABOUT THE CITY OF SACRAMENTO AND THE COUNTY OF SACRAMENTO

The following information is included only for the purpose of supplying general information regarding the City of Sacramento (the “City”) and the County of Sacramento (the “County”). This information is provided only for general informational purposes and provides prospective investors limited information about the City and the County and their economic base. The Bonds are not a debt of the City, the County, or the State or any of its political subdivisions, and the City, the County, and the State and its political subdivisions are not liable therefor.

General

The City is located at the confluence of the Sacramento and American Rivers in the south-central portion of the Sacramento Valley, a part of the State’s Central Valley. Although the City is approximately 75 air miles northeast of San Francisco, its temperature range is more extreme than that of most Northern California coastal cities, ranging from a daily average of 45 degrees Fahrenheit in January to 85 degrees Fahrenheit in July. Average elevation of the City is 30 feet above sea level.

Population

The following table lists population figures for the City, the County and the State as of January 1 for the last five years.

CITY AND COUNTY OF SACRAMENTO Population Estimates

<i>Calendar Year</i>	<i>City of Sacramento</i>	<i>County of Sacramento</i>	<i>State of California</i>
2010	466,740	1,417,259	37,223,900
2011	469,477	1,427,961	37,427,946
2012	470,433	1,433,510	37,668,804
2013	472,511	1,442,752	37,984,138
2014	475,122	1,454,406	38,340,074

Source: State Department of Finance estimates (as of January 1).

Industry and Employment

The unemployment rate in the Sacramento—Arden-Arcade—Roseville, CA Metropolitan Statistical Area (“Sacramento MSA”), which includes Sacramento, Placer, El Dorado, and Yolo Counties, was 7.2% in 2014, down from the 2013 estimate of 8.6%. This compares with an unadjusted unemployment rate of 7.5% for California and 6.2% for the nation during the same period. The unemployment rate was 7.0% in El Dorado County, 6.3% in Placer County, 7.3% in Sacramento County and 7.7% in Yolo County.

The table below provides information about employment rates and employment by industry type for the Sacramento MSA for calendar years 2010 through 2014.

SACRAMENTO MSA Civilian Labor Force, Employment and Unemployment Calendar Years 2010 through 2014 Annual Averages

	2010	2011	2012	2013	2014
Civilian Labor Force ⁽¹⁾	1,053,000	1,047,800	1,051,600	1,046,600	1,049,200
Employment	921,800	923,600	942,900	956,400	974,100
Unemployment	131,200	124,200	108,700	90,200	75,100
Unemployment Rate	12.5%	11.9%	10.3%	8.6%	7.2%
<u>Wage and Salary Employment</u> ⁽²⁾					
Agriculture	8,100	8,200	8,600	8,900	9,200
Natural Resources and Mining	400	500	400	500	500
Construction	38,400	36,900	38,400	43,300	45,500
Manufacturing	32,800	33,200	33,900	34,000	34,800
Wholesale Trade	22,800	23,700	25,200	25,000	24,700
Retail Trade	88,000	89,400	91,800	93,800	95,600
Transportation, Warehousing and Utilities	21,800	21,100	22,000	22,900	23,400
Information	17,200	16,300	15,600	14,800	13,700
Finance and Insurance	36,200	34,700	35,700	36,300	35,300
Real Estate and Rental and Leasing	12,200	12,000	12,500	13,100	12,100
Professional and Business Services	102,300	104,400	111,100	114,600	119,100
Educational and Health Services	115,100	116,900	121,300	128,400	134,900
Leisure and Hospitality	80,200	81,700	84,500	88,700	91,900
Other Services	28,100	28,000	28,600	29,000	30,400
Federal Government	14,700	14,000	13,700	13,500	13,500
State Government	110,900	109,700	108,200	109,900	113,500
Local Government	<u>104,700</u>	<u>100,900</u>	<u>99,600</u>	<u>99,200</u>	<u>100,400</u>
Total, All Industries	833,800	831,500	851,100	875,700	899,600

⁽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: State of California Employment Development Department.

Major Employers

The largest manufacturing and non-manufacturing employers as of March 1, 2015 in the community area are shown below.

SACRAMENTO COUNTY MAJOR EMPLOYERS (As of March 1, 2015)

<i>Employer Name</i>	<i>Location</i>	<i>Industry</i>
Aerojet Rocketdyne Inc.	Rancho Cordova	Aerospace Industries
Air Resources Board Office	Sacramento	Engineers-Environmental
Ampac Fine Chemicals LLC	Rancho Cordova	Chemicals-Manufacturers
California Prison Industry Authority	Folsom	State Government-Correctional Institutions
California State University Corrections Department	Sacramento	Schools-Universities & Colleges Academic State Government-Correctional Institutions
Delta Dental Plan of Missouri	Rancho Cordova	Insurance
Department of Transportation in California	Sacramento	Government Offices-State
Disabled American Veterans	Sacramento	Veterans & Military Organizations
Employment Development Department	Sacramento	Government-Job Training/Vocational Rehab Services
Environmental Protection Agency	Sacramento	State Government-Environment Programs
Exposition & Fair	Sacramento	Government Offices-State
Gen Corp Inc.	Rancho Cordova	Aerospace Industries
Intel Corporation	Sacramento	Semiconductor Devices (Manufacturers)
Intel Corporation	Folsom	Semiconductor Devices (Manufacturers)
Mercy Hospitals Regional Rehab	Sacramento	Rehabilitation Services
Mercy San Juan Medical Center	Carmichael	Hospitals
Municipal Services Agency	Sacramento	Government Offices-Count
Sacramento Bee	Sacramento	Newspapers
Sacramento Regional Transit	Sacramento	Bus Lines
Sacramento State	Sacramento	Schools-Universities & Colleges Academic
Smud Customer Service Center	Sacramento	Electric Companies
Sutter Memorial Hospital	Sacramento	Hospitals
U C Davis Medical Center	Sacramento	Hospitals
Water Resource Department	Sacramento	State Government-Environmental Programs

Source: State of California Employment Development Department. America's Labor Market Information System (ALMIS) Employer Database, 2015 1st Edition.

The following tables show the largest employers located in the City as of Fiscal Year 2013-14.

**LARGEST EMPLOYERS
City of Sacramento
Fiscal Year 2013-14**

<u>Rank</u>	<u>Name of Business</u>	<u>Employees</u>	<u>Type of Business</u>
1.	State of California	72,220	State Government
2.	Sacramento County	10,700	County Government
3.	U.S. Government	9,906	Federal Government
4.	UC Davis Health System	9,905	University Medical Center
5.	Sutter Health Sacramento Sierra Region	7,352	Medical Center
6.	Dignity Health	6,212	Medical Center
7.	Intel Corporation	6,000	Semiconductor Manufacturing
8.	Kaiser Permanente	5,421	Medical Center
9.	Elk Grover Unified School District	5,410	School District
10.	Sacramento City Unified School District	4,200	School District
11.	City of Sacramento	4,140	City Government

Source: City of Sacramento 'Comprehensive Annual Financial Report' for the year ending June 30, 2014

Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

The following table summarizes the personal income for the County of Sacramento, the State and the United States for the period 2009 through 2013.

**COUNTY OF SACRAMENTO
Personal Income
2009 through 2013**

<i>Year</i>	<i>Sacramento County</i>	<i>California</i>	<i>United States</i>
2009	\$54,480,186	\$1,537,094,676	\$12,080,223,000
2010	55,216,582	1,578,553,439	12,417,659,000
2011	58,242,904	1,685,635,498	13,189,935,000
2012	61,370,761	1,805,193,769	13,873,161,000
2013	63,512,541	1,856,614,186	14,151,427,000

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following table summarizes per capita personal income for the County of Sacramento, the State and the United States for 2009-2013. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME
County of Sacramento, State of California and the United States
2009-2013

<i>Year</i>	<i>Sacramento County</i>	<i>California</i>	<i>United States</i>
2009	\$38,677	\$41,587	\$39,379
2010	38,831	42,282	40,144
2011	40,580	44,749	42,332
2012	42,382	47,505	44,200
2013	43,438	48,434	44,765

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Commercial Activity

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

A summary of historic taxable sales within the City during the past five years is shown in the following table.

CITY OF SACRAMENTO
Taxable Transactions
(figures in thousands)

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2009	7,485	3,371,643	10,910	4,949,165
2010	7,976	3,456,380	11,491	4,947,448
2011	7,655	3,702,978	11,105	5,291,975
2012	7,862	3,801,126	11,301	5,471,319
2013	8,117	3,951,948	11,511	5,704,121

Source: State Board of Equalization.

A summary of historic taxable sales within the County during the past five years is shown in the following table.

COUNTY OF SACRAMENTO
Taxable Transactions
(figures in thousands)

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2009	22,197	11,252,319	31,644	16,563,853
2010	23,158	11,615,687	32,789	16,904,528
2011	22,198	12,502,808	31,682	18,003,765
2012	22,211	13,366,459	31,507	19,089,848
2013	22,629	14,171,006	31,709	20,097,095

Source: State Board of Equalization.

Building and Construction

Provided below are the building permits and valuations for the City and the County for calendar years 2009 through 2013.

CITY OF SACRAMENTO
Total Building Permit Valuations
(valuations in thousands)

	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
<u>Permit Valuation</u>					
New Single-family	\$ 25,845.0	\$ 15,543.2	\$ 11,615.9	\$ 25,833.0	\$ 49,592.1
New Multi-family	5,898.3	14,384.3	30,285.8	41,453.6	2,586.5
Res. Alterations/Additions	<u>95,547.3</u>	<u>96,241.6</u>	<u>110,787.5</u>	<u>78,739.6</u>	<u>111,697.7</u>
Total Residential	127,290.7	126,169.2	152,689.2	146,026.2	163,876.3
New Commercial	36,498.8	18,290.7	16,197.1	32,837.5	35,643.2
New Industrial	0.0	0.0	3,232.4	0.0	379.9
New Other	24,834.1	17,387.2	1,324.4	2,327.5	13,868.4
Com. Alterations/Additions	<u>166,964.3</u>	<u>110,195.2</u>	<u>140,159.1</u>	<u>115,028.9</u>	<u>137,883.3</u>
Total Nonresidential	228,297.3	145,873.1	160,913.0	150,193.9	187,774.8
<u>New Dwelling Units</u>					
Single Family	148	95	65	169	251
Multiple Family	<u>68</u>	<u>96</u>	<u>234</u>	<u>286</u>	<u>31</u>
TOTAL	216	191	299	455	282

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF SACRAMENTO
Total Building Permit Valuations
(valuations in thousands)

	2009	2010	2011	2012	2013
<u>Permit Valuation</u>					
New Single-family	\$ 199,795.8	\$ 199,008.8	\$ 189,634.5	\$ 248,826.3	\$ 388,935.7
New Multi-family	8,310.0	32,680.9	64,390.8	48,632.8	13,637.4
Res. Alterations/Additions	<u>173,522.6</u>	<u>181,074.7</u>	<u>202,757.1</u>	<u>143,291.7</u>	<u>201,418.7</u>
Total Residential	381,628.4	412,764.5	456,782.4	440,750.8	603,991.8
New Commercial	76,831.2	52,031.6	77,164.9	155,651.6	94,629.4
New Industrial	3,892.4	2,481.3	3,232.4	648.1	1,360.6
New Other	57,847.7	56,735.4	3,290.1	3,788.0	48,822.1
Com. Alterations/Additions	<u>369,332.1</u>	<u>242,724.5</u>	<u>287,939.6</u>	<u>248,426.0</u>	<u>279,323.9</u>
Total Nonresidential	507,903.4	353,972.8	371,627.0	408,513.7	1,028,128.0
<u>New Dwelling Units</u>					
Single Family	881	843	727	1,290	1,764
Multiple Family	<u>92</u>	<u>338</u>	<u>606</u>	<u>343</u>	<u>145</u>
TOTAL	973	1,181	1,333	1,633	1,909

Source: Construction Industry Research Board, Building Permit Summary.

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

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

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

Sacramento International Airport, about 12 miles northwest of the City's downtown, is served by 13 major carriers and 1 commuter carrier. Sacramento Executive Airport, about 6 miles south of the City's downtown, is a full-service, 540-acre facility serving general aviation and providing a wide array of facilities and services.

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Certificate”), dated as of May 1, 2015, is executed and delivered by the City of Sacramento (the “Issuer”) in connection with the issuance of the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Refunding Bonds, Series 2015 (the “Bonds”). The Bonds are being issued under a Resolution of Issuance adopted by the Sacramento City Council on [April 23], 2015, and a Fourth Supplemental Indenture dated as of May 1, 2015, between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”), which supplements an Indenture, dated as of September 1, 1997, as supplemented by the First Supplemental Indenture dated as of May 1, 2000, the Second Supplemental Indenture dated as of March 1, 2003 and the Third Supplemental Indenture dated as of June 1, 2005 (collectively, the “Indenture”).

The Issuer hereby covenants as follows:

SECTION 1. Purpose of this Certificate. This Certificate is being executed and delivered, for the benefit of the Owners and Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture and the Rate and Method of Apportionment, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Certificate.

“Beneficial Owner” means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including a person holding Bond through a nominee, depository, or other intermediary), or (b) is treated as the owner of any Bond for federal income purposes.

“Business Day” means any day the Issuer’s offices located at 915 I Street, Sacramento, California, are open to the public

“Dissemination Agent” initially means the Issuer, and thereafter it means any successor Dissemination Agent the Issuer designates in writing.

“District” means the North Natomas Drainage Community Facilities District No. 97-01, City of Sacramento, County of Sacramento, State of California.

“EMMA” shall mean the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org, or any other repository of disclosure information the Securities and Exchange Commission may designate in the future.

“Listed Events” means any of the events listed in Section 5(a) of this Certificate.

“Official Statement” means the Issuer’s official statement with respect to the Bonds.

“Participating Underwriter” means Stifel, Nicolaus & Company, Incorporated.

“Rate and Method of Apportionment” means the Rate and Method of Apportionment of Special Tax for the District approved by the Resolution of Formation.

“Resolution of Formation” means the Resolution adopted by the Sacramento City Council on March 4, 1997, by which the City formed the District.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

“Tax-exempt” means that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not the interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

(a) Not later than March 31 after the end of the Issuer’s fiscal year (which currently ends on June 30), beginning with the fiscal year ending June 30, 2015, the Issuer shall provide, or shall cause the Dissemination Agent to provide, to EMMA and the Participating Underwriter an Annual Report that is consistent with the requirements of Section 4 of this Certificate. If the Dissemination Agent is other than the Issuer, then not later than 15 business days before the date referred to in the prior sentence, the Issuer shall provide the Annual Report (in a form suitable for filing with EMMA) to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents composing a package and may include by reference other information as provided in Section 4 of this Certificate, except that the Issuer’s audited financial statements may be submitted separately from, and later than, the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

(b) (b) If the Dissemination Agent is an entity other than the Issuer, then the provisions of this Section 3(b) will apply. Not later than 15 Business Days before the date specified in Section 3(a) for providing the Annual Report, the Issuer shall provide the Annual Report to the Dissemination Agent. If by 15 Business Days before the due date for an Annual Report the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer will be filing the Annual Report in compliance with Section 3(a). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that the Annual Report constitutes the Annual Report required to be furnished by it under this Certificate. The Dissemination Agent may conclusively rely upon the Issuer’s certification and will have no duty or obligation to review the Annual Report.

(c) If the Dissemination Agent is other than the Issuer and if the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in Section 3(a), the Dissemination Agent shall send a notice to EMMA, in the form required by EMMA.

(d) If the Dissemination Agent is other than the Issuer, then the Dissemination Agent shall:

(i) determine each year, before the date for providing the Annual Report, the name and address of the repository if other than the MSRB through EMMA; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided to EMMA and the date it was provided.

(e) Notwithstanding any other provision of this Certificate, all filings must be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report must contain or include by reference all of the following:

(a) Financial Statements. The Issuer's audited financial statements for the Issuer's most recent fiscal year then ended. If audited financial statements are not available by the time the Annual Report is required to be filed by Section 3, the Annual Report must contain unaudited financial statements, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.

(b) Financial and Operating Data. To the extent not included in the Issuer's audited financial statements, the Annual Report must contain or incorporate by reference the following information:

(1) The balances as of the close of the prior fiscal year in each of the following funds established under the Indenture:

(A) the Bond Redemption Fund (with a statement of the debt service requirement to be discharged by the fund before the receipt of expected additional Special Tax revenue); and

(B) the Bond Reserve Fund.

(2) The assessed valuation of the Taxable Parcels, which may be in a form similar to Table __ in the Official Statement.

(3) Any changes to the Rate and Method of Apportionment that are approved or submitted to the qualified electors for approval before the filing of the Annual Report.

(4) A table setting forth the annual Special Tax delinquency rate as of June 30 for each fiscal year on which a delinquency exists, listing for each fiscal year the total Special Tax levy, the amount delinquent, and the percent delinquent. The table may be in a form similar to Table __ in the Official Statement.

(5) The status of any foreclosure actions the Issuer is prosecuting with respect to delinquent Special Taxes.

(6) A statement of any discontinuance of the County's Teeter Plan with respect to any Taxable Parcel.

(c) Any or all of the items listed in Section 4(a) or 4(b) above may be included by specific reference to other documents (including official statements of debt issues of the Issuer or related public entities) that have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB through EMMA. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give or cause the Dissemination Agent to give notice to the Municipal Securities Rulemaking Board, through EMMA, not less than ten Business Days after the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds.
- (6) Defeasances.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership, or similar proceedings.
- (9) Ratings changes.

(b) Additionally, the Issuer shall give or cause the Dissemination Agent to give notice to the Municipal Securities Rulemaking Board, through EMMA, of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business; the entry into a definitive agreement to undertake such an action; or the termination of a definitive agreement relating to any such actions, other than under its terms.
- (2) Appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent.
- (3) Nonpayment related defaults.
- (4) Modifications to the rights of Bondholders.

- (5) Notices of prepayment.
- (6) Release, substitution, or sale of property securing repayment of the Bonds.

(c) If the Issuer's fiscal year changes, then the Issuer shall report or shall instruct the Dissemination Agent to report the change in the same manner and to the same parties as Listed Event would be reported under this Section 5.

(d) The Issuer hereby agrees that the undertaking set forth in this Certificate is the responsibility of the Issuer, and the Dissemination Agent, if other than the Issuer, shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer and the Dissemination Agent under this Certificate terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If termination occurs before the final maturity of the Bonds, then the Issuer shall give notice of the termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Certificate and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Issuer will be the initial Dissemination Agent. The Dissemination Agent may resign by providing 30-days written notice to the Issuer, with the resignation effective upon appointment of a new Dissemination Agent.

SECTION 8. Amendment.

(a) The parties may amend this Certificate by written agreement of the parties without the consent of the Owners, and any provision of this Certificate may be waived, if all of the following conditions are satisfied:

- (1) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature, or status of the Issuer or the type of business the Issuer conducts;
- (2) the undertakings in this Certificate as so amended or waived would have complied, in the opinion of a nationally recognized bond counsel, with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule as well as any change in circumstances; and
- (3) the amendment or waiver either (A) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners or (B) does not, in the determination of the Issuer, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

(b) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided under this Certificate, the first Annual Report provided thereafter must include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(c) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made must present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison must include both a quantitative discussion and, to the extent reasonably feasible, a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. Additional Information. This Certificate does not prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or from including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that required by this Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that specifically required by this Certificate, then the Issuer will have no obligation under this Certificate to update the information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. If the Issuer or the Dissemination Agent fails to comply with any provision of this Certificate, then any Owner or Beneficial Owner of the Bonds may take any necessary and appropriate actions, including seeking mandate or specific performance by court order, to cause the Issuer and the Dissemination Agent to comply with their respective obligations under this Certificate. A default under this Certificate will not be an Event of Default under the Indenture, and the sole remedy under this Certificate in the event of any failure of the Issuer or the Dissemination Agent to comply with this Certificate is an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the Issuer is acting as the Dissemination Agent, the Dissemination Agent will have only the duties specifically set forth in this Certificate, and the Issuer shall indemnify and save the Dissemination Agent and its officers, directors, employees, and agents harmless against all loss, expense, and liabilities they may incur that arises out of, or in the exercise or performance of, their powers and duties under this Certificate, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Issuer shall pay any Dissemination Agent (a) compensation for its services provided under this Certificate in accordance with an agreed-upon schedule of fees; and (b) all expenses, legal fees, and advances made or incurred by the Dissemination Agent in the performance of its duties under this Certificate. The Dissemination Agent will have no duty or obligation to review any information the Issuer provides to it under this Certificate. The Issuer's obligations under this Section 11 will survive the Dissemination Agent's resignation or removal and payment of the Bonds. No person has any right to commence any action against the Dissemination Agent for any remedy other than specific performance of this Certificate. The Dissemination Agent is not liable under any circumstances for monetary damages to any person for any breach under this Certificate.

SECTION 12. Beneficiaries. This Certificate inures solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, and Owners and Beneficial Owners from time to time of the Bonds, and it creates no rights in any other person or entity.

SECTION 13. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business will be the successor Dissemination Agent without the filing of any paper or any further act.

This Certificate is executed as of the date and year first set forth above.

CITY OF SACRAMENTO

By: _____
Russell T. Fehr, City Treasurer

ESCROW AGREEMENT

between the

CITY OF SACRAMENTO

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

Dated as of May 1, 2015

RELATING TO THE

CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX BONDS, SERIES 2005

ESCROW AGREEMENT

This Escrow Agreement (this “**Escrow Agreement**”), dated as of May 1, 2015, is between the City of Sacramento, a California municipal corporation (the “**City**”), and U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America being qualified to accept and administer the trusts hereby created, as escrow agent (the “**Escrow Agent**”).

WITNESSETH:

WHEREAS, the City duly issued \$35,460,000 aggregate principal amount of its City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Bonds, Series 2005 (the “**Prior Bonds**”) under the terms of an Indenture, dated as of September 1, 1997 (the “**Original Indenture**” and, as supplemented through the date hereof, including by the hereinafter defined Third Supplemental Indenture and Fourth Supplemental Indenture, the “**Indenture**”), and a Third Supplemental Indenture, dated as of June 1, 2005 (the “**Third Supplemental Indenture**”), each between the City and U.S. Bank National Association, as trustee thereunder, the unmatured principal amount of which (being \$27,960,000) is currently outstanding; and

WHEREAS, the City has determined to refund the entire outstanding principal amount of the Prior Bonds (the “**Refunded Bonds**”) in accordance with the terms of the Indenture from a portion of the proceeds of sale of the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Refunding Bonds, Series 2015 (the “**Refunding Bonds**”) issued under the terms of the Original Indenture and the Fourth Supplemental Indenture, dated as of May 1, 2015 (the “**Fourth Supplemental Indenture**”), between the City and U.S. Bank National Association, as trustee; and

WHEREAS, the City has taken action to cause to be delivered to the Escrow Agent on the date hereof from the proceeds of sale of the Refunding Bonds the sum of \$[___] and from the money remaining in the funds relating to the Prior Bonds the sum of \$[___], which total amount equals to \$[___] and has been deposited by the Escrow Agent in the Escrow Fund hereinafter referred to and which will be held by the Escrow Agent in the Escrow Fund as uninvested money and will be sufficient in accordance with the Indenture, as certified by Causey Demgen & Moore, P.C. (the “**Verification Agent**”), to provide for the redemption of the Refunded Bonds on [June 18], 2015 (the “**Redemption Date**”), at a redemption price equal to the principal amount thereof, together with the interest accrued thereon to the Redemption Date (the “**Redemption Price**”);

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

SECTION 1. Establishment, Maintenance and Use of Escrow Fund. The Escrow Agent shall establish and maintain the Escrow Fund (the “**Escrow Fund**”) until the Refunded Bonds have been paid and redeemed as provided in Section 2 hereof. The Escrow Agent shall hold the entire deposit to the Escrow Fund as uninvested money and shall hold such uninvested money in the Escrow Fund at all times as a separate trust account wholly segregated from all other securities, investments or money held by it; and the Escrow Agent shall not invest any money at any time

on deposit in the Escrow Fund. All money in the Escrow Fund is hereby irrevocably pledged to secure the payment and redemption of the Refunded Bonds as provided in Section 2 hereof, except that the Escrow Agent shall pay to the City, free from the trust created by this Escrow Agreement, any money held in the Escrow Fund that is not used for the payment and redemption of the Refunded Bonds as provided in Section 2 hereof.

SECTION 2. Payment from the Escrow Fund. The Escrow Agent (as successor Trustee under the Indenture) is hereby irrevocably instructed to, and the Escrow Agent shall, use the money in the Escrow Fund to provide for the redemption of the Refunded Bonds on the Redemption Date at the Redemption Price.

SECTION 3. [Reserved].

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

SECTION 5. Compensation and Indemnification of the Escrow Agent.

- (a) The City shall pay the Escrow Agent fees for its services hereunder and shall reimburse the Escrow Agent for its out-of-pocket expenses (including but not limited to the fees and expenses, if any, of its counsel or accountants) incurred by the Escrow Agent in connection with these services, all as previously agreed upon by the City and the Escrow Agent, except that these fees and expenses will not be deducted from the Escrow Fund.
- (b) To the extent permitted by law, the City shall indemnify and hold harmless the Escrow Agent and the Escrow Agent's agents and its officers or employees from all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses, and disbursements of any kind (including but not limited to reasonable fees and disbursements of counsel or accountants for the Escrow Agent) that may be imposed on, incurred by, or asserted against the Escrow Agent or such other party at any time because of Escrow Agent's performance in any transaction arising out of this Escrow Agreement or any of the transactions contemplated herein unless due to the negligence or willful misconduct of the particular indemnified party.

SECTION 6. Functions of the Escrow Agent.

- (a) The Escrow Agent undertakes to perform only such duties as are expressly and specifically set forth in this Escrow Agreement and no implied duties or obligations will be read into this Escrow Agreement against the Escrow Agent.
- (b) In acting upon, or in refraining from acting upon, any written notice, instruction, request, certificate, document, report, or opinion furnished to the Escrow Agent and reasonably believed by the Escrow Agent to have been signed or presented by the proper party, the Escrow Agent may conclusively rely on the truth of the statements and the correctness of the opinions expressed in the notice, instruction, request, certificate, document, report, or opinion and need not investigate any statement or opinion so expressed. The City shall

indemnify and hold harmless the Escrow Agent under Section 5 above in connection with such reliance.

- (c) The Escrow Agent has no liability under this Escrow Agreement except to the extent of its own negligence or willful misconduct. In no event will the Escrow Agent be liable for any special, indirect, or consequential damages even if parties know of the possibility of such damages. The Escrow Agent has no duty or responsibility under this Escrow Agreement in the case of any default in the performance of covenants or agreements contained in the Indenture or in the case of the receipt of any written demand with respect to such default. The Escrow Agent is not required to resolve conflicting demands to money or property in its possession under this Escrow Agreement.
- (d) The Escrow Agent may consult with counsel of its own choice (who may be counsel to the City), and the opinion of such counsel will be full and complete authorization to take or suffer in good faith any action in accordance with the opinion. The Escrow Agent will be fully protected in relying on any such opinion of counsel and need not independently review or evaluate any such opinion of counsel in any respect.
- (e) The Escrow Agent is not responsible for any of the recitals or representations contained in this Escrow Agreement or in the Indenture.
- (f) The Escrow Agent may engage or be interested in any financial or other transaction with the City.
- (g) The Escrow Agent is not liable for the accuracy of the calculations as to the sufficiency of the money in the Escrow Fund to make the payments provided in Section 2 above.
- (h) The Escrow Agent is not liable for any action or omission of the City under this Escrow Agreement or the Indenture or otherwise relating to the Refunded Bonds.
- (i) In the administration of the trusts created by this Escrow Agreement, whenever the Escrow Agent deems it necessary or desirable that a matter be proved or established before it takes or suffers any action under this Escrow Agreement, the Escrow Agent may deem the matter to be conclusively proved and established by a certificate of an authorized City representative (unless this Escrow Agreement specifically requires other evidence), and, in the absence of the Escrow Agent's negligence or willful misconduct, the certificate will be full warrant to the Escrow Agent for any action it takes or suffers under this Escrow Agreement in reliance on the certificate.
- (j) The Escrow Agent may resign at any time by giving written notice to the City, whereupon the City shall promptly appoint a successor Escrow Agent by the resignation date. Resignation of the Escrow Agent will be effective 60 days after notice of the resignation is given as stated above or upon appointment of a successor Escrow Agent, whichever first occurs. If the City does not appoint a successor Escrow Agent by the resignation date, the resigning Escrow Agent may petition any court with jurisdiction for the appointment of a successor Escrow Agent (or may deposit with the court the money or investments or other property held by it under this Escrow Agreement), and the court may thereupon may appoint a successor Escrow Agent after giving such notice, if any, as

it may deem proper and prescribe and as may be required by law. After receiving a notice of resignation of an Escrow Agent, the City may appoint a temporary Escrow Agent to replace the resigning Escrow Agent until the City appoints a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the City will immediately and without further act be superseded by the successor Escrow Agent so appointed.

- (k) The Escrow Agent (and its affiliates) may act as principal, agent, sponsor, depository, or advisor with respect to the holding and making of any investments provided for in this Escrow Agreement.
- (l) The Escrow Agent's rights to indemnification and compensation under this Escrow Agreement will survive the Escrow Agent's resignation or removal and the termination of this Escrow Agreement.
- (m) No provision of this Escrow Agreement requires the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties or in the exercise of its rights or powers.
- (n) The Escrow Agent has no liability or responsibility for the sufficiency of funds in the Escrow Fund to make payments required by this Escrow Agreement.

SECTION 7. Merger or Consolidation of the Escrow Agent. The following entities will be the successor to the Escrow Agent and vested with all of the title to the Escrow Fund and all of the trusts, powers, discretions, immunities, privileges, and other matters as was its predecessor without the execution or filing of any paper or any further act, notwithstanding anything in this Escrow Agreement to the contrary: any company into which the Escrow Agent may be merged or converted or with which it may be consolidated; any company resulting from any merger, conversion, or consolidation to which the Escrow Agent is a party; and any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business.

SECTION 8. Amendment of this Escrow Agreement. The parties may not amend this Escrow Agreement unless the following have been filed with the City and the Escrow Agent: (a) an unqualified opinion of a nationally recognized bond counsel that the amendment will not adversely affect the exclusion from gross income for federal income-tax purposes of interest on the Refunded Bonds and the Refunding Bonds; and (b) the written consent of the registered owners of all Refunded Bonds, unless the amendment is not materially adverse to the interests of the registered owners of the Refunded Bonds.

SECTION 9. Notices. All notices and communications under this Escrow Agreement must be in writing and will be deemed to be duly given if received or sent by first class mail, as follows:

If to the City:

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

If to the Escrow Agent:

U.S. Bank National Association
One California Street, Suite 1000
San Francisco, CA 94111

SECTION 10. Severability. If any provision of this Escrow Agreement is for any reason held to be invalid or unenforceable, then the invalidity or unenforceability of that provision will not affect any of the remaining provisions of this Escrow Agreement.

SECTION 11. Execution. The parties may sign this Escrow Agreement in any number of counterparts, each of which will be deemed to be an original, but all of which together will constitute the same agreement.

SECTION 12. Applicable Law. This Escrow Agreement is governed by, and is to be construed in accordance with, California law.

IN WITNESS WHEREOF, the City and the Escrow Agent have caused this Escrow Agreement to be executed, each on its behalf, as of the day and year first above written.

CITY OF SACRAMENTO

By: _____
Russell T. Fehr, City Treasurer

U.S. BANK NATIONAL ASSOCIATION, as
Escrow Agent

By: _____
Authorized Officer

EXHIBIT A

FORM OF REDEMPTION NOTICE

NOTICE OF REDEMPTION

CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX BONDS, SERIES 2005

NOTICE IS HEREBY GIVEN to the registered owners of the above-referenced bonds identified in the table below (the “**Bonds**”), dated June 8, 2005, and issued under the Indenture dated as of September 1, 1997 (the “**Indenture**”), and a Third Supplemental Indenture dated as of June 1, 2005 (the “**Third Supplemental Indenture**”), each between the City of Sacramento (the “**City**”) and U.S. Bank National Association, as successor trustee (the “**Trustee**”), that, in accordance with the Indenture and the Third Supplemental Indenture, the Bonds have been called for redemption on [June 18], 2015 (the “**Redemption Date**”), at a redemption price of 100% of the principal amount thereof (the “**Redemption Price**”), together with the accrued interest thereon to the Redemption Date.

<u>Maturity Date (September 1)</u>	<u>Principal Amount Outstanding</u>	<u>CUSIP Number</u>
2015	945,000	786071HK9
2016	1,005,000	786071HL7
2017	1,055,000	786071HM5
2018	1,125,000	786071HN3
2019	1,175,000	786071HP8
2020	1,245,000	786071HQ6
2021	1,310,000	786071HR4
2022	1,395,000	786071HS2
2023	1,475,000	786071HT0
2024	1,560,000	786071HU7
2025	1,640,000	786071HV5
2029	7,380,000	786071HW3
2035	6,650,000	786071HX1

Interest on the Bonds will cease to accrue from and after the Redemption Date. Payment of the Redemption Price, together with the accrued interest thereon to the Redemption Date, will become due and payable on the Redemption Date upon presentation and surrender of the Bonds, in person or by mail, in the following manner:

If by Mail: (REGISTERED BONDS)

U.S. Bank National Association
Global Corporate Trust Services
P.O. Box 64111
St. Paul, MN 55164-0111

If by Hand or Overnight Mail:

U.S. Bank National Association
Global Corporate Trust Services
111 Fillmore Avenue East
St. Paul, MN 55107

If the Bonds are mailed, the use of registered, insured mail is recommended.

Failure to submit a completed IRS Form W-9 will result in a 28% back-up withholding to the holder pursuant to the Comprehensive National Energy Policy Act of 1992.

The above-referenced CUSIP numbers are provided for the convenience of the owners of the Bonds. The City and the Trustee assume no responsibility for any error of any nature relating to such numbers.

Dated: _____.

By U.S. Bank National Association, as Trustee

AGREEMENT FOR BOND COUNSEL SERVICES

CITY OF SACRAMENTO NORTH NATOMAS DRAINAGE COMMUNITY FACILITIES DISTRICT NO. 97-01 SPECIAL TAX REFUNDING BONDS, SERIES 2015

This Agreement for Bond-Counsel Services, dated as of April 23, 2015, for reference only, is between the CITY OF SACRAMENTO, a California municipal corporation (the “City”); and ORRICK, HERRINGTON & SUTCLIFFE LLP, a California limited-liability partnership (“Orrick”).

Background

The City desires to engage the services of Orrick in connection with the City’s authorization, issuance, sale, and delivery of one or more series of bonds (the “Refunding Bonds”) for the purpose of refunding the outstanding special-tax bonds the City previously issued for the North Natomas Drainage Community Facilities District No. 97-01, City of Sacramento, County of Sacramento, State of California (the “Refunded Bonds”). The City and Orrick desire to enter into this agreement to evidence the engagement of Orrick in connection with the Refunding Bonds and to specify the terms of the engagement. Orrick possesses the necessary professional capabilities and resources to provide the legal services required by the City as described in this agreement.

With these background facts in mind, the City and Orrick hereby agree as follows:

1. The City retains Orrick as special counsel to perform, and Orrick shall perform, the following legal services for the City in connection with the Refunding Bonds:
 - (a) Consultation with representatives of the City (including the City Treasurer and the City Attorney), the underwriter and its counsel, and others with respect to the timing, terms, and legal structure of the Refunding Bonds.
 - (b) Preparation of documents that are required for the authorization, issuance, sale, and delivery of the Refunding Bonds and are to be adopted or entered into by the City, including an authorizing resolution and an indenture or similar document (the “Major Legal Documents”). The Major Legal Documents do not include the official statement, purchase contract, and continuing disclosure certificate or agreement, which, except as provided in sections 1(d) and 2(b) below, the underwriter’s counsel or the City’s disclosure counsel will prepare.
 - (c) Review of the official statement as it relates to summaries of the Major Legal Documents and the portion of the official statement concerning certain tax matters on which Orrick will render an opinion in accordance with section 1(f).
 - (d) Preparation of the following for inclusion in the official statement: summaries of the Major Legal Documents and the portion of the official statement concerning certain tax matters on which Orrick will render an opinion in accordance with section 1(f).

- (e) Attendance at such meetings or hearings of the City Council and at such working-group meetings or conference calls as the City may request, and assistance to the City's staff in preparation of such explanations or presentations to the City Council as the City may request.
 - (f) Rendering of Orrick's customary form of final approving opinion to the City on the validity of the Refunding Bonds and the tax-exempt status of interest on the Refunding Bonds.
 - (g) Rendering of Orrick's customary form of supplemental opinion to the underwriter on the accuracy of summaries of the Major Legal Documents contained in the official statement and of the tax portion of the final legal opinion and certain other matters.
 - (h) After issuance of the Refunding Bonds, preparation and delivery to the City of a transcript of the legal proceedings for the Refunding Bonds in both loose-leaf and CD-ROM formats.
 - (i) After issuance of the Refunding Bonds, telephone consultations with the City's officials and staff to answer questions about the facts and circumstances concerning the Refunding Bonds.
2. Orrick's services under this agreement do not include the following, although Orrick may provide these services under a separate agreement with the City:
- (a) Legal services in connection with any litigation or other legal or administrative proceeding, audit, or investigation involving any of the Refunding Bonds, the Refunded Bonds, or any related matter.
 - (b) Legal Services in connection with the preparation, content, or dissemination of the official statement (except as provided in section 1(d)).
 - (c) Legal services related to compliance with the California Environmental Quality Act.
 - (d) Legal services in connection with arbitrage-rebate compliance respecting the Refunding Bonds or the Refunded Bonds.
 - (e) Legal services relating to state blue-sky laws or to title to, or perfection of security interests in, real or personal property.
 - (f) Financial analysis or advice.
3. Orrick and the City acknowledge that the City retains the full-time services of the City Attorney and City Attorney's Office to render day-to-day and ongoing legal services to the City. Orrick shall circulate documents to, and coordinate its services with, the City Attorney to the extent requested by the City or the City Attorney. Orrick may assume that the City Attorney or one of the attorneys in the City Attorney's Office has reviewed all documents and

matters submitted to the City Council for adoption or approval, or to the City's officers for execution, before those documents and matters are adopted, approved, or executed.

4. As consideration for the services set forth in section 1, the City shall pay to Orrick the following fees and disbursements:
 - (a) As legal fees, assuming a closing by June 30, 2015, either (1) a flat amount of \$75,000, if the City decides not to obtain bond insurance and reserve-fund insurance before Orrick has reviewed insurance-commitment letters; or (2) a flat amount of \$85,000, if the City decides to obtain bond insurance or reserve-fund insurance and Orrick has reviewed insurance-commitment letters or if the City decides not to obtain bond insurance and reserve-fund insurance after Orrick has reviewed insurance-commitment letters. If the closing occurs after June 30, 2015, then Orrick and the City shall negotiate in good faith on a new flat amount of legal fees.
 - (b) As payment of disbursements, including preparation and distribution of a transcript in loose-leaf and CD-ROM formats, a flat amount of \$1,500.
 - (c) Except as provided in section 5 respecting termination of this agreement by the City, payment of legal fees and expense reimbursement are contingent upon the issuance, sale, and delivery of the Refunding Bonds, and the amounts owed will be due and payable forthwith upon presentation of an invoice by Orrick following such issuance, sale, and delivery.
5. Either party may, at any time, terminate this agreement and all legal services to be rendered under it, with or without cause, by giving written notice to the other party. In that event, all finished and unfinished documents that Orrick has prepared for the City's adoption, approval, or execution will, at the option of the City, become the City's property, and Orrick shall deliver them to the City or to any party the City may designate, all subject to the condition that Orrick will have no liability whatsoever for any subsequent use of the documents. If the City terminates this agreement, then the City shall pay Orrick forthwith for all satisfactory work at its standard hourly rates but not to exceed the flat amount specified in section 4(a) above, subject to the following: if the City terminates for cause, then any compensation is to be adjusted in the light of the facts and circumstances involved in the termination. If not sooner terminated, this agreement and all legal services to be rendered under it will terminate upon issuance and sale of the Refunding Bonds, except that the City will remain liable for any unpaid fees and expenses due under section 4 above. Upon termination, Orrick will have no future duty of any kind to the City with respect to the Refunding Bonds, except as provided in sections 1(h) and 1(i) above.
6. Role of Bond Counsel.
 - (a) The role of bond counsel in financings, generally, is to prepare or review documents and to coordinate the procedures for authorization of the issuance, sale, and delivery of bonds and to provide an expert legal opinion with respect to the validity of the bonds

and other subjects addressed by the opinion. Consistent with the historical origin and unique role of bond counsel, and the reliance thereon by the public-finance market generally, Orrick's role as bond counsel under this agreement is not the partisan role of an advocate. Instead, Orrick's role is to provide legal documents needed for the issuance, sale, and delivery of the Refunding Bonds and to provide an opinion that represents an objective judgment on the matters addressed therein.

- (b) In performing its services as bond counsel in connection with the Refunding Bonds, Orrick shall act as special counsel to the City with respect to issuance of the Refunding Bonds. In that capacity, Orrick shall assist the City's staff in representing the City, but only with respect to the sufficiency of the legal documents for the issuance, sale, and delivery of the Refunding Bonds and in a manner not inconsistent with the role of bond counsel described in section 6(a) above.
- (c) Orrick's function and responsibility under this agreement, and as bond counsel with respect to the issuance of the Refunding Bonds, terminates upon the issuance, sale, and delivery of the Refunding Bonds (unless terminated sooner as provided in section 5 above), except as provided in sections 1(h) and 1(i) above. Orrick's services as bond counsel through issuance, sale, and delivery of the Refunding Bonds are limited to those contracted for explicitly in this agreement. Any engagement of Orrick with respect to rebate compliance, disclosure, or any other matter is separate from its engagement as bond counsel through issuance of the Refunding Bonds. However, unless otherwise provided, any such post-issuance engagement with respect to the Refunding Bonds will continue on the same basis set forth in this section 6.

- 7. The City acknowledges that Orrick regularly performs legal services for many private and public entities in connection with a wide variety of matters. For example, Orrick has represented, is representing, and expects to represent in the future other public entities (such as the County of Sacramento, the Sacramento Municipal Utility District, and the State of California), bond underwriters (such as Stifel, Nicolaus & Company, Incorporated), trustees, rating agencies, insurers, banks, credit-enhancement providers, lenders, contractors, suppliers, financial and other consultants and advisors, accountants, investment providers/brokers, providers/brokers of derivative products, and others who may have a role or interest in the Refunding Bonds or who may be involved with, or adverse to, the City in this or some other matter. Orrick shall not represent any such entity (i.e., other private and public entities) in connection with the Refunding Bonds without the City's express written consent. Given the special, limited role of bond counsel described in section 6 above, the City (a) acknowledges that no conflict of interest exists or would exist in connection with any matter other than the Refunding Bonds; (b) waives any such conflict of interest that might appear actually or potentially to exist, now or in the future, by virtue of this agreement or any such other attorney-client relationship that Orrick may have had, may have, or may enter into; and (c) consents to any and all such relationships subject to the condition that the City's separate written consent and a separate conflict-waiver letter will be required to be obtained

by Orrick if Orrick concurrently represents the City and any other entity in connection with the issuance, sale, and delivery of the Refunding Bonds.

8. Nothing in this agreement or in any of the documents expressly or impliedly contemplated by this agreement is intended to give, or is to be construed to give, any person or entity other than the City and Orrick any legal or equitable right or claim under, or in respect of, this agreement, and this agreement inures to the sole and exclusive benefit of the City and Orrick. Orrick may not assign its obligations under this agreement without the express written consent of the City, except to a successor partnership or corporation to which all or substantially all of the assets and operations of Orrick are transferred. The City may not assign its rights and obligations under this agreement without the express written consent of Orrick. All references to Orrick and the City in this agreement refer to their respective successors and assignees and will bind and inure to the benefit of their successors and assignees whether so expressed or not.
9. The parties may sign this agreement in counterparts, each of which will be considered an original, but all of which will constitute the same agreement. Delivery of signed counterparts may be accomplished email transmission of a pdf document.
10. To be effective, notices pertaining to this agreement must be sent by the U.S. Postal Service, first class, postage prepaid, addressed as follows:

If to the City:

Office of the City Treasurer
Historic City Hall
915 "I" Street, Third Floor
Sacramento, CA 95814
Attention: City Treasurer
and

Office of the City Attorney
New City Hall
915 "I" Street, Fourth Floor
Sacramento, CA 95812-2608
Attention: City Attorney

If to Orrick:

Orrick, Herrington & Sutcliffe LLP
400 Capitol Mall, Suite 3000
Sacramento, CA 95814
Attention: Jenna Magan

11. This agreement is effective on the date both parties have signed it, as indicated by the dates in the signature blocks below.

(Signature Page Follows)

City of Sacramento

Orrick, Herrington & Sutcliffe LLP

By: _____
James Sanchez, City Attorney
Date: April __, 2015

By: Jenna Magan
Jenna Magan, Partner
Date: April 9, 2015

Attest
Sacramento City Clerk

By: _____

Approved as to Form
Sacramento City Attorney

By: _____
Senior Deputy City Attorney

DISCLOSURE COUNSEL AGREEMENT

This Disclosure-Counsel Agreement, dated April 23, 2015, for reference only, is between the CITY OF SACRAMENTO, a California municipal corporation (the “**City**”), and STRADLING YOCCA CARLSON & RAUTH, a California professional corporation (“**SYCR**”).

Background

The City desires to engage the services of SYCR as disclosure counsel in connection with the City’s authorization, issuance, sale, and delivery of one or more series of bonds (the “**Refunding Bonds**”) for the purpose of refunding the outstanding special-tax bonds the City previously issued for the North Natomas Drainage Community Facilities District No. 97-01, City of Sacramento, County of Sacramento, State of California (the “**Refunded Bonds**”). The City and SYCR desire to enter into this agreement to evidence the engagement of SYCR as disclosure counsel and to specify the terms of the engagement. SYCR has the necessary professional capabilities and resources to provide the legal services required by the City as described in this agreement.

With these background facts in mind, the parties agree as follows:

1. **Scope of Services.** The City hereby retains SYCR to provide, and SYCR shall provide, the following legal services in connection with the Refunding Bonds.
 - (a) Preparation of a preliminary official statement and a final official statement for the Refunding Bonds (collectively, the “**Official Statement**”). In connection with the preparation of the Official Statement, SYCR’s services will also include the following:
 - (1) researching applicable laws and ordinances relating to the Refunding Bonds;
 - (2) attending conferences and consulting with City staff, bond counsel, and representatives of the City Attorney’s Office;
 - (3) providing disclosure training to City staff involved in the financing, describing the obligations of the City under federal securities laws;
 - (4) participating in meetings, conferences, and discussions with any financial advisors, underwriters, tax consultants, and other experts the City retains with respect to the Refunding Bonds (the “**City Consultants**”);
 - (5) reviewing resolutions, notices, rules, and regulations and other legal documents required for the Refunding Bonds, and all other documents relating to the security of the Refunding Bonds, in consultation with the City, bond counsel, and the City Consultants;
 - (6) rendering to the City and the underwriters of the Refunding Bonds, in customary form, a Rule 10b-5 letter regarding the Official Statement; and

- (b) preparing a continuing-disclosure certificate of the City to comply with Rule 15c2-12 in connection with the issuance, sale, and delivery of the Refunding Bonds.
2. **Compensation.** The City shall pay SYCR the amounts set forth in this section 2 as full compensation for all services SYCR renders under this agreement and as full reimbursement of all out-of-pocket expenses SYCR incurs under this agreement. The City's obligation to pay more than \$20,000 is contingent on the successful closing of the Refunding Bonds (the "**Closing**"), with payment of the amount above \$20,000 to come exclusively from the proceeds of the Refunding Bonds at the Closing.
- (a) For the services SYCR renders under this agreement, the City shall pay SYCR at an hourly rate of \$450 for shareholders and an hourly rate ranging from \$275 to \$325 for associates (depending on seniority).
- (b) The City shall reimburse SYCR for any out-of-pocket expenses SYCR reasonably incurs while rendering services under this agreement, including but not limited to document-reproduction costs, telecommunications charges, printing costs, filing fees, fees for messenger services, fees for overnight-delivery services, and travel expenses.
- (c) If, for any reason, the Closing does not occur, then the City will not be obligated to pay SYCR more than \$20,000 total for services rendered under this agreement and for out-of-pocket expenses SYCR incurs under this agreement.
- (d) On October 1, 2015, and on each January 1, April 1, July 1, and October 1 thereafter until the Closing or until this agreement terminates under section 4, SYCR shall provide the City with a summary of the total legal fees and out-of-pocket expenses accrued up to the date of the summary for services rendered under this agreement.
- (e) If the City terminates this agreement under section 4(a), then the City shall pay SYCR forthwith in accordance with this section 2 for all satisfactory work, subject to the following: if the City terminates for cause, then any compensation is to be adjusted in the light of the facts and circumstances involved in the termination. If this agreement terminates under section 4(b), then the City shall pay SYCR the amounts owed within 30 days after SYCR's presentation of an invoice.
3. **Personnel and Contract Administration.** SYCR shall provide services under this agreement primarily through Kevin Civale, Brian Forbath, and Lawrence Chan. If Mr. Civale, Mr. Forbath, or Mr. Chan is unable to provide the services because of death, disability, or other similar event, then, with the City's approval, SYCR may substitute another of its attorneys to provide the services, and the substitution will not affect in any way SYCR's or the City's other obligations under this agreement. The City Attorney or the City Attorney's designee will administer this agreement for the City.
4. **Termination**
- (a) Either party may terminate this agreement with or without cause by giving written notice to the other party, except that the City may not terminate this agreement solely to avoid

paying SYCR more than \$20,000 after the Closing. The notice must state the termination date, which must be at least three business days after the date the notice is delivered.

- (b) Unless terminated sooner under section 4(a), this agreement terminates on the date of the Closing.

5. Miscellaneous

- (a) In performing under this agreement, SYCR and its shareholders and employees will be acting in an independent capacity and not as officers or agents of the City or the Issuer.
- (b) SYCR may not assign this agreement or any part of it without the City's written consent, which the City may withhold for any reason.
- (c) This agreement is for the benefit of the City and SYCR. It is not intended to benefit any third parties other than the Issuer.
- (d) This agreement is effective on the date both parties have signed it, as indicated by the dates in the signature blocks below.
- (e) This agreement sets forth the parties' entire understanding regarding the matters set forth above and is intended to be their final, complete, and exclusive expression of those matters. It may be modified only by another written agreement signed by both parties.
- (f) The parties may execute this agreement in counterparts, each of which will be considered an original, but all of which will constitute the same agreement. Delivery of signed counterparts may be accomplished email transmission of a pdf document.

(Signature Page Follows)

City of Sacramento

Stradling Yocca Carlson & Rauth

By: _____
James Sanchez, City Attorney

Date: April __, 2015

By:  _____
Kevin M. Civale, Shareholder

Date: April 9, 2015

Attest
Sacramento City Clerk

By: _____

Approved as to Form
Sacramento City Attorney

By: _____
Joseph P. Cerullo
Senior Deputy City Attorney