

**Meeting Date:** 7/21/2015

**Report Type:** Public Hearing

**Report ID:** 2015-00632

**Title: (City Council/Sacramento City Financing Authority) Authorize Issuance of 2015 Lease Revenue Refunding Bonds and Related Items (Noticed 07/07/2015)**

**Location:** Citywide

**Recommendation:** Conduct a public hearing and upon conclusion, 1) pass a City Council Resolution a) authorizing the execution and delivery of an amendment to a Master Project Lease with the Sacramento City Financing Authority; b) approving the execution and delivery of a Bond Purchase Agreement for the Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities); c) authorizing the execution and delivery of a Continuing Disclosure Certificate for the bonds; d) approving the distribution of a Preliminary Official Statement and a Final Official Statement for the bonds; e) approving, for purposes of 26 U.S.C. §147(f), the Sacramento City Financing Authority's issuance and sale of the bonds; and f) authorizing certain other actions in connection with the bonds; and 2) pass a Sacramento City Financing Authority Resolution a) authorizing the issuance, sale, and delivery of Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) in an aggregate principal amount not to exceed \$250,000,000; b) authorizing the execution and delivery of an amendment to a Master Project Lease with the City; c) authorizing the execution and delivery of an Indenture for the bonds; d) authorizing the execution and delivery of a Bond Purchase Agreement for the bonds; e) approving the distribution of a Preliminary Official Statement and a Final Official Statement for the bonds; f) authorizing the execution and delivery of an Escrow Agreement in connection with the bonds; and g) authorizing certain other actions in connection with the bonds.

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

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

**Department:** City Treasurer

**Division:** City Treasurer

**Dept ID:** 05001011

**Attachments:**

- 1-Description/Analysis
- 2-City Resolution
- 3-SCFA Resolution
- 4-Tenth Amendment to the Master Lease
- 5-2015 Indenture
- 6-Continuing Disclosure Certificate
- 7a-Preliminary Official Statement (Main)
- 7b-Preliminary Official Statement (Appendix A)
- 8-Bond Purchase Agreement

---

**City Attorney Review**

Approved as to Form

Joseph Cerullo

7/16/2015 10:42:08 AM

**Approvals/Acknowledgements**

Department Director or Designee: Russell Fehr - 7/14/2015 5:51:52 PM

## Description/Analysis

**Issue Detail:** In accordance with the City’s Debt Management Policy, the City Treasurer’s Office monitors outstanding debt to determine whether refunding bonds might yield potential economic savings. Given the current interest-rate environment, bonds of the Sacramento City Financing Authority (“**SCFA**”) have been identified as possible candidates whose repayment through the issuance of refunding bonds could yield economic savings:

Allowing the refunding of those bonds would, in aggregate, lower the City’s debt-service payments. Additionally, this action will also terminate the Solid Waste Facility Lease (under the 2005 Refunding Revenue Bonds) and incorporate the remaining obligations into the Master Lease refunding.

This refunding is being undertaken simultaneously with the proposed refunding of Redevelopment Agency Successor Agency (“**RASA**”) obligations in a separate refunding issued by RASA. Details of the SCFA and RASA bonds proposed to be refunded and not refunded are in the table below.

Issue Name	Principal Outstanding	Amount Refunded by SCFA	Amount Refunded by RASA	Amount Not Refunded
1999 CIRB	1,675,000	0	1,675,000	0
2002 CIRB Series A	6,710,000	1,005,000	5,705,000	0
2003 CIRB	15,395,000	15,395,000	0	0
2005 Refunding	139,180,000	118,210,000	20,970,000	0
2006 CIRB Series A	70,740,000	62,550,000	8,190,000	0
2006 CIRB Series B*	48,170,000	0	0	48,170,000
2006 CIRB Series C	25,605,000	25,605,000	0	0
2006 CIRB Series D*	1,160,000	0	0	1,160,000
2006 CIRB Series E**	173,080,000	0	0	173,080,000
<b>Total</b>	<b>481,715,000</b>	<b>222,765,000</b>	<b>36,540,000</b>	<b>222,410,000</b>

\* taxable

\*\* non-callable

**Policy Considerations:** Monitoring and recommending opportunities for refunding debt issues for economic savings is consistent with the City’s Debt Management Policy. Based on market conditions at the time of the pricing of the refunding bonds, the City Treasurer may elect to exclude certain bond series from the refunding if savings will not be realized.

**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. (14 Cal. Code Regs. §§ 15061(b)(3) and 15378(b)(4).)

**Sustainability:** Not applicable, administrative action.

**Commission/Committee Action:** None.

**Rationale for Recommendation:** The refunding will generate savings for the City. It also will reduce the complexities currently associated with the administration of the numerous bond issues by combining them into one series of refunding bonds.

**Financial Considerations:** Preliminary projections indicate that the refunding will generate annual savings over the life of the refunding bonds. Details on the savings realized through the refunding will only be known after pricing of the bonds in late summer.

As of June 11, 2015, the total gross savings over the life of the refunding bond is estimated at \$26.6 million, with an average annual savings of \$1.2 million. The savings will be recognized by various city funds based on the amounts outstanding and specific amortizations.

**Local Business Enterprise (LBE):** Not applicable.

# RESOLUTION NO. 2015-\_\_\_

Adopted by the Sacramento City Council

\_\_\_\_\_, 2015

## AUTHORIZING THE EXECUTION AND DELIVERY OF AN AMENDMENT TO A LEASE RELATING TO THE REFINANCING OF VARIOUS CITY FACILITIES; AUTHORIZING THE EXECUTION AND DELIVERY OF A PURCHASE CONTRACT AND CONTINUING DISCLOSURE CERTIFICATE FOR THE SACRAMENTO CITY FINANCING AUTHORITY 2015 REFUNDING REVENUE BONDS (MASTER LEASE PROGRAM FACILITIES); APPROVING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION, DELIVERY, AND DISTRIBUTION OF A FINAL OFFICIAL STATEMENT FOR THE BONDS; AND APPROVING CERTAIN OTHER ACTIONS IN CONNECTION WITH THE BONDS

### BACKGROUND

- A. The City of Sacramento (the “**City**”) and the Sacramento City Financing Authority (the “**Authority**”) are parties to the following agreements:
- A Master Site Lease dated as of December 1, 1999, under which the City leased to the Authority the real property described therein (as amended, the “**Master Site Lease**”); and a Master Project Lease dated as of December 1, 1999, under which the Authority leased the same real property plus the improvements on that property back to the City (as amended, the “**Master Project Lease**”). The purpose of these agreements is to finance and refinance certain capital improvements (the “**Master Lease Program Projects**”). The Sacramento City Council (the “**City Council**”) authorized both agreements by duly adopted resolutions.
  - A Solid Waste Site Lease dated as of December 1, 1999 (as amended, the “**Solid Waste Site Lease**”), under which the City leased to the Authority the real property described therein, and a Solid Waste Facility Lease dated as of December 1, 1999 (as amended, the “**Solid Waste Facility Lease**”), under which the Authority leased certain solid-waste facilities to the City. The purpose of these agreements is to finance and refinance certain improvements to the City’s municipal solid-waste system (the “**Solid Waste Project**”). The City Council authorized the City’s execution and delivery of both agreements by duly adopted resolutions.
- B. The City has determined that the costs of the Master Lease Program Projects and the Solid Waste Project can be lowered by having the Authority issue refunding revenue bonds and use the proceeds to do the following, all as authorized by this resolution:

- refinance certain of the City’s Base Rental Payments under the Master Project Lease (the “**Prior Base Rental Payments**”);
  - refinance the City’s base rental payments under the Solid Waste Facility Lease (the “**Prior Solid Waste Base Rental Payments**”);
  - amend the base rental payments in the Master Project Lease as necessary to refinance the Prior Base Rental Payments and the Prior Solid Waste Base Rental Payments; and
  - terminate the Solid Waste Site Lease and the Solid Waste Facility Lease once the Solid Waste Project has been included in the Master Lease Program Project.
- C.** The City Council has determined that it is in the best interests of the City and its citizens and is necessary and proper for City purposes that the Master Project Lease be so amended by a Tenth Amendment to Master Project Lease tentatively dated as of September 1, 2015, in substantially the form presented at this meeting (the “**Tenth Amendment to Master Project Lease**”).
- D.** Under the Tenth Amendment to Master Project Lease, the City will be obligated to make base rental payments to the Authority for the lease of certain property thereunder (the “**2015 Base Rental Payments**”).
- E.** The Authority has determined to issue its 2015 Refunding Revenue Bonds (Master Lease Program Facilities) (the “**Refunding Bonds**”) under an Indenture tentatively dated as of September 1, 2015 (the “**Indenture**”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”). The Authority will use a portion of the proceeds of the Refunding Bonds, together with other available amounts, (1) to refund all or a portion of certain of the Authority’s prior revenue-bond issues, as specified in the Indenture (the “**Prior Bonds**”); (2) to discharge the Prior Base Rental Payments and the Prior Solid Waste Base Rental Payments; (3) to fund a reserve fund, pay the purchase price for a surety bond, or both, at the sole option of the City; and (4) to pay costs of issuance.
- F.** The Authority will assign, without recourse, all its rights to receive payments on the Tenth Amendment to Master Project Lease (the “**2015 Program Obligation Payments**”) to the Trustee, for the benefit of the registered owners of the Refunding Bonds.
- G.** In connection with issuing the Refunding Bonds, the Authority and the City will approve the distribution of a Preliminary Official Statement for the Refunding Bonds (the “**Preliminary Official Statement**”) and enter into a Purchase Contract providing for the sale of the Refunding Bonds (the “**Purchase Contract**”), and the City will execute a Continuing Disclosure Certificate for the Refunding Bonds in compliance with Securities and Exchange Commission

Rule 15c2-12(b)(5) (the “**Continuing Disclosure Certificate**”). The Preliminary Official Statement, the Purchase Contract, and the Continuing Disclosure Certificate will be substantially in the forms of those documents presented to this meeting. After the sale of the Refunding Bonds, the City will execute and deliver, and will authorize the distribution of, a Final Official Statement for the Refunding Bonds (the “**Final Official Statement**”).

- H. The interest on the Refunding Bonds may qualify for tax exemption under section 103 of the Internal Revenue Code of 1986 (as amended, the “**Code**”) only if the Refunding Bonds are approved in accordance with section 147(f) of the Code. Accordingly, the City Council must approve the issuance and sale of the Refunding Bonds in order to satisfy the public-approval requirements of section 147(f) of the Code. The City Council is the elected legislative body of the City and thus is the applicable elected representative required to approve the issue within the meaning of section 147(f) of the Code. The Master Lease Program Projects and the Solid Waste Project are located wholly within the City.
- I. On [July 6], 2015, the City caused a notice to appear in the *Sacramento Bulletin*, which is a newspaper of general circulation within the City, stating that a public hearing with respect to the issuance of the Refunding Bonds would be held by the City Council on July 21, 2015. The City Council held the public hearing on July 21, 2015, and an opportunity was provided for persons to comment on the issuance and sale of the Refunding Bonds and on the plan of financing the Master Lease Program Projects and the Solid Waste Project.
- J. All acts, conditions, and things required by law to exist, to have happened, and to have been performed precedent to, and in connection with, the authorization of the City’s execution and delivery of the Tenth Amendment to Master Project Lease, the Purchase Contract, and the Continuing Disclosure Certificate do exist, have happened, and have been performed in regular and due time, form, and manner as required by law. Accordingly, the City is now duly authorized to execute and deliver the Tenth Amendment to Master Project Lease, the Purchase Contract, and the Continuing Disclosure Certificate; to approve the distribution of the Preliminary Official Statement; and, after the sale of the Refunding Bonds, to approve the City’s execution, delivery, and distribution of the Final Official Statement.

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

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

**Section 2.** The City Treasurer or his designee (the “**Treasurer**”) is hereby authorized and directed to execute the Tenth Amendment to Master Project Lease on the City’s behalf, and the City Clerk or her designee is hereby authorized and directed to attest the execution and to deliver the Tenth Amendment to Master Project Lease. As executed and delivered, the Tenth

Amendment to Master Project Lease must be substantially in the form presented at this meeting, with such additions or changes as the Treasurer may require or approve, and with approval to be conclusively evidenced by the execution and delivery, subject to the following:

- (a) the 2015 Program Obligation Payments when compared to the Prior Base Rental Payments and the Prior Solid Waste Base Rental Payments must be in a reduced amount that the Treasurer, after consultation with the Representative (defined in Section 3) or the City's financial advisor, determines will result in an aggregate positive present-value savings to the City, the Treasurer's determination being final, conclusive, and binding upon the Authority and the City; and
- (b) the principal component of the base rental payments to be contained in the Tenth Amendment to Master Project Lease and set out in Exhibit B to the Tenth Amendment to Master Project Lease must not exceed in aggregate \$250,000,000.

**Section 3.** The Purchase Contract providing for the sale of the Refunding Bonds to Morgan Stanley & Co. LLC, as the representative of itself, Stifel Nicolaus Inc., and any other underwriters of the Refunding Bonds named therein (the "**Representative**"), in the form presented at this meeting, is hereby approved. The Treasurer is hereby authorized and directed to execute and deliver the Purchase Contract on the City's behalf. As executed and delivered, the Purchase Contract must be in substantially the form presented at this meeting, with such additions or changes as the Treasurer may require or approve, and with approval to be conclusively evidenced by the execution and delivery, subject to the conditions described in Section 2 above.

**Section 4.** The Treasurer is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate on the City's behalf. As executed and delivered, the Continuing Disclosure Certificate must be in substantially the form presented at this meeting, with such additions or changes as the Treasurer may require or approve, and with approval to be conclusively evidenced by the execution and delivery.

**Section 5.** The distribution of the Preliminary Official Statement, in substantially the form presented at this meeting, is hereby approved. The Treasurer is authorized to certify on the City's behalf that the Preliminary Official Statement has been "deemed final" by the City, except for certain final pricing and related information, in accordance with Rule 15c2-12 of the Securities and Exchange Commission. The Treasurer is hereby authorized and directed on the City's behalf to execute and deliver to the Representative the Final Official Statement, with such additions or changes as the City may require or approve, and with approval to be

conclusively evidenced by the execution and delivery. The Representative is hereby directed to distribute copies of the Final Official Statement to all actual purchasers of the Refunding Bonds.

**Section 6.** The Agreement for Bond-Counsel Services presented at this meeting is hereby approved, and the City Attorney or his designee (the “**City Attorney**”) is hereby authorized and directed to execute and deliver it to Orrick, Herrington & Sutcliffe LLP on the City’s behalf in substantially the form presented at this meeting, 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 7.** The Disclosure-Counsel Agreement presented at this meeting is hereby approved, and the City Attorney is hereby authorized to execute and deliver it to Stradling Yocca Carlson & Rauth, a Professional Corporation, on the City’s behalf in substantially the form presented at this meeting, 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 8.** The City’s officers are hereby each authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents they may deem necessary or advisable to carry out, give effect to, and comply with this resolution, the Tenth Amendment to Master Project Lease, the Indenture, the Purchase Contract, the Continuing Disclosure Certificate, and the Refunding Bonds. Any such actions previously taken by the City’s officers are hereby ratified, confirmed, and approved. This authorization includes but is not limited to—

- (a) the execution and delivery of any documents required (1) to obtain bond insurance, a reserve-fund surety bond, or both, if deemed desirable and (2) to issue the Refunding Bonds in one or more series as taxable or tax-exempt;
- (b) the execution of escrow agreements and tax certificates and agreements; and
- (c) the purchase of a bond-insurance policy, a reserve-fund surety bond, or both, for the Refunding Bonds if deemed desirable.

**Section 9.** The Master Project Lease, as amended by the Tenth Amendment to Master Project Lease, is hereby ratified and confirmed in all respects. The Master Site Lease is also hereby ratified and confirmed in all respects.

**Section 10.** The issuance and sale of the Bonds by the Authority is hereby approved. The City Council intends that this resolution constitute approval of the Refunding Bonds by the applicable elected representative of the

governmental unit having jurisdiction over the area in which the Project is located in accordance with section 147(f) of the Code.

**Section 11.** This resolution takes effect when adopted.

## RESOLUTION NO. FA2015-\_\_\_\_

Adopted by the Sacramento City Financing Authority

\_\_\_\_\_, 2015

**AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF SACRAMENTO CITY FINANCING AUTHORITY 2015 REFUNDING REVENUE BONDS (MASTER LEASE PROGRAM FACILITIES) IN A NOT-TO-EXCEED PRINCIPAL AMOUNT OF \$250,000,000; AUTHORIZING THE EXECUTION AND DELIVERY OF AN AMENDMENT TO A LEASE AND AN INDENTURE RELATING TO THE REFINANCING OF VARIOUS CITY FACILITIES; AUTHORIZING THE EXECUTION AND DELIVERY OF A PURCHASE CONTRACT FOR THE BONDS; APPROVING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION, DELIVERY, AND DISTRIBUTION OF A FINAL OFFICIAL STATEMENT FOR THE BONDS; AND APPROVING CERTAIN OTHER ACTIONS IN CONNECTION WITH THE BONDS**

### BACKGROUND

- A.** The Sacramento City Financing Authority (the “**Authority**”) and the City of Sacramento (the “**City**”) are parties to the following agreements:
- A Master Site Lease dated as of December 1, 1999, under which the City leased to the Authority the real property described therein (as amended, the “**Master Site Lease**”); and a Master Project Lease dated as of December 1, 1999, under which the Authority leased the same real property plus the improvements on that property back to the City (as amended, the “**Master Project Lease**”). The purpose of these agreements is to finance and refinance certain capital improvements (the “**Master Lease Program Projects**”). The governing board of the Authority (the “**Board**”) authorized both agreements by duly adopted resolutions.
  - A Solid Waste Site Lease dated as of December 1, 1999 (as amended, the “**Solid Waste Site Lease**”), under which the City leased to the Authority the real property described therein, and a Solid Waste Facility Lease dated as of December 1, 1999 (as amended, the “**Solid Waste Facility Lease**”), under which the Authority leased certain solid-waste facilities to the City. The purpose of these agreements is to finance and refinance certain improvements to the City’s municipal solid-waste system (the “**Solid Waste Project**”). The Board authorized the Authority’s execution and delivery of both agreements by duly adopted resolutions.

- B.** The City has determined that the costs of the Master Lease Program Projects and the Solid Waste Project can be lowered by having the Authority issue refunding revenue bonds and use the proceeds to do the following, all as authorized by this resolution:
- refinance certain of the City’s Base Rental Payments under the Master Project Lease (the “**Prior Base Rental Payments**”);
  - refinance the City’s base rental payments under the Solid Waste Facility Lease (the “**Prior Solid Waste Base Rental Payments**”);
  - amend the base rental payments in the Master Project Lease as necessary to refinance the Prior Base Rental Payments and the Prior Solid Waste Base Rental Payments; and
  - terminate the Solid Waste Site Lease and the Solid Waste Facility Lease once the Solid Waste Project has been included in the Master Lease Program Project.
- C.** The City Council has determined that it is in the best interests of the City and its citizens and is necessary and proper for City purposes that the Master Project Lease be so amended by a Tenth Amendment to Master Project Lease tentatively dated as of September 1, 2015, in substantially the form presented at this meeting (the “**Tenth Amendment to Master Project Lease**”).
- D.** Under the Tenth Amendment to Master Project Lease, the City will be obligated to make base rental payments to the Authority for the lease of certain property thereunder (the “**2015 Base Rental Payments**”).
- E.** The Authority has determined to issue its 2015 Refunding Revenue Bonds (Master Lease Program Facilities) (the “**Refunding Bonds**”) under an Indenture tentatively dated as of September 1, 2015 (the “**Indenture**”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”). The Authority will use a portion of the proceeds of the Refunding Bonds, together with other available amounts, (1) to refund all or a portion of certain of the Authority’s prior revenue-bond issues, as specified in the Indenture (the “**Prior Bonds**”); (2) to discharge the Prior Base Rental Payments and the Prior Solid Waste Base Rental Payments; (3) to fund a reserve fund, pay the purchase price for a surety bond, or both, at the sole option of the City; and (4) to pay costs of issuance.
- F.** The Authority will assign, without recourse, all its rights to receive payments on the Tenth Amendment to Master Project Lease (the “**2015 Program Obligation Payments**”) to the Trustee, for the benefit of the registered owners of the Refunding Bonds.

- G.** In connection with issuing the Refunding Bonds, the Authority and the City will approve the distribution of a Preliminary Official Statement for the Refunding Bonds (the “**Preliminary Official Statement**”) and enter into a Purchase Contract providing for the sale of the Refunding Bonds (the “**Purchase Contract**”). The Preliminary Official Statement and the Purchase Contract will be substantially in the forms of those documents presented to this meeting. After the sale of the Refunding Bonds, the Authority will execute and deliver, and will authorize the distribution of, a Final Official Statement for the Refunding Bonds (the “**Final Official Statement**”).
- H.** All acts, conditions, and things required by law to exist, to have happened, and to have been performed precedent to, and in connection with, the authorization of the Authority’s issuance of the Refunding Bonds and the execution and delivery of the Tenth Amendment to Master Project Lease, the Indenture, and the Purchase Contract do exist, have happened, and have been performed in regular and due time, form, and manner as required by law. Accordingly, the Authority is now duly authorized to execute and deliver the Tenth Amendment to Master Project Lease, the Indenture, and the Purchase Contract; to approve the distribution of the Preliminary Official Statement; and, after the sale of the Refunding Bonds, to approve the Authority’s execution, delivery, and distribution of the Final Official Statement.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE GOVERNING BOARD OF THE SACRAMENTO CITY FINANCING AUTHORITY RESOLVES AS FOLLOWS:**

- Section 1.** The statements in paragraphs A through H of the Background are true.
- Section 2.** The Treasurer of the Authority or his designee (the “**Treasurer**”) is hereby authorized and directed to execute the Tenth Amendment to Master Project Lease on the Authority’s behalf, and the Secretary of the Authority or her designee (the “**Secretary**”) is hereby authorized and directed to attest the execution and to deliver the Tenth Amendment to Master Project Lease. As executed and delivered, the Tenth Amendment to Master Project Lease must be substantially in the form presented at this meeting, with such additions or changes as the Treasurer may require or approve, and with approval to be conclusively evidenced by the execution and delivery.
- Section 3.** The Treasurer is authorized and directed to execute and deliver the Indenture on the Authority’s behalf, and the Secretary is authorized and directed to attest the execution and to deliver the Indenture. As executed and delivered, the Indenture must be substantially in the form presented at this meeting, with such additions or changes as the Treasurer may require or approve, and with approval to be conclusively evidenced by the execution and delivery.

**Section 4.** The issuance of the Refunding Bonds in one or more series, on a federally tax-exempt or taxable basis, in a combined aggregate principal amount not to exceed \$250,000,000, on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture, is hereby authorized and approved. The Refunding Bonds must be dated, accrue interest at the rates, mature on the dates, be issued in the form, and be otherwise as provided in the Indenture, as the same must be completed as provided in this resolution.

- (a) The Treasurer is hereby authorized and directed to execute, and the Secretary is hereby authorized to countersign, each of the Refunding Bonds on behalf of the Authority, either manually or in facsimile, and this signing will be a sufficient and binding execution of the Refunding Bonds by the Authority. If an officer whose signature appears on the Refunding Bonds ceases to be an officer before the delivery of the Refunding Bonds to the purchaser, then that officer's signature will nevertheless be valid and sufficient for all purposes as though the officer had remained in office until the delivery of the Refunding Bonds.
- (b) The Refunding Bonds authorized to be issued under the Indenture, when executed, are to be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Refunding Bonds by executing the Certificate of Authentication appearing thereon and to deliver the Refunding Bonds, when duly executed and authenticated, to the Representative (defined in Section 5) in accordance with written instructions executed on the Treasurer's behalf. The instructions must provide for the delivery of the Refunding Bonds to the Representative upon payment of the purchase price thereof. The Treasurer is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the instructions to the Trustee.

**Section 5.** The Purchase Contract providing for the sale of the Refunding Bonds to Morgan Stanley & Co. LLC, as the representative of itself, Stifel Nicolaus Inc., and any other underwriters of the Refunding Bonds named therein (the "**Representative**"), in the form presented at this meeting, is hereby approved. The Treasurer is hereby authorized and directed to execute and deliver the Purchase Contract on the Authority's behalf. As executed and delivered, the Purchase Contract must be in substantially the form presented at this meeting, with such additions or changes as the Treasurer may require or approve, and with approval to be conclusively evidenced by the execution and delivery.

**Section 6.** The distribution of the Preliminary Official Statement, in substantially the form presented at this meeting, is hereby approved. The Treasurer is

authorized to certify on the Authority's behalf that the Preliminary Official Statement has been "deemed final" by the Authority, except for certain final pricing and related information, in accordance with Rule 15c2-12 of the Securities and Exchange Commission. The Treasurer is hereby authorized and directed on the Authority's behalf to execute and deliver to the Representative the Final Official Statement, with such additions or changes as the Authority may require or approve, and with approval to be conclusively evidenced by the execution and delivery. The Representative is hereby directed to distribute copies of the Final Official Statement to all actual purchasers of the Refunding Bonds.

**Section 7.** The Authority's officers are hereby each authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents they may deem necessary or advisable to carry out, give effect to, and comply with this resolution, the Tenth Amendment to Master Project Lease, the Indenture, the Purchase Contract, and the Refunding Bonds. Any such actions previously taken by the Authority's officers are hereby ratified, confirmed, and approved. This authorization includes but is not limited to—

- (a) the execution and delivery of any documents required (1) to obtain bond insurance, a reserve-fund surety bond, or both, if deemed desirable; and (2) to issue the Refunding Bonds in one or more series as taxable or tax-exempt;
- (b) the execution of escrow agreements and tax certificates and agreements; and
- (c) the purchase of a bond-insurance policy, a reserve-fund surety bond, or both, for the Refunding Bonds if deemed desirable.

**Section 8.** The Master Project Lease, as amended by the Tenth Amendment to Master Project Lease, is hereby ratified and confirmed in all respects. The Master Site Lease is also hereby ratified and confirmed in all respects.

**Section 9.** This resolution takes effect when adopted.

When Recorded Return to:

Melissa Warr  
Orrick, Herrington & Sutcliffe LLP  
400 Capitol Mall, Suite 3000  
Sacramento, CA 95814

---

TENTH AMENDMENT TO MASTER PROJECT LEASE

between the

SACRAMENTO CITY FINANCING AUTHORITY

and the

CITY OF SACRAMENTO

RELATING TO THE  
SACRAMENTO CITY FINANCING AUTHORITY  
2015 REFUNDING REVENUE BONDS  
(MASTER LEASE PROGRAM FACILITIES)

Executed and Entered Into as of September 1, 2015

---

NO DOCUMENTARY TRANSFER TAX DUE. This Tenth Amendment to Master Project Lease is recorded for the benefit of the City of Sacramento and is exempt from California documentary transfer tax under Section 11928 of the California Revenue and Taxation Code and from recording fees under Sections 6103 and 27383 of the California Government Code.

**TABLE OF CONTENTS**

	<b>Page</b>
ARTICLE I DEFINITIONS 6	
SECTION 1.01 Definitions .....	6
ARTICLE II NO ADDITIONS TO THE PROJECT 9	
SECTION 2.01 Additions to the Project .....	9
ARTICLE III TERM OF THE MASTER PROJECT LEASE 9	
SECTION 3.01 Term of the Master Project Lease .....	9
ARTICLE IV USE OF PROCEEDS 9	
SECTION 4.01 Use of Proceeds .....	9
ARTICLE V RENTAL PAYMENTS 10	
SECTION 5.01 Payment of Rental Payments .....	10
SECTION 5.02 Prepayment of Refunding Base Rental Payments .....	11
SECTION 5.03 Reserve Account .....	11
ARTICLE VI MISCELLANEOUS 12	
SECTION 6.01 Notices .....	12
SECTION 6.02 Effect of Tenth Amendment to Master Project Lease .....	12
SECTION 6.03 Continuing Disclosure .....	13
SECTION 6.04 Bond Insurer Provisions .....	13
SECTION 6.05 Execution .....	13
EXHIBIT A Description of the Site .....	A-1
EXHIBIT B Refunding Base Rental Payment Schedule .....	B-1
EXHIBIT C Prior Master Lease Base Rental Payment Schedule .....	C-1
EXHIBIT D Prior Solid Waste Base Rental Payment Schedule .....	D-1

## TENTH AMENDMENT TO MASTER PROJECT LEASE

This Tenth Amendment to Master Project Lease (the “Tenth Amendment to Master Project Lease”), is executed and entered into as of September 1, 2015, between the Sacramento City Financing Authority, a joint-exercise-of-powers authority duly organized and existing under and by virtue of the laws of the State of California (the “Authority”), and the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the “City”).

WITNESSETH:

WHEREAS, the City and the Authority duly executed and entered into a Master Site Lease (the “Master Site Lease”) as of December 1, 1999, that was recorded on December 14, 1999, in Book 1991214 of the Official Records of Sacramento County, at Page 1004, whereby the City leased to the Authority those certain parcels of real property described therein (the “1999 Site”); and

WHEREAS, the Authority and the City thereafter duly executed and entered into a Master Project Lease (the “Master Project Lease”) as of December 1, 1999, that was recorded on December 14, 1999, in Book 1991214 of the Official Records of Sacramento County, at Page 1005, whereby the Authority and the City determined that it was in the best interests of the City and the residents of the City and the Redevelopment Agency of the City of Sacramento (the “Agency”) for the Authority to assist the City and the Agency by financing the acquisition and construction of certain capital improvement projects for the City and by financing the acquisition of certain loan obligations of the Agency so that the Agency can undertake redevelopment activities for the benefit of the City, and the Authority leased the 1999 Site to the City, together with the improvements located thereon (the “1999 Project”); and

WHEREAS, under the Master Project Lease, the Authority may from time to time finance or refinance the acquisition and construction of additional capital improvement projects for the City (a) by the City leasing additional parcels of real property (each an “Additional Site”) to the Authority as provided in the Master Site Lease, and (b) by the Authority leasing such additional parcels of real property, together with the improvements then located thereon or to be acquired and constructed thereon (each an “Additional Project”) to the City; and

WHEREAS, under an Amendment to Master Site Lease (the “Amendment to Master Site Lease”) executed and entered into as of July 1, 2000, between the City and the Authority that was recorded on July 25, 2000, in Book 20000725 of the Official Records of Sacramento County, at Page 1311, and an Amendment to Master Project Lease (the “Amendment to Master Project Lease”) executed and entered into as of July 1, 2000, between the Authority and the City that was recorded on July 25, 2000, in Book 20000725 of the Official Records of Sacramento County, at Page 1312, the Authority and the City provided for the financing of the acquisition and construction of certain additional capital improvement projects for the City by the City leasing additional parcels of real property (the “2000 Site”) to the

Authority and the Authority leasing such additional parcels of real property, together with the improvements located thereon (the “2000 Project”), to the City; and

WHEREAS, under a Second Amendment to Master Site Lease (the “Second Amendment to Master Site Lease”) executed and entered into as of April 1, 2001, between the City and the Authority that was recorded on April 24, 2001, in Book 20010424 of the Official Records of Sacramento County, at Page 1415, and a Second Amendment to Master Project Lease (the “Second Amendment to Master Project Lease”) executed and entered into as of April 1, 2001, between the Authority and the City that was recorded on April 24, 2001, in Book 20010424 of the Official Records of Sacramento County, at Page 1416, the Authority and the City provided for the financing of the acquisition and construction of certain additional capital improvement projects for the City by the City leasing additional parcels of real property (the “2001 Site”) to the Authority and the Authority leasing such additional parcels of real property, together with the improvements located thereon (the “2001 Project”), to the City; and

WHEREAS, under a Third Amendment to Master Site Lease (the “Third Amendment to Master Site Lease”) executed and entered into as of July 1, 2002, between the City and the Authority that was recorded on July 1, 2002, in Book 20020701 of the Official Records of Sacramento County, at Page 1649, and a Third Amendment to Master Project Lease (the “Third Amendment to Master Project Lease”) executed and entered into as of July 1, 2002, between the Authority and the City that was recorded on July 1, 2002, in Book 20020701 of the Official Records of Sacramento County, at Page 1650, the Authority and the City provided for the financing of the acquisition and construction of certain additional capital improvement projects for the City by the City leasing additional parcels of real property (the “2002 Site”) to the Authority and the Authority leasing such additional parcels of real property, together with the improvements located thereon (the “2002 Project”), to the City; and

WHEREAS, under a Fourth Amendment to Master Site Lease (the “Fourth Amendment to Master Site Lease”) executed and entered into as of September 1, 2003, between the City and the Authority that was recorded on September 29, 2003, in Book 20030929 of the Official Records of Sacramento County, at Page 2762, and a Fourth Amendment to Master Project Lease (the “Fourth Amendment to Master Project Lease”) executed and entered into as of September 1, 2003, between the Authority and the City that was recorded on September 29, 2003, in Book 20030929 of the Official Records of Sacramento County, at Page 2763, the Authority and the City provided for the financing of the acquisition and construction of certain additional capital improvement projects for the City by the City leasing additional parcels of real property (the “2003 Site”) to the Authority and the Authority leasing such additional parcels of real property, together with the improvements located thereon (the “2003 Project”), to the City; and

WHEREAS, under a Fifth Amendment to Master Project Lease (the “Fifth Amendment to Master Project Lease”) executed and entered into as of June 1, 2005, between the Authority and the City that was recorded on July 11, 2005, in Book 20050711 of the Official Records of Sacramento County, at Page 498, the Authority and the City provided for the refunding of a portion of the Sacramento City Financing Authority 1999 Capital Improvement Revenue Bonds (Solid Waste and Redevelopment Projects) (the “1999 Bonds”), all of the Sacramento City Financing Authority 2000 Capital Improvement Revenue Bonds (City of

Sacramento 2000 Public Safety and Parking Improvements) (the “2000 Bonds”), and a portion of Sacramento City Financing Authority 2001 Capital Improvement Revenue Bonds (Water and Capital Improvement Projects) (the “2001 Bonds”) and the Sacramento City Financing Authority 2002 Revenue Bonds, Series A (City Hall and Redevelopment Projects) (the “2002 Bonds”) by amendment and restatement of the 1999 Base Rental Payments, the 2000 Base Rental Payments, the 2001 Base Rental Payments and the 2002 Base Rental Payments (as defined below) under the Master Project Lease; and

WHEREAS, under a Fifth Amendment to Master Site Lease (the “Fifth Amendment to Master Site Lease”) executed and entered into as of June 1, 2006, between the City and the Authority that was recorded on June 14, 2006, in Book 20060614 of the Official Records of Sacramento County, at Page 175, and a Sixth Amendment to Master Project Lease (the “Sixth Amendment to Master Project Lease”) executed and entered into as of June 1, 2006, between the Authority and the City that was recorded on June 14, 2006, in Book 20060614 of the Official Records of Sacramento County, at Page 176, the Authority and the City provided for the financing of the acquisition and construction of certain additional capital improvement projects for the City by the City leasing additional parcels of real property (the “2006 A & B Site”) to the Authority and the Authority leasing such additional parcels of real property, together with the improvements located thereon (the “2006 A & B Project”), to the City; and

WHEREAS, under a Sixth Amendment to Master Site Lease (the “Sixth Amendment to Master Site Lease”) executed and entered into as of December 1, 2006, between the City and the Authority that was recorded on December 11, 2006, in Book 20061211 of the Official Records of Sacramento County, at Page 0598, and Seventh Amendment to Master Project Lease (the “Seventh Amendment to Master Project Lease”) executed and entered into as of December 1, 2006, between the Authority and the City that was recorded on December 11, 2006, in Book 20061211 of the Official Records of Sacramento County, at Page 616, the Authority and the City provided for the (A) refunding of all of the 2001 Bonds and a portion of the 2002 Bonds and the Sacramento City Financing Authority 2003 Capital Improvement Revenue Bonds (911 Call Center and Other Municipal Projects) (the “2003 Bonds”) by amendment and restatement of the 2001 Base Rental Payments, the 2002 Base Rental Payments and the 2003 Base Rental Payments (as defined below) under the Master Project Lease and (B) financing of the acquisition and construction of certain additional capital improvement projects for the City by the City leasing additional parcels of real property (the “2006 C, D & E Site”) to the Authority and the Authority leasing such additional parcels of real property, together with the improvements located thereon (the “2006 C, D & E Project”), to the City; and

WHEREAS, under a Seventh Amendment to Master Site Lease (the “Seventh Amendment to Master Site Lease”) executed and entered into as of February 22, 2011, between the Authority and the City that was recorded on April 1, 2011, in Book 20110401 of the Official Records of Sacramento County, at Page 386, and an Eighth Amendment to Master Project Lease (the “Eighth Amendment to Master Project Lease”) executed and entered into as of February 22, 2011, between the Authority and the City that was recorded on April 1, 2011, in Book 20110401 of the Official Records of Sacramento County, at Page 385, the Authority and the City amended the Master Project Lease to delete certain real property from the Project (as defined in the Master Project Lease) as provided in the Master Project Lease; and

WHEREAS, under an Eighth Amendment to Master Site Lease (the “Eighth Amendment to Master Site Lease”) executed and entered into as of June 5, 2014, between the Authority and the City that was recorded on June 12, 2014, in Book 20140612 of the Official Records of Sacramento County, at Page 887, and a Ninth Amendment to Master Project Lease (the “Ninth Amendment to Master Project Lease”) executed and entered into as of June 5, 2014, between the Authority and the City that was recorded on June 12, 2014, in Book 20140612 of the Official Records of Sacramento County, at Page 888, the Authority and the City amended the Master Project Lease to delete certain real property from the Project as provided in the Master Project Lease; and

WHEREAS, the City is currently obligated under the Master Project Lease to make certain scheduled base rental payments (the “2002 Base Rental Payments,” the “2003 Base Rental Payments,” the “2005 Base Rental Payments,” the “2006 A & B Base Rental Payments” and the 2006 C, D & E Base Rental Payments”) to the Authority for the lease of the Project by the Authority to the City, and may provide for the discharge and satisfaction of a portion of such base rental payments under Section 13.01(b) of the Master Project Lease; and

WHEREAS, the City is obligated under a Facility Lease relating to the City’s solid waste facilities, dated as of December 1, 1999, as amended (the “Solid Waste Facility Lease”), between the Authority and the City, to make scheduled base rental payments (the “Prior Solid Waste Base Rental Payments”) to the Authority for the lease of certain parcels of real property, together with any improvements located thereon, to the City, and may provide for the discharge and satisfaction of such base rental payments under Section 13.01(b) of the Solid Waste Facility Lease; and

WHEREAS, the Authority and the City have determined to refinance the Prior Solid Waste Base Rental Payments related to the City’s solid waste facilities as an “Additional Improvement” under the Master Project Lease that is refinanced with “Additional Bonds” under Section 2.06(b) of the Master Project Lease without the need of adding the leased property under the Solid Waste Facility Lease to the Master Project Lease because, among other things, the requirements of Section 2.06(a)(3) of the Master Project Lease are satisfied after taking into account the Base Rental Payments under the Master Project Lease after the Master Project Lease is amended to increase the Base Rental Payments thereunder to include the discharge and satisfaction of the Prior Solid Waste Base Rental Payments with the proceeds of such “Additional Bonds”; and

WHEREAS, the Authority and the City have determined that it is in the best interests of the City and the residents of the City to refund the following bonds that relate to the Prior Master Lease Base Rental Payments (as defined below) and the Prior Solid Waste Base Rental Payments: (1) refund on a current basis all of the 2002 Bonds, the 2003 Bonds and the Sacramento City Financing Authority 2005 Refunding Revenue Bonds (Solid Waste, Redevelopment and Master Lease Program Facilities) (the “2005 Bonds”) and (2) refund on an advance basis all of the Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program) (the “2006A Bonds”) and the Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series C (300 Richards Boulevard Building Acquisition) (the “2006C Bonds”) (collectively referred to herein as the “Prior Bonds”) in accordance with their terms from the

proceeds of the sale of the Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) (the “Refunding Bonds”) issued under the terms of the Indenture (the “2015 Indenture”) dated as of September 1, 2015, by and between the Authority and the Trustee and the proceeds of the sale of the Successor Agency to the Redevelopment Agent of the City of Sacramento 2015 Tax Allocation Refunding Bonds, Series A (Tax-Exempt and Series B (Federally Taxable) (the “Successor Agency Bonds”) to be issued under a separate indenture concurrently with the issuance of the Refunding Bonds; and

WHEREAS, certain of the proceeds of the sale of the Refunding Bonds and the Successor Agency Bonds, together with other available amounts, will be deposited with the Trustee, acting as escrow agent (the “Escrow Agent”) under an Escrow Agreement, dated as of September 1, 2015, between the Authority and the Escrow Agent, to be held in trust in certain escrow funds by the Escrow Agent and applied to the payment or redemption of the Prior Bonds, all as more particularly set forth in the Escrow Agreement; and

WHEREAS, in accordance with Section 13.01 of the Master Project Lease and Section 13.01 of the Solid Waste Facility Lease, the amounts on deposit under the Escrow Agreement will be sufficient to pay when due the principal component of all of the 2002 Base Rental Payments, the 2003 Base Rental Payments, the 2005 Base Rental Payments, the 2006A Base Rental Payments and the 2006C Base Rental Payments, as set forth in Exhibit C attached hereto and incorporated herein and made a part hereof (the “Prior Master Lease Base Rental Payments”) and all of the Prior Solid Waste Base Rental Payments, as set forth in Exhibit D attached hereto and incorporated herein and made a part hereof on and before its payment date or its date of prepayment, as the case may be, and the interest component and prepayment premium, if any, thereon, so that any unpaid principal component of a Prior Master Lease Base Rental Payment or Prior Solid Waste Base Rental Payment shall, before its scheduled payment date or date of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in Section 13.01(b) of the Master Project Lease and Section 13.01(b) of the Solid Waste Facility Lease, as applicable (except that the City shall remain liable for such Prior Master Lease Base Rental Payments or Prior Solid Waste Base Rental Payments, but only out of such money or securities deposited with the Escrow Agent in the respective escrow funds for such Prior Master Lease Base Rental Payments or Prior Solid Waste Base Rental Payments as more fully set forth in the Escrow Agreement); and

WHEREAS, in order to provide for the payment of the Refunding Bonds, the Authority will lease to the City, under the Tenth Amendment to Master Project Lease, the Project as provided in the Master Project Lease; and

WHEREAS, under the Tenth Amendment to Master Project Lease, the City will become obligated thereunder to make certain scheduled base rental payments (the “Refunding Base Rental Payments”) and additional rental payments (the “Refunding Additional Rental Payments”) to the Authority, together with other Base Rental Payments, for the lease of the Project to the City; and

WHEREAS, the Authority and the City hereby certify that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of the Tenth Amendment to Master Project

Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the Tenth Amendment to Master Project Lease;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

## ARTICLE I

### DEFINITIONS

#### SECTION 1.01 Definitions.

(a) All the terms defined in Section 1.01 of the Master Project Lease (except as otherwise provided herein) have the same definitions in the Tenth Amendment to Master Project Lease that are given to them in Section 1.01 of the Master Project Lease.

(b) Unless the context otherwise requires, the terms defined in this section have the meanings given in this section for all purposes of this Tenth Amendment to Master Project Lease and of the Master Project Lease and of any certificate, opinion, report, request, or other document mentioned herein or therein, and the following definitions apply equally to both the singular and plural forms of the terms defined:

#### 2015 Indenture

“2015 Indenture” means the Indenture dated as of September 1, 2015, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented as provided therein, under which the Authority will execute and deliver the Refunding Bonds, which constitutes a Supplemental Indenture under the Master Project Lease.

#### [[Bond Insurer

“Bond Insurer” means \_\_\_\_\_, a New York stock insurance company, or any successor thereto or assignee thereof.]]

#### Escrow Agreement

“Escrow Agreement” means the Escrow Agreement, dated as of September 1, 2015, between the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow agent, providing for the refunding and defeasance of the Prior Bonds and the discharge, payment and satisfaction of the Prior Master Lease Base Rental Payments and the Prior Solid Waste Base Rental Payments.

### Escrow Fund

“Escrow Fund” means the Escrow Funds relating to the Prior Bonds established under the Escrow Agreement and Section 4.01 hereof and maintained by the Escrow Agent.

### Principal Payment Date

“Principal Payment Date” means December 1 of each year, commencing on December 1, 2015, and ending on the last principal payment date of the Refunding Bonds.

### Prior Bonds

“Prior Bonds” means all of the outstanding (1) Sacramento City Financing Authority 2002 Revenue Bonds, Series A (City Hall and Redevelopment Projects) (outstanding in the aggregate principal amount of \$6,710,000); (2) Sacramento City Financing Authority 2003 Capital Improvement Revenue Bonds (911 Call Center and Other Municipal Project) (outstanding in the aggregate principal amount of \$15,395,000); (3) Sacramento City Financing Authority 2005 Refunding Revenue Bonds (Solid Waste, Redevelopment and Master Lease Program Facilities) (outstanding in the aggregate principal amount of \$139,180,000); (4) Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program), (outstanding in the aggregate principal amount of \$70,740,000); and (5) Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series C (300 Richards Boulevard Building Acquisition) (outstanding in the aggregate principal amount of \$25,605,000), all as more fully described in Exhibit A to the 2015 Indenture.

### Prior Master Lease Base Rental Payments

“Prior Master Lease Base Rental Payments” means the Base Rental Payments under the Master Project Lease, which, upon the issuance of the Refunding Bonds and the Successor Agency Bonds and the deposit of certain proceeds thereof, together with other available amounts, with the Escrow Agent under the Escrow Agreement, will be deemed paid and satisfied and which are more fully set forth in Exhibit C hereto.

### Prior Solid Waste Base Rental Payments

“Prior Solid Waste Base Rental Payments” means the Base Rental Payments under the Solid Waste Facility Lease, which upon the issuance of the Refunding Bonds and the deposit of certain proceeds thereof with the Escrow Agent under the Escrow Agreement will be deemed paid and satisfied and which are more fully set forth in Exhibit D hereto.

### Project

“Project” has the meaning given it in the recitals.

### Refunding Additional Rental Payments

“Refunding Additional Rental Payments” means the payments payable by the City as Additional Rental Payments under Section 5.01(b) hereof, which constitute Additional Rental Payments under the Master Project Lease.

### Refunding Base Rental Payments

“Refunding Base Rental Payments” means the payments payable by the City as Base Rental Payments under Section 5.01(a) hereof, which constitute Base Rental Payments under the Master Project Lease.

### Refunding Bonds

“Refunding Bonds” means the Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) issued by the Authority under and under the 2015 Indenture, which constitute Additional Bonds under the Master Project Lease, the proceeds of which will be used by the Authority as a portion of the source of funds for the refunding of the Prior Bonds and used by the City for the discharge, payment, and satisfaction of the Prior Master Lease Base Rental Payments.

### [[Reserve Requirement

“Reserve Requirement” means, as of any date of determination by the City, the least of (1) 10% of the initial offering price to the public of the Refunding Bonds related to the Refunding Base Rental Payments paid by the City under the Tenth Amendment to Master Project Lease (as determined under the Code); (2) the maximum annual Refunding Base Rental Payments payable in the current or any future one-year period ending on each June 30; or (3) 125% of the average annual Refunding Base Rental Payments payable in the current and all future one-year periods ending on each June 30, but in any such case not greater than the maximum amount permitted to be held in the Reserve Account under the Code.]]

### Solid Waste Facility Lease

“Solid Waste Facility Lease” means that certain Facility Lease dated as of December 1, 1999, as amended by the First Amendment to Facility Lease, dated as of June 1, 2005, each between the Authority and City, and by any other amendments thereto.

### [[Surety Bond

“Surety Bond” means the surety bond issued by the Bond Insurer on the date of the original delivery of the Refunding Bonds guaranteeing certain payments into the Reserve Account with respect to the Refunding Bonds as provided therein and subject to the limitations set forth therein, which surety bond will be used to satisfy the Reserve Requirement.]]

## Tenth Amendment to Master Project Lease

“Tenth Amendment to Master Project Lease” means this Tenth Amendment to Master Project Lease executed and entered into as of September 1, 2015, between the Authority and the City, amending the Master Project Lease to refund a portion of the Project leased by the Authority to the City thereunder and to refund certain solid-waste facilities leased by the Authority to the City under the Solid Waste Facility Lease.

## Trustee

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character set forth in the 2015 Indenture, at its Principal Corporate Trust Office (as that term is defined in the 2015 Indenture), and its successors or assigns, or any other bank or trust company having a corporate trust office in Los Angeles or San Francisco, California, that may at any time be substituted in its place as provided in Section 5.01 of the 2015 Indenture.

## ARTICLE II

### NO ADDITIONS TO THE PROJECT

SECTION 2.01 Additions to the Project. This Tenth Amendment to Master Project Lease makes no additions or modifications to the Project.

## ARTICLE III

### TERM OF THE MASTER PROJECT LEASE

SECTION 3.01 Term of the Master Project Lease. If the term of the Master Site Lease is extended or shortened in accordance with the terms thereof, the term hereof will (subject to Section 14.06 of the Master Project Lease) end on the day immediately preceding the date of termination of the Master Site Lease.

## ARTICLE IV

### USE OF PROCEEDS

SECTION 4.01 Use of Proceeds. The parties hereto agree that under Section 2.12 of the 2015 Indenture, a portion of the proceeds of the Refunding Bonds (and certain other funds) will be deposited directly into the Escrow Fund (namely, \$ \_\_\_\_\_) and a portion of the proceeds will be paid to the City (namely, \$ \_\_\_\_\_) and be deposited by the City in the Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) Costs of Issuance Fund (the “Costs of Issuance Fund”), which fund is established under the 2015 Indenture, and that the remainder of the proceeds will be applied to pay [the premiums for bond insurance and debt-service-reserve surety bonds and other necessary financing costs,] so that all of proceeds of the Refunding Bonds in the aggregate will constitute the payment for the acquisition of the Tenth Amendment to Master Project Lease. The Costs of

Issuance Fund will be used by the City to pay for the costs of issuing the Refunding Bonds, refunding the Prior Bonds, and discharging the Prior Master Lease Base Rental Payments and Prior Solid Waste Base Rental Payments.

## ARTICLE V

### RENTAL PAYMENTS

SECTION 5.01 Payment of Rental Payments. The City agrees to pay to the Authority or the Authority's successor or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Project, the following amounts at the following times:

(a) Refunding Base Rental Payments. The City shall pay to the Authority the Refunding Base Rental Payments which are due in the amounts and at the times set forth in the Refunding Base Rental Payment Schedule contained in Exhibit B attached hereto and made a part hereof, which Refunding Base Rental Payments will be payable by the City, together with certain other Base Rental Payments, for the lease of the Project to it. Each Refunding Base Rental Payment will be payable to the Trustee (as assignee of the Authority under the 2015 Indenture) in immediately available funds on each Base Rental Payment Date (the "Due Date"), and any payments remitted to the Trustee before any Due Date are to be invested for the credit of the City as instructed by the City, and any interest or other income with respect thereto accruing before each Due Date will belong to the City and will be returned by the Trustee, on behalf of the Authority, to the City on June 1 and December 1 of each year or be transferred as otherwise directed by the City. The City shall provide written notice to the Trustee at least 30 Business Days before any Due Date upon which it expects to be unable to pay the Refunding Base Rental Payment due on the Due Date, informing the Trustee of its expected inability to pay the Refunding Base Rental Payment due on the Due Date. The City covenants (subject to Section 6.04 of the Master Project Lease) to take such action each year as may be necessary to include all Refunding Base Rental Payments due hereunder in its annual budgets and (to the extent that provisions for the payment of Refunding Base Rental Payments have not been otherwise made) to make the necessary annual appropriations for all of the Refunding Base Rental Payments, and the City will furnish to the Trustee, within 90 days after the final adoption of each annual budget of the City, a certificate that the annual budget of the City provides for all of the Refunding Base Rental Payments required to be made hereunder in such year.

(b) 2015 Additional Rental Payments. The City shall pay to the Authority or the Trustee, as the case may be, as 2015 Additional Rental Payments hereunder (in addition to the foregoing Refunding Base Rental Payments) all amounts in each year as are required by the Authority or the Trustee for the payment of all costs and expenses incurred by the Authority or the Trustee in connection with the performance, enforcement, or amendment of the Tenth Amendment to Master Project Lease, including but not limited to payment of all fees and expenses of the Authority or the Trustee in connection with the lease of the Project to the City, together with all salaries and wages of employees; all expenses, compensation and indemnification of the Trustee payable by the Authority under the 2015 Indenture; all fees of auditors, accountants, attorneys, or engineers; all insurance premiums; and all taxes and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Refunding Bonds or the 2015 Indenture

or hereof, including the payment of all costs due under the Surety Bond. The 2015 Additional Rental Payments are to be billed to the City by the Authority or by the Trustee from time to time, and all amounts so billed will be due and payable by the City to the Authority or the Trustee, as designated in the bill to the City, within 30 days after receipt of the bill by the City. The City reserves the right to audit billings for 2015 Additional Rental Payments although exercise of that right will in no way affect the duty of the City to make full and timely payment for all 2015 Additional Rental Payments.

SECTION 5.02            Prepayment of Refunding Base Rental Payments.

(a)     The City may prepay, from eminent-domain proceeds or net insurance proceeds it receives under Section 9.01 of the Master Project Lease, all or any portion of the principal components of Refunding Base Rental Payments then unpaid, as a whole or in part, on any date in integral multiples of \$5,000 so that the aggregate annual amounts of principal components of Refunding Base Rental Payments that will be payable after the prepayment date will each be in an integral multiple of \$5,000 and be as nearly proportional as practicable to the aggregate annual amounts of principal components of Refunding Base Rental Payments then unpaid, at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment, without a prepayment premium.

(b)     The City may prepay, from any source of available funds, all or any portion of the principal components of Refunding Base Rental Payments due on the Principal Payment Dates on or after December 1, \_\_\_\_\_, as a whole on any date on or after December 1, \_\_\_\_\_, or in part in such amounts in integral multiples of \$5,000 and from such maturities as are selected by the Treasurer of the City on any date on or after December 1, \_\_\_\_\_, at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment, without a prepayment premium.

(c)     [INSERT TERMS OF SHORT CALL]

Before making any prepayment under this section, the City shall, within five Business Days following the event creating the right or obligation to prepay, give written notice to the Authority and the Trustee describing the event and specifying the date on which the prepayment will be made, which date must not be less than 75 days after the date notice is given.

SECTION 5.03            Reserve Account.    [[The City has deposited the Surety Bond in an amount equal to the Reserve Requirement with the Trustee to hold for the benefit of the Reserve Account (as that term is defined in the 2015 Indenture) under the 2015 Indenture. The City agrees that, if ever the Reserve Account is drawn upon, the first Refunding Base Rental Payments made thereafter will be used to restore the Reserve Account to an amount equal to the Reserve Requirement; provided, that after the Refunding Bonds are no longer Outstanding (as that term is defined in the 2015 Indenture) under the 2015 Indenture, any balance of money remaining in the Reserve Account will be transferred to such other fund or account of the City or be otherwise used by the City for any lawful purpose as the City may direct.]]

ARTICLE VI

MISCELLANEOUS

SECTION 6.01 Notices. All written notices to be given hereunder must be given by first-class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time:

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

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

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.  
550 Kearny Street, Suite 600  
San Francisco, California 94108  
Attention: Corporate Trust Department  
FAX: 415/399-1647

If to the Bond Insurer:

[CONTACT]

Attention: Risk Management

SECTION 6.02 Effect of Tenth Amendment to Master Project Lease. Except as herein otherwise expressly provided, the Master Project Lease and all agreements, conditions, covenants, and terms contained therein remain in full force and effect and are hereby approved, confirmed, and ratified by the parties hereto, subject to the following:

(a) the leasing by the City to the Authority of the Site will not effect or result in a merger of the City's leasehold estate under the Master Project Lease and its fee simple estate as lessor under the Master Site Lease, and the Authority will continue to have and hold a leasehold estate in the Site under the Master Site Lease throughout the term thereof and the term hereof; and as to the Site, the Tenth Amendment to Master Project Lease will be deemed and constitute a sublease; and

(b) the City agrees that (1) if it proceeds under Section 2.06 of the Master Project Lease to add an Additional Project to the Project, the real property so added will be property that has been accepted by the City, and the Bond Insurer (as that term is defined in the 2015 Indenture) will be provided with a copy of the certificate executed by the City in accordance with such Section 2.06; (2) the Bond Insurer will have the right to give notice of

covenant defaults under Section 12.01 of the Master Project Lease, and the notice will have the same force and effect hereunder as if it came from the Authority or the Trustee; (3) the City may not terminate the Master Project Lease as a remedy for a default by the Authority thereunder; and (4) a default under the Master Project Lease will constitute an Event of Default under the 2015 Indenture.

SECTION 6.03 Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all provisions in the Continuing Disclosure Certificate of the City relating to the Refunding Bonds. Notwithstanding any other provision of this Master Project Lease, failure of the City to comply with its obligations under the Continuing Disclosure Certificate will not be an Event of Default under the Master Project Lease. However, any Participating Underwriter (within the meaning of the Continuing Disclosure Certificate) or any holder or beneficial owner of the Refunding Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under this Section 6.04.

SECTION 6.04 Bond Insurer Provisions. [ADD AS NECESSARY]

(a) The Bond Insurer will be deemed to be the sole Holder of Refunding Bonds allocable to this Tenth Amendment to Master Project Lease for so long as, and only during such time as, no default has occurred and be continuing by the Bond Insurer with respect to the payment provisions under the Bond Insurance Policy (as defined in the 2015 Indenture).

SECTION 6.05 Execution. The Tenth Amendment to Master Project Lease may be executed and entered into in several counterparts, each of which will be deemed an original, and all of which will constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed and entered into the Tenth Amendment to Master Project Lease by their officers thereunto duly authorized as of the day and year first written above.

SACRAMENTO CITY FINANCING AUTHORITY

By \_\_\_\_\_  
Russell T. Fehr, Treasurer

ATTEST:

\_\_\_\_\_  
Secretary

CITY OF SACRAMENTO

By \_\_\_\_\_  
Russell T. Fehr, City Treasurer

(SEAL)

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

EXHIBIT A

Description of the Site

All those certain parcels of real property in the City of Sacramento, the County of Sacramento, the State of California, described as follows:

EXHIBIT B

Refunding Base Rental Payment Schedule

<u>Refunding Base Rental Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Refunding Base Rental Payment</u>
---	--------------------------------	-------------------------------	--

Refunding Base  
Rental Payment Date

Principal  
Component

Interest  
Component

Total Refunding Base  
Rental Payment

EXHIBIT C

Prior Master Lease Base Rental Payment Schedule

<u>Prior Base Rental Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Prior Base Rental Payment</u>
---	--------------------------------	-------------------------------	--

Prior Base Rental  
Payment Date

Principal  
Component

Interest  
Component

Total Prior Base  
Rental Payment

EXHIBIT D

Prior Solid Waste Base Rental Payment Schedule

<u>Prior Base Rental Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Prior Base Rental Payment</u>
---	--------------------------------	-------------------------------	--

[ATTACH NOTARY FORMS]

---

INDENTURE

between the

SACRAMENTO CITY FINANCING AUTHORITY

and

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

as Trustee

RELATING TO THE

\$ \_\_\_\_\_

SACRAMENTO CITY FINANCING AUTHORITY  
2015 REFUNDING REVENUE BONDS (MASTER LEASE PROGRAM FACILITIES)

Dated as of September 1, 2015

---

**TABLE OF CONTENTS**

	<b>Page</b>
RECITALS .....	1
<b>ARTICLE I</b>	
<b>DEFINITIONS; EQUAL SECURITY</b>	
Section 1.01. Definitions .....	3
Section 1.02. Equal Security .....	14
<b>ARTICLE II</b>	
<b>ISSUANCE OF BONDS</b>	
Section 2.01. Authorization and Purpose of Bonds.....	15
Section 2.02. Terms of Bonds .....	15
Section 2.03. Redemption of Bonds .....	19
Section 2.04. Form of Bonds .....	20
Section 2.05. Execution of Bonds .....	28
Section 2.06. Transfer and Payment of Bonds .....	28
Section 2.07. Exchange of Bonds.....	28
Section 2.08. Bond Registration Books.....	29
Section 2.09. Mutilated, Destroyed, Stolen or Lost Bonds .....	29
Section 2.10. Temporary Bonds .....	29
Section 2.11. Use of Depository Bonds.....	30
Section 2.12. Procedure for the Issuance of Bonds .....	31
Section 2.13. Costs of Issuance Fund.....	31
<b>ARTICLE III</b>	
<b>REVENUES</b>	
Section 3.01. Assignment of the Program Obligation Payments and Pledge of Revenues.....	32
Section 3.02. Receipt and Deposit of Revenues in the Revenue Fund.....	32
Section 3.03. Establishment and Maintenance of Accounts for Use of Money in Revenue Fund.....	32
Section 3.04. Rebate Fund.....	34
<b>ARTICLE IV</b>	
<b>COVENANTS OF THE AUTHORITY</b>	
Section 4.01. Punctual Payment and Performance .....	35
Section 4.02. Indebtedness and Encumbrances .....	35
Section 4.03. Tax Covenants .....	35

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
Section 4.04. Payment of Claims .....	35
Section 4.05. Accounting Records and Reports .....	35
Section 4.06. Protection of Security and Rights of Holders .....	37
Section 4.07. Prosecution and Defense of Suits .....	37
Section 4.08. Enforcement and Amendment of the Program Obligation .....	37
Section 4.09. Maintenance of Existence .....	38
Section 4.10. Continuing Disclosure .....	38
Section 4.11. Further Assurances .....	38
 <b>ARTICLE V</b> <b>THE TRUSTEE</b>	
Section 5.01. The Trustee .....	38
Section 5.02. Liability of Trustee .....	39
Section 5.03. Compensation and Indemnification of Trustee .....	42
 <b>ARTICLE VI</b> <b>AMENDMENT OF SUPPLEMENT TO THE INDENTURE</b>	
Section 6.01. Procedure for Amendment of or Supplement to the Indenture .....	43
Section 6.02. Disqualified Bonds .....	44
Section 6.03. Endorsement or Replacement of Bonds After Amendment or Supplement .....	44
Section 6.04. Amendment or Supplement by Mutual Consent .....	45
 <b>ARTICLE VII</b> <b>EVENTS OF DEFAULT AND REMEDIES OF HOLDERS</b>	
Section 7.01. Events of Default and Acceleration of Maturities .....	45
Section 7.02. Application of Funds Upon Acceleration .....	46
Section 7.03. Institution of Legal Proceedings by Trustee .....	46
Section 7.04. Actions by Trustee as Attorney-in-Fact .....	47
Section 7.05. Limitation on Bondholders' Right to Sue .....	47
Section 7.06. Remedies Not Exclusive .....	48
 <b>ARTICLE VIII</b> <b>DEFEASANCE</b>	
Section 8.01. Discharge of the Bonds .....	48
Section 8.02. Unclaimed Money .....	49

**TABLE OF CONTENTS**  
(continued)

**Page**

ARTICLE IX  
PROVISIONS RELATING TO THE BOND INSURANCE POLICY, THE SURETY BOND  
AND THE BOND INSURER

[RESERVED] ..... 50

ARTICLE X  
MISCELLANEOUS

Section 10.01. Liability of Authority Limited to Revenues and Certain Other Funds..... 50

Section 10.02. Benefits of the Indenture Limited to Certain Parties..... 50

Section 10.03. Successor Is Deemed Included in All References to Predecessor..... 51

Section 10.04. Execution of Documents by Holders..... 51

Section 10.05. Waiver of Personal Liability ..... 51

Section 10.06. Deposit and Investment of Money in Accounts and Funds..... 51

Section 10.07. Acquisition of Bonds by Authority ..... 52

Section 10.08. Content of Certificates and Reports ..... 52

Section 10.09. Notice by Mail..... 53

Section 10.10. Maintenance of Accounts and Funds ..... 53

Section 10.11. Article and Section Headings, Gender and References..... 53

Section 10.12. CUSIP Numbers ..... 53

Section 10.13. Partial Invalidity ..... 53

Section 10.14. Governing Law ..... 54

Section 10.15. Notices ..... 54

Section 10.16. Execution in Counterparts ..... 54

Section 10.17. Effective Date of the Indenture ..... 54

EXHIBIT A SCHEDULE OF PRIOR BONDS..... A-1

## INDENTURE

This Indenture (the “Indenture”), dated as of September 1, 2015, between the Sacramento City Financing Authority, a joint-exercise-of-powers authority duly organized and existing under and by virtue of the laws of the State of California (the “Authority”), and The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character herein set forth, as trustee (the “Trustee”);

### WITNESSETH:

WHEREAS, the Authority is authorized under the Joint Exercise of Powers Act, constituting Article 1, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the Government Code of the State of California, and the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the Government Code of the State of California, and all laws amendatory thereof or supplemental thereto (collectively, the “Act”), to issue revenue bonds to provide funds to assist local entities to finance or refinance capital improvements in order that such local entities may achieve their respective public purposes; and

WHEREAS, the Authority has adopted a program (the “Program”) under the Act to provide assistance to the City of Sacramento (the “City”) so that the City can finance or refinance capital improvements in order that the City may achieve its public purposes, which Program constitutes the acquisition of certain rights under a tenth amendment to an existing master project lease (the “Tenth Amendment to Master Project Lease”) between the Authority and the City (which Tenth Amendment to Master Project Lease is referred to herein as the “Program Obligation”); and

WHEREAS, the Authority has determined that it may reduce the costs of the Program by issuing certain refunding bonds and amending the Master Project Lease (as defined herein) to reduce the amounts of certain of the base rental payments to be made by the City thereunder (the “Prior Master Lease Base Rental Payments”); and

WHEREAS, the Authority has also determined that it is in the best interests of the City to refinance the base rental payments to be made by the City under a Facility Lease relating to the City’s solid-waste facilities, dated as of December 1, 1999, as amended (the “Solid Waste Facility Lease”), between the Authority and the City (the “Prior Solid Waste Base Rental Payments”) by issuing certain refunding bonds and amending the base rental payments to be made by the City under the Master Project Lease; and

WHEREAS, the Authority desires to issue its 2015 Refunding Revenue Bonds (Master Lease Program Facilities) in the aggregate principal amount of \$\_\_\_\_\_ (the “Bonds”) under the Indenture, a portion of the proceeds of which will be used by the Authority as a source of funds, together with the proceeds of certain other refunding bonds and other available amounts, for (a) the refunding of certain of the prior revenue bond issues of the Authority under the Program (as hereinafter defined, the “Prior Bonds”); (b) the discharge, payment, and satisfaction of the Prior Master Lease Base Rental Payments and the Prior Solid

Waste Base Rental Payments; (c) [the funding of a reserve fund/the funding of the purchase of a surety bond for the reserve fund]; and (d) the payment by the City of the costs of issuance of the Bonds and the defeasance and refunding of the Prior Bonds, all for the purpose of obtaining money to carry out the Program by acquiring the rights to receive the payments due under the Program Obligation under and in accordance with the Act and herewith and which money in the aggregate will constitute the payment to the City of the purchase price of the Program Obligation; and

WHEREAS, the Program Obligation provides for the payment by the City to the Authority of amounts sufficient to enable the Authority to pay the interest on and the principal of the Bonds as provided herein as and when they become due and to pay the other costs incurred in connection with the Program; and

WHEREAS, as security for the payment of the interest on and the principal of the Bonds as and when they become due, the Authority desires to assign to the Trustee all its rights to receive certain payments due under the Program Obligation as provided herein; and

WHEREAS, the Authority has determined that all things necessary to make the Bonds, when executed and sold by the Authority as provided herein and authenticated and delivered by the Trustee as provided herein, legal, valid, and binding special obligations of the Authority according to the import thereof, and to make the Indenture a valid assignment of the rights of the Authority to receive the payments due under the Program Obligation as provided herein, have been done and performed, and all things precedent to the execution and delivery of the Indenture by the parties hereto and the execution, authentication, and delivery of the Bonds hereunder, subject to the conditions and terms hereof, have been done and performed;

NOW, THEREFORE, THE INDENTURE WITNESSETH, that in order to secure the payment of the interest on and the principal of all Bonds at any time issued and outstanding hereunder as and when they become due, and to secure the observance and performance of all the agreements, conditions, covenants, and terms contained therein and herein, and to declare the conditions and terms upon and subject to which the 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 Bonds by the registered owners thereof from time to time, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby agree and covenant with the Trustee, for the benefit of the registered owners from time to time of the Bonds, as follows:

## ARTICLE I

### DEFINITIONS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, for all purposes hereof and of any Supplemental Indenture and of any certificate, opinion, report, request, or other document mentioned herein or therein, all terms defined in this section 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:

Accountant’s Report

“Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

Act

“Act” means the Joint Exercise of Powers Act, constituting Article 1, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the Government Code of the State and the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the Government Code of the State, and all laws amendatory thereof or supplemental thereto.

Authority

“Authority” means the Sacramento City Financing Authority, a joint-exercise-of-powers created by the City and the Housing Authority of the City of Sacramento in accordance with the Act and duly organized and existing under and by virtue of the laws of the State.

Authority Bonds

“Authority Bonds” means all revenue bonds issued by the Authority that are payable from Master Lease Base Rental Payments.

Board

“Board” means the governing board of the Authority.

[Bond Insurance Policy

“Bond Insurance Policy” means the municipal bond new issue insurance policy issued by the Bond Insurer that guarantees the payment of principal of and interest on the Bonds.]

[Bond Insurer

“Bond Insurer” means \_\_\_\_\_, or any successor thereto or assignee thereof, as issuer of the Bond Insurance Policy and the Surety Bond.]

Bonds, Serial Bonds, Term Bonds

“Bonds” means the Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) authorized, executed, authenticated, and delivered hereunder in accordance with Article II.

“Serial Bonds” means the Bonds for which no Sinking Fund Payments are provided, being the Bonds maturing on December 1 in each of the years \_\_\_\_ through \_\_\_\_, both years inclusive, and \_\_\_\_.

“Term Bonds” means the Bonds that are payable on or before their specified maturity date or dates from Sinking Fund Payments established for that purpose and calculated to retire the Bonds on or before their specified maturity date or dates, being the Bonds maturing on December 1, \_\_\_\_, December 1, \_\_\_\_ and on December 1, \_\_\_\_.

#### Business Day

“Business Day” means any day (other than a Saturday, a Sunday, or a legal holiday) on which banks in New York, New York, and in Los Angeles and San Francisco, California, are open for business and on which the Trustee is open for business at its Principal Corporate Trust Office.

#### Certificate of the Authority

“Certificate of the Authority” means an instrument in writing executed by the Chair or the Treasurer, or by any other officer of the Authority duly authorized by the Board for that purpose, and attested by the Secretary or the Assistant Secretary of the Authority.

#### Chair

“Chair” means the Chair of the Authority.

#### City

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

#### Code

“Code” means the Internal Revenue Code of 1986 and all regulations of the United States Department of the Treasury issued thereunder from time to time to the extent that the regulations are, at the time, applicable and in effect, and reference to any particular section of the Code includes reference to all successor sections of the Code.

#### Continuing Disclosure Certificate

“Continuing Disclosure Certificate” means the continuing disclosure certificate executed by the City relating to the Bonds, dated the date of the original issuance of the Bonds.

#### Costs of Issuance

“Costs of Issuance” means all costs directly or indirectly payable by or reimbursable to the Authority or the City related to the execution and delivery of the Program Obligation and the discharge, payment, and satisfaction of the Prior Master Lease Base Rental Payments and the Prior Solid Waste Base Rental Payments and the Indenture and the refunding and defeasance of the Prior Bonds and the authorization and sale of the Bonds, including but not limited to costs of preparation and reproduction of documents; costs of the Rating Agencies and costs to provide information required by the Rating Agencies; filing, recording, and title-

insurance fees, charges, and fees of the Trustee; legal fees and expenses; fees and expenses of consultants and professionals; costs of the premiums for the Bond Insurance Policy and the Surety Bond; charges and fees incidental to the acquisition of rights under the Program Obligation by the Authority and the preparation, execution, authentication, and original delivery of the Bonds; and any other charge, cost, expense, or fee in connection with the issuance of the Bonds.

#### Costs of Issuance Fund

“Costs of Issuance Fund” means the Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) Costs of Issuance Fund established under Section 2.13 (to be maintained by the Trustee).

#### Defeasance Securities

“Defeasance Securities” means—

(1) cash (insured at all times by the Federal Deposit Insurance Corporation);  
and

(2) direct obligations of (including obligations issued or held in book-entry form on the books of) the Department of the Treasury of the United States of America.

#### DTC

“DTC” means The Depository Trust Company, New York, New York, and its successors or assigns; or (in accordance with then current guidelines of the Securities and Exchange Commission) any other securities depository that the Authority may designate in a Certificate of the Authority delivered to the Trustee.

#### Escrow Agent

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

#### Escrow Agreement

“Escrow Agreement” means the Escrow Agreement dated as of September 1, 2015, between the Authority and the Escrow Agent relating to the defeasance and refunding of the Prior Bonds.

#### Escrow Funds

“Escrow Funds” means the escrow funds established by the Escrow Agent with respect to the defeasance and refunding of the Prior Bonds in accordance with the Escrow Agreement.

Event of Default

“Event of Default” means an event defined as such in Section 7.01.

Fiscal Year

“Fiscal Year” means the 12-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

Holder or Bondholder

“Holder” or “Bondholder” means any person who is the registered owner of any Bond, as shown on the registration books maintained by the Trustee under Section 2.08.

Indenture

“Indenture” means this Indenture dated as of September 1, 2015, between the Authority and the Trustee executed under the Act, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed under the provisions hereof.

Independent Certified Public Accountant

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State, appointed and paid by the Authority, and who, or each of whom—

- (1) is in fact independent and not under the domination of the Authority;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority; and
- (3) is not connected with the Authority as an officer of the Authority, but who may be regularly retained to provide accounting services to the Authority.

Interest Account

“Interest Account” means the account by that name within the Revenue Fund established under Section 3.03.

Interest Payment Date

“Interest Payment Date” means a date on which interest is due on the Bonds, being June 1 and December 1 of each year to which reference is made, commencing on \_\_\_\_\_, 201\_.

## Legal Investments

“Legal Investments” means any of the following obligations if and to the extent that, at the time of making the investment, they are permitted by applicable law:

(1) Defeasance Securities.

(2) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHA’s)
- Federal Housing Administration
- Federal Financing Bank

(3) Direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System

(4) U.S. dollar denominated deposit accounts, federal funds, and bankers’ acceptances with domestic commercial banks (including the Trustee and its affiliates) that have a rating on their short-term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” or higher by Standard & Poor’s and mature not more than 360 calendar days after the date of purchase (ratings on holding companies are not considered as the rating of the bank).

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

(6) Investments in a money market fund rated “AAAm” or “AAAm-G” or higher by Standard & Poor’s, including funds for which the Trustee or its affiliates provide investment advisory or other management services.

(7) Pre-refunded municipal obligations, which are bonds or other obligations of any state of the United States of America, or of any agency, instrumentality, or local governmental unit of any such state, that are not callable at the option of the obligor before maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and are either—

(A) rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s and Standard & Poor’s or any successors thereto; or

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

(8) Municipal obligations rated “Aaa/AAA” or general obligations of states with a rating of “A2/A” or higher by both Moody’s and Standard & Poor’s.

(9) Investments in the City of Sacramento Investment Pool “A.”

#### Master Lease Base Rental Payments

“Master Lease Base Rental Payments” means the Base Rental Payments due under the Master Project Lease.

#### Master Project Lease

“Master Project Lease” means that certain Master Project Lease dated as of December 1, 1999, between the Authority and the City, as amended by the Amendment to Master Project Lease dated as of July 1, 2000; the Second Amendment to Master Project Lease dated as of April 1, 2001; the Third Amendment to Master Project Lease dated as of July 1, 2002; the Fourth Amendment to Master Project Lease, dated as of September 1, 2003; the Fifth Amendment to Master Project Lease, dated as of June 1, 2005; the Sixth Amendment to Master Project Lease, dated as of June 1, 2006; the Seventh Amendment to Master Project Lease, dated as of December 1, 2006; the Eighth Amendment to Master Project Lease, dated as of February 22, 2011; the Ninth Amendment to Master Project Lease, dated as of June 5, 2014; the Tenth Amendment to Master Project Lease (defined below); and by any other amendments thereto.

### Moody's

“Moody’s” means Moody’s Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if that corporation is dissolved or liquidated or no longer performs the services of a municipal securities rating agency, then “Moody’s” will refer to any other nationally recognized municipal securities rating agency selected by the Authority.

### Opinion of Counsel

“Opinion of Counsel” means a written opinion of a law firm of recognized national standing relating to municipal bonds that is retained by the Authority.

### Outstanding

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 6.02) all Bonds except—

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid under Section 8.01; and
- (3) Bonds in lieu of or in substitution for which replacement Bonds have been executed, authenticated, and delivered under Section 2.09.

### Principal Corporate Trust Office

“Principal Corporate Trust Office” means the principal corporate trust office of the Trustee in San Francisco, California, at which at any particular time its corporate trust business is being administered, except that with respect to the presentation of Bonds for registration, transfer, exchange, payment, or redemption, this term means such other office or agency of the Trustee designated in writing from time to time by the Trustee to the Authority as its Principal Corporate Trust Office.

### Principal Subaccount

“Principal Subaccount” means the subaccount by that name within the Redemption Account established under Section 3.03.

### Prior Bonds

“Prior Bonds” means all of the outstanding (1) Sacramento City Financing Authority 2002 Revenue Bonds, Series A (City Hall and Redevelopment Projects) (outstanding in the aggregate principal amount of \$6,710,000); (2) Sacramento City Financing Authority 2003 Capital Improvement Revenue Bonds (911 Call Center and Other Municipal Project) (outstanding in the aggregate principal amount of \$15,395,000); (3) Sacramento City Financing Authority 2005 Refunding Revenue Bonds (Solid Waste, Redevelopment and Master Lease Program

Facilities) (outstanding in the aggregate principal amount of \$139,180,000); (4) Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program), (outstanding in the aggregate principal amount of \$70,740,000); and (5) Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series C (300 Richards Boulevard Building Acquisition) (outstanding in the aggregate principal amount of \$25,605,000), all as more fully set forth in Exhibit A attached hereto entitled “Schedule of Prior Bonds,” and incorporated by this reference herein.

#### Prior Master Lease Base Rental Payments

“Prior Master Lease Base Rental Payments” means the base rental payments discharged, paid, and satisfied in accordance with their terms by the City and as further defined in the Tenth Amendment to Master Project Lease and Exhibit C thereto.

#### Prior Solid Waste Base Rental Payments

“Prior Solid Waste Base Rental Payments” means the base rental payments discharged, paid, and satisfied in accordance with their terms by the City and as further defined in the Tenth Amendment to Master Project Lease and Exhibit D thereto.

#### Prior Payments

“Prior Payments” means, collectively, the Prior Master Lease Base Rental Payments and the Prior Solid Waste Base Rental Payments.

#### Program

“Program” means the program adopted by the Authority under the Act to provide assistance to the City so that the City can finance or refinance capital improvements in order that the City may achieve its public purposes.

#### Program Obligation

“Program Obligation” means the Tenth Amendment to Master Project Lease.

#### Program Obligation Payments

“Program Obligation Payments” means the Refunding Base Rental Payments paid by the City under the Tenth Amendment to Master Project Lease.

#### Rating Agencies

“Rating Agencies” means Moody’s and Standard & Poor’s, and their respective successors or assigns, but only to the extent that and so long as either of them is then rating the Bonds, or any other nationally recognized securities rating agency or agencies then rating the Bonds at the request of the Authority.

#### Rebate Fund

“Rebate Fund” means the Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) Rebate Fund established under Section 3.04 (to be maintained by the Trustee).

#### Record Date

“Record Date” means, with respect to an Interest Payment Date, the day that is the 15th day of the month before the Interest Payment Date, whether or not that day is a Business Day.

#### Redemption Account

“Redemption Account” means the account by that name within the Revenue Fund established under Section 3.03.

#### Representation Letter

“Representation Letter” means the Letter of Representations delivered upon the issuance of the Bonds to DTC from the Authority and the Trustee relating to the Bonds.

#### [Reserve Account

“Reserve Account” means the account by that name within the Revenue Fund established under Section 3.03.]

#### [Reserve Requirement

“Reserve Requirement” means, as of any date of determination by the City, the least of (1) 10% of the initial offering price to the public of the Bonds (as determined under the Code); (2) the maximum annual Refunding Base Rental Payments payable in the current or any future one-year period ending on each June 30; or (3) 125% of the average annual Refunding Base Rental Payments payable in the current and all future one-year periods ending on each June 30, but in any such case not greater than the maximum amount permitted to be held in the Reserve Account under the Code.]

#### Revenue Fund

“Revenue Fund” means the Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) Revenue Fund established under Section 3.02 (to be maintained by the Trustee).

#### Revenues

“Revenues” means (1) all Program Obligation Payments, including all amounts realized upon the enforcement of the Program Obligation Payments due under the Program Obligation; (2) all money deposited and held from time to time in any of the accounts and funds established hereunder (except the Rebate Fund); and (3) all investment income with respect to any money held in the accounts and funds established hereunder (except the Rebate Fund).

## Secretary

“Secretary” means the Secretary of the Authority.

## Sinking Fund Payments

“Sinking Fund Payments” means the payments required by Section 2.02 to be deposited in the Sinking Fund Subaccount for the payment of the Term Bonds.

## Sinking Fund Subaccount

“Sinking Fund Subaccount” means the subaccount by that name within the Redemption Account established under Section 3.03.

## Solid Waste Facility Lease

“Solid Waste Facility Lease” means that certain Facility Lease dated as of December 1, 1999, as amended by the First Amendment to Facility Lease, dated as of June 1, 2005, each between the Authority and City, and by any other amendments thereto.

## Standard & Poor’s

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of The McGraw Hill-Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if Standard & Poor’s Ratings Services is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term “Standard & Poor’s” will refer to any other nationally recognized securities rating agency selected by the Authority.

## State

“State” means the State of California.

## Supplemental Indenture

“Supplemental Indenture” means any indenture then in full force and effect that has been made and entered into by the Authority and the Trustee, amendatory of or supplemental hereto, but only to the extent it is specifically authorized hereunder.

## [Surety Bond

“Surety Bond” means the surety bond issued by the Bond Insurer on the date of the original delivery of the Bonds guaranteeing certain payments into the Reserve Account with respect to the Bonds as provided therein and subject to the limitations set forth therein, which surety bond will be used to satisfy the Reserve Requirement.]

## Tax Certificate

“Tax Certificate” mean the Tax Certificate executed by the Authority and the City at the time of the original issuance of the Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate, as the same may be amended or supplemented from time to time in accordance with its terms.

#### Tenth Amendment to Master Project Lease

“Tenth Amendment to Master Project Lease” means the Tenth Amendment to Master Project Lease dated as of September 1, 2015, between the Authority and the City.

#### Treasurer

“Treasurer” means the Treasurer of the Authority.

#### Trustee

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character herein set forth, at its Principal Corporate Trust Office, and its successors or assigns, or any other bank or trust company having a corporate trust office in Los Angeles or San Francisco, California which may at any time be substituted in its place as provided in Section 5.01.

#### Written Request of the Authority

“Written Request of the Authority” means an instrument in writing executed by the Chair or the Treasurer, or by any other officer of the Authority duly authorized by the Board of Directors for that purpose.

SECTION 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Holders thereof, the Indenture will be deemed to be and will constitute a contract between the Authority, the Trustee, and the Holders from time to time to secure the full and final payment of the interest on and the principal of all Bonds that may from time to time be authorized, sold, executed, authenticated, and delivered hereunder as and when they become due, subject to the agreements, conditions, covenants, and terms contained herein; and all agreements, conditions, covenants, and terms contained herein required to be observed or performed by or on behalf of the Authority will be for the equal and proportionate benefit, security, and protection of all Holders without distinction, preference, or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number thereof or the time of execution, authentication, or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

## ARTICLE II

### ISSUANCE OF BONDS

#### SECTION 2.01. Authorization and Purpose of Bonds.

(a) The Board has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines, that all acts, conditions, and things required by law to exist, happen, and be performed precedent to and for the issuance of the Bonds do exist, have happened, and have been performed in due time, form, and manner as required by the Act. Accordingly, the Authority is now authorized, under each requirement of the Act and hereof to issue the Bonds in the form and manner provided herein, and the Bonds will be entitled to the benefit, protection, and security of the Act and hereof.

(b) The purpose for which the Bonds are to be issued under the Act and hereunder is to provide funds to pay the costs of the acquisition by the Authority of the rights to receive the Program Obligation Payments due under the Program Obligation and to pay the Costs of Issuance.

(c) From and after the issuance of the Bonds, (1) the findings and determinations of the Board respecting the Bonds will be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the Bonds is at issue; (2) no bona fide purchaser of any of the Bonds will be required to see to the existence of any fact, to the performance of any condition, to the taking of any proceeding required before issuance, or to the application of the purchase price paid for the Bonds; and (3) the validity of the issuance of the Bonds will not be dependent on or affected in any way by any proceedings taken by the Authority for the acquisition of the rights to receive the Program Obligation Payments due under the Program Obligation or by any contracts made by the Authority in connection therewith, and will not be dependent upon the performance by any person, firm, or corporation of his or her or its obligation with respect thereto.

(d) The recital contained in the Bonds that the Bonds are issued under the Act and this Indenture will be conclusive evidence of their validity and of the regularity of their issuance, and the Bonds will be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) have been originally delivered to the purchaser thereof and the proceeds of sale thereof received.

SECTION 2.02. Terms of Bonds. The Bonds will be in the aggregate principal amount of \$ \_\_\_\_\_; will be designated the "Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities)"; will be dated the date of the original delivery thereof; will be issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof (not exceeding the principal amount of Bonds maturing at any one time); and will mature on the dates and in the principal amounts and bear interest at the rates per annum set forth in the following schedule:

Maturity Date  
(December 1)

Principal  
Amount

Interest  
Rate

The Bonds will bear interest payable in lawful money of the United States of America at the interest rates per annum (computed on a 360-day year of twelve 30-day calendar months) set forth above, payable on \_\_\_\_\_ 1, 201\_, and semiannually thereafter on June 1 and December 1 in each year. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (a) the date of authentication is an Interest Payment Date or is during the period from the day after the Record Date preceding an Interest Payment Date to the Interest Payment Date, both days inclusive, in which event it will bear interest from the Interest Payment Date; or (b) unless the date of authentication is on or before the Record Date for the first Interest Payment Date on the Bonds, in which event it will bear interest from its date. If, however, at the time of authentication of any Bond interest is then in default on the Outstanding Bonds, then that Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment in full of all interest due on the Outstanding Bonds. Payment of the interest on the Bonds due on any Interest Payment Date on or before the maturity or prior redemption thereof will be made only to the Holder whose name appears in the registration books required to be kept by the Trustee under Section 2.08 as the registered owner thereof as of the close of business on the Record Date for the Interest Payment Date, whether or not the Record Date is a Business Day, and will be paid by check mailed on the Interest Payment Date by first-class mail to the registered owner at the address as it appears in such registration books, except that, upon the written request of any Holder of \$1,000,000 or more in aggregate principal amount of Bonds received by the Trustee before the applicable Record Date (which request will remain in effect until rescinded in writing by the Holder), interest will be paid on each Interest Payment Date by wire transfer of immediately available funds to an account maintained in any state or national bank in the United

States of America that is a member of the Federal Reserve System designated in the request by the Holder.

The principal of the Bonds will be payable in lawful money of the United States of America upon the surrender thereof at maturity or on redemption before maturity at the Principal Corporate Trust Office of the Trustee.

Sinking Fund Payments are hereby established for the mandatory redemption and payment of the Term Bonds maturing on December 1, 20\_\_, which payments will become due during the years ending on the dates and in the amounts set forth in the following schedule:

<u>Year Ending</u> <u>(December 1)</u>	<u>Sinking</u> <u>Fund Payment</u>
---	---------------------------------------

Sinking Fund Payments are hereby established for the mandatory redemption and payment of the Term Bonds maturing on December 1, 20\_\_, which payments will become due during the years ending on the dates and in the amounts set forth in the following schedule:

<u>Year Ending</u> <u>(December 1)</u>	<u>Sinking</u> <u>Fund Payment</u>
---	---------------------------------------

Sinking Fund Payments are hereby established for the mandatory redemption and payment of the Term Bonds maturing on December 1, 20\_\_, which payments will become due during the years ending on the dates and in the amounts set forth in the following schedule:

<u>Year Ending</u> <u>(December 1)</u>	<u>Sinking</u> <u>Fund Payment</u>
---	---------------------------------------

All Sinking Fund Payments will be deposited in the Sinking Fund Subaccount, and all money in the Sinking Fund Subaccount allocable to the Term Bonds maturing on December 1, 20\_\_, and on December 1 of each year during the period beginning on December 1, 20\_\_, and ending on December 1, 20\_\_, both dates inclusive, may be used and withdrawn by the Trustee (upon receipt of a Written Request of the Authority) at any time for the purchase of the Term Bonds maturing on December 1, 20\_\_, at public or private sale as and when and at such prices (including brokerage and other charges) as the Authority may in its discretion determine,

but not to exceed the principal amount of the Term Bonds; all money in the Sinking Fund Subaccount allocable to the Term Bonds maturing on December 1, 20\_\_, and on December 1 of each year during the period beginning on December 1, 20\_\_, and ending on December 1, 20\_\_, both dates inclusive, may be used and withdrawn by the Trustee (upon receipt of a Written Request of the Authority) at any time for the purchase of the Term Bonds maturing on December 1, 20\_\_, at public or private sale as and when and at such prices (including brokerage and other charges) as the Authority may in its discretion determine, but not to exceed the principal amount of such Term Bonds; and all money in the Sinking Fund Subaccount allocable to the Term Bonds maturing on December 1, 20\_\_, and on December 1 of each year during the period beginning on December 1, 20\_\_, and ending on December 1, 20\_\_, both dates inclusive, may be used and withdrawn by the Trustee (upon receipt of a Written Request of the Authority) at any time for the purchase of the Term Bonds maturing on December 1, 20\_\_, at public or private sale as and when and at such prices (including brokerage and other charges) as the Authority may in its discretion determine, but not to exceed the principal amount of such Term Bonds. However, all money remaining in the Sinking Fund Subaccount on December 1 of each year during the period beginning on December 1, 20\_\_, and ending on December 1, 20\_\_, both days inclusive, must be used and withdrawn by the Trustee on December 1 for the mandatory redemption or payment of the Term Bonds maturing on December 1, 20\_\_; all money remaining in the Sinking Fund Subaccount on December 1 of each year during the period beginning on December 1, 20\_\_, and ending on December 1, 20\_\_, both days inclusive, must be used and withdrawn by the Trustee on December 1 for the mandatory redemption or payment of the Term Bonds maturing on December 1, 20\_\_; and all money remaining in the Sinking Fund Subaccount on December 1 of each year during the period beginning on December 1, 20\_\_, and ending on December 1, 20\_\_, both days inclusive, must be used and withdrawn by the Trustee on December 1 for the mandatory redemption or payment of the Term Bonds maturing on December 1, 20\_\_. The Authority hereby agrees and covenants with the Holders of the Term Bonds to call and redeem in accordance with Section 2.03(a) or pay the Term Bonds from the Sinking Fund Payments deposited in the Sinking Fund Subaccount under this paragraph whenever on December 1 of any year, beginning on December 1, 20\_\_, there is money in the Sinking Fund Subaccount available for this purpose.

SECTION 2.03.      Redemption of Bonds.

(a)      The Term Bonds maturing on December 1, 20\_\_, are subject to mandatory redemption by the Authority before their stated maturity date in part on December 1 in each of the years 20\_\_ and 20\_\_, [both] years inclusive; the Term Bonds maturing on December 1, 20\_\_, are subject to mandatory redemption by the Authority before their stated maturity date in part on December 1 in each of the years 20\_\_ and 20\_\_, [both] years inclusive; and the Term Bonds maturing on December 1, 20\_\_, are subject to mandatory redemption by the Authority before their stated maturity date in part on December 1 in each of the years 20\_\_ through 20\_\_, [all three years] inclusive, in each case solely from Sinking Fund Payments deposited in the Sinking Fund Subaccount, upon notice as provided herein, at a redemption price equal to the principal amount thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.

(b)      The Bonds maturing on or before December 1, 20\_\_ are not subject to optional redemption before maturity. The Bonds maturing on or after December 1, 20\_\_, are

subject to optional redemption by the Authority before their stated maturity dates as a whole or in part on any date on or after December 1, 20\_\_, from any source of available funds, upon notice as provided herein, at a redemption price equal to the principal amount of the Bonds or portions thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.

(c) The Bonds are subject to extraordinary redemption in part by the Authority on any date before their stated maturity dates in integral multiples of \$5,000 principal amount so that the annual amounts of the interest and principal of the Bonds that are allocable to the payment of the Refunding Base Rental Payments (as that term is defined in the Master Project Lease, and in this Section 2.03, the “Base Rental Payments”) and are payable after the redemption date will be as nearly proportional as practicable to the annual amounts of the interest and principal then payable on all Authority Bonds then Outstanding (as that term is defined in each of the indentures providing for the issuance of the Authority Bonds) that are payable from the Base Rental Payments, from prepaid Base Rental Payments made by the City from eminent-domain proceeds or net insurance proceeds received under the Master Project Lease, under the circumstances and upon the conditions and terms prescribed therein, upon notice as provided herein, at a redemption price equal to the principal amount of the Bonds or portions thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.

(d) [ADD SHORT CALL]

(e) If less than all the Bonds are to be redeemed at the option of the Authority at any one time, the Treasurer shall select the maturity date or dates of the Bonds to be redeemed, and if less than all the Bonds of any one maturity date are to be redeemed by the Authority at any one time, the Trustee shall select the Bonds or portions thereof of the maturity date to be redeemed in integral multiples of \$5,000 in any manner that it deems appropriate. To the extent Term Bonds are redeemed in part by optional redemption or purchased for cancellation, the Treasurer may reduce the Sinking Fund Payments relating to such Term Bonds by the amount of Term Bonds redeemed or purchased in the year or years specified by the Treasurer.

(f) The Treasurer shall notify the Trustee in writing at least five Business Days before the date fixed for the selection by the Trustee of any Bonds for redemption, and after selection the Trustee shall promptly notify the Authority in writing of the numbers of the Bonds selected for redemption in part.

(g) The Trustee shall mail a notice of redemption by first-class mail, not less than 20 nor more than 60 days before the redemption date, to the Holders of all Bonds selected for redemption in whole or in part and to DTC, subject to the following: neither failure to receive any notice nor any immaterial defect contained therein will affect the sufficiency or validity of the proceedings for redemption; and any notice of redemption may be cancelled and annulled by a Written Request of the Authority given to the Trustee at least five days before the date fixed for redemption, whereupon the Trustee shall forthwith give appropriate notice of the cancellation and annulment to all the recipients of the notice of redemption. The notice of redemption must state the date of the notice, the name of the Bonds to be redeemed, the date of issue of the Bonds to be redeemed, the date fixed for the redemption of the Bonds to be redeemed, the redemption

price of the Bonds to be redeemed, the place of redemption of the Bonds to be redeemed, the CUSIP number of the maturity or maturities of the Bonds to be redeemed and (if less than all the Bonds of any one maturity date are to be redeemed) the numbers of the Bonds of the maturity date to be redeemed and, in the case of Bonds to be redeemed in part only, the portions of the principal amount thereof to be redeemed. The notice of redemption must also give notice that further interest on the Bonds to be redeemed or the portions thereof to be redeemed will not accrue from and after the date fixed for redemption, and that the Trustee will require that the Bonds to be redeemed be surrendered for payment of the redemption price thereof. If any Bond so chosen for redemption is not be redeemable in whole, then the notice must also 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 the principal thereof a new Bond or Bonds of the same maturity date of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

(h) In the event of redemption of Bonds or portions thereof (other than under Section 2.03(a)), the Trustee shall mail a notice of redemption upon receipt of a Written Request of the Authority, but only after the Authority has deposited with or otherwise made available to the Trustee for deposit in the Redemption Account the money required for payment of the redemption price of all Bonds or portions thereof then to be called for redemption (or the Trustee determines that money will be deposited with or otherwise made available to it in sufficient time for such purpose, in which event the notice of redemption must state that the proposed redemption is conditioned on there being on deposit in the Redemption Account on the redemption date sufficient money to pay the full redemption price of the Bonds or the portions thereof to be redeemed), together with the estimated expense of giving the notice.

(i) If a notice of redemption has been duly given and not cancelled as aforesaid and money for the payment of the redemption price of the Bonds or the portions thereof called for redemption is held by the Trustee, then on the date fixed for redemption designated in the notice, the Bonds or such portions thereof will become due and payable, and from and after the date so designated interest on the Bonds or the portions thereof so called for redemption will cease to accrue, and the Holders of the Bonds or the portions thereof will have no rights in respect thereof except to receive payment of the redemption price thereof.

SECTION 2.04. Form of Bonds. The Bonds and the authentication and registration endorsement, the assignment and the DTC endorsement to appear thereon, and the statement of insurance to appear on the Bonds must be substantially in the following forms:

[FORM OF BONDS]

No. R-\_\_\_\_\_ \$\_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF SACRAMENTO

SACRAMENTO CITY FINANCING AUTHORITY  
2015 REFUNDING REVENUE BOND

(MASTER LEASE PROGRAM FACILITIES)

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated as of</u>	<u>CUSIP</u>
_____ %	December 1,	_____	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The Sacramento City Financing Authority, a joint exercise of powers authority duly organized and existing under and pursuant to the laws of the State of California (the "Authority"), for value received hereby promises to pay (but only out of the Revenues and the other funds hereinafter referred to) to the registered owner specified above or registered assigns on the maturity date specified above (subject to any right of prior redemption hereinafter provided for) the principal amount specified above, together with interest on such principal amount from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is authenticated on an interest payment date or on a day during the period from the day after the Record Date (as that term is hereinafter defined) 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 prior to the Record Date (as that term is hereinafter defined) for the first interest payment date on the Bonds, in which event it shall bear interest from its date) until the principal hereof shall have been paid, at the interest rate per annum specified above (computed on a 360-day year of twelve 30-day calendar months), payable on \_\_\_\_\_ 1, 201\_, and semiannually thereafter on June 1 and December 1 in each year. The interest on and the principal of 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 Indenture hereinafter defined) of The Bank of New York Mellon Trust Company, N.A. (the "Trustee") in San Francisco, California. The interest on this Bond due on or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books required to be kept by the Trustee as the registered owner hereof at the close of business on the fifteenth (15th) day of the month next preceding each interest payment date (each, a "Record Date"), such interest to be paid by check mailed on each interest payment date by first class mail to such registered owner at his or her address as it appears in such registration books; provided, that upon the written request of any registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds received by the Trustee prior to the applicable Record Date (which such request shall remain in effect until rescinded in writing by such registered owner), such interest shall be paid on each interest payment date by wire transfer of immediately available funds to an account maintained in any state or national bank in the United States of America that is a member of the Federal Reserve System designated in such request by such registered owner. The principal of this Bond shall be payable only to the person whose name appears in such registration books as the registered owner hereof, such principal to be paid only on the surrender of this Bond at the office of the Trustee at maturity or on redemption prior to maturity.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \_\_\_\_\_ dollars (\$ \_\_\_\_\_), designated the “Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities)” (the “Bonds”), issued by the Authority under the Joint Exercise of Powers Act, constituting Article 1, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the Government Code of the State of California, and the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the Government Code of the State of California), and all laws amendatory thereof or supplemental thereto (collectively, the “Act”), and under an Indenture (the “Indenture”) dated as of September 1, 2015, by and between the Authority and the Trustee, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, denominations, maturities, interest rates or redemption provisions of the Bonds). All the Bonds are equally and ratably secured in accordance with the terms and conditions of the Indenture (copies of which are on file at the office of the Authority and at the above-mentioned office of the Trustee), and reference is hereby made to the Act and to the Indenture and to any and all amendments thereof or supplements thereto for a description of the terms on which the Bonds are issued and for the rights of the registered owners of the Bonds. All the terms of the Act and the Indenture are hereby incorporated herein and constitute a contract between the Authority and the registered owner from time to time of this Bond, to all the provisions of which the registered owner of this Bond, by his or her acceptance hereof, agrees and consents, and the registered owner hereof shall have recourse to all the provisions of the Act and the Indenture and shall be bound by all the conditions and terms thereof.

The Bonds are issued to obtain money to carry out the Program (as that term is defined in the Indenture) by acquiring the rights to receive certain payments due under the Program Obligation (as that term is defined in the Indenture) so that the Authority can assist the City of Sacramento (the “City”) to refinance capital improvements in order that the City may achieve its public purposes by reducing the costs of the Prior Payments (as that term is defined in the Indenture) and by refunding and defeasing the Prior Bonds (as that term is defined in the Indenture). The Bonds are limited obligations of the Authority, and are payable from, and are secured as to the payment of the interest thereon and the principal thereof in accordance with their terms and the terms of the Indenture, solely from the Revenues (as that term is defined in the Indenture, and herein the “Revenues”) and the other funds provided in the Indenture for their payment. The Bonds do not constitute a charge against the general credit of the Authority or the general credit of the City or the other members of the Authority, and under no circumstances shall the Authority be obligated to pay the interest on or the principal of the Bonds except from the Revenues and such other funds, and neither the State of California nor any public agency thereof nor any of the members of the Authority shall be obligated to pay the interest on or the principal of the Bonds, and neither the faith and credit nor the taxing power of the Authority, the State of California or any public agency thereof or any of the members of the Authority is pledged to the payment of the interest on or the principal of the Bonds, and neither the payment of the interest on or the principal of the Bonds constitutes a debt, liability or obligation of the State of California nor any public agency thereof nor any of the members of the Authority.

The Bonds are subject to redemption as provided in the Indenture.

If an Event of Default (as that term is defined in the Indenture) shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, except that the Indenture provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

The Bonds are issuable in the form of fully registered Bonds in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof, except that no Bond shall have principal maturing on more than one principal maturity date. The registered owner of any Bond or Bonds may surrender the same (together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his or her duly authorized attorney) in exchange for an equal aggregate principal amount of Bonds of the same maturity date of authorized denominations in the manner, subject to the conditions and upon payment of the charges provided in the Indenture.

The registration of this Bond is transferable on the registration books kept by the Trustee by the registered owner hereof or by his or her duly authorized attorney upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his or her duly authorized attorney, and thereupon a new 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 Indenture. The Authority and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the interest hereon and the principal hereof and for all other purposes.

The rights and obligations of the Authority 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 Indenture, but no such amendment shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Authority to pay the interest on or the principal of or make any Sinking Fund Payment for any Bond 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 Holder of such Bond, or (2) permit the issuance by the Authority of any obligations payable from the Revenues other than the Bonds as provided herein, or jeopardize the ability of the Authority to collect the Revenues, or (3) reduce the percentage of Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto.

This Bond shall not be entitled to any benefits under the Indenture or become valid or obligatory for any purpose until the certificate of authentication 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 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 Bond, together with all other obligations of the Authority, does not

exceed any limit prescribed by the laws of the State of California and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

IN WITNESS WHEREOF, the Sacramento City Financing Authority has caused this Bond to be executed in its name and on its behalf by the signature of its Treasurer and countersigned by the signature of its Secretary, and has caused this Bond to be dated \_\_\_\_\_.

SACRAMENTO CITY FINANCING  
AUTHORITY

By: \_\_\_\_\_  
Treasurer

Countersigned:

\_\_\_\_\_  
Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION  
TO APPEAR ON BONDS]

This is one of the Bonds described in the within-mentioned Indenture which has been authenticated on the date indicated below.

Date: \_\_\_\_\_

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

By: \_\_\_\_\_  
Authorized Signatory

[FORM OF ASSIGNMENT TO APPEAR ON BONDS]

For value received the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within 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.

\_\_\_\_\_  
Date: \_\_\_\_\_

SIGNATURE GUARANTEED BY:

\_\_\_\_\_

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

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

[FORM OF DTC ENDORSEMENT TO APPEAR ON BONDS]

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or the Trustee for registration of transfer, exchange, or payment, and any certificate 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.

[STATEMENT OF INSURANCE TO APPEAR ON BONDS]

[ADD INSURANCE LANGUAGE IF NEEDED]

SECTION 2.05. Execution of Bonds. The Bonds will be signed on behalf of the Authority by the manual or facsimile signature of the Treasurer and countersigned by the manual or facsimile signature of the Secretary. If any officer of the Authority who has signed any of the Bonds ceases to be an officer before the Bonds so signed have been delivered to the purchaser by the Trustee, the Bonds may nevertheless be delivered and issued and, upon delivery and issuance, will be as binding upon the Authority as though the officer who signed the same had continued to be an officer until such delivery and issuance. Any Bond may be signed on behalf of the Authority by any person who is the proper officer of the Authority to sign on the actual date of the execution of the Bond even though, on the nominal date of the Bond, that person is not the proper officer of the Authority to sign. Only those Bonds that bear thereon a certificate of authentication executed by the Trustee will be entitled to any benefit, protection, or security hereunder or be valid or obligatory for any purpose, and the certificate of the Trustee will be conclusive evidence that the Bonds so authenticated have been duly authorized, sold, executed, and delivered hereunder and are entitled to the benefits hereof.

SECTION 2.06. Transfer and Payment of Bonds. Any Bond may, in accordance with its terms, be transferred in the registration books kept by the Trustee under the provisions of Section 2.08 by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of the Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee, except that the Trustee will not be required to register the transfer of any Bond during the period established by the Trustee for the selection of any Bonds for redemption or to register the transfer of any Bond that has been selected for redemption in whole or in part from and after the day of mailing a notice of redemption of the Bond selected for redemption in whole or in part as provided in Section 2.03. Whenever any Bond is surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of the same aggregate principal amount and maturity date of authorized denominations. All costs of printing the Bonds and any services rendered or expenses incurred by the Trustee in connection with any such transfer will be paid by the Authority, except that the Trustee shall require the payment by the Holder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer as a condition precedent to the exercise of the right to request a transfer.

The Authority and the Trustee may deem and treat the registered owner of any Bond as the absolute owner of the Bond for the purpose of receiving payment of the interest thereon and the principal thereof and for all other purposes, whether the Bond is overdue or not, and neither the Authority nor the Trustee will be affected by any notice or knowledge to the contrary; and payment of the interest on and the principal of the Bond will be made only to the registered owner thereof, which payments will be valid and effectual to satisfy and discharge liability on the Bond to the extent of the sum or sums so paid.

SECTION 2.07. Exchange of Bonds. Any Bond may be exchanged at the Principal Corporate Trust Office of the Trustee for a new Bond or Bonds of the same aggregate principal amount and maturity date of authorized denominations, except that the Trustee will not be required to exchange any Bond during the period established by the Trustee for the selection of any Bonds for redemption or to exchange any Bond that has been selected for redemption in whole or in part from and after the day of mailing a notice of redemption of the Bond selected

for redemption in whole or in part as provided in Section 2.03. All costs of printing the Bonds and any services rendered or expenses incurred by the Trustee in connection with any such exchange will be paid by the Authority, except that the Trustee shall require the payment by the Holder requesting the exchange of any tax or other governmental charge required to be paid with respect to the exchange as a condition precedent to the exercise of the right to request an exchange.

SECTION 2.08. Bond Registration Books. The Trustee shall keep at its Principal Corporate Trust Office sufficient books for the registration, transfer, and exchange of the Bonds, which books must at all times during normal business hours be open to inspection by the Authority, and upon presentation for that purpose the Trustee shall, under such reasonable regulations as it may prescribe, register, transfer, or exchange the Bonds in the books as hereinabove provided.

SECTION 2.09. Mutilated, Destroyed, Stolen, or Lost Bonds. If any Bond becomes mutilated in respect of the body of the Bond or is believed by the Trustee to have been destroyed, stolen, or lost, then, upon proof of ownership satisfactory to the Trustee and upon the surrender of the mutilated Bond at the Principal Corporate Trust Office of the Trustee, or upon the receipt of evidence satisfactory to the Trustee of the destruction, theft, or loss and upon receipt of indemnity satisfactory to the Trustee, and also upon payment of all expenses incurred by the Authority and the Trustee in performing under this section, the Authority shall execute and the Trustee shall authenticate and deliver at its Principal Corporate Trust Office a new Bond or Bonds of the same aggregate principal amount and maturity date of authorized denominations and bearing such numbers and notations as the Trustee may determine in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, stolen, or lost.

If any such destroyed, stolen, or lost Bond has matured or is called for redemption, payment of the amount due thereon may be made by the Trustee upon receipt of like proof, indemnity, and payment of expenses.

Any replacement Bonds issued under this section will be entitled to equal and proportionate benefits with all other Bonds issued hereunder, and the Authority and the Trustee will not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds that may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and the replacement Bond will be treated as one and the same.

SECTION 2.10. Temporary Bonds. Any Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds must be typewritten, must be of such denominations as may be determined by the Authority, must be issued in fully registered form, must contain such reference to any of the provisions hereof as may be appropriate, and must be executed by the Authority upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it shall execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for the temporary Bonds an equal

aggregate principal amount of definitive Bonds of authorized denominations of the same maturity date and, and until so exchanged, the temporary Bonds will be entitled to the same benefits as definitive Bonds issued hereunder.

SECTION 2.11. Use of Depository Bonds.

(a) DTC is hereby appointed depository of the Authority for the Bonds, and the Bonds are to be initially registered in the name of “Cede & Co.,” as nominee of DTC, and to be initially issued as one Bond for each of the maturities in the principal amounts set forth in Section 2.02, and registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as follows:

(1) to any successor of Cede & Co., as nominee of DTC, or its nominee, or to any substitute depository designated under Section 2.11(a)(2) (a “substitute depository”); any successor of Cede & Co., as nominee of DTC or substitute depository, must be 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 DTC or its successor (or any substitute depository or its successor) from its functions as depository, or (B) a determination by the Authority to substitute another depository for DTC (or its successor) because DTC or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; any such substitute depository must be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) to any person as provided below, upon (A) the resignation of DTC or its successor (or substitute depository or its successor) from its functions as depository, or (B) a determination by the Authority to remove DTC or its successor (or any substitute depository or its successor) from its functions as depository.

(b) In the case of any transfer under Section 2.11(a)(1) or 2.11(a)(2), upon receipt of all Bonds by the Trustee, together with a Written Request of the Authority to the Trustee, a new Bond for each maturity of the Bonds will be executed by the Authority and authenticated and delivered by the Trustee in the aggregate principal amount of the Bonds, registered in the name of the successor or substitute depository, or their nominees, as the case may be, all as specified in such Written Request of the Authority. In the case of any transfer under Section 2.11(a)(3), upon receipt of all Bonds by the Trustee, together with a Written Request of the Authority to the Trustee, a new Bond or Bonds for each maturity of the Bonds will be executed by the Authority and authenticated and delivered by the Trustee in the denominations requested in, and will be registered in the names of such persons as are requested in, the Written Request of the Authority, subject to the limitations of Section 2.02, and thereafter the Bonds will be transferred under Section 2.06, except that the Trustee will not be required to deliver the new Bonds on any date before the 60th day after receipt of the Written Request of the Authority.

(c) So long as any Bonds are registered in the name of Cede & Co. or its registered assigns, the Authority and the Trustee may treat the person in whose name any Bond is registered as the owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by the Authority or the Trustee; and the Authority and the Trustee will have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Bonds, and neither the Authority nor the Trustee will have any responsibility or obligation, legal or otherwise, to the beneficial owners or to any other party, including DTC or its successor (or substitute depository or its successor), except to DTC or its successor (or substitute depository or its successor) as a Holder of the Bonds.

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

SECTION 2.12. Procedure for the Issuance of Bonds. At any time after the sale of the Bonds, the Authority shall prepare the Bonds and shall execute the Bonds for original issuance hereunder and shall deliver them to the Trustee, and thereupon the Bonds will be authenticated and delivered by the Trustee to the underwriters thereof upon receipt of a Written Request of the Authority, payment of the purchase price thereof from the underwriters [(net of the cost of the premium for the Bond Insurance Policy and the premiums for the Surety Bond, which will be paid by the underwriters of the Bonds directly to the Bond Insurer)], and payment of the sum of \$\_\_\_\_\_ from the City (constituting amounts released from debt service reserve accounts for certain of the Prior Bonds). Upon receipt of payment of the net purchase price of the Bonds from the underwriters and the other sum from the City, the Trustee shall set aside and deposit in or transfer those amounts for deposit in the following funds (or in a temporary account in its books used to facilitate the deposit or transfer) in the following order:

First, the Trustee shall deposit in the Escrow Funds an amount of the net purchase price received from the sale of the Bonds equal to \$\_\_\_\_\_, which is a portion of the amount required to refund the Prior Bonds in accordance with the Escrow Agreement, and which amount is to be allocated to and deposited in the various Escrow Funds as provided in the Escrow Agreement.

Second, the Trustee shall deposit in the Costs of Issuance Fund the remaining net purchase price received from the sale of the Bonds, being the sum of \$\_\_\_\_\_, which will be applied by the Trustee in accordance with the terms of Section 2.13.

The Trustee shall not deposit any of the net purchase price in the Reserve Account, as the Reserve Requirement will be satisfied by the Surety Bond.

SECTION 2.13. Costs of Issuance Fund. There is hereby established a fund to be maintained by the Trustee to be known as the “Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) Costs of Issuance Fund,” into which fund will be deposited the amount required to be deposited therein by the provisions of

Section 2.12(a). All money in the Costs of Issuance Fund will be withdrawn as directed by the Treasurer or his designee in the manner provided by law for payment of Costs of Issuance, except that any money remaining in the Costs of Issuance Fund after the completion of the payment of the Costs of Issuance (and in any event not later than January 1, 2016) will be transferred by the Trustee for deposit in the Revenue Fund.

### ARTICLE III

#### REVENUES

SECTION 3.01. Assignment of the Program Obligation Payments and Pledge of Revenues. The Authority hereby assigns to the Trustee for the benefit of the Holders of the Bonds all of the Authority's right, title, and interest in the rights to receive the Program Obligation Payments due under the Program Obligation as security for the payment of the Bonds, subject to the following: the assignment of the rights to receive the Program Obligation Payments due under the Program Obligation to the Trustee is solely in its capacity as Trustee hereunder, and the duties, powers, and liabilities of the Trustee in acting hereunder are subject to the provisions hereof, and the Trustee will have no responsibility for the representations, covenants, or warranties of the Authority contained in the Program Obligation. All Revenues received by the Authority hereunder are hereby pledged to the payment of the interest on and the principal of the Bonds as and when they become due as provided herein, and the Revenues may not be used for any other purpose while any of the Bonds remain Outstanding. This pledge constitutes a first pledge of and charge and lien upon the Revenues for the payment of the interest on and the principal of the Bonds as and when they become due in accordance with the terms hereof and thereof.

SECTION 3.02. Receipt and Deposit of Revenues in the Revenue Fund. In order to carry out and effectuate the assignment and pledge contained herein, the Authority agrees and covenants that all Revenues when and as received by the Authority will be forthwith transferred by the Authority to the Trustee for deposit in the "Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) Revenue Fund," which fund is hereby created and which fund the Authority hereby agrees and covenants to maintain with the Trustee so long as any Bonds are Outstanding hereunder. All money in the Revenue Fund will be accounted for through and held in trust in the Revenue Fund by the Trustee, and the Authority will have no beneficial right or interest in any money in the Revenue Fund. All Revenues may be allocated, applied, and disbursed solely to the purposes and uses hereinafter in this article set forth, and must be accounted for separately and apart from all other accounts, funds, money, or other resources of the Authority.

SECTION 3.03. Establishment and Maintenance of Accounts for Use of Money in Revenue Fund.

(a) All money in the Revenue Fund will be set aside by the Trustee in the following special accounts within the Revenue Fund (each of which is hereby created and each of which the Trustee hereby covenants and agrees to cause to be maintained) in the following order of priority:

First, to the Interest Account.

Second, to the Redemption Account.

Third, to the Reserve Account.

All money in each of these accounts will be held in trust by the Trustee and may be applied, used, and withdrawn only for the purposes hereinafter authorized in this section.

(b) Interest Account. On or before June 1 and December 1 of each year, commencing on \_\_\_\_\_ 1, 201\_, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account an amount of money equal to the amount of interest becoming due and payable on all Outstanding Bonds on such June 1 or December 1, as the case may be, except that no deposit need be made into the Interest Account if the amount contained therein is at least equal to the amount of interest becoming due and payable on all Outstanding Bonds on such June 1 or December 1.

All money in the Interest Account may be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including the payment of accrued interest on any Bonds purchased or redeemed before maturity).

(c) Redemption Account. On or before December 1 of each year, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Subaccount in the Redemption Account (which subaccount is hereby created and which the Trustee hereby covenants and agrees to cause to be maintained so long as any Serial Bonds are Outstanding) an amount of money equal to the principal amount of all Outstanding Serial Bonds maturing on such December 1; and on or before December 1 of each year, the Trustee shall set aside from the Revenue Fund and deposit in the Sinking Fund Subaccount in the Redemption Account (which subaccount is hereby created and which the Trustee hereby covenants and agrees to cause to be maintained so long as any Term Bonds are Outstanding) an amount of money equal to the Sinking Fund Payment required to be deposited therein on such December 1 for all Outstanding Term Bonds. But no deposit need be made in the Redemption Account if the amount contained in the Principal Subaccount therein is at least equal to the principal amount of all Outstanding Serial Bonds maturing by their terms on such December 1 or if the amount contained in the Sinking Fund Subaccount therein is at least equal to the amount of the Sinking Fund Payment required to be deposited therein on such December 1 for all Outstanding Term Bonds.

All money in the Principal Subaccount in the Redemption Account may be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds as they become due and payable, whether at maturity or on prior redemption; and all money in the Sinking Fund Subaccount in the Redemption Account may be used and withdrawn by the Trustee solely for the purpose of purchasing or redeeming or paying the Term Bonds, and, with respect to the Sinking Fund Subaccount, on each Sinking Fund Payment date the Trustee shall apply the Sinking Fund Payment required to be made on such date to the redemption of the Term Bonds upon the notice and in the manner provided herein or for the payment at maturity of the Term Bonds, all subject to the following: at any time before selection of Term Bonds for

redemption, the Trustee shall, upon receipt of a Written Request of the Authority, apply any money in the Sinking Fund Subaccount to the purchase for cancellation of Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as directed in the Written Request of the Authority, except that the purchase price (excluding accrued interest) may not exceed the redemption price that would be payable for the Term Bonds upon redemption by application of such Sinking Fund Payment; and if, during the 12-month period immediately preceding any Sinking Fund Payment date, the Trustee has purchased any Term Bonds with money in the Sinking Fund Subaccount, such Term Bonds so purchased must be applied to the extent of the full principal amount thereof to reduce the Sinking Fund Payment due on the Sinking Fund Payment date.

(d) Reserve Account. On or before June 1 and December 1 of each year, the Trustee shall set aside from the Revenue Fund and deposit in the Reserve Account a sum equal to the amount of money, if any, determined by the Trustee to be necessary, after taking into account the amount available under the Surety Bond, to restore the Reserve Account to the Reserve Requirement and to repay all draws and related costs under the Surety Bond (to the extent money is available for this purpose in the Revenue Fund). For this purpose, all investments in the Reserve Account on June 1 and December 1 of each year (beginning in December 2015) will be valued at the face value thereof if the investments mature within 12 months from the date of the valuation or, if the investments mature more than 12 months after the date of the valuation, at the price at which the investments are redeemable by the holder, at his or her option if so redeemable or, if not so redeemable, at the then-current market value of such investments. But no deposit need be made in the Reserve Account if the amount contained therein (valued as aforesaid) is at least equal to the Reserve Requirement; and if, as a result of the foregoing valuation, the Trustee determines that an amount in excess of the Reserve Requirement is on deposit in the Reserve Account, the Trustee shall withdraw the excess and shall deposit it in the Revenue Fund as a credit against payments due under the Program Obligation.

All money in the Reserve Account may be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Bonds if no other money is available in the Revenue Fund for that purpose

SECTION 3.04. Rebate Fund. There is hereby established a fund to be maintained by the Trustee to be known as the “Sacramento City Financing Authority 2015 Refunding Revenue Bonds (Master Lease Program Facilities) Rebate Fund.” The Trustee shall deposit in the Rebate Fund from funds provided by the Authority an amount equal to the Rebate Requirement in accordance with the Tax Certificate, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee, and the Trustee shall apply all money held in the Rebate Fund as provided in Section 4.03 and in the Tax Certificate, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee. Subject to the provisions of Section 4.03, all money held in the Rebate Fund is hereby pledged to secure payments to the United States of America, and the Authority and the Holders will have no rights in or claims to that money.

In accordance with the Tax Certificate, the Trustee shall remit part or all of the balance held in the Rebate Fund to the United States of America, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee; in addition, if the Tax Certificate so requires, the Trustee shall deposit money into or transfer money out of the Rebate Fund from or into the accounts or funds as therein provided, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee.

## ARTICLE IV

### COVENANTS OF THE AUTHORITY

SECTION 4.01. Punctual Payment and Performance. The Authority shall punctually pay the interest on and the principal of all Bonds issued hereunder as and when they become due in strict conformity with the terms of the Act, of this Indenture, and of the Bonds, and shall faithfully observe and perform all the agreements, conditions, covenants, and terms contained in this Indenture, in all Supplemental Indentures, and in the Bonds required to be observed and performed by it.

SECTION 4.02. Indebtedness and Encumbrances. The Authority shall not issue any evidences of indebtedness payable from the Revenues except as provided in this Indenture and shall not create, or permit the creation of, any pledge, lien, or other encumbrance upon any money in the Revenue Fund other than as provided in this Indenture, except that the Authority may at any time issue additional Authority Bonds payable on a parity from the Base Rental Payments under the Master Project Lease and may create additional pledges, liens, or other encumbrances upon the Base Rental Payments under the Master Project Lease if the provisions set forth in Section 2.06 of the Master Project Lease are first satisfied.

SECTION 4.03. Tax Covenants. The Authority shall at all times do and perform all acts and things permitted by law and by this Indenture that are necessary to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income-tax purposes and will take no action that would result in the interest not being excluded from gross income for federal income-tax purposes. Without limiting the generality of the foregoing, the Authority shall comply with the provisions of the Tax Certificate. This covenant will survive payment in full or defeasance of the Bonds.

SECTION 4.04. Payment of Claims. The Authority shall pay and discharge any and all lawful claims that, if unpaid, might become payable from the Revenues or any part thereof or upon any funds in the hands of the Treasurer or the Trustee allocated to the payment of the interest on or the principal of the Bonds, or that might impair the security of the Bonds.

SECTION 4.05. Accounting Records and Reports.

(a) The Authority shall keep or cause to be kept proper books of record and accounts in which complete and correct entries will be made of all transactions relating to the receipts, disbursements, allocation, and application of the Revenues, and those books must be available for inspection by the Trustee at reasonable hours and under reasonable conditions. The

Authority shall also keep or cause to be kept such other information as required under the Tax Certificate, and the Trustee will have no duty to review or examine such statements.

(b) The Authority acknowledges that it is required to comply with California Government Code Section 6599.1 as it may be amended from time to time. The failure of the Authority to comply with Section 6599.1 as it may be amended from time to time will not be an Event of Default hereunder.

SECTION 4.06. Protection of Security and Rights of Holders. The Authority shall preserve and protect the security of the Bonds and the rights of the Holders and shall warrant and defend their rights against all claims and demands of all persons.

SECTION 4.07. Prosecution and Defense of Suits. The Authority shall defend against every suit, action, or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application, or disbursement of any of the Revenues or to the extent involving the failure of the Authority to fulfill its obligations hereunder, except that the Trustee or any affected Holder at its election may appear in and defend any such suit, action, or proceeding. The Authority shall indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of any such failure by the Authority and shall indemnify and hold harmless the Trustee against any attorney's fees or other expenses it may incur in connection with any litigation to which it may become a party by reason of its actions under this Indenture, except for any loss, cost, damage, or expense resulting from the active or passive negligence or willful misconduct of the Trustee.

SECTION 4.08. Enforcement and Amendment of the Program Obligation. The Authority shall enforce all of its rights with respect to the Program Obligation to the fullest extent necessary to preserve the rights and protect the security of the Holders hereunder. The Program Obligation may only be amended without the consent of or prior notice to the Holders or the written approval of the Trustee for the purposes set forth in the Program Obligation, and neither the Authority nor the Trustee may consent to any other amendment, change, or modification of the Program Obligation without the mailing of a notice thereof and receipt of the written approval or consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and procured as provided in this section. No such amendment may extend the payment date of any Program Obligation Payments or reduce the interest or principal payments due under the Program Obligation without the prior written consent of the Holder of each Bond so affected; and no such amendment may reduce the percentage of Bonds the consent of the Holders of which is required for the execution of any amendment to the Program Obligation. Nothing in this Section 4.08 prevents the Trustee, with the prior consent of the Authority, from settling a default under the Program Obligation on such terms as the Trustee may determine to be in the best interests of the Holders. If at any time the Authority requests the consent of the Trustee to a proposed amendment, change, or modification of the Program Obligation, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change, or modification to be mailed in the same manner as provided by Section 10.09. The notice must briefly set forth the nature of the proposed amendment, change, or modification and must state that copies of the instrument embodying the same are on file at the Principal Corporate Trust Office of the Trustee for inspection by the Holders.

SECTION 4.09. Maintenance of Existence. The Authority shall, so long as any Bonds are Outstanding hereunder, maintain its existence, powers, and authority as a joint-exercise-of-powers authority under the Act.

SECTION 4.10. Continuing Disclosure. The Authority shall cause the City to comply with and carry out all of the provisions of the Continuing Disclosure Certificate, as originally executed and as they may be amended from time to time in accordance with the terms thereof. The failure of the City to comply with the Continuing Disclosure Certificate will not be considered an Event of Default hereunder or a breach by the Trustee of any of its duties or obligations hereunder. The Trustee may and, at the request of the Authority or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds (but only to the extent indemnified to its satisfaction from liability or expense, including fees and expenses of its attorneys) shall, or any Holder may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this section.

SECTION 4.11. Further Assurances. The Authority shall adopt, deliver, execute, make, and file any and all further assurances, instruments, and resolutions that may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Holders of the rights and benefits provided herein, including without limitation the filing of all financing statements, agreements, instruments, or other documents in the forms and in the locations necessary to perfect and protect, and to continue the perfection of, the pledge of the Revenues provided herein to the fullest extent possible under applicable law of the State.

## ARTICLE V

### THE TRUSTEE

SECTION 5.01. The Trustee. The Bank of New York Mellon Trust Company, N.A., at its Principal Corporate Trust Office, is hereby appointed Trustee for the purposes of (a) receiving all Revenues the Authority is required to deposit with the Trustee hereunder; (b) allocating, applying, and using the Revenues as provided herein; (c) paying the interest on and the principal of the Bonds presented for payment at its Principal Corporate Trust Office; and (d) canceling and destroying all paid or redeemed Bonds and all other Bonds surrendered by the Authority to it under Section 10.07, with the rights and obligations provided herein. The Authority shall at all times maintain a Trustee having a corporate trust office in Los Angeles or in San Francisco, California.

The Authority may at any time, unless there exists any Event of Default, remove the original Trustee appointed hereunder and any successor Trustee thereto and appoint a successor Trustee thereto by an instrument in writing. A successor Trustee must be a national or state bank; must do business in and have a corporate trust office in either Los Angeles or San Francisco, California; must have (or, for an institution that is affiliated with a bank holding company, the holding company must have) a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000; and must be subject to supervision or examination by national or state authority. If such a national or state bank publishes a report of condition at least

annually, under law or to the requirements of any supervising or examining authority above referred to, then, for the purpose of this section, the combined capital and surplus of the bank or trust company or national banking association (or, for an institution that is affiliated with a bank holding company, the holding company) will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving prior written notice of resignation to the Authority and by mailing notice of such resignation to the Holders. Upon receiving a notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing, subject to the following: notwithstanding any other provision in this Indenture, no removal, resignation, or termination of the Trustee and appointment of a successor Trustee will become effective until the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee has been appointed and has accepted the appointment, the removed or resigning Trustee may petition any federal or state court for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by this section.

The Trustee is hereby authorized to pay or redeem the Bonds when duly presented for payment at maturity or on redemption before maturity. The Trustee shall cancel all Bonds upon payment thereof or upon the surrender thereof by the Authority, shall destroy such Bonds, and shall deliver to the Authority a certificate of such destruction upon request of the Authority. The Trustee shall keep accurate records of all Bonds paid and discharged and cancelled by it.

The Trustee shall, before an Event of Default, and after the curing of all Events of Default that may have occurred, perform such duties and obligations (and only such duties and obligations) as are specifically set forth herein, and no implied duties or obligations of the Trustee should be read into this Indenture. The Trustee shall, during the existence of any Event of Default (that has not been cured), exercise the rights and powers vested in it hereby and use the same degree of care and skill in their exercise as a corporate trustee would exercise or use under the circumstances.

SECTION 5.02. Liability of Trustee. The recitals of facts, agreements, and covenants contained herein and in the Bonds will in all cases be taken as recitals of facts, agreements, and covenants of the Authority. The Trustee has no responsibility or liability for the correctness of the same and does not make any representation whatsoever as to the sufficiency or validity of this Indenture or of the Bonds, and the Trustee will not incur any responsibility or any liability in respect thereof other than in connection with the express duties and obligations assigned to or imposed upon it herein or in the Bonds. The Trustee will not be liable in connection with the performance of its express duties and obligations hereunder except for its own negligence or willful misconduct and will not be liable for any error of judgment made in good faith by a responsible office, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee will not be bound to recognize any person as the Holder of a Bond unless and until that person's title as Holder has been established to the satisfaction of the Trustee, if disputed.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or with respect to exercising any trust or power conferred upon the Trustee hereunder. Counsel to the Trustee will at no time, for any purpose whatsoever, be deemed counsel to the Holders, and all communications between the Trustee and its counsel will be deemed confidential and privileged.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it hereby at the request, order, or direction of any of the Holders under the provisions hereof unless the Holders have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses, and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Holders for the payment of the interest on or the principal of the Bonds from its own funds; the Trustee's obligations will be limited to the performance of its express duties and obligations hereunder.

The Trustee will not be responsible for the validity or effectiveness or value of any collateral or security securing the Program Obligation. The Trustee will not be responsible or liable for the recording or filing or for the monitoring of any document relating to the Program Obligation or of financing statements (or continuation statements in connection therewith) or mortgage or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests or lien on or in any collateral or security securing the Program Obligation. The Trustee will not be deemed to have made representations of any sort as to the security afforded thereby or as to the validity or sufficiency of any document, collateral, or security.

The Trustee will not be deemed to have knowledge of any Event of Default hereunder unless and until an officer at the Trustee's Principal Corporate Trust Office responsible for the administration of the Trustee's duties and obligations hereunder has actual knowledge thereof or the Trustee has received written notice thereof at its Principal Corporate Trust Office. The Trustee will not be bound to ascertain or inquire as to the performance or observance of any of the agreements, conditions, covenants, or terms contained herein or as to the existence of an Event of Default hereunder.

The Trustee is entitled to advice of counsel and other professionals concerning all matters of trust and its duties and obligations hereunder, but the Trustee is not be answerable for the professional misconduct or malpractice of any attorney-at-law or certified public accountant in connection with the rendering of his or her professional advice in accordance with the terms hereof if the attorney-at-law or certified public accountant was selected by the Trustee in good faith.

The Trustee will not be required to monitor or be concerned with or accountable to anyone for the subsequent use or application of any money withdrawn and transferred to the Authority in accordance with the provisions hereof.

Whether or not herein or therein expressly so provided, every provision hereof or in any related documents relating to the conduct or affecting the liability of or affording protection to the Trustee will be subject to the provisions of this Article V.

The Trustee will be protected in acting upon any bond, certificate (including any Certificate of the Authority), consent, notice, opinion, order, report, request (including any Written Request of the Authority), requisition, resolution, facsimile transmission, electronic mail, or other document or paper believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of counsel will be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in good faith and in accordance therewith.

Whenever in the administration of its rights and obligations hereunder the Trustee deems it necessary or desirable that a matter be established or proved before taking or suffering any action hereunder, that matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Authority, which certificate will be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of any matter or may require any additional evidence as it may deem reasonable. But in no event will the Trustee be deemed to have expanded the scope of its duties and obligations hereunder.

No provision hereof requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties or obligations hereunder, or in the exercise of its rights or powers. The Trustee will be entitled to interest on all amounts advanced by it hereunder at its prime rate plus 2%, but not to exceed the maximum interest rate permitted under the laws of the State.

The Trustee will have no responsibility or liability with respect to any information, statement, or recital in any official statement or offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

The Trustee will have no duty to take any action hereunder in connection with any interest which the Trustee may have in any real estate unless the Trustee is indemnified to the Trustee's satisfaction for the payment and reimbursement of all fees, costs, and expenses to which it might be put and to protect it against all liability that may arise from the action, including, without limitation, any liability for environmental contamination or clean-up arising from the Trustee's ownership, operation, or use of the real estate.

All immunities, indemnifications, and releases from liability granted herein to the Trustee extend to the directors, employees, officers, and agents thereof.

The Trustee will not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of its obligations due to unforeseeable causes beyond its control and without its fault or negligence, including but not limited to acts of God, of the public enemy or terrorists, of

a government, or of the Authority; fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, or riot; inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material, or supplies in the open market; litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Program Obligation; malicious mischief, condemnation, or unusually severe weather or delays of suppliers or subcontractors due to such causes; or any similar event or occurrence beyond the control of the Trustee.

The Trustee shall accept and act upon facsimile transmission of written instructions or directions under the Indenture, subject to the following: (a) subsequent to the facsimile transmission of written instructions or directions, the Trustee must forthwith receive the originally executed instructions or directions; (b) the originally executed instructions or directions must be signed by a person as may be designated and authorized to sign for the party signing the instructions or directions; and (c) the Trustee must have received a current incumbency certificate containing the specimen signature of such designated person.

Any company into which the Trustee may be merged or converted or with which it may be consolidated; and any company resulting from any merger, conversion, or consolidation to which it is a party; and any company to which the Trustee sells or transfers all or substantially all of its corporate trust business, so long as the company meets the requirements set forth in Section 5.01, will be the successor to the Trustee and will be vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges, and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 5.03. Compensation and Indemnification of Trustee. In addition to any written fee agreements between the Authority and the Trustee, the Authority covenants to pay to the Trustee from time to time, and the Trustee will be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of its duties and obligations hereunder, and the Authority shall pay or reimburse the Trustee upon its request for all expenses, disbursements, and advances incurred or made by the Trustee or its affiliates or its directors, employees, and agents in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) other than any expense, disbursement, or advance that arises from the negligence or willful misconduct of the Trustee. The Authority, to the extent permitted by law, shall indemnify, defend, and hold harmless the Trustee against any loss, damages, liability, or expense incurred without negligence or willful misconduct on the part of the Trustee arising out of or in connection with (a) the acceptance or administration of the trusts created hereby or the exercise or performance of any of its express duties or obligations hereunder; or (b) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of any of the Bonds, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its duties and obligations hereunder, whether or not litigated. The rights of the Trustee and the obligations of the Authority under this section will survive the discharge of the Bonds and hereof and the resignation or removal of the Trustee.

## ARTICLE VI

### AMENDMENT OF SUPPLEMENT TO THE INDENTURE

#### SECTION 6.01. Procedure for Amendment of or Supplement to the Indenture.

(a) Amendment or Supplement with Consent of Holders. The Indenture and the rights and obligations of the Authority and of the Holders may be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the Authority and the Trustee, which Supplemental Indenture will become binding when the written consents of the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 6.02, have been filed with the Trustee, subject to the following:

(1) before executing any Supplemental Indenture, the Trustee must first be provided at the Authority's expense with an Opinion of Counsel that the Supplemental Indenture complies with the provisions hereof, on which opinion the Trustee may conclusively rely; and

(2) no amendment or supplement may (A) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Authority to pay the interest on or the principal of or make any Sinking Fund Payment for any Bond 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 Holder of the Bond, (B) permit the issuance by the Authority of any obligations payable from the Revenues other than the Bonds as provided herein or jeopardize the ability of the Authority to collect the Revenues, (C) reduce the percentage of Bonds required for the written consent to any amendment or supplement, or (D) modify any rights or obligations of the Trustee without its prior written assent thereto.

(b) Amendment or Supplement Without Consent of Holders. The Indenture and the rights and obligations of the Authority and of the Holders may also be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the Authority and the Trustee, which Supplemental Indenture will become binding upon execution without the prior written consent of any Holders, but only to the extent permitted by law and only after receiving an approving Opinion of Counsel and only for any one or more of the following purposes:

(1) To add to the agreements and covenants required herein to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority that will not (in the opinion of the Authority) adversely affect the interests of the Holders, or to surrender any right or power reserved herein to or conferred herein upon the Authority that will not (in the opinion of the Authority) adversely affect the interests of the Holders.

(2) To make such provisions for the purpose of curing any ambiguity or of curing, correcting, or supplementing any defective provision contained herein or in regard to questions arising hereunder that the Authority may deem desirable or necessary and not inconsistent herewith and that will not (in the opinion of the Authority) adversely affect the interests of the Holders.

(3) To add to the agreements and covenants contained herein such other agreements and covenants as may be necessary to qualify the Indenture under the Trust Indenture Act of 1939.

(4) To make such additions, deletions, or modifications as may be necessary or appropriate to insure compliance with Section 148(f) of the Code relating to the required rebate of excess investment earnings to the United States of America, or otherwise as may be necessary to ensure the exclusion from gross income for purposes of federal income taxation of the interest on the Bonds or the exemption of interest from State personal income taxes.

(5) To make such additions, deletions, or modifications as may be necessary or appropriate to maintain any then-current rating by any of the Rating Agencies on the Bonds.

(6) To add to the rights of the Trustee.

In connection with the proceedings for the execution of any Supplemental Indenture, the Authority shall provide each of the Rating Agencies with a notice of the amendment together with a copy of the proposed Supplemental Indenture at least 15 days before the execution and delivery thereof.

SECTION 6.02. Disqualified Bonds. Any Bonds owned or held for the account of the Authority will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in this Article VI or in Article VII and will not be entitled to consent to or take any other action provided for in this Article VI or in Article VII.

SECTION 6.03. Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds may bear a notation by endorsement in form approved by it as to that action, and in that case, upon demand of the Holder of any Bond Outstanding on the effective date and presentation of his or her Bond for that purpose at the Principal Corporate Trust Office of the Trustee, a suitable notation as to such action will be made on the Bond. If the Authority so determines, new Bonds so modified as, in the opinion of the Authority, will be necessary to conform to the action will be prepared and executed, and in that case, upon demand of the Holder of any Bond Outstanding on the effective date, the new Bonds will, upon surrender of the Outstanding Bonds, be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Holder, for Bonds then Outstanding.

SECTION 6.04. Amendment or Supplement by Mutual Consent. The provisions of this Article VI do not prevent any Holder from accepting any amendment or

supplement as to any particular Bonds held by him so long as due notation thereof is made on the Bonds.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

SECTION 7.01. Events of Default and Acceleration of Maturities. Each of the following events is an “Events of Default”:

(a) A default by the Authority in the due and punctual payment of any interest on or principal of or Sinking Fund Payment for any of the Bonds when and as the same become due and payable.

(b) A default by the Authority in the observance or performance of any of the other agreements or covenants contained herein required to be observed or performed by it, and the default has continued for a 30 days after the Authority receives notice in writing of the default by the Trustee.

(c) The Authority files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or a court with jurisdiction approves a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or, under the provisions of any other law for the relief or aid of debtors, any court of with jurisdiction assumes custody or control of the Authority or of the whole or any substantial part of its property.

(d) An Event of Default (as that term is defined in the Master Project Lease) has occurred under the Master Project Lease.

Upon the occurrence of an Event of Default and during the continuance of an Event of Default, the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and in each case so long as the Trustee is indemnified to its satisfaction therefor, shall, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any that declaration the same will, without further action, become due and payable, anything contained herein or in the Bonds to the contrary notwithstanding, subject to the following condition: if, at any time after the principal of the Bonds then Outstanding has been so declared due and payable, and before any judgment or decree for the payment of the money due has been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal of the Bonds matured before the declaration (with interest at the rate borne by the Bonds on the overdue interest and principal) and to pay the reasonable fees and expenses of the Trustee, and if any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be

adequate has been made therefor, then and in every such case the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the Holders of all the Bonds then Outstanding, rescind and annul the declaration and its consequences, except that no such rescission and annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

SECTION 7.02. Application of Funds Upon Acceleration. All money in the accounts and funds provided in Sections 3.02 and 3.03 upon the date of the declaration of acceleration by the Trustee as provided in Section 7.01, and all Revenues thereafter received by the Authority hereunder, will be transmitted to the Trustee and be applied by the Trustee in the following order:

First, to the payment of the fees, costs, and expenses of the Trustee, if any, in carrying out the provisions hereof and of any other agreement to which the Trustee is a party in connection herewith, including any outstanding fees and expenses of the Trustee and including reasonable compensation to its accountants and counsel, and thereafter to the payment of the costs and expenses of the Holders in providing for the declaration of the Event of Default, including reasonable compensation to their accountants and counsel.

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by the Bonds, and if the money is insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of the interest, principal, and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among the interest, principal, and interest on overdue interest and principal ratably to the aggregate of the interest, principal, and interest on overdue interest and principal.

SECTION 7.03. Institution of Legal Proceedings by Trustee. If one or more Events of Default occurs and is continuing, the Trustee may, and upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding, and, in each case so long as the Trustee is indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of the Holders of Bonds hereunder by a suit in equity or action at law, either for the specific performance of any agreement or covenant contained herein or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee deems most effectual in support of any of its rights and duties hereunder. Nothing contained herein or in the Bonds affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the interest on and the principal of the Bonds to the Holders of the Bonds as and when they become due as provided herein from the Revenues as provided herein pledged for payment, and nothing herein or in the Bonds affects or impairs the right of such Holders, which is also absolute and unconditional, to institute suit to enforce payment by virtue of the contract embodied herein and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Holder will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any right or remedy or be construed to be a waiver of any default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Holders by the Act or by this Article VII may be enforced and exercised from time to time and as often as deemed expedient by the Trustee or the Holders.

If any action, proceeding, or suit to enforce any right or exercise any remedy is abandoned, the Authority, the Trustee, and any Holder will be restored to their former positions, rights, and remedies as if the action, proceeding, or suit had not been brought or taken.

SECTION 7.04. Actions by Trustee as Attorney-in-Fact. Any action, proceeding, or suit that any Holder has the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Holders, whether or not the Trustee is a Holder, and the Trustee is hereby appointed (and the successive Holders, by taking and holding the Bonds issued hereunder, will be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Holders for the purpose of bringing any such action, , or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Holders as a class or classes as may be advisable or necessary in the opinion of the Trustee as attorney-in-fact. Notwithstanding any other provision hereof, in determining whether the rights of the Holders of the Bonds will be adversely affected by any action taken under the terms and provisions hereof, the Trustee shall consider the effect on the Holders of the Bonds as if there were no Bond Insurance Policy.

SECTION 7.05. Limitation on Bondholders' Right to Sue. No Holder of any Bond issued hereunder has the right to institute any suit, action, or proceeding, at law or equity, for any remedy hereunder against the Trustee unless (a) the Holder has previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute the suit, action, or proceeding in its own name; (c) the Holders have tendered to the Trustee reasonable security or indemnity against the costs, expenses, and liabilities to be incurred in compliance with the request; and (d) the Trustee has refused or omitted to comply with the request for 60 days after the request has been received by, and the tender of indemnity has been made to, the Trustee.

Each notification, request, tender of indemnity, and refusal or omission is hereby declared, in every case, to be a condition precedent to the exercise by any Holder of Bonds of any remedy hereunder. No single Holder and no group of Holders has the right in any manner whatever by his or her or their action to enforce any right hereunder except in the manner herein provided, and all proceedings at law or in equity to enforce any provision hereof must be instituted and maintained in the manner herein provided and for the equal benefit of all Holders of Outstanding Bonds.

SECTION 7.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every remedy is cumulative and in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

## ARTICLE VIII

### DEFEASANCE

#### SECTION 8.01. Discharge of the Bonds.

(a) If the Authority pays or causes to be paid, or if there shall otherwise be paid, to the Holders of all Outstanding Bonds the interest thereon and the principal thereof as and when they become due and payable in accordance with their terms or upon redemption proceedings as provided in the Indenture, or otherwise, and the whole amount of the principal and the interest so due and payable upon all of the Bonds is paid, or provision has been made for the payment of the same as provided herein, together with all other sums payable by the Authority under the Indenture, including all fees and expenses of the Trustee, then and in that case the Indenture and the lien created hereby will be completely discharged and satisfied and the Authority will be released from the agreements, conditions, covenants, and other obligations of the Authority contained in the Indenture, and the Trustee shall assign and transfer to or upon the order of the Authority all property, money, or securities (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances, and the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction.

(b) Any Outstanding Bonds shall, before the maturity date or redemption date thereof, be deemed to have been paid within the meaning of and with the effect expressed in Section 8.01(a) if there is on deposit with the Trustee money that is sufficient to pay the interest due on the Bonds on that date and the principal due on the Bonds on that date.

(c) Any Outstanding Bonds shall, before the maturity date or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in Section 8.01(a) (except that the Authority will remain liable for the payment of the Bonds, but only out of the money or securities deposited with the Trustee or an escrow agent as hereinafter described) if—

(1) in case any of Bonds to be redeemed on any date before their maturity date, the Authority has agreed to mail a notice of redemption under Section 10.09 to the Holders of all Outstanding Bonds to be redeemed and to DTC;

(2) there has been deposited with the Trustee or an escrow agent either money in an amount sufficient to pay when due or Defeasance Securities, the interest on and the principal of which when paid will provide money that, together with the money, if any, deposited with the Trustee or the escrow agent at the same time, will be sufficient to pay when due, the interest to become due on the Bonds on and before the maturity

dates or redemption dates thereof, as the case may be, and the principal of the Bonds on and before the maturity dates or the redemption dates thereof, as the case may be, as evidenced by—

(A) an Accountant’s Report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date (a “Verification”);

(B) an Escrow Deposit Agreement; and

(C) an Opinion of Counsel to the effect that the Bonds are no longer Outstanding hereunder; and

(3) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority has agreed to mail under Section 10.09 a notice to the Holders of the Bonds and to DTC that the deposit required by Section 8.01(c)(2) has been made with the escrow agent or the Trustee and that the Bonds are deemed to have been paid in accordance with this Section 8.01, and stating the maturity dates or redemption dates, as the case may be, upon which money will be available for the payment of the principal of the Bonds. Bonds will be deemed Outstanding under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

SECTION 8.02. Unclaimed Money. Anything herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or any interest thereon that remains unclaimed for two years after the date when the Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption before maturity, if the money was held by the Trustee on that date, or for two years after the date of deposit of the money if deposited with the Trustee after the date when the Bonds or interest thereon became due and payable, will be repaid by the Trustee to the Authority as its absolute property free from trust for use in accordance with the Act, and the Trustee will thereupon be released and discharged with respect thereto and the Holders will look only to the Authority for the payment of the Bonds and the interest thereon. Before the Trustee is required to make any such repayment, the Authority shall mail under Section 10.09 a notice to the Holders of all Outstanding Bonds and to DTC that the money remains unclaimed and that after a date named in the notice, which date must not be less than 30 days after the date of the mailing of the notice, the balance of such money then unclaimed will be returned to the City.

## ARTICLE IX

### PROVISIONS RELATING TO THE BOND INSURANCE POLICY, THE SURETY BOND AND THE BOND INSURER

[RESERVED]

## ARTICLE X

### MISCELLANEOUS

SECTION 10.01. Liability of Authority Limited to Revenues and Certain Other Funds. Notwithstanding anything contained herein, the Authority is not required to advance any money derived from any source of funds other than the Revenues and the other funds provided herein for the payment of the interest on or the principal of the Bonds or for the performance of any agreements or covenants contained herein. But the Authority may advance funds for any of these purposes so long as such funds are derived from a source legally available for the purpose without incurring an indebtedness.

The Bonds are limited obligations of the Authority and are payable from, and are secured as to the payment of the interest thereon and the principal thereof, in accordance with their terms and the terms hereof, solely from the Revenues and the other funds provided herein for their payment. The Bonds do not constitute a charge against the general credit of the Authority or the general credit of the City, and under no circumstances will the Authority be obligated to pay the interest on or the principal of the Bonds except from the Revenues and other funds. Neither the State nor any public agency thereof nor the City will be obligated to pay the interest on or the principal of the Bonds. Neither the faith and credit nor the taxing power of the Authority, the State, or any public agency thereof or the City is pledged to the payment of the interest on or the principal of the Bonds, and the payment of the interest on or the principal of the Bonds does not constitute a debt, liability, or obligation of the State, any public agency of the State, or the City.

SECTION 10.02. Benefits of the Indenture Limited to Certain Parties. Nothing contained herein, expressed or implied, confers upon, or gives or grants to, any entity or person other than the Authority, the Trustee, and the Holders any right, remedy, or claim under or by reason hereof or any covenant, condition, or stipulation hereof, and all covenants, stipulations, promises, and agreements required herein to be performed by or on behalf of the Authority are for the sole and exclusive benefit of the Authority, the Trustee, and the Holders.

SECTION 10.03. Successor Is Deemed Included in All References to Predecessor. Whenever either the Authority or any officer thereof is named or referred to herein, that reference includes the successor to the powers, duties, and functions with respect to the administration, control, and management of the Authority that are presently vested in the Authority or the officer, and all agreements and covenants required herein to be performed by or on behalf of the Authority or any officer thereof will bind and inure to the benefit of the successors of the Authority or officer whether so expressed or not.

SECTION 10.04. Execution of Documents by Holders. Any declaration, request, consent, or other instrument that is permitted or required herein to be executed by Holders may be in one or more instruments of similar tenor, and may be executed by Holders in person or by their attorneys duly authorized in writing. The fact and date of the execution by any Holder or his or her attorney of any declaration, request, consent, or other instrument or of any writing appointing the attorney may be proved by the certificate or other document of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or

territory in which he or she purports to act certifying that the person signing the declaration, request, consent, or other instrument or writing acknowledged to him or her the execution thereof, or by an affidavit of a witness to the execution duly sworn to before the notary public or other officer. The ownership of Bonds and the amount, maturity, number, and date of holding the same will be provided by the registration books required to be kept by the Trustee under Section 2.08.

Any declaration, request, consent, or other instrument or writing of the Holder of any Bond will bind all future Holders of the Bond with respect to anything done or suffered to be done by the Authority in good faith and in accordance therewith.

SECTION 10.05. Waiver of Personal Liability. No officer of the Authority will be individually or personally liable for the payment of the interest on or the principal of the Bonds by reason of their issuance, but nothing herein relieves any such officer from the performance of any official duty provided by the Act or any other applicable provisions of law or hereby.

SECTION 10.06. Deposit and Investment of Money in Accounts and Funds. All money held by the Treasurer in any account or fund established herein is to be invested in Legal Investments that mature not later than the date on which it is estimated that the money will be required to be paid out hereunder, and all money held by the Trustee in any account or fund established herein is to be invested by the Trustee under a Written Request of the Authority received by the Trustee at least two days before making any such investment in those Legal Investments specified in the Written Request of the Authority that mature not later than the date on which it is estimated that the money will be required to be paid out hereunder, and the Trustee may conclusively rely that any investment specified in any the Written Request of the Authority is a Legal Investment. In the absence of receipt of any Written Request of the Authority, the Trustee shall, to the extent practicable, invest the money in securities defined in paragraph (6) of the definition of Legal Investments in Section 1.01. For investment purposes, the Trustee may commingle the money in the accounts and funds established hereunder (except the money in the Reserve Account), but must account for each such fund or account separately. The Trustee (or any of its affiliates) may act as principal or agent or as sponsor, advisor, or manager in connection with the making or disposition of any investment by the Trustee hereunder and may impose its customary charges therefor, and the Trustee will not be responsible for any loss suffered in connection with any investment made in accordance herewith.

To the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority waives receipt of those confirmations to the extent permitted by law. But the Trustee shall furnish the Authority with periodic cash-transaction statements that include details for all investment transactions made by the Trustee hereunder.

All interest received on any money so deposited or invested that exceeds the requirements of the fund from which the money was deposited or invested must (subject to the requirements of Section 4.03) be deposited in the Revenue Fund, and all losses on any money so deposited or invested will be borne by the fund from which the deposit or investment was made.

The value of any Legal Investments (other than Legal Investments on deposit in the Reserve Account, which are governed by Section 3.03(d)) will be determined as follows:

(a) For the purpose of determining the amount in any fund, all Legal Investments credited to the fund will be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards from accepted industry providers.

(b) As to certificates of deposit and bankers' acceptances, the face amount thereof, plus accrued interest thereon.

(c) As to any investment not specified above, the value thereof established by prior agreement between the Authority and the Trustee.

SECTION 10.07. Acquisition of Bonds by Authority. All Bonds acquired by the Authority, whether by purchase or gift or otherwise, must be surrendered to the Trustee for cancellation as provided herein.

SECTION 10.08. Content of Certificates and Reports. Every certificate or report with respect to compliance with an agreement, condition, covenant, or term provided herein must include (a) a statement that the person or persons making or giving the certificate or report have read the agreement, condition, covenant, or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the opinion contained in such certificate or report is based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not the agreement, condition, covenant, or term has been satisfied; and (d) a statement as to whether, in the opinion of the signers, the agreement, condition, covenant or term has been satisfied.

Any certificate made or given by an officer of the Authority may be based, insofar as it relates to legal matters, upon a representation made in an Opinion of Counsel unless the officer knows that the representation with respect to the matters upon which his or her certificate may be based, as aforesaid, is erroneous, or unless, in the exercise of reasonable care, he or she should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the Authority, upon a representation by an officer or officers of the Authority unless the counsel giving the Opinion of Counsel knows that the representation with respect to the matters upon which his or her opinion may be based, as aforesaid, is erroneous, or unless, in the exercise of reasonable care, he or she should have known that the same was erroneous.

SECTION 10.09. Notice by Mail. Any notice required to be given by mail to any Holders or to DTC must be given by mailing a copy of such notice, first-class postage prepaid, to the Holders at their addresses appearing in the books required to be kept by the Trustee under the provisions of Section 2.08, or to DTC, not less than 20 days or more than 60 days following the action or before the event concerning which notice thereof is required to be given. Neither failure to receive any such notice nor any immaterial defect contained therein will affect the sufficiency or validity of the proceedings taken in connection with the action or the event concerning which the notice was given.

SECTION 10.10. Maintenance of Accounts and Funds. Any account or fund required herein to be established and maintained by the Treasurer or the Trustee may be maintained by the Treasurer or the Trustee, as the case may be, in its accounting records in its customary manner either as an account or a fund, and may, for the purposes of those accounting records, any audits thereof, and any financial reports or statements with respect thereto, be treated either as an account or as a fund. All accounting records with respect to all accounts and funds must at all times be maintained by the Treasurer and the Trustee in accordance with industry standards and with due regard for the protection of the security of the Bonds and the rights of the Holders.

SECTION 10.11. Article and Section Headings, Gender, and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto are solely for convenience of reference and do not affect the construction, effect, or meaning hereof. Words of any gender include all genders. All references herein to “Articles,” “Sections,” and other subdivisions are to the corresponding articles, sections, or subdivisions hereof. The words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” and “hereunder” and other words of similar import refer to the Indenture as a whole and not to any particular article, section, or subdivision hereof.

SECTION 10.12. CUSIP Numbers. Neither the Authority nor the Trustee will be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice relating thereto, and the Trustee may, in its discretion, include in any redemption notice relating to any of the Bonds a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in the notice solely for the convenience of the Holders and that neither the Authority nor the Trustee will be liable for any defects or inaccuracies in such numbers.

SECTION 10.13. Partial Invalidity. If any one or more of the agreements, conditions, covenants, or terms or portions thereof required hereby to be observed or performed by the Authority or the Trustee is contrary to law, then that agreement or agreements, that condition or conditions, that covenant or covenants, and that term or terms or the portions thereof will be null and void and will be deemed separable from the remaining agreements, conditions, covenants, or terms or portions thereof and will in no way affect the validity hereof or of the Bonds; and the Holders will retain all the rights and benefits accorded to them under the Act or any other applicable provisions of law. The Authority hereby declares that it would have executed the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause, and phrase hereof and would have authorized the issuance of the Bonds under this Indenture irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses, or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable, or invalid.

SECTION 10.14. Governing Law. The Indenture is to be governed by and construed and interpreted in accordance with the laws of the State.

SECTION 10.15. Notices. All written notices to be given hereunder must be given by first-class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Authority:

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

If to the Trustee:

The Bank of New York Mellon Trust Company, N.A.  
550 Kearny Street, Suite 600  
San Francisco, California 94108  
Attention: Corporate Trust Department  
FAX: 415/399-1647

If to the Bond Insurer:

[ADD CONTACT]

Attention: Risk Management

SECTION 10.16. Execution in Counterparts. The Indenture may be executed in several counterparts, each of which will be deemed an original, and all of which will constitute but one and the same instrument.

SECTION 10.17. Effective Date of the Indenture. The Indenture takes effect from and after its execution and delivery.

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

SACRAMENTO CITY FINANCING  
AUTHORITY

By: \_\_\_\_\_  
Russell T. Fehr, Treasurer

ATTEST:

\_\_\_\_\_  
Secretary

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

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**SCHEDULE OF PRIOR BONDS**

<u>Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Being Refunded</u>	<u>Date of Payment or Redemption</u>	<u>Redemption Price</u>
--------------	----------------------	----------------------	-------------------------------------	--	--------------------------------------	-------------------------

2002 Bonds

2003 Bonds

**SCHEDULE OF PRIOR BONDS**  
(continued)

Issue	Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount Being Refunded	Date of Payment or Redemption	Redemption Price
-------	------------------	------------------	------------------------------------	---------------------------------------	-------------------------------------	---------------------

2005 Bonds

2006A Bonds

2006C Bonds

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Certificate”), dated as of June 1, 2015, is executed and delivered by the City of Sacramento (the “City”) in connection with the issuance of the 2015 Refunding Revenue Bonds (Master Lease Program Facilities) (the “Bonds”) by the Sacramento City Financing Authority (the “Authority”). The 2015 Bonds are being issued under an Indenture dated as of September 1, 2015 (the “2015 Indenture”) by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “Trustee”).

The City 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 (defined in Section 2 below).

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

“Annual Report” means any Annual Report the City provides in accordance with Sections 3 and 4 below.

“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-tax purposes.

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

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

“EMMA” means the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board (which can be found at [www.emma.msrb.org](http://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) below.

“Official Statement” means the official statement with respect to the Bonds, dated September \_\_, 2015.

“Participating Underwriters” means the underwriters listed on the cover page of the Official Statement.

“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.

SECTION 3. Provision of Annual Reports.

(a) Beginning with the fiscal year ending June 30, 2015, the City shall provide to EMMA, or shall cause the Dissemination Agent to provide to EMMA, not later than the last day of the ninth month after the end of the City's fiscal year (which currently ends on June 30), an Annual Report that is consistent with the requirements of Section 4 below. If the Dissemination Agent is other than the City, then the City shall provide the Annual Report (in a form suitable for filing with EMMA) to the Dissemination Agent not later than 15 business days before the date referred to in the prior sentence. 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 below, except that the City'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) If the Dissemination Agent is an entity other than the City, then the provisions of this Section 3(b) will apply. The City shall provide the Annual Report to the Dissemination Agent not later than 15 Business Days before the date specified in Section 3(a) for providing the Annual Report. If the Dissemination Agent has not received a copy of the Annual Report by the 15th Business Day before the due date for the Annual Report, then the Dissemination Agent shall contact the City to determine whether the City will be filing the Annual Report in compliance with Section 3(a). The City 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 the City must furnish under this Certificate. The Dissemination Agent may conclusively rely upon the City's certification and will have no duty or obligation to review the Annual Report.

(c) If the Annual Report has not 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 City, then, after receipt of the Annual Report, the Dissemination Agent shall promptly file a report with the City 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 EMMA system or in another manner approved under the Rule.

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

(a) The City's audited financial statements for the City'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 above, 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) The City's Annual Budget for the then-current fiscal year.

(c) To the extent it is not included in the documents described in Sections 4(a) and 4(b) above, an update of the information in the tables of Appendix A to the Official Statement that are titled "STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE," "GROSS ASSESSED VALUES FOR ALL TAXABLE PROPERTY," "CITY OF

SACRAMENTO LARGEST LOCAL SECURED TAXPAYERS,” and “GENERAL FUND OBLIGATION DEBT SERVICE.” The updated information must reflect the most recently completed fiscal year and must be substantially in the form of the corresponding tables in Appendix A.

(d) 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 City 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 through EMMA.

SECTION 5. Reporting of Significant Events.

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

(d) The undertakings set forth in this Certificate are the City's responsibility, and the Dissemination Agent, if other than the City, is not responsible for determining whether the City's instructions to the Dissemination Agent under this Section 5 comply with the Rule.

SECTION 6. Termination of Reporting Obligation. The obligations of the City 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 City shall give notice of the termination in the same manner as for a Listed Event under Section 5 above.

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

SECTION 8. Amendment.

(a) The City may amend this Certificate 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 City or the type of business the City conducts;
- (2) in the opinion of a nationally recognized bond counsel, the undertakings in this Certificate as so amended or waived would have complied with 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 City's determination, 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 after the amendment 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.

SECTION 9. Additional Information. This Certificate does not prevent the City 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 City 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 City 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 City 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 City and the Dissemination Agent to comply with their 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 City 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 City is acting as the Dissemination Agent, the Dissemination Agent will have only the duties specifically set forth in this Certificate, and the City shall indemnify and save the Dissemination Agent and its officers, directors, employees, and agents harmless against all losses, expenses, and liabilities they may incur that arise out of, or in the exercise or performance of, their powers and duties under this Certificate, including the costs and expenses (including reasonable attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The City 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, reasonable 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 City provides to it under this Certificate. The City's obligations under this Section 11 will survive the Dissemination Agent's resignation or removal and the 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 City, the Dissemination Agent, the Participating Underwriters, and the 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

**NEW ISSUE - BOOK-ENTRY ONLY**

**RATINGS:**  
**Moody's:**  
**Standard & Poor's:**  
**(See "RATINGS" herein)**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, 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 2015 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 2015 Bonds is not a specific preference item for purposes of 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 2015 Bonds. See "TAX MATTERS."*

§ \_\_\_\_\_ \*

**SACRAMENTO CITY FINANCING AUTHORITY**  
**2015 REFUNDING REVENUE BONDS (MASTER LEASE PROGRAM FACILITIES)**

**Dated: Date of Delivery**

**Due: December 1, as shown on inside cover**

*This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein.*

The 2015 Refunding Revenue Bonds (Master Lease Program Facilities) (the "**2015 Bonds**") are being issued by the Sacramento City Financing Authority (the "**Authority**") for the purpose of providing funds (i) together with other available funds, to refund certain of the Authority's outstanding bonds as more particularly described herein (the "**Prior Bonds**"), (ii) to make a required deposit to the 2015 Reserve Account, and (iii) to pay costs of issuance of the 2015 Bonds. See "THE PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The 2015 Bonds are being issued pursuant to an Indenture, dated as of September 1, 2015 (the "**2015 Indenture**"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "**Trustee**"). The 2015 Bonds are limited obligations of the Authority and are payable solely from Revenues, which consist primarily of 2015 Base Rental Payments paid by the City of Sacramento (the "**City**") under to a Tenth Amendment to Master Project Lease as described herein, and certain amounts on deposit with the Trustee (together with certain investment earnings). See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS" herein. The City's obligation to make Base Rental Payments, including the 2015 Base Rental Payments, under the Master Project Lease is subject to abatement during any period in which, by reason of material damage or destruction or condemnation there is substantial interference with the use and possession by the City of any portion of the Master Leased Project. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS - Abatement" herein.

The 2015 Bonds are issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof and, when issued, 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 for the 2015 Bonds. Individual purchases of the 2015 Bonds will be made in book-entry form only. Interest on the 2015 Bonds is payable on June 1 and December 1 of each year, commencing [[December 1, 2015]]. Payments of principal, premium, if any and interest on the 2015 Bonds will be paid by the Trustee to DTC which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2015 Bonds.

The 2015 Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as described herein.

THE 2015 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE FROM AND SECURED AS TO THE PAYMENT THEREOF SOLELY FROM THE REVENUES AND THE OTHER FUNDS PROVIDED IN THE 2015 INDENTURE FOR THEIR PAYMENT. THE 2015 BONDS ARE NOT A DEBT OF THE CITY OR THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE

---

\* 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.

AUTHORITY), AND NEITHER THE CITY NOR THE STATE OF CALIFORNIA NOR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE AUTHORITY) IS LIABLE THEREFOR.

**Maturities and principal amount of, and interest rates and yields on the 2015 Bonds are set forth on the inside cover.**

The 2015 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority and the City by the Sacramento City Attorney, and Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by Jones Hall, A Professional Law Corporation. It is expected that the 2015 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about September \_\_, 2015.

**MORGAN STANLEY**

**STIFEL**

Dated: September \_\_, 2015

**Maturity Schedule**

\$ \_\_\_\_\_  
**SACRAMENTO CITY FINANCING AUTHORITY**  
**2015 REFUNDING REVENUE BONDS (MASTER LEASE PROGRAM FACILITIES)**

<u>Maturity</u> <u>(Dec. 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP<sup>†</sup></u> <u>Number</u>
------------------------------------	-----------------------------------	--------------------------------	--------------	---

\$ \_\_\_\_\_ % Term Bonds due December 1, 20\_\_\_, Yield \_\_\_\_\_ %, CUSIP<sup>†</sup> No. \_\_\_\_\_  
\$ \_\_\_\_\_ % Term Bonds due December 1, 20\_\_\_, Yield \_\_\_\_\_ %, CUSIP<sup>†</sup> No. \_\_\_\_\_

---

<sup>†</sup> 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 Authority, the City nor the Underwriters take any responsibility for the accuracy of such numbers.

All information for investors regarding the Authority, the City and the 2015 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 2015 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 2015 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. 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 2015 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or in any matters expressed herein since the date of the Official Statement. All summaries of the 2015 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 Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” and other similar words.

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 F 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 Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the 2015 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 Underwriters may offer and sell the 2015 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 Underwriters.

The 2015 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The 2015 Bonds have not been registered or qualified under the securities laws of any state.

**MAYOR AND CITY COUNCIL**

**AND**

**SACRAMENTO CITY FINANCING AUTHORITY BOARD**

Kevin Johnson, *Authority Chair/Mayor*  
Angelique Ashby, *Authority/City Council Member/Mayor Pro Tem*  
Allen Wayne Warren, *Authority/Council Member/Vice Mayor*  
Jeff Harris, *Authority/Council Member*  
Jay Schenirer, *Authority/City Council Member*  
Steve Hansen, *Authority/Council Member*  
Eric Guerra, *Authority/Council Member*  
Rick Jennings, II, *Authority/Council Member*  
Larry Carr, *Authority/Council Member*

**CITY OF SACRAMENTO**

**City Personnel and Authority Staff**

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**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

**Verification Agent**

Causey Demgen Moore, P.C.  
Minneapolis, Minnesota

**TABLE OF CONTENTS**

	<b>Page</b>
INTRODUCTION .....	1
Purpose.....	1
Authority for Issuance.....	2
The City of Sacramento .....	2
The Authority.....	2
Security for the 2015 Bonds .....	2
The Program Obligation and the Master Project Lease .....	2
Abatement.....	3
The Master Site Lease.....	3
Additional Master Lease Bonds.....	3
Bonds Constitute Limited Obligations.....	3
Potential Bond Insurance .....	3
Continuing Disclosure .....	4
Certain Risk Factors.....	4
Other Matters .....	4
THE PLAN OF REFUNDING .....	4
ESTIMATED SOURCES AND USES OF FUNDS .....	9
THE 2015 BONDS .....	9
General.....	9
Redemption.....	9
DEBT SERVICE SCHEDULE.....	12
SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS.....	13
Pledge Under the 2015 Indenture.....	13
Master Project Lease.....	14
THE MASTER LEASED PROJECT .....	18
CITY FINANCIAL INFORMATION.....	18
CITY FINANCIAL PRESSURES.....	19
RISK FACTORS .....	20
General.....	20
Limited Obligation; Base Rental Payments Are Not Debt .....	20
Valid and Binding Covenant to Budget and Appropriate .....	21
Abatement.....	21
Risk of Uninsured Loss.....	21

Natural Disasters .....	22
Eminent Domain .....	22
Hazardous Substances.....	23
Bankruptcy.....	23
Limitations on Remedies .....	24
No Acceleration; No Right to Relet Master Leased Project.....	24
No Liability of Authority to the Holders .....	24
State Budget.....	25
Limited Secondary Market .....	25
Changes in Law.....	25
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS .....	25
Article XIII A of the State Constitution.....	25
Article XIIB of the State Constitution .....	26
Articles XIIC and XIID of the State Constitution.....	27
Statutory Spending Limitations .....	28
Proposition 1A .....	29
Proposition 22 .....	29
Future Initiatives .....	30
THE AUTHORITY .....	30
THE CITY .....	30
CERTAIN LEGAL MATTERS.....	30
CONTINUING DISCLOSURE.....	30
LITIGATION.....	31
TAX MATTERS.....	31
VERIFICATION OF MATHEMATICAL ACCURACY .....	33
RATINGS .....	33
AUDITED FINANCIAL STATEMENTS .....	34
UNDERWRITING .....	34
EXECUTION AND DELIVERY .....	35
APPENDIX A - GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO..	A-1
APPENDIX B - CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014.....	B-1
APPENDIX C - THE MASTER LEASED PROJECT.....	C-1
APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS .....	D-1
APPENDIX E - PROPOSED FORM OF BOND COUNSEL OPINION .....	E-1
APPENDIX F - FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	F-1
APPENDIX G - BOOK ENTRY ONLY SYSTEM.....	G-1

## OFFICIAL STATEMENT

\$ \_\_\_\_\_ \*

### SACRAMENTO CITY FINANCING AUTHORITY 2015 REFUNDING REVENUE BONDS (MASTER LEASE PROGRAM FACILITIES)

#### INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the 2015 Bonds being offered and a brief description of the Official Statement (which includes the cover page and Appendices hereto). All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the “**State**”) and any documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given them in the 2015 Indenture or the Master Project Lease (as each term is defined below). See APPENDIX D—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

#### Purpose

The purpose of this Official Statement, including the cover page and appendices hereto, is to provide certain information concerning the issuance by the Sacramento City Financing Authority (the “**Authority**”) of its 2015 Refunding Revenue Bonds (Master Lease Program Facilities) (the “**2015 Bonds**”) in the aggregate principal amount of \$ \_\_\_\_\_ \*. The 2015 Bonds are being issued to provide funds (i) to, together with other available funds, refund the Prior Bonds (as defined below), (ii) to make a required deposit to the 2015 Reserve Account, and (iii) to pay costs of issuance of the 2015 Bonds. The Prior Bonds consist of the following:

- \$6,710,000 aggregate principal amount of the Sacramento City Financing Authority 2002 Revenue Bonds, Series A (City Hall and Redevelopment Projects) (the “**2002 Bonds**”);
- \$15,395,000 aggregate principal amount of the Sacramento City Financing Authority 2003 Capital Improvement Revenue Bonds (911 Call Center and Other Municipal Projects) (the “**2003 Bonds**”);
- \$139,180,000 aggregate principal amount of the Sacramento City Financing Authority 2005 Refunding Revenue Bonds (Solid Waste, Redevelopment and Master Lease Program Facilities ) (the “**2005 Bonds**”);
- \$70,740,000 aggregate principal amount of the Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program) (the “**2006A Bonds**”); and
- \$25,605,000 aggregate principal amount of the Sacramento City Financing Authority 2006 Revenue Bonds, Series C (Community Reinvestment Capital Improvement Program) (the “**2006C Bonds**”).

See “THE PLAN OF REFUNDING” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

---

\* Preliminary; subject

## **Authority for Issuance**

The 2015 Bonds are being issued under the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the Government Code of the State (the “**Act**”); a resolution of the Authority adopted on \_\_\_\_\_, 2015; a resolution of the City of Sacramento (the “**City**”) adopted on July \_\_, 2015 and an Indenture, dated as of September 1, 2015 (the “**2015 Indenture**”) between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”). The City will enter into the Tenth Amendment to Master Project Lease (as described herein) under and in accordance with its charter, applicable laws of the State and the foregoing resolutions.

## **The City of Sacramento**

The City is located at the confluence of the Sacramento and American Rivers in the northern part of California’s Central Valley, approximately 75 air miles northeast of San Francisco. As of January 1, 2014, the City had an estimated population of 480,015. See APPENDIX A — “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO.”

## **The Authority**

The Authority is a joint exercise of powers authority organized under the laws of the State and composed of the City and the Housing Authority of the City of Sacramento (the “Housing Authority”). The Authority was created primarily to provide financing of public capital improvements and the purchase by the Authority of local obligations within the meaning of the Act.

## **Security for the 2015 Bonds**

The 2015 Bonds are limited obligations of the Authority, payable from and secured as to the payment of the principal thereof and the interest thereon solely from Revenues. Revenues consist of the 2015 Base Rental Payments paid by the City under the Program Obligation described below, all moneys in the funds and accounts under the 2015 Indenture (other than the Rebate Fund) and all investment income with respect to any money held by the Trustee (other than moneys on deposit in the Rebate Fund). The Authority has entered into the Program Obligation under a program to provide assistance to the City in the financing and refinancing of capital improvements to achieve its public purposes. See APPENDIX A- “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO” for a discussion of certain financial, economic and demographic information with respect to the City.

## **The Program Obligation and the Master Project Lease**

The Program Obligation, payment of which secures repayment of the 2015 Bonds, consists of a Tenth Amendment to Master Project Lease, dated as of September 1, 2015 (the “**Tenth Amendment**”), between the Authority and the City. The Tenth Amendment amends a Master Project Lease, dated as of December 1, 1999, as amended (the “**Master Project Lease**”) between the Authority and the City, under which the City leases various real properties and improvements thereon from the Authority (the “**Master Leased Project**”). See APPENDIX C - “THE MASTER LEASED PROJECT.” The Tenth Amendment requires the City to make scheduled base rental payments (the “**2015 Base Rental Payments**”) as part of the aggregate payments required to be made by the City to the Authority under the Master Project Lease (the “**Base Rental Payments**”). The 2015 Base Rental Payments are calculated to be equal to the scheduled debt service on the 2015 Bonds. The Base Rental Payments secure several series of bonds issued by the Authority, as listed in the table appearing under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS - Master Project Lease - General.” Each such series of bonds

secured by Base Rental Payments, including the 2015 Bonds, is referred to herein as “Master Lease Bonds.” All of the Base Rental Payments are payable June 1 and December 1, and, except to the extent Base Rental Payments are abated under the Master Project Lease, the failure of the City to pay any Base Rental Payments when due will constitute an Event of Default under the Master Project Lease.

### **Abatement**

Base Rental Payments may be abated during any period in which, by reason of material damage or destruction or condemnation there is substantial interference with the use and possession by the City of the Master Leased Project. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS - Master Project Lease,” “RISK FACTORS - Abatement” and APPENDIX D - “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS -The Master Project Lease and the First through Tenth Amendments to Master Project Lease” for a discussion of certain provisions of the Master Project Lease.

### **The Master Site Lease**

The real properties leased by the Authority to the City under the Master Project Lease are leased to the Authority by the City pursuant to a Master Site Lease, dated as of December 1, 1999, as amended (the “**Master Site Lease**”). The property leased by the City to the Authority under the Master Site Lease constitutes the “**Master Site**.”

### **Additional Master Lease Bonds**

The Authority may not issue additional bonds under the 2015 Indenture. However, the City may, under the terms of the Master Project Lease, enter into additional amendments to the Master Project Lease to secure additional Master Lease Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS - Master Project Lease- General” and APPENDIX D - “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - The Master Project Lease and the First through Tenth Amendments to Master Project Lease.”

### **Bonds Constitute Limited Obligations**

The 2015 Bonds are limited obligations of the Authority payable from and secured as to the payment thereof solely from the Revenues and the other funds provided in the 2015 Indenture for their payment. The 2015 Bonds are not a debt of the City or the State or any public agency thereof (other than the Authority), and neither the City nor the State nor any public agency thereof (other than the Authority) is liable therefor.

### **Potential Bond Insurance**

As more fully described herein, the City has applied for, and may obtain, a municipal bond insurance policy. The policy, if obtained, would guarantee the scheduled payment of principal of, and interest on, the 2015 Bonds covered thereby. The City may also obtain a surety policy to satisfy the Reserve Requirement for the 2015 Bonds. The City’s decision whether to obtain such a municipal bond insurance policy or a surety policy will be made at or about the time of pricing of the 2015 Bonds and will be based upon, among other things, market conditions at the time of pricing. No assurance can be given as to whether the City will obtain a municipal bond insurance policy or a surety policy. If a municipal bond insurance policy is obtained, the policy may cover less than all of the 2015 Bonds.

## Continuing Disclosure

The City has covenanted for the benefit of the Holders and Beneficial Owners of the 2015 Bonds to provide certain financial information and operating data by not later than the end of the ninth month following the end of the City's Fiscal Year (which as of the date of this Official Statement is June 30) (the "**Annual Report**"), commencing with the Annual Report for Fiscal Year 2014-15, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of the enumerated events will be filed by the City with the Municipal Securities Rulemaking Board through its EMMA website. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in APPENDIX F - "FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. This covenant has been made in order to assist the underwriters of the 2015 Bonds (the "**Underwriters**") in complying with S.E.C. Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE" for additional information, including information regarding the City's history of compliance with previous continuing-disclosure undertakings.

## Certain Risk Factors

See "RISK FACTORS" for a description of certain risks associated with an investment in the 2015 Bonds.

## Other Matters

Copies of the 2015 Indenture will be available for inspection at the City's offices in Sacramento, California, and will be available upon request and payment of duplication costs from the Trustee.

## THE PLAN OF REFUNDING

A portion of the proceeds of the 2015 Bonds is expected to be applied to the refunding of all or a portion of the 2002 Bonds, 2003 Bonds, 2005 Bonds, 2006A Bonds and 2006C Bonds, as more particularly set forth in the tables below.

A portion of the Prior Bonds will be refunded from the proceeds of bonds (the "**Tax Allocation Bonds**," or "**TABs**") expected to be issued by the Redevelopment Agency Successor Agency to the dissolved Redevelopment Agency of the City (the "**Successor Agency**") contemporaneously with the issuance of the 2015 Bonds. (Issuance of the TABs is a condition precedent to the issuance of the 2015 Bonds.) The Tax Allocation Bonds will be secured solely by the tax allocation revenues and other amounts pledged therefor under the indenture pursuant to which the Tax Allocation Bonds will be issued. The Tax Allocation Bonds will not be secured by payments required to be made by the City under the Master Project Lease.

The summary table below shows the aggregate amount of Prior Bonds to be refunded and the respective redemption dates and redemption prices.

**Sacramento City Financing Authority Bonds to Be Refunded**

<b>Series</b>	<b>Series Name</b>	<b>Outstanding Principal</b>	<b>Redemption Date</b>	<b>Redemption Price</b>
2002 Bonds	2002 Revenue Bonds, Series A (City Hall and Redevelopment Projects)	\$6,710,000	[Sept __, 2015]	100%
2003 Bonds	2003 Capital Improvement Revenue Bonds (911 Call Center and Other Municipal Projects)	15,395,000	[Sept __, 2015]	100%
2005 Bonds	2005 Refunding Revenue Bonds (Solid Waste, Redevelopment and Master Lease Program Facilities)	139,180,000	Dec. 1, 2015	100%
2006A Bonds	2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program)	70,740,000	Dec. 1, 2016	100%
2006C Bonds	2006 Revenue Bonds, Series C (Community Reinvestment Capital Improvement Program)	25,605,000	Dec. 1, 2016	100%
	<b>Total</b>	<b>\$257,630,000</b>		

The tables on the following pages set forth the currently outstanding par amount and maturities of the Prior Bonds, the particular maturities and amounts that the City currently expects may be refunded from the proceeds of the 2015 Bonds and the proceeds of the Tax Allocation Bonds, and other information. The particular Prior Bonds to be redeemed will be determined on the date of sale of the 2015 Bonds depending on market conditions.

**Sacramento City Financing Authority 2002 Revenue Bonds, Series A  
(City Hall and Redevelopment Projects)**

<b>Maturity Date (December 1)</b>	<b>CUSIP<sup>†</sup></b>	<b>Principal Amount Outstanding</b>	<b>Principal Amount Being Refunded by 2015 Bonds*</b>	<b>Principal Amount Being Refunded by TABs*</b>	<b>Unrefunded Principal Amount*</b>
2015		\$250,000	\$165,000	\$85,000	\$0
2015		1,720,000	0	1,720,000	0
2016		250,000	160,000	90,000	0
2016		1,810,000	0	1,810,000	0
2017		775,000	680,000	95,000	0
2017		1,905,000	0	1,905,000	0
<b>Total</b>		<b>\$6,710,000</b>	<b>\$1,005,000</b>	<b>\$5,705,000</b>	<b>\$0</b>

<sup>†</sup> 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 Authority, the City nor the Underwriters take any responsibility for the accuracy of such numbers.

\* Preliminary; subject to change.

**Sacramento City Financing Authority 2003 Capital Improvement Revenue Bonds  
(911 Call Center and Other Municipal Projects)**

Maturity Date (December 1)	CUSIP <sup>†</sup>	Principal Amount Outstanding	Principal Amount Being Refunded by 2015 Bonds*	Principal Amount Being Refunded by TABs*	Unrefunded Principal Amount*
2015		\$2,115,000	\$2,115,000	\$0	\$0
2016		2,245,000	2,245,000	0	0
2017		2,385,000	2,385,000	0	0
2018		2,610,000	2,610,000	0	0
2019		1,800,000	1,800,000	0	0
2020		1,550,000	1,550,000	0	0
2021		150,000	150,000	0	0
2022		155,000	155,000	0	0
2023		165,000	165,000	0	0
2024		165,000	165,000	0	0
2027		555,000	555,000	0	0
2033		1,500,000	1,500,000	0	0
<b>Total</b>		<b>\$15,395,000</b>	<b>\$15,395,000</b>	<b>\$0</b>	<b>\$0</b>

**Sacramento City Financing Authority 2005 Refunding Revenue Bonds  
(Solid Waste, Redevelopment and Master Lease Program Facilities)**

Maturity Date (December 1)	CUSIP <sup>†</sup>	Principal Amount Outstanding	Principal Amount Being Refunded by 2015 Bonds*	Principal Amount Being Refunded by TABs	Unrefunded Principal Amount
2015		\$15,080,000	\$11,540,000	\$3,540,000	\$0
2016		15,830,000	12,115,000	3,715,000	0
2017		16,110,000	12,205,000	3,905,000	0
2018		13,375,000	11,780,000	1,595,000	0
2019		13,935,000	12,270,000	1,665,000	0
2020		13,670,000	13,045,000	625,000	0
2021		14,235,000	13,590,000	645,000	0
2023		8,135,000	6,880,000	1,255,000	0
2024		4,290,000	3,690,000	600,000	0
2026		9,130,000	7,855,000	1,275,000	0
2029		15,390,000	13,240,000	2,150,000	0
<b>Total</b>		<b>\$139,180,000</b>	<b>\$118,210,000</b>	<b>\$20,970,000</b>	<b>\$0</b>

<sup>†</sup> 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 Authority, the City nor the Underwriters take any responsibility for the accuracy of such numbers.

\* Preliminary; subject to change.

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

Maturity Date (December 1)	CUSIP <sup>†</sup>	Principal Amount Outstanding	Principal Amount Being Refunded by 2015 Bonds*	Principal Amount Being Refunded by TABs*	Unrefunded Principal Amount*
2015		\$3,360,000	\$3,140,000	\$220,000	0
2016		3,510,000	3,280,000	230,000	0
2017		2,060,000	1,820,000	240,000	0
2018		2,150,000	1,900,000	250,000	0
2019		2,240,000	1,980,000	260,000	0
2020		2,355,000	2,080,000	275,000	0
2021		2,445,000	2,165,000	280,000	0
2022		2,555,000	2,260,000	295,000	0
2023		2,680,000	2,370,000	310,000	0
2024		2,820,000	2,490,000	330,000	0
2025		2,960,000	2,615,000	345,000	0
2026		3,105,000	2,745,000	360,000	0
2031		18,045,000	15,940,000	2,105,000	0
2036		20,455,000	17,765,000	2,690,000	0
<b>Total</b>		<b>\$70,740,000</b>	<b>\$62,550,000</b>	<b>\$8,190,000</b>	<b>\$0</b>

<sup>†</sup> 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 Authority, the City nor the Underwriters take any responsibility for the accuracy of such numbers.

\* Preliminary; subject to change.

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

Maturity Date (December 1)	CUSIP <sup>†</sup>	Principal Amount Outstanding	Principal Amount Being Refunded by 2015 Bonds*	Principal Amount Being Refunded by TABs*	Unrefunded Principal Amount*
2016		\$245,000	\$245,000	\$0	\$0
2017		755,000	755,000	0	0
2018		795,000	795,000	0	0
2019		835,000	835,000	0	0
2020		880,000	880,000	0	0
2021		925,000	925,000	0	0
2022		970,000	970,000	0	0
2023		1,020,000	1,020,000	0	0
2024		1,075,000	1,075,000	0	0
2025		1,130,000	1,130,000	0	0
2026		1,185,000	1,185,000	0	0
2031		6,915,000	6,915,000	0	0
2036		8,875,000	8,875,000	0	0
<b>Total</b>		<b>\$25,605,000</b>	<b>\$25,605,000</b>	<b>\$0</b>	<b>\$0</b>

Under separate escrow agreements relating to each series of the Prior Bonds, each dated as of September 1, 2015 (the “**Escrow Agreements**”), and each between the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “**Escrow Agent**”), a portion of the proceeds of the 2015 Bonds, together with other available moneys, will be deposited into separate accounts relating to each series of the Prior Bonds and will be held by the Escrow Agent. Amounts deposited into each escrow fund will be applied to purchase certain direct noncallable United States Treasury obligations, the principal of and interest on which will be sufficient, together with moneys on deposit in the escrow fund, to pay the principal, interest, and redemption premium, if any, on the applicable Series of Prior Bonds as the same become due and payable at maturity or by prior redemption. Upon such deposit, the Prior Bonds will no longer be deemed to be outstanding, except as to the rights of the owners of the Prior Bonds to receive payments from the applicable escrow fund held under the applicable Escrow Agreement. Amounts on deposit under the Escrow Agreements will not be available for payment of the 2015 Bonds.

<sup>†</sup> 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 Authority, the City nor the Underwriters take any responsibility for the accuracy of such numbers.

\* Preliminary; subject to change.

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the 2015 Bonds are as follows:

**Sources:**

Principal Amount	\$
Net Original Issue Premium	
[Amounts Available from Refunded Bond Accounts]	
Total Sources	

**Uses:**

Deposit to Escrow Funds
2015 Reserve Account
Costs of Issuance <sup>(1)</sup>
Total Uses

---

<sup>(1)</sup> Includes fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Trustee, Underwriters' discount, consulting fees, municipal bond insurance policy and surety policy (if applicable), rating-agency fees, printing costs, and certain miscellaneous expenses.

## THE 2015 BONDS

### General

The 2015 Bonds will be dated the date of their delivery and will bear interest from such date payable on [[December 1, 2015]] and semi-annually thereafter on each June 1 and December 1. Interest on the 2015 Bonds will be calculated on the basis of a 360-day year of twelve 30-day calendar months.

The 2015 Bonds will be delivered in fully registered form only, and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2015 Bonds. Ownership interests in the 2015 Bonds may be purchased in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Payments of principal, premium, if any, and interest on the 2015 Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest on the 2015 Bonds to its DTC Participants for subsequent disbursement to the beneficial owners of the 2015 Bonds. So long as Cede & Co. is the registered owner of the 2015 Bonds, as nominee of DTC, references herein to the Holders of the 2015 Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the 2015 Bonds. See APPENDIX G - "BOOK ENTRY ONLY SYSTEM" herein for a further description of DTC and its book-entry system.

### Redemption

**Optional Redemption.** The 2015 Bonds maturing on or after December 1, 20\_\_ are subject to optional redemption by the Authority before their stated maturity dates as a whole or in part on any date on or after December 1, 20\_\_, from any source of available funds, at a redemption price equal to the principal amount of the 2015 Bonds or portions thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.

**Mandatory Redemption.** The 2015 Bonds maturing on December 1, 20\_\_ and December 1, 20\_\_ (the "Term Bonds") are subject to mandatory redemption by the Authority before their stated maturity

dates, in part on December 1 of each of the years set forth below, solely from sinking fund payments due and payable in the amounts and on the dates set forth in the tables below, at a redemption price equal to the principal amount thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium (subject to modification in the event of optional redemption as described above or extraordinary redemption as described below):

**2015 Bonds Maturing  
December 1, 20\_\_**

<b>Sinking Fund Payment Date (December 1)</b>	<b>Principal Amount</b>
---	-----------------------------

Final Maturity.

**2015 Bonds Maturing  
December 1, 20\_\_**

<b>Sinking Fund Payment Date (December 1)</b>	<b>Principal Amount</b>
---	-----------------------------

Final Maturity.

To the extent Term Bonds are redeemed by optional redemption or purchased for cancellation, the City may reduce the sinking fund payments relating to such Term Bonds by the amount of Term Bonds redeemed or purchased in the year or years specified by the City.

***Extraordinary Redemption.*** The 2015 Bonds are subject to extraordinary redemption in part by the Authority on any date before their stated maturity dates in integral multiples of five thousand dollars (\$5,000) principal amount so that the annual amounts of the interest and principal of the Bonds that are allocable to the payment of the 2015 Base Rental Payments and are payable after the redemption date will be as nearly proportional as practicable to the annual amounts of the interest and principal then payable on all Authority Bonds then Outstanding (as that term is defined in each of the indentures providing for the issuance of the Authority Bonds) that are payable from the Base Rental Payments, from prepaid Base Rental Payments made by the City from eminent domain proceeds or net insurance proceeds received under the Master Project Lease, under the circumstances and upon the conditions and terms prescribed therein, at a redemption price equal to the principal amount of the 2015 Bonds or portions thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.

***Selection of Bonds for Redemption.*** If less than all of the 2015 Bonds are to be redeemed at the option of the Authority at any one time, the Treasurer shall select the maturity date or dates of the 2015 Bonds to be redeemed, and if less than all of the 2015 Bonds of any one maturity are to be redeemed by the Authority at any one time, the Trustee shall select the 2015 Bonds or portions thereof of the maturity date to be redeemed in integral multiples of \$5,000 in any manner that the Trustee deems appropriate.

***Notice of Redemption.*** The Trustee will mail notice of redemption by first-class mail at least 20 but not more than 60 days before the redemption date, to the Holders of all 2015 Bonds selected for redemption in whole or in part; subject to the following: neither failure to receive any notice nor any immaterial defect contained therein will affect the sufficiency or validity of the proceedings for the redemption; and any notice of redemption may be cancelled or annulled by written request of the Authority to the Trustee at least five days before the date fixed for redemption, whereupon the Trustee shall give appropriate notice of such cancellation and annulment to all the recipients of the notice of redemption. So long as DTC is acting as securities depository for the 2015 Bonds, notice of redemption will be mailed to DTC, not to the Beneficial Owners of any 2015 Bonds designated for redemption.

In the event of redemption of 2015 Bonds or portions thereof (other than mandatory sinking fund redemption), the Trustee shall mail a notice of redemption upon receipt of a written request of the Authority, but only after the Authority shall have deposited with or otherwise made available to the Trustee the money required for payment of the redemption price of all 2015 Bonds or portions thereof then to be called for redemption (or the Trustee determines that money will be deposited with or otherwise made available to it in sufficient time for such purpose, in which event the notice of redemption will state that the proposed redemption is conditioned on there being on deposit on the redemption date sufficient money to pay the full redemption price of the 2015 Bonds or such portions thereof to be redeemed), together with the estimated expense of giving such notice.

***Effect of Redemption.*** If notice of redemption has been duly given and not cancelled and money for the payment of the redemption price of the 2015 Bonds or portions thereof so called for redemption is held by the Trustee, then on the date fixed for redemption designated in the notice the 2015 Bonds or such portions thereof will become due and payable, and from and after the date so designated interest on the 2015 Bonds or the portions thereof so called for redemption will cease to accrue, and the Holders of the 2015 Bonds or the portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof.

### **Book-Entry System**

DTC will act as securities depository for the 2015 Bonds, and the 2015 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 2015 Bonds, in each case in the aggregate principal amount of such maturity of such 2015 Bonds, and will be deposited with DTC. **So long as Cede & Co. is the registered owner of the 2015 Bonds, references herein to the Holders of the 2015 Bonds are references to Cede & Co. and do not refer to the actual purchasers (the "Beneficial Owners") of the 2015 Bonds. The Authority and the City do not give any assurances that DTC, its Participants or others will distribute payments with respect to the 2015 Bonds or notices concerning the 2015 Bonds to the Beneficial Owners thereof or that DTC will service and act in the manner described in this Official Statement.**

See Appendix G 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 Authority and the City concerning the accuracy thereof.

## DEBT SERVICE SCHEDULE

The table below shows the debt service schedule for the 2015 Bonds.

Period Ending December 1	2015 Bonds	Principal	Interest	Debt Service
-----------------------------	------------	-----------	----------	--------------

Total

---

The table below shows the debt service schedule on all Master Lease Bonds (including the Prior Bonds) prior to the issuance of the 2015 Bonds, and projected debt service on all Master Lease Bonds (including the 2015 Bonds) after issuance of the 2015 Bonds and implementation of the Plan of Refunding. For a description of all of the City’s outstanding general fund obligations, see the table entitled “GENERAL FUND OBLIGATION DEBT SERVICE” in APPENDIX A hereto.

Period Ending (December 1)	Existing Master Lease Debt Service			Projected Master Lease Debt Service After Implementation of the Plan of Refunding		
	Principal (\$)	Interest (\$)	Debt Service (\$)	Principal (\$)	Interest (\$)	Debt Service (\$)
2015	\$20,890,000	\$23,116,109	\$44,006,109	\$4,830,000	\$14,054,549	\$18,884,549 <sup>(1)</sup>
2016	21,940,000	22,099,112	44,039,112	19,705,000	20,193,713	39,898,713
2017	21,455,000	21,031,082	42,486,082	18,680,000	19,739,573	38,419,573
2018	18,755,000	19,982,408	38,737,408	18,225,000	19,142,904	37,367,904
2019	18,680,000	19,063,411	37,743,411	17,975,000	18,382,922	36,357,922
2020	18,685,000	18,124,562	36,809,562	18,090,000	17,630,773	35,720,773
2021	19,780,000	17,200,958	36,980,958	19,285,000	16,713,057	35,998,057
2022	19,970,000	16,212,328	36,182,328	19,455,000	15,730,389	35,185,389
2023	20,405,000	15,167,950	35,572,951	20,015,001	14,711,373	34,726,374
2024	21,385,000	14,100,371	35,485,372	20,975,001	13,662,965	34,637,966
2025	22,515,000	13,002,077	35,517,078	22,105,001	12,564,152	34,669,153
2026	23,690,000	11,845,112	35,535,112	23,285,000	11,406,012	34,691,012
2027	24,965,000	10,627,408	35,592,409	24,540,001	10,185,908	34,725,909
2028	26,395,000	9,320,130	35,715,131	25,945,001	8,899,880	34,844,881
2029	27,810,000	7,937,779	35,747,780	27,340,001	7,540,029	34,880,030
2030	25,625,000	6,481,181	32,106,181	24,700,001	6,106,931	30,806,931
2031	27,010,000	5,130,174	32,140,174	26,030,000	4,802,174	30,832,174
2032	28,000,000	3,705,938	31,705,938	26,980,000	3,426,938	30,406,938
2033	12,560,000	2,228,085	14,788,085	11,480,000	2,000,085	13,480,085
2034	9,205,000	1,560,267	10,765,267	8,100,000	1,386,267	9,486,267
2035	9,690,000	1,067,138	10,757,138	8,535,000	948,388	9,483,388
2036	<u>10,220,000</u>	<u>547,848</u>	<u>10,767,848</u>	<u>9,000,000</u>	<u>486,848</u>	<u>9,486,848</u>
<b>Total</b>	<b>\$449,630,000</b>	<b>\$259,551,426</b>	<b>\$709,181,433</b>	<b>\$415,275,007</b>	<b>\$239,715,830</b>	<b>\$654,990,836</b>

<sup>(1)</sup> Does not reflect City cash contribution to refunding bond issue of \$\_\_ million in 2015.

## SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS

### Pledge Under the 2015 Indenture

The 2015 Bonds are limited obligations of the Authority, payable from, and secured as to the payment of the interest thereon and the principal thereof solely from the Revenues and certain other funds provided in the 2015 Indenture. Under the 2015 Indenture, “Revenues” is defined as (a) all Program Obligation Payments, including all amounts realized upon the enforcement of the Program Obligation Payments due under the Program Obligation; (b) all money deposited and held from time to time in any of the accounts and funds established under the 2015 Indenture (except the Rebate Fund); and (c) all investment income with respect to any money held by the Trustee in the accounts and funds established under the 2015 Indenture (except the Rebate Fund). Pursuant to the 2015 Indenture, the 2015 Bonds are secured by a first pledge of and charge and lien upon the Revenues for the payment of the interest on and principal of the 2015 Bonds as and when they become due in accordance with the terms thereof and the 2015 Indenture. “Program Obligation Payments” means the 2015 Base Rental Payments paid by the City under the Tenth Amendment to Master Project Lease.

THE 2015 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE FROM AND SECURED AS TO THE PAYMENT THEREOF SOLELY FROM THE REVENUES AND THE OTHER FUNDS PROVIDED IN THE 2015 INDENTURE FOR THEIR PAYMENT. THE 2015

BONDS ARE NOT A DEBT OF THE CITY OR THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE AUTHORITY), AND NEITHER THE CITY NOR THE STATE OF CALIFORNIA NOR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE AUTHORITY) IS LIABLE THEREFOR.

### **Master Project Lease**

**General.** The Program Obligation to be acquired by the Authority with the proceeds of the 2015 Bonds consists of the Tenth Amendment to Master Project Lease. Set forth below is a brief description of the Master Project Lease as amended thereby. For a more complete description of the provisions of such documents, see APPENDIX D - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein.

Pursuant to the Master Project Lease, the Authority has leased to the City the Master Leased Project, and the City has agreed to pay the Base Rental Payments, including the 2015 Base Rental Payments, on the terms and conditions set forth in the Master Project Lease. Pursuant to the Tenth Amendment to Master Project Lease, the 2015 Base Rental Payments constitute Base Rental Payments pursuant to the Master Project Lease. All Base Rental Payments (including the 2015 Base Rental Payments) are payable on June 1 and December 1 and, except to the extent Base Rental Payments are abated under the Master Project Lease, the failure of the City to pay any Base Rental Payments when due will constitute an Event of Default under the Master Project Lease. The Master Leased Project is described generally below under "- Master Leased Project" and in APPENDIX C - "THE MASTER LEASED PROJECT."

The City and the Authority originally executed and entered into the Master Project Lease in conjunction with the Authority's 1999 Capital Improvement Revenue Bonds (see the following table). This lease provided for the City to lease from the Authority certain parcels of real estate and their related improvements. These parcels were leased to the Authority from the City pursuant to the Master Site Lease.

The City subsequently amended the Master Project Lease and the Master Site Lease as of July 1, 2000, April 1, 2001, July 1, 2002, September 1, 2003, June 1, 2006, December 1, 2006 and, in the case of the Master Project Lease, June 1, 2005. Base Rental Payments required to be made by the City pursuant to the Master Project Lease secure the Master Lease Bonds listed in the following table.

The following table describes the dates of execution and subsequent amendments preceding the Tenth Amendment to Master Project Lease. Also included are the initial principal amounts and outstanding amounts of bonds that will be secured by Base Rental Payments upon the delivery of the 2015 Bonds and the Tax Allocation Bonds. See "-Base Rental Payments" and "PLAN OF REFUNDING." (The Master Project Lease has also been amended to provide for the release of certain portions of the Master Leased Project.)

<b>Leases and Adoption Dates<sup>†</sup></b>	<b>Authority Bonds and Initial Principal Amount Secured by Base Rental Payments</b>	<b>Outstanding Amount of Bonds Secured by Base Rental Payments<sup>*</sup></b>
Master Project Lease December 1, 1999	\$15,635,000 1999 Capital Improvement Revenue Bonds (Solid Waste and Redevelopment Projects)	0
First Amendment July 1, 2000	\$40,745,000 2000 Capital Improvement Revenue Bonds (City of Sacramento 2000 Public Safety and Parking Improvements)	0
Second Amendment April 1, 2001	\$206,780,000 2001 Capital Improvement Revenue Bonds, Series A (Water and Capital Improvements Projects)	0
Third Amendment July 1, 2002	\$133,660,000 2002 Revenue Bonds, Series A (City Hall and Redevelopment Projects)	0
Fourth Amendment September 1, 2003	\$68,470,000 2003 Capital Improvement Revenue Bonds (911 Call Center and Other Municipal Projects)	0
Fifth Amendment June 1, 2005	\$143,730,000 2005 Refunding Revenue Bonds (Solid Waste, Redevelopment and Master Lease Program Facilities)	0
Sixth Amendment June 1, 2006	\$95,900,000 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program)	0
Sixth Amendment June 1, 2006	\$55,235,00 2006 Taxable Capital improvement Revenue Bonds, Series B (Community Reinvestment Capital Improvement Program)	\$48,170,000
Seventh Amendment December 1, 2006	\$28,825,000 2006 Capital Improvement Revenue Bonds, Series C (300 Richards Boulevard Building Acquisition)	0
Seventh Amendment December 1, 2006	\$2,430,000 2006 Taxable Capital Improvement Revenue Bonds, Series D (300 Richards Boulevard Building Acquisition)	\$1,160,000
Seventh Amendment December 1, 2006	\$186,950,000 2006 Refunding Revenue Bonds, Series E (Master Lease Program Facilities)	173,080,000
Tenth Amendment September 1, 2005	\$ _____ * 2015 Refunding Revenue Bonds (Master Lease Program Facilities)	

<sup>†</sup> The Eighth Amendment and the Ninth Amendment to the Master Project Lease were executed by the City in connection with the release of certain property as permitted by the Master Project Lease. See APPENDIX C - "THE MASTER LEASED PROJECT" for a description of the current properties that constitute the Master Leased Project.

<sup>\*</sup> Preliminary; subject to change. Reflects the refunding of the Prior Bonds as more particularly described in "PLAN OF REFUNDING."

**Base Rental Payments.** Pursuant to the Master Project Lease, the City has agreed to pay to the Authority as rental for the use and occupancy of the Master Leased Project (defined below), Base Rental Payments in amounts sufficient to pay debt service on the 2015 Bonds and the allocable portion of any other bonds (including the Master Lease Bonds identified in the table above) payable from Base Rental Payments.

**Covenant to Appropriate.** Under the Master Project Lease, the City has covenanted to take such action as may be necessary to include all Base Rental Payments (including the 2015 Base Rental Payments) and any Additional Rental Payments due under the Master Project Lease in its annual budgets and to make the necessary annual appropriations for all such rental payments; provided that Base Rental Payments may be abated as provided in the Master Project Lease. The City has agreed under the Master Project Lease to furnish to the Trustee, within ninety (90) days after the final adoption of each annual budget of the City, a certification that the annual budget of the City contains such necessary annual appropriations. See “RISK FACTORS- Abatement” and APPENDIX D- “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS-The Master Project Lease and the First through Tenth Amendments to Master Project Lease -Annual Budgets; Reporting Requirements” herein.

**Master Leased Project.** The property that comprises the Master Leased Project has been selected from an inventory of City-owned property. The City has obligated itself to maintain not less than 50% of the pool of assets comprising the Master Leased Project as assets identified as “**Essential Assets.**” “**Essential Assets**” is defined in the Master Project Lease as assets necessary to provide municipal services related to the health, safety and welfare of the citizens of the City. The definition of “Essential Assets” includes, among other things, police, fire protection, transportation, solid waste, animal control, communication, infrastructure, city cemetery, parking, tree maintenance and City support and administrative facilities and utilities. Assets excluded from the definition of “**Essential Assets**” are assets used for leisure or cultural activities including City- owned parks, zoos, open space, golf courses, libraries, museums and learning centers. For a description of the assets that will be leased pursuant to the Master Site Lease and the Master Project Lease as of the date of issuance of the 2015 Bonds, see APPENDIX C - “THE MASTER LEASED PROJECT” herein.

The Master Project Lease may be amended to add additional property to the Master Leased Project leased under the Master Project Lease to enable the City to secure the payment of additional bonds of the Authority payable from additional Base Rental Payments. See APPENDIX D - “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - The Master Project Lease and the First through Tenth Amendments to Master Project Lease - Addition or Deletion of Portions of the Project” herein.

The City may amend the Master Project Lease to add, delete or substitute any real property comprising the Master Leased Project upon delivery to any bond insurer then insuring any of Master Lease Bonds, the rating agencies then rating any related Master Lease Bonds (including the 2015 Bonds) and the Trustee, among other items, (i) a certificate of the City evidencing, among other things, (A) that the fair annual rental value of the Master Leased Project after such amendment will be at least equal to 125% of the maximum amount of Base Rental Payments becoming due in the then current or in any subsequent year ending on December 1; (B) that the Master Leased Project is composed of at least 50% “Essential Assets” after such amendment; (C) that such amendment does not adversely affect the City’s use and occupancy of the Master Leased Project for the purposes intended; and (D) that the useful life of the Master Leased Project after any such amendment equals or exceeds the remaining term of all of the Master Lease Bonds (including the 2015 Bonds). See APPENDIX D- “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Master Project Lease-Addition or Deletion of Portions of the Project” herein.

**Abatement.** During any period in which, by reason of material damage or destruction or condemnation there is substantial interference with the use and possession by the City of any portion of

the Master Leased Project, such interference shall first be allocated to that portion (if any) of the Master Leased Project usable by the City that was not financed or refinanced with the proceeds of any Master Lease Bonds, and thereafter Base Rental Payments due under the Master Project Lease will be abated proportionately by the fractional amount that the cost of the portion of the Master Leased Project financed or refinanced with the proceeds of any Master Lease Bonds damaged or destroyed or condemned bears to the entire cost of the Master Leased Project financed or refinanced with the proceeds of the Master Leased Bonds. The foregoing calculation will be made by the City and set forth in writing to the Authority, the Trustee, any bond insurer then insuring any Master Lease Bonds and the rating agencies then rating any Master Lease Bonds (including the 2015 Bonds). See “RISK FACTORS - Abatement” and APPENDIX D - “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - The Master Project Lease and the First through Seventh Amendment to Master Project Lease-Rental Abatement” herein.

Pursuant to the Master Project Lease, in the event that Base Rental Payments due pursuant to the Master Project Lease are abated (in whole or in part) the City and the Authority have agreed to use their best efforts to substitute in place of the damaged, destroyed or condemned real property, consistent with the limitations contained in the Master Project Lease (as described under “Master Leased Project” above), other real property and improvements of the City. See APPENDIX D -- “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS-The Master Project Lease and the First through Tenth Amendments to Master Project Lease-Substitution of Portions of the Project” herein.

**2015 Reserve Account.** Pursuant to the 2015 Indenture, a 2015 Reserve Account for the 2015 Bonds is established in the Revenue Fund in an amount equal to the Reserve Requirement for the 2015 Bonds (which amount is initially \$ \_\_\_\_\_). See APPENDIX D - “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Definitions.” Except for withdrawals of amounts in excess of the Reserve Requirement as provided in the 2015 Indenture, amounts held in the 2015 Reserve Account may be used and withdrawn solely for the purpose of paying the interest on or principal of the 2015 Bonds if no other money is available in the Revenue Fund for that purpose. The City has agreed in the Tenth Amendment to Master Project Lease that, if ever the 2015 Reserve Account is drawn upon below the Reserve Requirement, the first 2015 Base Rental Payments made thereafter shall be used to restore the 2015 Reserve Account to an amount equal to the Reserve Requirement; provided, that after the 2015 Bonds are no longer Outstanding under the 2015 Indenture, any balance of money remaining in the 2015 Reserve Account shall be transferred to such other fund or account of the City or shall be otherwise used by the City for any lawful purpose as the City may direct. See APPENDIX D - “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - The Master Project Lease and the First through Tenth Amendments to Master Project Lease - 2015 Reserve Account” herein.

As described herein in “INTRODUCTION – Potential Bond Insurance,” the City may elect to utilize a surety policy to satisfy the Reserve Requirement at the time of issuance of the 2015 Bonds.

**Other Covenants of the City.** Under the Master Project Lease, the City agrees that it will, at its own cost and expense, maintain, preserve and keep the Master Leased Project in good repair and working order, pay all taxes or other charges which may be levied upon the Master Leased Project, maintain insurance on the Master Leased Project (either through commercial carriers or, to the extent permitted by the Master Project Lease, self insurance), and cause the net proceeds of any insurance payment or any condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of such damaged, destroyed or condemned portion of the Master Leased Project (or prepay the Master Project Lease subject to certain limitations in the Master Project Lease). See APPENDIX D - “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - The Master Project Lease and the First through Seventh Amendments to Master Project Lease - Insurance” herein.

***Master Project Lease Not Debt.*** The obligations of the City under the Master Project Lease do not constitute debt of the City within the meaning of any constitutional or statutory debt limitation and neither the full faith and credit nor the taxing power of the City or any agency or department thereof is pledged to the payment of the rental payments due under the Master Project Lease.

### **THE MASTER LEASED PROJECT**

Certain information concerning the Master Leased Project is set forth in Appendix C. Essential Assets that are part of the Master Leased Project includes City Hall, fire stations, corporation yards for City vehicles and equipment, the sewage treatment plant, a reservoir, parking lots and other properties and facilities. Non-Essential Assets” which are part of the Master Leased Project include the Memorial Auditorium, a golf course, parks, libraries and other properties.

As described in “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Master Leased Project,” the Master Project Lease requires satisfaction of certain conditions in connection with the amendment of the Master Project Lease (including the Tenth Amendment). The Master Project Lease provides that, when making the certification that the fair annual rental value of the Master Leased Project in connection with any addition, deletion or substitution of any real property comprising the Master Leased Project, the annual fair rental value of any portion of the Master Leased Project which has been made subject to the lien of the Master Project Lease shall not be increased in excess of the value that was established at the time such portion of the Project first became subject to the lien of the Master Project Lease.

The Master Project Lease does not require the preparation of a current appraisal of the Master Leased Project in connection with the issuance of the 2015 Bonds. However, in connection with the release of certain properties from the Master Leased Project in 2011 and 2014, the City compared the current insured value of the properties that constitute the Master Leased Project against the value established at the time the individual properties became part of the Master Leased Project. The comparison indicated that, while the insured value of certain of the properties was lower than the value established at the time the properties were included in the Master Leased Project, the aggregate insured value of the Master Leased Project significantly exceeds the aggregate value of the individual properties at the time they became part of the Master Leased Project. In accordance with the Master Project Lease, Appendix C shows the values of the properties at the time each such property was added to the Master Leased Project. The actual value of the properties constituting the Master Leased Project will fluctuate over time, depending on generally prevailing economic factors, prevailing local real estate values, and other factors.

The Master Project Lease may be amended in the future to add additional property to the Master Leased Property to enable the City to secure the payment of additional bonds of the Authority payable from additional Base Rental Payments under the Master Project Lease. The City may also add, delete or substitute assets under the Master Project Lease. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS- The Master Project Lease-” herein.

### **CITY FINANCIAL INFORMATION**

Certain financial, economic and demographic information regarding the City of Sacramento is in APPENDIX A - “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO” and APPENDIX B - “CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014.” Each appendix contains important information concerning the City and should be read in its entirety. In particular, Appendix A describes certain factors that have affected the City’s financial condition in the past and that could materially affect its financial condition in

future fiscal years, including variations in property tax growth rates, retirement and other labor costs. See also “CITY FINANCIAL PRESSURES.”

### CITY FINANCIAL PRESSURES

The financial condition of the City has steadily improved in the last few years. The national economic recession that began in 2008 had placed significant stress on the City’s financial condition. City revenue sources, including property and sales taxes, declined through Fiscal Year 2011-12. Although certain operating expenses (in particular required retirement contributions for City employees) increased, the City reduced total expenditures during that period. The City also utilized significant reserves in order to meet then-current budget requirements. The City’s major revenue sources have improved significantly since Fiscal Year 2011-12, and the City’s fund balance has increased. In addition, in 2012 voters in the City approved Measure U, a temporary sales tax. See APPENDIX A - “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – City Financial Information – Prior Fiscal Year Budgets.”

The adopted General Fund budget for Fiscal Year 2015-16 is the second consecutive budget since 2008 that does not require reductions in services, programs, or employees. The adopted General Fund budget includes revenues of \$400.6 million, expenditures of \$395.7 million, and one-time costs of \$8.0 million in priority budget initiatives, resulting in a projected \$3.1 million deficit (offset by usage of fund balance). Excluding the one-time costs attributable to priority budget initiatives, Fiscal Year 2015-16 is projected to have a surplus of \$4.9 million. While revenues are projected to exceed ongoing expenditures in Fiscal Year 2015-16, the changes recently approved by PERS relative to actuarial assumptions and methodologies will result in increased costs for PERS member agencies. As a result, the City’s expenditures are forecast to once again outpace revenues beginning in Fiscal Year 2016-17.

While the City’s financial condition has improved in recent years, significant financial challenges remain. Measure U, which is projected to generate more than \$40 million annually through Fiscal Year 2018-19, will expire in March of 2019. See APPENDIX A - “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – City Finances - Other Taxes - Measure U.”

Increasing pension costs and retiree medical benefit costs place additional pressure on the City. The City expects that required payments from the General Fund relating to employee retirement plans and other post-employment benefits may increase by approximately \$\_\_ million by Fiscal Year 2020-21. The actual amount of any increases will depend on a variety of factors. See APPENDIX A - “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – RETIREMENT AND OPEB OBLIGATIONS.”

Because of these and other factors, absent an extension of Measure U or other corrective measures, the City currently projects significant budget deficits commencing in Fiscal Year 2017-18. See APPENDIX A - “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – City Finances – The Six-Year Forecast.”

In addition, the City currently expects to issue up to \$290 million in lease revenue bonds to provide funds to pay the City’s share of costs relating to a new entertainment and sports center (the “**Golden I Center**”) that will serve as the home arena for the Sacramento Kings of the National Basketball Association, and is currently under construction in the City’s downtown area. Rental payments for those lease revenue bonds, which will be payable from the City’s General Fund, are expected to range from \$17 million to \$20 million annually commencing in Fiscal Year 2017-18. While the City anticipates that it will ultimately receive increased parking revenues, payments from the owners of the Sacramento Kings, and other revenues that will offset a significant portion of the rental amounts

payable by the City in connection with the ESC, there can be no assurances that those revenues will be available in the amounts and at the times expected by the City. See APPENDIX A - "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – City Financial Information - Planned Sources for City Payments with Respect to Entertainment and Sports Center."

## **RISK FACTORS**

### **General**

*The following general risk factors should be considered along with all other information in this Official Statement by potential investors in evaluating the 2015 Bonds. There can be no assurance that other risk factors will not become material in the future. Some of the events which could affect the receipt of Revenues by the Authority in an amount sufficient to pay the principal of and interest on the 2015 Bonds are outlined below. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 2015 Bonds and does not necessarily reflect the relative importance of the various risks. See also "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Certain additional factors relating to the City to be considered are described in APPENDIX A - "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO."*

### **Limited Obligation; Base Rental Payments Are Not Debt**

The 2015 Bonds are not City debt; they are limited obligations of the Authority. Neither the full faith and credit of the Authority nor the City is pledged for the payment of the interest on or principal of the 2015 Bonds nor for the payment of 2015 Base Rental Payments. The obligation of the City to make the 2015 Base Rental Payments under the Master Project Lease does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The Authority has no taxing power. The obligation of the City to pay 2015 Base Rental Payments when due is an obligation payable from amounts in the General Fund of the City.

The 2015 Bonds are not general obligations of the Authority; they are limited obligations payable solely from, and secured solely by, a pledge of Revenues and amounts held in certain funds and accounts created under the 2015 Indenture, consisting primarily of 2015 Base Rental Payments. The Authority has no taxing power.

Although the Master Project Lease does not create a pledge, lien, or encumbrance upon the City's funds, the City is obligated under the Master Project Lease to pay the 2015 Base Rental Payments from any source of legally available funds in the General Fund of the City, and the City has covenanted in the Master Project Lease that, for so long as the Master Lease Project is available for its use, it will make the necessary annual appropriations within its budget for the 2015 Base Rental Payments. The City is currently liable on, and may become liable on, other obligations payable from its general revenues. Some of those obligations could have priority over the 2015 Base Rental Payments; in addition, the City might, in its discretion, determine to pay some of those obligations first rather than pay the 2015 Base Rental Payments.

The City has the capacity to enter into other obligations payable from the City's General Fund, without the consent of or prior notice to the Holders of the 2015 Bonds. To the extent that the City incurs additional obligations, the funds available to make 2015 Base Rental Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services before making 2015 Base Rental Payments. The same result could occur if, because of

State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. The City's appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the California Constitution. For information on the City's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS - Article XIII B of the State Constitution."

### **Valid and Binding Covenant to Budget and Appropriate**

Under the Master Project Lease, the City covenants to take such action as may be necessary to include 2015 Base Rental Payments due in its annual budgets and to make necessary appropriations for all such payments. Under the Master Project Lease, it is the duty of the public officials of the City to take such action and do such things as are required by law in the performance of their official duty to enable the City to carry out and perform such covenants. A court, however, in its discretion may decline to enforce these covenants. Upon issuance of the 2015 Bonds, Bond Counsel will render its opinion (substantially in the form of APPENDIX E – "PROPOSED FORM OF BOND COUNSEL OPINION") to the effect that, subject to the limitations and qualifications described therein, the Master Project Lease constitutes a valid and binding obligation of the City. As to the Authority's practical realization of remedies upon default by the City, see "– Limitations on Remedies."

### **Abatement**

In the event of loss or substantial interference in the use and possession by the City of all or any portion of the Master Leased Project caused by material damage, title defect, destruction to or condemnation of the Master Leased Project, Base Rental Payments will be subject to abatement. In the event that such component of the Master Leased Project, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the City's rental interruption insurance will be available in lieu of Base Rental Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such component of the Master Leased Project or prepayment of the 2015 Bonds, there could be insufficient funds to make payments to Holders in full. Reduction in Base Rental Payments due to abatement as provided in the Master Project Lease does not constitute a default thereunder.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Master Project Lease or at the time of the abatement. If the latter, it may be that the value of the Master Leased Project is substantially higher or lower than its value at the time of issuance of the 2015 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the 2015 Bonds. Depending on their severity, an earthquake or flood could result in abatement of Base Rental Payments under the Master Project Lease. See "– Natural Disasters."

### **Risk of Uninsured Loss**

The City covenants under the Master Project Lease to maintain insurance on the Master Leased Project. See "SECURITY FOR THE 2015 BONDS – Master Project Lease." These insurance policies do not cover all types of risk, and the insurance required under the Master Project Lease may be maintained in whole or in part in the form of self-insurance, so long as the self-insurance complies with the terms of the Master Project Lease. The Master Leased Project could be damaged or destroyed due to earthquake or other casualty for which the Master Leased Project is uninsured. Additionally, the Master Leased Project could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Base Rental Payments could occur and could continue indefinitely. There can be no assurance that the

providers of the City's liability and rental interruption insurance will in all events be able or willing to make payments under the policies for such a loss should a claim be made under the policies. Further, there also can be no assurances that amounts received as proceeds from insurance or from condemnation of the Master Leased Project will be sufficient to redeem the 2015 Bonds.

Under the Master Project Lease the City may obtain casualty insurance that provides for a specified deductible. Should the City be required to meet such deductible expenses, the availability of General Fund revenues to make Base Rental Payments may be correspondingly affected.

The City is not obligated under the Master Project Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Master Leased Project. [[The City currently carries earthquake insurance on the Master Leased Project although the Master Project Lease does not require it to do so. The City plans to continue to purchase earthquake insurance on the Master Leased Project so long as the insurance can be obtained on the open market at reasonable rates.]] Depending on its severity, an earthquake could result in abatement of Base Rental Payments under the Master Leased Project Lease. See “– Abatement.”

### **Natural Disasters**

The City's use and occupancy of the Master Leased Project in the future may be adversely affected by a variety of natural occurrences. For instance, the areas in and surrounding the City, like much of California, may be subject to unpredictable seismic activity. The City does not currently maintain earthquake insurance. See “-Risk of Uninsured Loss.”

The Federal Emergency Management Agency (“FEMA”) produces Flood Insurance Rate Maps (“FIRMs”) that show which portions of the City are in the 100-year floodplain. A 100-year floodplain is an area expected to be inundated during a flood event of the magnitude for which there is a 1-in-100 probability of occurrence in any year. If, as a result of flooding, all or a portion of the Master Leased Project is not available for the use and occupancy by the City, Base Rental Payments would be subject to abatement. See “RISK FACTORS - Abatement” herein.

Other natural disasters could include, without limitation, landslides, droughts, and tornadoes. One or more of such natural disasters could occur and could result in damage to Master Leased Project of varying seriousness. The damage may entail substantial repair or replacement costs and repair or replacement might never occur because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude repair or replacement. Under any of these circumstances there could be significant reductions in property values within the City (reducing property tax revenues received by the City).

### **Eminent Domain**

If the Master Leased Project is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Master Project Lease will cease as of the day possession is taken. If less than all of the Master Leased Project is taken permanently, or if the Master Leased Project or any part thereof is taken temporarily, (a) the Master Project Lease will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Base Rental Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Base Rental Payments, in an amount to be agreed upon by the City and the Authority such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Master Leased Project.

## **Hazardous Substances**

The existence or discovery of hazardous materials may limit the beneficial use of the Master Leased Project. In general, the owners and lessees of the Master Leased Project may be required by law to remedy conditions relating to the release or threatened releases of hazardous substances on or from the Master Leased Project. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

It is also possible that the beneficial use of the Master Leased Project may be limited in the future because of the current existence on the Master Leased Project of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or because of the current existence on the Master Leased Project of a substance not currently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could substantially limit the City’s beneficial use of the Master Leased Project.

The City is unaware of the existence of hazardous substances on the Master Leased Project that would materially interfere with the City’s beneficial use thereof.

## **Bankruptcy**

In addition to the limitation in the 2015 Indenture on remedies, the rights and remedies provided in the 2015 Indenture and the Master Project Lease may be limited by and are subject to, federal bankruptcy laws and other laws or equitable principles that may affect the enforcement of creditors’ rights. The City is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the “**Bankruptcy Code**”). However, under Chapter 9 of the Bankruptcy Code, the City may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code that apply in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Holders of 2015 Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the City’s debt (a “Plan”) without the consent of the Trustee or all of the Holders of 2015 Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Holders if the Bankruptcy Court finds that the Plan is fair and equitable.

In the event the City or the Authority file for bankruptcy, there could be material adverse effects on the holders of the 2015 Bonds.

If the City is in bankruptcy, the parties (including the Trustee and the holders of the 2015 Bonds) may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the 2015 Bonds from funds in the Trustee’s

possession. The City may be able to repudiate the Master Lease with the approval of the bankruptcy court but without the consent and over the objection of the Trustee and the holders of the 2015 Bonds, and without complying with the terms of the transaction documents. Under such circumstances, the holders of the 2015 Bonds could suffer substantial losses.

There may be delays in payments on the 2015 Bonds while the court considers any of the matters described herein, or otherwise related to any bankruptcy of the City or the Authority. There may be other possible effects of a bankruptcy of the City or the Authority that could result in delays or reductions in payments on the 2015 Bonds, or result in losses to the holders of the 2015 Bonds. Regardless of any specific adverse determinations in a City or Authority bankruptcy proceeding, the fact of a City or Authority bankruptcy proceeding would likely materially adversely effect the liquidity and value of the 2015 Bonds, and could result in temporary or permanent failure of the Authority to pay debt service with respect to the 2015 Bonds.

### **Limitations on Remedies**

The rights of the Holders of 2015 Bonds are subject to the limitations on legal remedies against cities in the State, including applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

All legal opinions with respect to the enforcement of the Master Project Lease and the 2015 Indenture will be expressly subject to a qualification that the agreements may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity if equitable remedies are sought.

See “- Bankruptcy” above.

### **No Acceleration; No Right to Relet Master Leased Project**

The 2015 Bonds are not subject to acceleration pursuant to the 2015 Indenture. In addition, Base Rental Payments are not subject to acceleration upon the occurrence of an event of default under the Mater Project Lease. The sole remedy of the Trustee in the event that City fails to make Base Rental Payments or otherwise defaults under its obligations under the Master Project Lease is to bring an action against the City annually to enforce payment of Base Rental Payments as they become due or to seek specific performance of any other defaulted obligation under the Master Project Lease.

### **No Liability of Authority to the Holders**

Except as expressly provided in the 2015 Indenture, the Authority will not have any obligation or liability to the Holders of the 2015 Bonds with respect to the payment when due of the 2015 Base Rental Payments by the City, or with respect to the City's performance of other agreements and covenants required to be performed by it contained in the Master Project Lease or the 2015 Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the 2015 Indenture.

## **State Budget**

From time to time the State has experienced significant financial stress, with budget shortfalls in the billions of dollars. While the State is not a significant source of City revenues, and the City does not anticipate the State's financial condition to materially adversely affect the City's financial condition, there can be no assurance potential future State financial pressures will not adversely affect the City. In addition, future State budgets will be affected by global, national and State economic conditions and other factors over which the City has no control.

## **Limited Secondary Market**

As stated herein, investment in the 2015 Bonds poses certain economic risks that may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risk of investment in the 2015 Bonds should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the 2015 Bonds or that, if a secondary market exists, that the 2015 Bonds can or could be sold for any particular price.

## **Changes in Law**

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the State Legislature will not enact legislation that will amend the laws or Constitution of the State, thereby resulting in a reduction of the General Fund revenues of the City and consequently, having an adverse effect on the security for the 2015 Bonds. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

Following is a description of certain constitutional limitations on taxes and appropriations applicable to the City. For a description of other factors relating to the revenues of the City, see APPENDIX A — GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO."

### **Article XIII A of the State Constitution**

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to June 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after June 1, 1978, by two thirds of the votes cast by the voters voting on the Proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or the full cash value may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures that further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, does not constitute a “purchase” or “change of ownership” triggering reassessment under Article XIII A. This amendment could serve to reduce the property-tax revenues of the City. Other amendments permitted the State Legislature to allow persons over 55 or “severely disabled homeowners” who sell their residences and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of “newly constructed” the construction or installation of seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, provided that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster. See APPENDIX A — “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — CITY FINANCES — Property Taxation Within the City.”

#### **Article XIII B of the State Constitution**

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, special district, authority or other political subdivision of the State to the appropriations limit for the prior Fiscal Year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The “base year” for establishing this appropriations limit is the 1978-79 Fiscal Year. The appropriations limit may also be adjusted in emergency circumstances, subject to limitations.

Appropriations of an entity of local government subject to Article XIII B generally include authorizations to expend during a Fiscal Year the “proceeds of taxes” levied by or for the entity, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. “Proceeds of taxes” include but are not limited to, all tax revenues, certain State subventions received by the local governmental entity and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost of providing the service or regulation) and (2) the investment of tax revenues. Article XIII B provides that if a governmental entity’s revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIII B does not limit the appropriation of moneys to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose, or appropriations for certain other limited purposes. Furthermore, Article XIII B was amended in 1990 to exclude from the appropriations limit “all qualified capital outlay projects, as defined by the Legislature” from proceeds of taxes. The Legislature has defined “qualified capital outlay project” to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds \$100,000. As a result of this amendment, the appropriations to pay the lease payments on the City’s long term general fund lease obligations are generally excluded from the City’s appropriations limit.

The City's appropriation limit for Fiscal Year 2013-14 is estimated to be \$643,056,000, for which expenditures subject to the appropriation limitation are \$307,781,000.

### **Articles XIIC and XIID of the State Constitution**

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, and property related fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. Further, any general purpose tax the City imposed, extended, or increased without voter approval after December 31, 1994, may continue to be imposed only if approved by a majority vote in an election that must be held before November 6, 1998. The voter-approval requirements of Article XIIC reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend, or increase such taxes in the future to meet increased expenditure needs.

The City currently imposes the following general taxes: temporary sales tax (until 2019), business-operations tax, utility-users tax, real-property-transfer tax, and transient-occupancy tax. Since all of these taxes (except the sales tax and the utility-users tax, as described below) were imposed before January 1, 1995, and have not been extended or increased since that date, these taxes should be exempt from the requirements of Article XIIC. Any future increases in these taxes, however, would be subject to the voter requirement of Article XIIC. See APPENDIX A - "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – Other Taxes – Utility Users Tax" for a discussion of Measure O, approved by the voters in November 2008, which reduced the utility user tax on telephonic services from 7.50% to 7.00% and expanded the scope of the tax to include new communication technologies. See APPENDIX A – "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – Other Taxes – Measure U" for a discussion of Measure U, approved by the voters in November 2012, which enacted a temporary one-half-cent sales tax that expires in March 2019 unless renewed.

Article XIID also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments confer a "special benefit," as defined in Article XIID, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected parties, and (iv) a prohibition against fees and charges used for general governmental services, including police, fire and library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution by expanding the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not

charged, and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. As of the date of this Official Statement, the City is unaware of any fees that would have to be reduced or eliminated because of Proposition 26.

The City currently levies assessments for more than 36 service districts, maintenance districts, and property-and-business-improvement districts. The revenues from these assessments were in excess of \$35.6 million for Fiscal Year 2014-15, including \$2.3 million from two capital-acquisition pay-as-you-go districts. The City believes that each of these assessments complies with, or is exempt from, Article XIII D. Subsequent increases of these assessments, if any, would be required to comply with Article XIII D.

The City also levies assessments for 13 improvement districts under the State improvement district acts. The revenues from these assessments were approximately \$12.6 million in Fiscal Year 2014-15. Each of these assessments secures bonded indebtedness that is payable solely from such assessments and has no claim on the City's General Fund.

Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, and property-related fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives that reduce or repeal local taxes, assessments, or property-related fees or charges currently composing a substantial part of the City's General Fund. If a repeal or reduction occurs, the City's operations could be adversely affected.

### **Statutory Spending Limitations**

At the November 4, 1986, general election, the voters of the State approved Proposition 62, a statutory initiative (1) requiring that any tax imposed by local governmental entities for general governmental purposes be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (2) requiring that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction; (3) restricting the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (4) prohibiting the imposition of ad valorem taxes on real property by local governmental entities, except as permitted by Article XIII A; (5) prohibiting the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (6) requiring that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara City Local Transportation Authority v. Guardino*, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address whether it should be applied retroactively.

In response to *Guardino*, the California Legislature adopted Assembly Bill 1362, which provided that *Guardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill 1362 was vetoed by the Governor; hence the application of the *Guardino* decision on a retroactive basis remains unclear.

The *Guardino* decision also did not decide the question of the applicability of Proposition 62 to charter cities such as the City. Two cases decided by the California Courts of Appeals in 1993, *Fielder v. City of Los Angeles* (1993) 14 Cal.App.4th 137 (rev. den. May 27, 1993), and *Fisher v. County of Alameda* (1993) 20 Cal.App.4th 120 (rev. den. Feb. 24, 1994), held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities because charter cities derive their power to enact such taxes under Article XI, Section 5, of the California Constitution relating to municipal affairs.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62.

The City does not believe that it imposes any tax or fee that is subject to Proposition 62.

### **Proposition 1A**

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature, or (iv) decrease Vehicle License Fees revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

### **Proposition 22**

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the California Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore,

Proposition 22 restricts the State's ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government's control over local revenues.

### **Future Initiatives**

Articles XIII A, XIII B, XIII C and XIII D and Propositions 62, 1A, 22 and 26 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted, further affecting the City's revenues or the City's ability to expend revenues.

### **THE AUTHORITY**

The Authority was established under a Joint Exercise of Powers Agreement dated October 1, 1989 (the "JPA Agreement"), between the City and the Redevelopment Agency of the City of Sacramento (the "Redevelopment Agency") in accordance with the provisions of Articles 1, 2 and 4 of Chapter 5, Division 7, Title 1 of the California Government Code. The Redevelopment Agency was subsequently dissolved under the state law, and the City, as successor agency, assumed the responsibilities of the Redevelopment Agency under the JPA Agreement. On \_\_\_\_\_, 2015, the JPA Agreement was amended to provide for the substitution of the Housing Authority of the City as a member in place of the City as successor agency. The Sacramento City Council sits ex officio as the Board of Directors of the Authority. The Authority was created primarily for the purpose of providing financing for public capital improvements and the purchase by the Authority of local obligations within the meaning of the Act.

### **THE CITY**

The City is a charter city incorporated in 1849 and the location of the State capital. The City is located approximately 75 air miles northeast of San Francisco, in the south central portion of the Sacramento Valley. For a more detailed description of the City, including certain financial, economic and demographic information relating to the City, see APPENDIX A- "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO" herein.

### **CERTAIN LEGAL MATTERS**

The validity of the 2015 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation, and for the City by the City Attorney and the City's disclosure counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation.

### **CONTINUING DISCLOSURE**

The City will execute a Continuing Disclosure Certificate for the benefit of the Holders and Beneficial Owners of the 2015 Bonds to provide certain financial information and operating data (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 F - "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The City will sign the Continuing Disclosure Certificate and deliver it to the Underwriters to assist the Underwriters in complying with SEC Rule 15c2 12(b)(5) (the "Rule"). The City will file Annual Reports with EMMA no later than the last day of the ninth month 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 previously entered into a number of 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 rather than submit the documents as part of the filing itself; with respect to certain bonds of the Authority 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.

## LITIGATION

There is no litigation pending or, to the actual knowledge of the Authority or the City, threatened that in any way seeks (a) to restrain or enjoin the issuance, execution, or delivery of the 2015 Bonds; or (b) to contest the validity of the 2015 Bonds, the 2015 Indenture, the Master Project Lease, the Tenth Amendment, the Master Site Lease, or any proceeding of the Authority or the City with respect thereto. In the opinion of counsel to the Authority (subject to the limitations set forth in the opinion rendered in connection with the issuance of the 2015 Bonds), there are no lawsuits or claims pending against the Authority that will materially affect the ability of the Authority to pay the principal and interest of the 2015 Bonds when due. In the opinion of the City Attorney (subject to the limitations set forth in the legal opinion rendered in connection with the issuance of the 2015 Bonds), there are no lawsuits or claims pending against the City that will materially affect the ability of the City to pay the Base Rental Payments under the Master Project Lease.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("**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 2015 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 2015 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the 2015 Bonds is less than the amount to be paid at maturity of such 2015 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2015 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 2015 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 2015 Bonds is the first price at which a substantial amount of such maturity of the 2015 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 2015 Bonds accrues daily over the term to maturity of such 2015 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 2015 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2015 Bonds. Beneficial Owners of the 2015 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2015 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2015 Bonds in the original offering to the public at the first price at which a substantial amount of such 2015 Bonds is sold to the public.

2015 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 2015 Bonds. The Authority and the City have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2015 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 2015 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2015 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 2015 Bonds may adversely affect the value of, or the tax status of interest on, the 2015 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 2015 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 2015 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 2015 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 2015 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 2015 Bonds. Prospective purchasers of the 2015 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 2015 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 Authority or 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 Authority and the City have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2015 Bonds ends with the issuance of the 2015 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the City or the Beneficial Owners regarding the tax-exempt status of the 2015 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the City and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2015 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 2015 Bonds, and may cause the Authority, the City or the Beneficial Owners to incur significant expense.

### **VERIFICATION OF MATHEMATICAL ACCURACY**

Causey Demgen Moore, P.C., Certified Public Accountants, upon delivery of the 2015 Bonds, will deliver reports on the mathematical accuracy of certain computations, in schedules provided to them which were prepared by the Underwriters, relating to the sufficiency of the anticipated receipts from the escrow securities deposited to the escrow funds held by the Escrow Agent to pay, when due, the principal, whether at maturity or upon prior repayment, interest and prepayment premium requirements of the Refunded Bonds.

The scope of Causey Demgen Moore, P.C.'s engagement is limited to verifying the mathematical accuracy of the computations contained in the schedules provided to them, and Causey Demgen Moore, P.C. has no obligation to update their report because of events occurring, or data or information coming to their attention, after the date of their report.

### **RATINGS**

Standard & Poor's Financial Services, LLC and Moody's Investors Service, Inc. are expected to assign the 2015 Bonds the long-term ratings of "\_\_\_" and "\_\_\_," respectively.

The ratings reflect only the views of the rating agencies, and any explanation of the significance of the ratings may be obtained only from the rating agencies. There is no assurance that a rating will remain in effect for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency assigning it if, in the rating agency's judgment, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the 2015 Bonds.

## AUDITED FINANCIAL STATEMENTS

Audited financial statements of the City for the Fiscal Year ended June 30, 2014, are attached hereto as Appendix B. The City's financial statements were audited by the independent accounting firm of Macias Gini & O'Connell LLP of Sacramento, California (the "Auditors"). The Auditors have not reviewed or audited this Official Statement and the City has not sought the consent of the Auditors to the inclusion of the Auditor's report in this Official Statement.

## FINANCIAL ADVISOR

The City has retained First Southwest Company, LLC ("FirstSouthwest"), as financial advisor in connection with the issuance and sale of the 2015 Bonds. Although FirstSouthwest has assisted in the preparation of the Official Statement, FirstSouthwest 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 FirstSouthwest does not assume any responsibility for the information, covenants and representations with respect to the federal income tax status of the 2015 Bonds, or the possible impact of any current, pending or future actions taken by any legislative or judicial bodies or rating agencies.

## UNDERWRITING

Morgan Stanley & Co. LLC, on behalf of itself and as representative of Stifel, Nicolaus & Company, Incorporated (the "Underwriters") has agreed, subject to certain conditions, to purchase the 2015 Bonds at a price of \$\_\_\_\_\_ (consisting of the principal amount of the 2015 Bonds plus net original-issue premium of \$\_\_\_\_\_, less an underwriter's discount of \$\_\_\_\_\_). The Bond Purchase Agreement relating to the 2015 Bonds provides that the Underwriters will purchase the 2015 Bonds if any are purchased.

The 2015 Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriters reserve the right to lower the initial offering prices as they deem necessary in connection with the marketing of the 2015 Bonds. The Underwriters may offer and sell the 2015 Bonds to certain dealers (including dealers depositing the 2015 Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriters reserve the right to join with dealers and other underwriters in offering the 2015 Bonds to the public. The obligation of the Underwriters to accept delivery of the 2015 Bonds is subject to the terms and conditions set forth in the Purchase Contract, the approval of legal matters by counsel and other conditions. The Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the 2015 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriters have provided the following for inclusion in the Official Statement:

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and-or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and-or short positions in such assets, securities and instruments.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

### **EXECUTION AND DELIVERY**

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

SACRAMENTO CITY FINANCING AUTHORITY

By: \_\_\_\_\_  
Russell T. Fehr  
Treasurer

CITY OF SACRAMENTO

By: \_\_\_\_\_  
Russell T. Fehr  
City Treasurer

**APPENDIX A**

**GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO**

**APPENDIX B**  
**AUDITED FINANCIAL STATEMENTS OF THE CITY**

## APPENDIX C

### THE MASTER LEASED PROJECT

**General.** The assets that will comprise the Master Leased Project as of the date of issuance of the 2015 Bonds are set forth in the table in this Appendix C. All of the assets are located in the City. The Master Project Lease may be amended in the future to add additional property to the Master Leased Property to enable the City to secure the payment of additional bonds of the Authority payable from additional Base Rental Payments under the Master Project Lease. The City may also add, delete or substitute assets pursuant to the Master Project Lease. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS- The Master Project Lease” herein.

**Valuation.** In accordance with the Master Project Lease, except as expressly noted, the values of the various properties that are part of the Master Leased Project identified in the table below were determined by the City as of the date such properties were originally included in the Master Leased Project. See “THE MASTER LEASED PROJECT” in the forepart of this Official Statement.

**MASTER LEASED PROJECT**

<b>Essential Assets</b>	<b>Value for Purposes of Master Lease<sup>(1)</sup></b>	<b>Non-Essential Assets</b>	<b>Value for Purposes of Master Lease</b>
Sac River-West Treatment Plant	\$68,000,000	Memorial Auditorium	44,750,966
City Hall	54,801,000	Cavanaugh Golf Course	26,144,168
Pioneer Reservoir*	39,826,000	Seymour Park	23,140,030
Granite Regional Park*	30,658,842	Del Paso Park*	15,404,014
Sump #2	30,000,000	Fremont Park	21,170,161
Lot G*	-	Reichmuth Park	19,028,101
Sac River-West Treatment Plant-Basin 3	25,000,000	Southside Park	17,681,601
Hansen Ranch Park Site	22,849,398	Coloma Community Center	14,011,269
24th Street Corporation Yard	22,347,461	Cesar E. Chavez Park	13,531,351
Lot H	21,620,450	Garcia Bend Park	9,743,172
Lot C	21,325,928	Glenbrook Park	9,738,811
Florin Reservoir	20,118,000	Muir Park	9,120,901
Meadowview Corp Yard	15,606,083	O'Neil Field	8,440,801
35th Corp Yard	14,645,176	Curtis Park	7,350,010
Historic City Hall	11,328,315	Oki Park	7,074,631
Lot R	11,255,947	North Laguna Park	7,039,996
Sequoia Pacific (Warehouse)	3,070,558	Tahoe Park	6,956,881
Rooney Police Station	3,046,527	Carl-Johnson Park	6,856,001
Animal Control Shelter	2,827,397	McKinley Park & Library	6,423,648
Sequoia Pacific (Forensic ID Lab)	2,182,158	Rohla Park	5,332,231
Sac River Underground Reservoir	2,000,000	Hall Park	5,243,121
Fire Station #16	1,251,576	South Natomas Library	4,874,680
Fire Station # 10	1,049,832	Northgate Park	4,587,316
Fire Station #19	871,373	Orchard Park Site	4,587,316
Fire Station #7	859,421	Washington Park	4,381,761
Fire Station #1	809,120	Winn Park	4,285,741
Fire Station #17	808,147	South Natomas Community Center	4,105,201
Fire Station #14 <sup>(2)</sup>	807,545	Cabrillo Park	2,196,911
Fire Station #15 <sup>(2)</sup>	510,142	Lawrence Park	1,830,759
Rooney Police Garage	170,837	Brockway Park	1,332,561
		Stanford Park	1,085,780
		Grant Park	1,085,780
		Shore Park	811,932
<b>Total Essential</b>	<b>\$429,647,233</b>	<b>Total Non-Essential</b>	<b>\$319,347,603</b>

Total Asset Value Currently Comprising the Leased Property: \$748,994,836  
 Total Principal Amount of Master Lease Bonds secured by Base Rental Payments: \$ \_\_\_\_\_\*

(1) Original value (established at the time the property was included in the Master Leased Project) has been reduced in connection with the removal of portions of the particular properties from Master Lease Project pursuant to the Eighth and Ninth Amendments to the Master Project Lease.

(2) The City is currently considering the removal of these fire stations from the Master Leased Project in connection with their replacement. Such removal would be subject to the requirements of the Master Project Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Master Project Lease."

\* Preliminary; subject to change. Reflects the refunding of the certain of the Prior Bonds as more particularly described in "PLAN OF REFUNDING."

**APPENDIX D**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

**APPENDIX E**  
**PROPOSED FORM OF OPINION OF BOND COUNSEL**

**APPENDIX F**

**PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## APPENDIX G

### BOOK ENTRY ONLY SYSTEM

*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 2015 Bonds, payment of principal, premium, if any, accreted value and interest on the 2015 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2015 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 2015 Bonds. The 2015 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 2015 Bond will be issued for each annual maturity of the 2015 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](http://www.dtcc.com).

Purchases of 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2015 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 2015 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 2015 Bonds, except in the event that use of the book-entry system for the 2015 Bonds is discontinued.

To facilitate subsequent transfers, all 2015 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 2015 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 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 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 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2015 Bond documents. For example, Beneficial Owners of 2015 Bonds may wish to ascertain that the nominee holding the 2015 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 2015 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 2015 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 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the 2015 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 2015 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, 2015 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, 2015 Bond certificates will be printed and delivered to DTC.

## APPENDIX A

### GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO

#### Introduction

The City of Sacramento (the “**City**”) is located at the confluence of the Sacramento and American Rivers in the northern part of California’s Central Valley. The City is approximately 75 air miles northeast of San Francisco and benefits from a mild climate, with many days of sunshine each year and daily average temperatures ranging from 54° F in January to 92° F in July. The average elevation of the City is 25 feet above sea level.

The City was settled in the late 1830s and incorporated in 1849. In 1854, the City became the capital of the State of California (the “**State**”), a position made permanent by the State’s Constitutional Convention in 1879. Today, State government employees and government-related activities contribute substantially to the City’s economy.

#### Government

The City operates under a City Charter that currently provides for an elected nine-member City Council including an elected Mayor. There are no other elected City officials. The City Council appoints the City Manager, the City Attorney, the City Treasurer, and the City Clerk to carry out its adopted policies. The City Council also appoints the City Auditor and the Independent Budget Analyst. The Independent Budget Analyst position is a new position that is funded for the first time in the Adopted Fiscal Year 2015/16 City Budget. The Mayor is chairperson of the City Council, serves a four-year term, and is elected in at-large City elections. The other members of the City Council also serve four-year terms but are elected from one of eight districts.

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

#### Key Personnel

*John F. Shirey, City Manager.* Mr. Shirey has over 35 years of experience from a variety of government positions. Most recently, Mr. Shirey was the Executive Director of the California Redevelopment Association. Mr. Shirey has also served in senior executive positions as City Manager of Cincinnati, Assistant City Manager of Long Beach, California, and Assistant Chief Administrative Officer of Los Angeles County. Mr. Shirey holds a Bachelor of Science in industrial engineering from Purdue University and a Master of Public Administration from the University of Southern California.

*James Sanchez, City Attorney.* In October 2012, James Sanchez was appointed City Attorney effective December 2012. Mr. Sanchez has practiced municipal law for over 25 years. His prior positions include City Attorney for the City of Fresno, Chief Assistant City Attorney for the City of Fresno, City Attorney for the City of Salinas, and Deputy County Counsel for the County of Fresno. He received a Bachelor of Arts from Pepperdine University in 1981, graduating Magna Cum Laude (High Honors), and a law degree from the University of California Hastings College of Law in 1984.

*Russell T. Fehr, City Treasurer.* Mr. Fehr was appointed City Treasurer in May 2008. As Treasurer, he is responsible for investing City funds, banking, and debt management. Before being appointed City Treasurer, Mr. Fehr was the City's Finance Director. Before joining the City, Mr. Fehr was the Budget and Debt Officer in the Sacramento County Executive's Office for 19 years. During his career, Mr. Fehr has managed and participated in a wide variety of debt financings, including facility issues, revenue-anticipation notes, redevelopment issues, and a tobacco-settlement securitization. The facilities financed include a Triple-A baseball park, a musical theater in the round, libraries, parks, an art museum, a golf course, a jail, a juvenile courthouse, health clinics, and office buildings. Mr. Fehr holds a Bachelor of Arts in classics from Dartmouth College and a Master of Arts in anthropology from the University of Arizona.

*Shirley Concolino, City Clerk.* Ms. Concolino was appointed City Clerk in December 2003. Before that appointment, she was the Mayor-and-Council Operations Manager for the Sacramento City Council from 1990 to 2003. Before her positions with the City, Ms. Concolino was the Administrative Assistant to the County Executive Officer in Solano County from 1985 to 1990, and before that she was Assistant to the City Manager in Davis, California.

*Leyne Milstein, Director of Finance.* Ms. Milstein was appointed Finance Director in October 2008, bringing over 14 years of experience in government management, policy, and finance at the state and local level. Before becoming the Finance Director, Ms. Milstein was the Manager of the Budget, Policy, and Strategic Planning Division. Before joining the City, Ms. Milstein worked for the State of California as Director of the Information Technology and Support Management Division for the California Commission on Teacher Credentialing; as an analyst at the California Department of Finance; and as staff to the State Public Works Board. Ms. Milstein holds a Bachelor of Arts in political science from the University of California at Davis and a Master of Public Administration from California State University Hayward.

## **Employee Relations**

Under the Meyers-Milias-Brown Act (California Government Code section 3500 *et seq.*), the City is required to meet and confer with its employees on all matters concerning wages, hours, and working conditions.

City employees are represented in 16 bargaining units by nine labor organizations. The Stationary Engineers, Local 39 of the International Union of Operating Engineers, is the largest labor organization, representing approximately 32% of all City employees in a variety of classifications. The most recent recognized employee organization, the Sacramento City Exempt Employee Association ("SCXEA"), was formed in 2011 and is the recognized employee organization of employees in the Exempt Management Unit, the Exempt Management Support Unit, and the Confidential/Administrative Unit. These three units represent approximately 15% of the City's labor force.

There have been no major work stoppages by City employees since 1970. Approximately 98% of all City employees are covered under negotiated agreements. Salary and benefits for all units are defined until the agreements expire.

The City is in negotiations with two of the City's labor organizations. Negotiations are in progress with SCXEA and the Western Council of Engineers ("WCE"). The most-recent agreement

with WCE expired on June 26, 2015; the most-recent agreement with SCXEA expired in December 2014.

There are three unrepresented employee units: Executive Management, Mayor/Council Support, and non-career employees. Remaining employees not currently represented include the City Manager (and key staff), the City Attorney, the City Treasurer, and the City Clerk; the Fire Chief and Fire Deputy Chiefs; the Police Chief and Police Deputy Chiefs; department heads; and a few employees who deal directly with negotiations, such as the Budget Manager and the Labor Relations Manager.

The City provides defined-benefit retirement benefits through the State of California's Public Employees' Retirement System ("CalPERS") and the Sacramento City Employees' Retirement System ("SCERS"). CalPERS is a multiple employer public-employee defined-benefit pension plan while SCERS is a single-employer defined-benefit pension plan. See "RETIREMENT AND OPEB OBLIGATIONS."

## CITY FINANCES

### City Budget

The City Council annually adopts an operating and capital budget for a single fiscal year beginning July 1 and ending June 30 in the subsequent calendar year.

To establish the annual budget, department fund managers, in coordination with the Budget Division of the Finance Department, review actual revenue receipts, economic and revenue forecasts from an outside consultant, and internal revenue forecasts developed by the Finance Department from estimates of tax revenues and other discretionary revenues to determine what resources will be available to support operating requirements; departments are then tasked with developing a plan for expenditure of projected available resources for the coming fiscal year. Similarly, capital-improvement program priorities are matched with available funds from multiple funding sources. Labor costs are updated to reflect salary and benefit changes required under the negotiated agreements and estimates for any unrepresented employees are also updated.

A base budget reflecting the estimated costs of providing programs and services in the new budget year is then prepared. This base budget also includes the estimates of revenues and other financing sources and the operating and capital budgets that are prepared and transmitted to the Mayor and City Council by the City Manager, as required by City Charter, at least 60 days before the start of the fiscal year. The Mayor and Council review the proposed operating and capital-improvement budgets in public hearings held in May or June.

Following the public hearing process, changes from the Mayor and City Council are incorporated into an amended budget. The budget is then formally adopted by the vote of the City Council on or before June 30 of each year. The budget for Fiscal Year 2015-16 was adopted on June 9, 2015. The final adopted budget will be available on the City's website at [portal.cityofsacramento.org/Finance/Budget](http://portal.cityofsacramento.org/Finance/Budget) in fall 2015.

## Adopted Fiscal Year 2015-16 Budget

The Adopted General Fund budget for Fiscal Year 2015-16 is the second consecutive budget since 2008 that does not require reductions in services, programs, or employees. The Amended General Fund budget includes revenues and other sources of \$400.5 million and expenditures of \$404.2 million, including one-time costs of \$8.0 million in priority budget initiatives, resulting in a projected \$3.7 million deficit (offset by usage of fund balance). Excluding the one-time costs attributable to priority budget initiatives, Fiscal Year 2015-16 is projected to have a surplus of \$4.3 million. While revenues are projected to exceed ongoing expenditures in Fiscal Year 2015-16, the changes recently approved by CalPERS relative to actuarial assumptions and methodologies will result in increased costs for CalPERS member agencies. As a result, the City's expenditures are forecast to once again outpace revenues beginning in Fiscal Year 2016-17.

The General Fund budget funds the delivery of the most common programs and services to the community. Because the primary function of the City is to provide services, the largest portion of the budget is tied to the cost of City employees. Currently, 71.4 % of the General Fund budget is projected to be used to fund employee services. Aside from the outright elimination of funded positions and employee layoffs, the City has a very limited ability to reduce the cost of labor absent the cooperation of the City's employee unions.

In addition, there are several areas of expense that have pre-determined payment schedules and that Council is highly unlikely to reduce, including debt service, payments for taxes and services to the County of Sacramento (the "**County**"), and contributions to CalPERS and SCERS. These expenditures effectively limit the discretionary portion of the budget.

Further budget adjustments may be necessary depending on the outcome of the County budget process.

The following table shows the adopted budget for Fiscal Year 2014-15 and the adopted budget for Fiscal Year 2015-16.

**CITY OF SACRAMENTO - GENERAL FUND BUDGET**  
**(\$ in Thousands)**

	<b>Fiscal Year 2014-15 Amended</b>	<b>Fiscal Year 2015-16 Adopted</b>
<b>AVAILABLE FUNDS:</b>		
Property Taxes	\$125,103	\$131,612
Sales and Use Taxes	72,504	75,358
Utility Users Tax	58,982	59,572
Other Taxes	17,618	17,815
Licenses and Permits	13,887	14,916
Fines, Forfeitures and Penalties	11,811	12,037
Use of Money	714	714
Intergovernmental Revenue	11,046	11,532
Charges, Fees and Services	44,525	45,788
Other Revenues	3,224	124
Transfers from Other Funds	<u>29,200</u>	<u>29,742</u>
Total Resources:	388,616	399,209
<b>REQUIREMENTS:</b>		
Current Operations:		
Employee Services	364,453	388,758
Other Services and Supplies	98,257	98,693
Equipment	6,989	6,929
Debt Service	24,024	23,984
Transfers	(583)	(605)
Labor/Supply Offset	(118,509)	(127,072)
Use of Contingency	1,000	1,000
Operating Transfers	<u>2,407</u>	<u>2,459</u>
Subtotal Current Operations:	378,038	394,146
Capital Improvements:		
General Government	2,204	1,976
Public Safety	2,900	8,028
Subtotal Capital Improvement:	<u>5,104</u>	<u>10,004</u>
Total Requirements:	383,142	404,150
Other Financing Sources:		
Beginning Undesignated Fund Balance:	--	11,234
Other	<u>105</u>	<u>1,242</u>
Total Other Sources:	<u>105</u>	<u>12,476</u>
Total Surplus (Deficit)	<u>5,579</u>	<u>(3,699)</u>
Ending Undesignated Fund Balance:	<u>1</u>	<u>7,535</u>

Source: City of Sacramento.

**General Fund Financial Summary**

The information contained in the table on the following page is summarized from the City's audited financial statements for Fiscal Years 2010-11 through 2013-14.

**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
(\$ in Thousands)**

	<u>Actual 2009-10</u>	<u>Actual 2010-11</u>	<u>Actual 2011-12</u>	<u>Actual 2012-13</u>	<u>Actual 2013-14</u>
<b>REVENUES:</b>					
Property Taxes	\$ 140,013	\$ 133,099	\$ 130,287	\$ 129,370	\$ 138,225
Sales and Use Taxes	45,670	47,680	50,683	52,301	56,575
Utilities Use Tax	58,700	58,887	58,787	59,066	59,613
Other Taxes	15,937	14,461	16,386	17,633	20,318
Licenses and Permits	12,709	13,582	12,124	12,688	12,997
Fines, Forfeitures and Penalties	11,131	10,134	11,020	9,165	10,567
Interest, Rents and Concessions	(88)	1,927	1,702	1,788	2,206
Intergovernmental Revenues	15,294	15,516	12,021	11,108	9,300
Charges, Fees and Services	41,737	41,486	38,157	47,392	51,323
Other Revenues	142	411	2,090	3,440	379
Total Revenues:	<u>\$ 341,245</u>	<u>\$ 337,183</u>	<u>\$ 333,257</u>	<u>\$ 343,951</u>	<u>\$ 361,503</u>
<b>EXPENDITURES:</b>					
General Government	\$ 24,009	\$ 22,453	\$ 21,250	\$ 19,073	\$22,623
Public Safety	230,225	218,984	210,124	216,760	218,911
Public Works	19,425	15,204	16,082	16,353	15,301
Parks & Rec, Comm. Develop, CCS	56,493	51,499	46,334	48,350	48,447
Non-Departmental	26,330	32,247	31,957	32,945	36,965
Capital Improvements	4,918	6,068	2,151	5,755	9,672
Debt Service	1,189	1,970	1,839	2,187	3,140
Total Expenditures:	<u>\$ 362,589</u>	<u>\$ 348,425</u>	<u>\$ 329,737</u>	<u>\$ 341,423</u>	<u>\$ 355,059</u>
Excess of Revenues over Expenditures	<u>\$ (21,344)</u>	<u>\$ (11,242)</u>	<u>\$ 3,520</u>	<u>\$ 2,528</u>	<u>\$ 6,444</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers from Other Funds	\$ 23,948	\$ 31,937	\$ 28,679	\$ 28,541	\$ 29,924
Transfers to Other Funds	(24,136)	(22,878)	(24,055)	(23,530)	(23,418)
Proceeds from Long-Term Debt	4,551	-	-	2,818	5,998
Proceeds from Sale of Property	-	-	-	-	-
Special Items	-	-	-	8,534	-
Total Other Financing Sources (Uses):	<u>\$ 4,363</u>	<u>\$ 9,059</u>	<u>\$ 4,624</u>	<u>\$ 16,363</u>	<u>\$ 12,504</u>
Net Change In Fund Balance	(16,981)	(2,183)	8,144	18,891	18,948
Fund Balance, beginning of year	\$ 72,088	\$ 55,107	\$ 52,924	\$ 61,068	\$ 79,959
Fund Balance, end of year	<u>\$ 55,107</u>	<u>\$ 52,924</u>	<u>\$ 61,068</u>	<u>\$ 79,959</u>	<u>\$ 98,907</u>
<b>Less Reserves and Commitments:</b>					
Reserved / Nonspendable	\$ 7,119	\$ 308	\$ 94	\$ 72	\$ 66
Restricted	-	86	64	40	3,422
Designated / Committed:					
Economic Uncertainty	10,540	14,340	20,263	27,765	33,714
Capital Projects	24,157	19,612	21,542	21,789	21,728
Balanced Budget	3,800	-	-	-	-
Community Center Theater renovation	-	-	-	8,500	8,500
OPEB trust fund	-	-	-	2,000	-
Other Programs	9,491	12,468	9,349	9,347	13,909
Assigned:					
Next Year's Budget	-	5,138	9,354	10,446	-
Unrealized Investment Gains	-	972	402	-	173
Fund Balance Available for Appropriation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,395</u>

Certain amounts in years before Fiscal Year 2010-11 have been reclassified for presentation in order to be consistent with the GASB Statement No. 54 presentation.

Source: City of Sacramento.

## **Financial Schedules**

A copy of the City's Comprehensive Annual Financial Report (the "CAFR") for the Fiscal Year ended June 30, 2014, is attached as Appendix B to this Official Statement. Prospective investors are encouraged to read the CAFR, including the Management's Discussion and Analysis, the Financial Statements, and the Notes to the Financial Statements, because it includes important information concerning the City and its financial condition.

Audited financial statements for prior years are available upon request from the City's Finance Department or may be obtained from the City's website at <http://portal.cityofsacramento.org/Finance/Accounting/Reporting>. Information on the City's website is not incorporated into this Official Statement. Vavrinek, Trine, Day & Co., LLP, performed the financial statement audit for the City for the fiscal year ended June 30, 2014.

## **Property Taxation within the City**

Property taxes make up the largest source of City discretionary revenue. The City lost the ability to set a property-tax rate with the adoption of Proposition 13 in 1978, which added Article XIII A to the State Constitution.

As a result, beginning with Fiscal Year 1981-82, property has been assessed at 100% of cash value, and the maximum property-tax rate is \$1.00 per \$100 of taxable value. See the forepart of the Official Statement under the caption "CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution" for a discussion of the constitutional limitations on the City's ability to issue general-obligation debt payable from an increase in the tax rate.

Additionally, the taxable value reflects homeowners and business-inventory exemptions. Tax revenues lost as a result of each homeowner's exemption are reimbursed by the State based on the total taxes that would be due on the taxable value of the property qualifying for that exemption, without allowance for delinquencies. If a homeowner files for the exemption, the exemption is \$7,000 of the taxable value of an owner-occupied dwelling, corresponding to \$70 in taxes.

For purposes of assessment and collection, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed real property and property on which the taxes are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Personal property is assessed on the "unsecured roll."

The following table summarizes assessed valuations in the City for Fiscal Years 2001-02 through 2013-14.

**GROSS ASSESSED VALUES  
FOR ALL TAXABLE PROPERTY<sup>(1)</sup>  
(\$ in Thousands)**

<b>Fiscal Year</b>	<b>Secured Roll</b>	<b>Unsecured Roll</b>	<b>Public Utility</b>	<b>Total</b>
2001-02	\$ 19,718,191	\$ 1,717,368	\$ 57,292	\$ 21,492,851
2002-03	21,855,519	1,157,123	66,428	23,079,070
2003-04	23,859,347	1,168,917	60,909	25,089,173
2004-05	27,010,976	1,343,104	57,800	28,411,880
2005-06	31,112,448	1,374,566	56,950	32,543,964
2006-07	35,687,712	1,441,042	54,611	37,183,365
2007-08	39,286,839	1,548,914	15,371 <sup>(2)</sup>	40,851,124
2008-09	40,360,550	1,691,096	11,948	42,063,594
2009-10	37,446,222	1,819,726	11,937	39,277,885
2010-11	36,388,660	1,742,828	11,977	38,143,465
2011-12	35,267,406	1,711,462	12,132	36,991,000
2012-13	34,332,037	1,626,943	13,157	35,972,137
2013-14	35,829,529	1,546,891	12,381	37,388,801
2014-15	37,918,666	1,585,876	18,173	39,522,715

<sup>(1)</sup> Derived from Equalized Assessed Valuation Report.

<sup>(2)</sup> The decrease in public utility assessed value is primarily due to the transfer of the downtown railyards to a private developer and the City.

Source: County of Sacramento, Office of Auditor/Controller.

The City receives only a portion of the property taxes collected within the City, sharing the revenue with school districts, successors to redevelopment agencies, special districts, and the County. The sharing of property-tax revenue is based on formulae set in State law and regulations, and annual changes in tax revenue are proportional to changes in the tax-roll values within the City. Property taxes are billed, collected, and allocated by the County. The table below summarizes property-tax revenues derived from the Secured Rolls from Fiscal Year 2001-02 to Fiscal Year 2014-15.

**PROPERTY TAX REVENUES  
RECEIVED BY THE CITY**

<b>Fiscal Year</b>	<b>Property Tax Revenues Current Secured</b>
2001-02	\$47,856,588
2002-03	49,975,253
2003-04	56,252,512
2004-05	59,130,256
2005-06	67,732,223
2006-07	80,513,714
2007-08	86,512,564
2008-09	88,326,770
2009-10	82,698,410
2010-11	78,787,724
2011-12	80,731,000
2012-13	78,309,000
2013-14	79,853,763
2014-15*	84,687,225

Source: City of Sacramento Revenue Division.  
\*Includes second installment of FY 2014-15 collections through April 10, 2015, received by the City on May 15, 2015

Until the economic downturn that began in 2008, which was particularly acute in the Sacramento area and its housing market, the assessed values in the City had grown each year from Fiscal Year 2000-01 through Fiscal Year 2008-09. Notices of default and foreclosures of property within the City significantly increased beginning in Fiscal Year 2006-07 before declining in recent years. The table below shows the historical data of the notices of default and foreclosures of property within the City.

**NOTICES OF DEFAULT  
AND FORECLOSURES OF PROPERTY  
WITHIN THE CITY**

<b>Fiscal Year</b>	<b>Number of Notices</b>
2001-02	217
2002-03	130
2003-04	78
2004-05	57
2005-06	516
2006-07	2,852
2007-08	6,968
2008-09	4,833
2009-10	4,339
2010-11	3,838
2011-12	2,395
2012-13	867
2013-14	332

Source: County of Sacramento, Office of the Assessor.

In addition, the assessed values of a large number of properties in the City have been reduced under Proposition 8, which generally provides for reductions in assessed valuations of properties to reflect current market values. The table below shows the recent historical impact of those reductions.

**PROPOSITIONS 8 REDUCTIONS  
WITHIN THE CITY**

<b>Fiscal Year</b>	<b>Number of Parcels</b>	<b>Aggregate Amount of Revaluations (\$ in million)</b>
2010-11	51,331	\$ 774
2011-12	59,945	1,270
2012-13	71,243	1,270
2013-14	40,781	573
2014-15	24,512	944

Source: County of Sacramento, Office of the Assessor.

**HISTORICAL ASSESSED VALUATIONS  
WITHIN THE CITY**

Fiscal Year	Assessed Valuation (change from prior Fiscal Year)
2009-10	(5.6%)
2010-11	(2.4)
2011-12	(5.0)
2012-13	(0.2)
2013-14	3.2
2014-15	5.9

Source: County of Sacramento, Office of the Assessor 2014 Annual Report.

The following table lists the City’s largest local secured taxpayers for the fiscal year ending June 30, 2012. Many of the largest taxpayers own commercial office space in downtown Sacramento.

**CITY OF SACRAMENTO  
LARGEST LOCAL SECURED TAXPAYERS  
AS OF JUNE 30, 2014  
(\$ in Thousands)**

Property Owner	Assessed Valuation	Rank	% of Total
Hines VAF II Sacramento	\$ 442,978	1	1.20%
CIM Sacramento LLC	230,772	2	0.62
Arden Fair Associates	137,159	3	0.37
Verizon Wireless	132,738	4	0.36
621 Capitol Mall LLC	124,810	5	0.34
300 Capitol Association NF LP	109,000	6	0.30
HP Hood LLC	84,287	7	0.23
Target Corp	81,423	8	0.22
500 Capitol Mall LLC	79,119	9	0.21
Capitol Regency LLC	74,784	10	0.20
Net Assessed Value Total:	\$1,497,070		4.05%
Net Assessed Value Total:	\$36,925,255		100.00%

Source: The City’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

**Other Taxes**

*Sales and Use Tax.* In 1956, the City adopted a Bradley-Burns Sales Tax Ordinance that allows the City to be allocated a percentage of the overall sales tax imposed in the City. The level of that sales tax has been set at 1% since April 1, 1969. The State Board of Equalization collects and distributes sales-and-use tax for the State, cities, counties, and other entities receiving sales-tax revenue.

Proposition 172 was approved by voters to permanently extend an additional 0.5% sales tax beyond December 21, 1993. The legislation requires that this sales tax continue to be deposited in the Public Safety Augmentation Trust Fund for distribution to counties and cities based on sales-tax-allocation percentages previously calculated. The City receives approximately 4% of this Proposition 172 sales-tax revenue allocated to jurisdictions within the County.

In November 2004, voters approved Measure A to extend the sales-and-use tax rate in Sacramento County by 0.5% to 2039. The proceeds of this Measure A tax are administered by the Sacramento Transportation Authority and are used to fund a comprehensive program of roadway and transit improvements, including highway, street, and road construction; highway, street, and road maintenance; bus and light-rail capital and operations; improved transportation services for elderly and handicapped persons; and transportation-related air-quality programs.

As part of the Fiscal Year 2003-04 budget for the State that was signed by Governor Schwarzenegger on July 31, 2004, and of the State's economic-recovery plan, a bond initiative formally known as the "California Economic Recovery Act" was approved by the voters on March 2, 2004. This act authorized the issuance of \$15 billion in economic-recovery bonds that were to be used to finance the State's Fiscal Year 2002-03 and Fiscal Year 2003-04 budget deficits, and are payable from a fund established by the redirection to the State of 25% of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdictions, commencing on July 1, 2004.

As a result, the portion of the sales-and-use tax amounts that otherwise would have been allocated to local governments, including to the City, would have decreased from 1% to 0.75%. However, beginning in Fiscal Year 2004-05, the local governments' share of local property-tax revenues was restored by an amount equal to the 25% reduction in the 1% share of the local sales-and-use tax, creating a revenue-neutral effect on local governments tax revenues for Fiscal Year 2004-05 and subsequent fiscal years. This system will remain in effect until the State's economic-recovery bonds have been retired. See also "Effect of State Budget on City" below.

In calendar year 2014, the City's sales-tax revenues increased 2.7% as compared to calendar year 2013. Statewide sales-tax revenues increased by 4.5% during the same period. During the final quarter of calendar year 2014 (October through December 2014), the City saw its highest level of sales-tax receipts compared to the previous eight quarters across several economic segments including restaurants, miscellaneous retail, food markets, and apparel stores. Growth in the construction sector, which was negatively affected by the economic downturn that began in 2008, is expected to pick up with the lifting of the building moratorium in North Natomas in June 2015. (New housing construction will be limited to 1,000 single family homes and 500-multi-family units during the first 12 months.) The Entertainment and Sports Center currently under construction in the downtown area of the City ("ESC") will also increase growth in the construction sector in Fiscal Year 2015-16, and the City anticipates continued growth in sales-tax revenues related to other sectors in Fiscal Year 2016-17 and beyond. Based on the most recent information from the City's sales-tax consultant, sales-tax growth projections are currently estimated at 4% in Fiscal Year 2015-16 and 3% annually from Fiscal Year 2016-17 through Fiscal Year 2019-20.

*Utility Users Tax.* On November 8, 1988, the voters approved Measure C, an advisory measure asking this question: "Should the utility users tax rate be maintained at 7.50% in order to provide additional General Fund revenues to augment City services such as public safety?" On November 4, 2008, Measure O was approved by voters, reducing the utility users tax ("UUT") on

telephonic services from 7.50% to 7.00% and expanding the scope of the tax to include new communication technologies. All other UUT rates remained unchanged at 7.50%.

There are some possible upcoming challenges to the UUT revenue stream. Changes to the taxation and franchise-fee structure for telecommunications and cable television are being proposed at the federal level, and legislation related to those changes was recently approved at the State level. Some of the proposed changes, if and when implemented, could reduce the UUT imposed on telephone and cable television use. The five components of UUT revenue have seen minimal growth over the past five years as industry trends and regulations have changed. Based on actual revenues collected over the past five years, UUT is projected to be \$59.6 million in Fiscal Year 2015-16, and the growth from Fiscal Year 2016-17 to Fiscal Year 2019-20 is forecast at 1% annually.

*Transient Occupancy Tax.* Since 1990, the City has imposed a transient-occupancy tax (“**TOT**”), the level of which is currently set at 12%. The revenues from the TOT are currently designated for the City’s Community Center Fund (10%) and the General Fund (2%).

The General Fund component of the TOT is projected to increase by approximately \$500,000, when comparing expected Fiscal Year 2014-15 receipts of \$3.4 million to projected receipts of \$3.9 million in the Adopted Fiscal Year 2015-16 Budget.

*Measure U.* On November 6, 2012, the voters of the City passed Measure U, authorizing a temporary \$0.005 sales tax to restore and protect City services. The tax became effective on April 1, 2013, and terminates on March 31, 2019, unless renewed.

MuniServices, the City’s sales-tax consultant, is continuing to evaluate Measure U tax receipts and is working with the State Board of Equalization (“**BOE**”) to reconcile and correct the over/under payments received by the City. The following provides a summary of the variances affecting the City’s collections that are currently under review: (1) the City is erroneously receiving collections from businesses located within the County but not within the City; and (2) businesses with multiple locations appear to be remitting Measure U taxes for non-City locations. Additionally, the taxability of internet transactions, “business-to-business” sales, and “business-to-government” sales is being reviewed, as these purchases do not follow a cyclical pattern.

Based on only three quarters of sales-tax data, the Fiscal Year 2014-15 revenue budget for Measure U is projected to be \$41.5 million. Staff will continue to provide updates on Measure U collections and updated projections as information becomes available. The revenue forecast for this tax assumes 1.3% growth in Fiscal Year 2015-16 revenue over projected Fiscal Year 2014-15 revenue, and 4% growth in subsequent years, with Fiscal Year 2018-19 reflecting the expiration of the tax in March 2019. Staff continues to work with the City Council to identify high-priority projects to be funded by Measure U revenues in the Adopted Fiscal Year 2015-16 Budget.

Although Measure U funds provide resources to protect and restore vital services, the use of temporary resources will create an enormous burden when the tax expires in 2019 unless contingency planning is done. Consistent with City Council’s adopted policies relative to Measure U, a reserve has been established that will provide resources through the end of Fiscal Year 2018-19 and cover a portion of the costs related to Measure U restorations in Fiscal Year 2019-20.

The Adopted Budget for Measure U reflects the annual cost of programs and services the City Council has previously approved. As originally proposed in the restoration plan, the Police Department will be adding 15 new sworn positions and the costs associated with the retention

of positions for the new COPS Hiring Program approved in Fiscal Year 2013-14, which funded 10 additional positions.

The City Council has begun a public discussion of Measure U renewal options. A permanent renewal of the sales tax, rather than a temporary term has been advocated. One concept discussed is using a portion of a renewed tax, beginning in Fiscal Year 2020, for capital rather than operational needs.

The Measure U restoration plan as shown on the following chart is based on the information below:

**MEASURE U REVENUES AND EXPENDITURES**  
(in 000s)

	<b>Total FTE</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>
<b>Beginning Fund Balance</b>		\$32,746	\$25,859	\$28,023	\$29,225	\$18,139	\$-
<b>REVENUES</b>		<b>\$42,046</b>	<b>\$43,798</b>	<b>\$45,610</b>	<b>\$35,619</b>	-	-
Fire Department	110.00	16,232	13,429	13,774	14,130	14,499	14,879
Police Department	205.50	18,592	19,066	21,228	22,890	23,404	23,932
Parks Department	127.80	13,086	8,451	8,714	8,986	9,266	9,554
Miscellaneous	2.00	1,023	687	693	698	704	710
<b>Total Measure U Restorations</b>		<b>\$445.30</b>	<b>\$48,933</b>	<b>\$41,634</b>	<b>\$44,408</b>	<b>\$46,705</b>	<b>\$47,873</b>
Annual Change in Fund Balance		(6,887)	2,164	1,202	(11,086)	(47,873)	(49,076)
<b>Cumulative Reserve<sup>(2)</sup></b>		<b>\$25,859</b>	<b>\$28,023</b>	<b>\$29,225</b>	<b>\$18,139</b>	<b>(\$29,734)</b>	<b>(\$49,076)</b>

(1) Amounts for Fiscal Year 2015-16 are included in the Fiscal Year 2015-16 adopted budgeted. Amounts for Fiscal Years 2016-17 through 2020-21 are projected, assuming 4% annual revenue growth (through March 2019 only) and projected labor growth.

(2) The forecast assumes Measure U is not renewed. The projected negative cumulative reserve balances in the forecast will be addressed during budget development as the City is required to adopt a balanced budget.

Source: City of Sacramento

**Prior Fiscal Year Budgets**

The City began to experience financial pressure in Fiscal Year 2006-07, due primarily to increasing labor costs and, later, exacerbated by the effect of the recession on revenues. The “structural budget deficit” resulted as revenue growth was insufficient to keep pace with compounding expenditure growth caused by increasing service demands, escalating personnel costs, and the ongoing operation and maintenance of aging infrastructure. Each fiscal year since then, until Fiscal Year 2014-15, a projected budget deficit had to be closed before a budget could be adopted. As shown in the table below, the strategy for closing that budget deficit shifted from the sole use of one-time resources in Fiscal Year 2006-07, to a blend of position reductions and structural improvements, to eliminating the use of one-time resources in Fiscal Year 2012-13. As time

progressed, the labor reductions shifted increasingly from the elimination of vacation positions to layoffs.

Reduction Strategy		FY	FY	FY	FY	FY	FY	FY	Total
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	
<b>Projected</b>	<b>General</b>	<b>\$29,000</b>	<b>\$58,000</b>	<b>\$50,000</b>	<b>\$43,000</b>	<b>\$38,900</b>	<b>\$15,700</b>	<b>\$8,900</b>	<b>\$243,500</b>
<b>Fund Deficit</b>									
<b>(\$ in 000s)</b>									
One-Time Funding		\$29,543	\$19,000	\$8,300	\$17,511	\$4,600	-	-	\$78,954
New-Increased Revenues		-	3,700	5,100	1,000	2,400	-	-	12,200
Labor Reductions		-	30,200	28,900	12,367	27,100	15,700	4,700	118,967
Other Reductions- Reimbursements		-	5,100	7,700	12,400	4,800	-	4,200	34,200
<b>Budget Reductions</b>		<b>\$29,543</b>	<b>\$58,000</b>	<b>\$50,000</b>	<b>\$43,278</b>	<b>\$38,900</b>	<b>\$15,700</b>	<b>\$8,900</b>	<b>\$244,321</b>
<b>FTE Reductions</b>		<b>-</b>	<b>359.01</b>	<b>360.26</b>	<b>207.50</b>	<b>302.70</b>	<b>41.70</b>	<b>40.0</b>	<b>1,311.17</b>

### The Six-Year Forecast

The General Fund forecast provides a multi-year view of revenues and expenditures, allowing an assessment of the fiscal consequences of both prior and current funding decisions in the context of forecasted revenues and expenditures. Given the City Council’s sustainable-budget policy, proposed fiscal actions are evaluated in a long-term rather than a short-term context. The General Fund forecast is developed consistent with the City Council’s adopted budget guidelines, which limit new revenues from being counted or spent until realized. The Fiscal Year 2015-16 Adopted Budget for the General Fund was adopted within the context of a six-year forecast in order to understand the effect on the City when Measure U funding expires in March 2019.

The following table projects a structural gap between revenues and expenditures in the General Fund that is expected to develop again in Fiscal Year 2016-17 in the absence of further policy initiatives. The primary driver of the projected structural gap is that the increasing pension costs approved by CalPERS exceed projected revenue growth. Actual results will depend on a variety of factors, including local economic conditions, and there can be no assurances actual results will not materially differ from the projections.

Rental payments relating to the ESC Project, which are expected to be in the range of \$17-21 million commencing in Fiscal Year 2017-18 have not been included in the Budget Forecast. As described below in “ - Planned Sources for City Payments with Respect to Entertainment and Sports Center,” the City expects that ESC rental payments can be paid from increased parking revenues, hotel taxes, property taxes (from ESC-related development in the downtown area), and payments from the primary tenant of the ESC, the Sacramento Kings of the National Basketball Association (the “**Kings**”). However, there can be no assurances that these increased revenues will be available in the amounts and at the time expected by the City. If the increased revenues are not available, that circumstance could materially adversely affect the City’s financial condition.

**GENERAL FUND REVENUES AND EXPENSES  
6-YEAR FORECAST  
(\$ in Thousands)**

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Beginning Fund Balance	11,234	8,194	2,001			
Total Revenue	400,451	407,846	415,678	424,003	432,578	441,415
Total Expenditures	394,146	414,039	425,704	432,137	438,110	441,598
<b>Revenues less Expenditures</b>	<b>\$6,305</b>	<b>\$(6,193)</b>	<b>\$(10,026)</b>	<b>\$(8,134)</b>	<b>\$(5,532)</b>	<b>\$(183)</b>
Priority Budget Initiatives (one-time costs)	8,038	-	-	-	-	-
Loss of Measure U Revenues	-	-	-	-	(29,734)	(49,076)
<b>Ending Fund Balance (w- Loss of Measure U)<sup>(1)</sup></b>	<b>\$8,194</b>	<b>\$2,001</b>	<b>\$(8,025)</b>	<b>\$(8,134)</b>	<b>\$(35,266)</b>	<b>\$(49,259)</b>

(1) The forecast assumes that a projected negative Ending Fund Balance will be addressed each year during budget development since the City is required to adopt a balanced budget.

Source: City of Sacramento

The six-year forecast is based on a set of point-in-time assumptions. Revenue assumptions include: 3.7% growth in Fiscal Year 2015-16 (as compared to Fiscal Year 2014-15), and 2% average growth annually in each year from Fiscal Year 2016-17 through Fiscal Year 2019-20. Expense assumptions include known effects of current labor agreements and anticipated effects related to required pension related payment. The City believes that the projected expenditure growth assumptions are reasonable, particularly through the term of the current labor contracts. A projection of the effect of recent changes in CalPERS policies are reflected in these estimates. See “RETIREMENT AND OPEB OBLIGATIONS.”

The ESC project has spurred development projects and property sales in the immediate vicinity in downtown Sacramento. The property sales have resulted in increases in assessed values on the secured tax roll (a portion of which are included in the revenue projections set forth above in the Budget Forecast). However, net revenues resulting from development projects related to ESC, such as hotels, office buildings, and additional retail space, are not included in the Budget Forecast and will not included until the projects are actually under construction. The hotel-tax forecast, outside the General Fund, does include revenue from an additional 250 hotel rooms associated with ESC development.

There can be no assurances that actual results will not materially adversely differ from the forecast.

Budget sustainability and the fiscal capacity to address longer-term fiscal issues require that annual base operating cost increases be held to a level below annual revenue growth. The fiscal reality is that given the lack of significant revenue growth beyond that of expenditures in the forecast and the expiration of Measure U revenues in March of 2019, current expenditure commitments are unsustainable. As a result, the City will need to continue to reduce expenditures or implement long-term revenue growth strategies in order to account for anticipated expenditure growth not supported by revenues.

## Planned Sources for City Payments with Respect to Entertainment and Sports Center

The City has entered into a number of agreements with a private developer relating to the construction of the ESC in the downtown area of the City that will serve as the home arena for the Kings. In addition, the City expects to enter into a lease agreement (the “ESC Lease”) and related agreements with the Sacramento Public Financing Authority (“SPFA”) in connection with the issuance by SPFA of up to \$300 million in lease-revenue bonds to finance the City’s required contribution to the ESC. Annual rental payable by the City under the ESC Lease is currently projected to be in the range of \$17 million to \$21 million. Actual rental will depend on market conditions at the time the revenue bonds are issued by SPFA and other factors.

The obligation of the City to pay rental to SPFA under the ESC Lease when due is an obligation payable from the City’s General Fund. To mitigate the effect on the General Fund from this obligation, the City currently plans to pay the obligation from rental payments the City receives from the private developer of the ESC (which will lease the ESC from the City) and from growth in parking revenues.

The rental payments from the ESC developer are expected to begin in full in Fiscal Year 2017-18 in the amount of \$6.5 million. The payments escalate with annual CPI adjustments between 3% and 5% and are projected to grow to \$18.3 million in Fiscal Year 2051-52.

Net parking revenues for Fiscal Year 2014-15 were \$15.4 million. These revenues are projected to increase to \$26.7 million in Fiscal Year 2016-17. In addition to this projected growth of more than \$11 million, the City also plans to use certain existing parking revenues currently devoted to paying debt service on facilities and equipment. (Debt-service payments will begin to decrease in Fiscal Year 2019-20 as the debt is redeemed.) In connection with the development of the parking-revenue projections, the City engaged a parking study prepared by a feasibility consultant. The parking revenues utilized by the City are consistent with the parking study. ¶¶ However, the study also contained sensitivity analyses that contained both lower and higher revenue projections depending on changes in capital and operating costs relating to the City’s parking systems, parking demand, and other factors. ¶¶ There can be no assurances parking revenues will be generated at the projected levels.

Coupled with the City’s share of property taxes on the ESC, the City expects that these revenue sources will, in the aggregate, provide the General Fund with the capacity to pay all or a significant portion or all of the payments due under the ESC Lease without affecting other services or programs funded from the General Fund. In order to provide for the availability of sufficient available funds in the early years of operation of the ESC, the City has established and currently intends to maintain a liquidity reserve in which it would set aside certain of these revenues prior to completion of the ESC and the commencement of rental payments under the ESC Lease. As of July 1, 2015, \$5.3 million has been set aside in the liquidity reserve from hotel taxes and parking revenues. Notwithstanding the City’s plans to use these revenues to make rental payments under the ESC Lease, the obligation of the City to make those payments is not conditioned on the availability of revenues in the amounts expected by the City.

The City has not included the ESC rental payments in the Budget Forecast; in the five-year horizon, however, there is no net effect on the General Fund. Future growth provides capacity for rental payments and has not been included in the Budget Forecast, nor have lease payments from the Kings, property taxes on the ESC itself, or any releases from the liquidity reserve.

## **Limitations on Taxes; Proposition 218 Matters**

As described in the forepart of the Official Statement under the caption “CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS,” the State Constitution limits the City’s ability to raise taxes without a vote of the electorate.

In addition, Proposition 218, which added Articles XIIC and XIID to the State Constitution in 1996, imposes significant limitations relating to the imposition of rates, fees, and charges for various enterprises of the City

Similarly, Proposition 26, which amended Articles XIIA and XIIC of the State Constitution in 2010, extends some of the limitations of Proposition 218 to additional charges, fees, and fines.

## **Effect of State Budget on City**

In recent years, the State experienced significant financial stress, with budget shortfalls in the billions of dollars. State revenues declined significantly as a result of recent economic conditions and other factors. While the State is not a significant source of City revenues, and the City does not anticipate that the State’s financial condition will materially adversely affect the financial condition of the City, there can be no assurances that State financial pressures will not adversely affect the City.

*State Budgets.* Information about the State budget is available through various State-maintained websites. Historical State budgets can be found at [http://www.dof.ca.gov/budget/historical\\_ebudgets](http://www.dof.ca.gov/budget/historical_ebudgets), while the proposed budget can be found at <http://www.ebudget.ca.gov>. Additionally, budget analyses are regularly posted at [www.lao.ca.gov](http://www.lao.ca.gov).

The information referred to above is prepared by the State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the internet addresses or the accuracy, completeness, or timeliness of information posted there. Information on these websites is **not** incorporated by reference into this Official Statement.

## **Amendments to Funding Mechanism for Redevelopment Agencies**

As described in the footnotes of the table below detailing the City’s General Fund obligations, the City receives significant funding from other sources that it uses to make payments with respect to several financings that otherwise would be payable from the City’s General Fund. One such source of funding was the Redevelopment Agency of the City (the “**City RDA**”), which, as described herein, has been dissolved. The City entered into a number of agreements with the City RDA, under which the City RDA was obligated to make payments to the City from tax-increment revenue from several redevelopment-project areas (the “**RDA Agreements**”). (The RDA Agreements do not include bonds issued directly by the City RDA, which are not payable from the City’s General Fund.) The aggregate amount of the payments payable to the City under the RDA Agreements is approximately \$5.5 million annually through 2018, declining afterwards to average annual payments of \$2.56 million through 2037.

As described in “PLAN OF REFUNDING” in the forepart of this Official Statement, the City currently plans to issue Tax Allocation secured solely by the tax-allocation revenues and other amounts pledged therefor under the indenture pursuant to which the Tax Allocation Bonds will be issued. The Tax Allocation Bonds will **not** be secured by payments required to be made by the City from the General Fund.

Under Assembly Bill No. 1x 26 (“**AB 26**”), enacted in June 2011, most redevelopment agency activities in California were suspended, and redevelopment agencies were prohibited from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB 26 also dissolved all existing redevelopment agencies and specified procedures for establishment of “successor agencies” and “oversight boards” to ensure that payments for “enforceable obligations” of the dissolved redevelopment agencies were made and to administer the dissolution and wind down of the dissolved redevelopment agencies. Certain provisions of AB 26 are described further below.

On February 1, 2012, AB 26 dissolved all redevelopment agencies in existence in the State and authorized establishment of “successor agencies” and “oversight boards” to satisfy “enforceable obligations” of the dissolved redevelopment agencies and to administer dissolution and wind down of the agencies. On January 31, 2012, the City elected under AB 26 to become the dissolved City RDA’s successor agency, denominated the Redevelopment Agency Successor Agency (the “**RASA**”), for the City RDA’s non-housing assets and functions. On the same date, the Housing Authority of the City of Sacramento (the “**Housing Authority**”) elected under AB 26 to become the successor agency for the City RDA’s housing assets and functions. However, the RASA is responsible for managing payment of all of the City RDA’s “enforceable obligations.” AB 26 requires an oversight board for each successor agency to be established no later than May 1, 2012. The oversight board for the RASA (the “**Oversight Board**”) was formed on April 16, 2012.

*Obligation Payment Schedules.* AB 26 requires a successor agency to continue to make payments on enforceable obligations of the dissolved redevelopment agency from tax-increment proceeds that are deposited into the Redevelopment Obligation Retirement Fund and received from the County Auditor-Controller from the Redevelopment Property Tax Trust Fund (“**RPTTF**”).

As required by AB 26, the RASA has prepared, and the DOF has approved, Recognized Obligation Payment Schedules (“**ROPS**”) for each six-month period since dissolution. All City RDA bond-debt payments listed on the ROPS have been approved by DOF. Under these DOF-approved ROPS, the RASA received funding from the County from the RPTTF to pay the enforceable obligations.

Although the RASA is obligated to continue including on the ROPS all payments under the RDA Agreements that are enforceable obligations under AB 26 (so as to avoid defaults), no assurances can be given regarding the actions of the Oversight Board to include scheduled payments under the RDA Agreements on a ROPS. In addition, the actions of the Oversight Board are subject to review by DOF as described later in this section.

*State Department of Finance and State Controller review.* AB 26 provides that most of the actions and activities taken by redevelopment agencies pending dissolution, by their successor agencies and oversight boards post dissolution, and by county auditor-controllers are subject to review and approval by the DOF. There can be no assurances that agreements listed on the ROPS as approved by the Oversight Board and DOF in prior periods will not be challenged in future when subsequent ROPS are prepared and submitted for approval. However, to date DOF has not disallowed payments to RASA under the RDA Agreements when it approved each of the ROPS, and AB 26 specifically provides that it is the intent of the law that “pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored.”

There may be additional legislation proposed or enacted in the future affecting the winding up of the affairs of the dissolved redevelopment agencies under AB 26 and AB 1484. No assurances can be given about the effect of any such future proposed and/or enacted legislation on the RDA Agreements.

## **General Fund Obligation Debt Service Payments**

The following table summarizes the City's total annual General Fund Obligation debt-service payments as of June 30, 2015. Obligations set forth on the following table are payable from the City's General Fund; however, the City uses amounts budgeted from certain enterprise and other funds as indicated in the following table. To the extent those other sources are unavailable, the General Fund would be responsible for such payments.

The following table does not include obligations of the City payable solely from tax-increment revenues.

## GENERAL FUND OBLIGATION DEBT SERVICE

Fiscal Year	1993 <sup>(1)</sup>	1997 <sup>(2)</sup>	1999 CFD 2A Lease Portion	1999 <sup>(3)*</sup>	2002 <sup>(4)*</sup>	2002 <sup>(5)</sup> COP	2003 <sup>(6)</sup>	2005 <sup>(7)*</sup> Ref. Rev. Bonds*	2006 <sup>(8)</sup>	2006 <sup>(9)</sup>	Total <sup>(10)</sup> Equip. Leases & Loans	Total Debt Service Obligations	% of Budgeted FY 13-14 <sup>(11)</sup>	Total Offset Debt Service	Total General Fund Debt Service	% of Budgeted FY General Fund Rev.
	Lease Revenue Bonds Series A, B	Lease Revenue Bonds (2007 Remarketing)		Capital Impr. Revenue*	Capital Impr. Revenue		Capital Impr. Revenue		Capital Impr. Revenue	Capital Impr. Revenue			Capital Impr. Revenue			
2016	15,437,935	5,767,979	245,000	-	302,400	1,051,448	2,755,469	20,530,025	10,805,696	11,091,683	5,308,373	73,296,008	18.4%	44,428,831	28,867,177	7.2%
2017	15,430,735	5,758,070	245,938	-	291,275	1,051,938	2,794,966	20,509,400	10,799,388	11,091,855	4,926,315	72,899,880	18.3%	44,429,979	28,469,901	7.1%
2018	15,408,975	5,953,976	251,094	-	792,825	1,051,108	2,836,544	19,994,775	9,225,313	11,090,825	2,943,321	69,548,755	17.4%	43,199,869	26,348,886	6.6%
2019	15,391,035	6,086,638	255,313	-	-	1,048,918	2,952,846	16,591,000	9,229,575	11,540,000	1,461,169	64,556,494	16.2%	39,328,421	25,228,073	6.3%
2020	15,369,890	6,209,110	253,750	-	-	1,050,215	2,044,926	16,533,475	9,212,048	11,573,525	721,991	62,968,929	15.8%	39,283,509	23,685,420	5.9%
2021	15,348,515	6,400,018	256,406	-	-	1,044,958	1,718,776	16,470,100	9,210,746	11,042,000	138,659	61,630,178	15.4%	38,970,256	22,659,922	5.7%
2022	-	6,446,610	262,969	-	-	1,047,831	279,601	16,337,475	9,198,629	12,755,675	138,659	46,467,449	11.6%	27,986,998	18,480,451	4.6%
2023	-	6,648,342	263,438	-	-	1,043,975	277,395	5,685,600	9,191,481	22,593,150	69,330	45,772,710	11.5%	26,987,677	18,785,034	4.7%
2024	-	6,796,051	262,969	-	-	1,043,000	279,754	5,537,225	9,182,750	22,126,169	-	45,227,917	11.3%	26,890,646	18,337,271	4.6%
2025	-	6,956,041	-	-	-	1,044,625	271,772	5,538,688	9,181,265	22,027,794	-	45,020,184	11.3%	27,011,137	18,009,047	4.5%
2026	-	7,124,005	-	-	-	1,044,500	273,375	5,527,644	9,171,351	22,043,856	-	45,184,731	11.3%	27,165,519	18,019,212	4.5%
2027	-	7,305,017	-	-	-	1,042,625	274,375	5,533,631	9,162,435	22,035,025	-	45,353,108	11.4%	27,335,675	18,017,433	4.5%
2028	-	7,461,356	-	-	-	1,039,000	274,875	5,537,250	9,163,419	22,039,475	-	45,515,375	11.4%	27,496,944	18,018,431	4.5%
2029	-	-	-	-	-	1,038,500	284,625	5,517,000	9,158,354	22,132,225	-	38,130,704	9.5%	20,051,450	18,079,254	4.5%
2030	-	-	-	-	-	1,036,000	288,500	5,514,500	9,146,692	22,135,788	-	38,121,480	9.5%	20,032,240	18,089,240	4.5%
2031	-	-	-	-	-	1,036,375	291,625	-	9,132,759	22,135,044	-	32,595,802	8.2%	15,656,218	16,939,584	4.2%
2032	-	-	-	-	-	1,034,500	289,125	-	9,130,306	22,137,375	-	32,591,306	8.2%	15,653,272	16,938,034	4.2%
2033	-	-	-	-	-	1,035,250	291,000	-	9,113,362	22,144,775	-	32,584,387	8.2%	15,639,814	16,944,573	4.2%
2034	-	-	-	-	-	-	292,125	-	9,106,001	5,639,300	-	15,037,426	3.8%	3,231,114	11,806,312	3.0%
2035	-	-	-	-	-	-	-	-	9,096,828	2,005,000	-	11,101,828	2.8%	1,708,316	9,393,512	2.4%
2036	-	-	-	-	-	-	-	-	9,074,993	2,004,250	-	11,079,243	2.8%	1,702,487	9,376,756	2.3%
2037	-	-	-	-	-	-	-	-	9,069,174	2,003,875	-	11,073,049	2.8%	1,706,719	9,366,330	2.3%
2038	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	-	0.0%
2039	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	-	0.0%
2040	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	-	0.0%
2041	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	-	0.0%
2042	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	-	0.0%
Total	\$92,387,085	\$84,913,214	\$2,296,875	-	\$1,386,500	\$18,784,764	18,771,674	\$171,357,788	\$204,762,562	\$335,388,663	\$15,707,817	\$945,756,941		\$535,612,077	\$409,859,850	
Offset	73.7%	100.0%	0.0%	0.0%	36.4%	100.0%	19.7%	77.4%	18.5%	54.6%	36.0%	62.3%				

\* Does not include amounts payable solely from tax-increment revenues.

- (1) 1993 Lease A: 80.5% Community Center Fund, 11.5% General Fund, 8.0% Golf Fund  
1993 Lease B: 47.8% General Fund, 30.2% Parking Fund, 13.0%, Drainage Fund, 9.0% Community Center Fund
- (2) 1997 Lease (ARCO Arena Sublease): assumes the fixed rate established in the 2007 remarketing is in effect for the remaining term of the bonds.
- (3) 1999 Capital Improvement Revenue Bonds: amounts remaining supported solely from tax-increment revenues
- (4) 2002 Capital Improvement Revenue Bonds: 58.4% General Fund, 21.0% RASA Master Lease (Stockton Blvd), 20.6% North Natomas Fund
- (5) 2002 COP: payable from H Street Theatre Revenues (obligation of General Fund if insufficient)
- (6) 2003 Capital Improvement Revenue Bonds: 85.3% General Fund, 14.7% North Natomas Fund
- (7) 2005 Refunding: 30.9% Water Fund, 22.9% General Fund, 17.1% Solid Waste Fund, 14.6% Parking Fund, 12.3% RASA (Del Paso Heights, Merged Downtown, North Sacramento, Oak Park, River District), 1.7% North Natomas Fund, 0.5% Golf Fund
- (8) 2006 Capital Improvement Revenue Bonds Series A and B: 81.5% General Fund, 18.5% RASA Master Lease (65<sup>th</sup> Street, Army Depot, North Sacramento, River District)
- (9) 2006 Capital Improvement Revenue Bonds, Series C, D, and E: 46.3% Water Fund, 45.0% General Fund, 6.9% North Natomas Fund, 1.0% RASA Master Lease (Stockton Boulevard), 0.8% Golf Fund,
- (10) Total Leases and Loans: 64.0% General Fund, 24.8% Solid Waste, 6.6% Marina, 2.6% RASA Master Lease (Merged Downtown), 2.0% Wastewater
- (11) Data based on Fiscal Year 2016 General Fund Revenue Forecast: \$399,329,000.

Source: City of Sacramento

## Interest Rate Swap

In 2007, the City entered into an interest-rate swap with Goldman Sachs Capital Markets, L.P. (the “**Counterparty**”) in connection with remarketing the Sacramento City Financing Authority’s \$73,725,000 1997 Lease Revenue Bonds (Arco Arena Acquisition) variable-interest-rate bonds (the “**Arena Bonds**”). The Arena Bonds carry an interest rate equal to the 3-month London Interbank Offered Rate (“**LIBOR**”) plus 0.25% (with the total rate not to exceed 14.00%) payable quarterly until July 19, 2017. The swap agreement terminates on July 19, 2017, and, as of July 17, 2014, has a notional amount of \$59,790,000. Under the swap, the Authority pays the Counterparty a fixed payment of 5.607% and receives a variable payment equal to the interest rate payable on the Arena Bonds. See Note 7 in Appendix B – “CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014.”

The City’s interest-rate swap entails risk to the City. Actual interest rates have varied from assumptions made at the time the swap was executed, and the City has not realized the expected financial benefits from the swap. There is no net City cost, because an affiliate of the Kings makes the debt payments. In addition, the potential future exposure to the City relating to the difference in payments between the amounts the City receives in connection with the swap and pays under that swap, including termination payments or other non-scheduled payments, cannot be predicted. The Counterparty may terminate the swap upon the occurrence of certain termination events or events of default, which might include failure of either the City or the Counterparty to maintain credit ratings at specified levels. If either the Counterparty or the City terminates the swap, the City may be required to make a termination payment to the Counterparty (even if termination is due to an event affecting the Counterparty, such as the Counterparty’s failure to maintain credit ratings at specified levels), and there is no assurance that payment by the City would not have a material adverse effect on its financial position. As of May 18, 2015, the current estimated amount of the termination payment that would be payable by the City is approximately \$5.7 million. The valuation of the swap or any future swaps is volatile and will vary based on a variety of factors, including current interest rates. There can be no assurances that termination amounts potentially payable by the City will not significantly increase. The City may enter into additional interest-rate swaps in the future.

## Debt Statement

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. as of June 30, 2014. The Debt Report is included for general-information purposes only. The City makes no representations as to its completeness or accuracy.

The Debt Report generally includes long-term obligations sold in the public-credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated), nor are they necessarily obligations secured by property within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of that public agency.

**[TO BE UPDATED] CITY OF SACRAMENTO  
DIRECT AND OVERLAPPING BONDED DEBT  
AS OF JUNE 30, 2014**

Dollar figures below are in thousands  
2013-14 Assessed Valuation: \$36,924,255

	Total Debt 6/30/14	% Applicable (1)	City's Share of Debt 6/30/14 (2)
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
Los Rios Community College District	\$370,270	25.367%	\$ 93,926
Natomas Unified School District	173,217	87.387	151,369
Sacramento Unified School District	372,363	83.460	310,774
San Juan Unified School District	335,630	3.062	10,277
Twin Rivers Unified School District	84,573	47.725	40,361
Twin Rivers Unified School District (former Grant Joint Union High School District bonds)	192,857	47.127	90,888
Robla School District	23,481	50.911	11,955
City of Sacramento Community Facilities Districts	144,275	100.	144,275
Elk Grove Unified School District Community Facilities District No. 1	182,044	11.486	20,910
City of Sacramento 1915 Act Bonds	8,690	100.	8,690
Sacramento Area Flood Control Agency Consolidated Capital Districts Assessment District	192,610	83.303	160,450
Sacramento Area Flood Control Agency Operation and Maintenance Assessment District	3,320	63.308	2,102
Sacramento Area Flood Control Agency Local Assessment District	35,350	84.065	29,717
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$1,075,694</b>

Ratios to 2013-14 Assessed Valuation:  
Total Overlapping Tax and Assessment Debt 2.91%

<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
Sacramento County General Fund Obligations	\$297,541	31.090%	\$ 91,904
Sacramento County Pension Obligations	990,308	31.090	305,886
Sacramento County Board of Education Certificates of Participation	8,010	31.090	2,474
Los Rios Community College District Certificates of Participation	5,670	25.422	1,438
Sacramento Unified School District Certificates of Participation	74,285	83.400	61,998
Sacramento Unified School District Pension Obligations	1,740	83.400	1,452
San Juan Unified School District Certificates of Participation	999	3.074	31
Twin Rivers Unified School District Certificates of Participation	129,825	47.665	61,183
City of Sacramento General Fund Obligations	654,165,000	100.	654,165,000
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$1,180,531,798</b>
Less: Sacramento County supported obligations			1,993,820
City of Sacramento supported obligations			384,819,660
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ 793,718,318</b>

**OVERLAPPING TAX INCREMENT DEBT:** \$268,384,186 0.015-100. % \$194,895,211

<b>GROSS TOTAL DIRECT DEBT</b>	<b>\$654,165,000</b>
<b>NET TOTAL DIRECT DEBT</b>	<b>\$269,345,340</b>
<b>GROSS TOTAL OVERLAPPING DEBT</b>	<b>\$1,796,956,207</b>
<b>NET TOTAL OVERLAPPING DEBT</b>	<b>\$1,794,962,387</b>

<b>GROSS COMBINED TOTAL DIRECT AND OVERLAPPING DEBT</b>	<b>\$2,451,121,207 (3)</b>
<b>NET COMBINED TOTAL DIRECT AND OVERLAPPING DEBT</b>	<b>\$2,064,307,727</b>

- (1)Percentage of overlapping agency's assessed valuation located within boundaries of the city.  
(2)Report prepared 5/21/13. Excludes any bonds sold between 5/21/13 and 6/30/13.  
(3)Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2013-14 Assessed Valuation:  
Gross Combined Total Direct Debt (\$654,165,000) 1.75%  
Net Combined Total Direct Debt (\$269,345,340) 0.72%  
Gross Combined Total Direct and Overlapping Debt 6.56%  
Net Combined Total Direct and Overlapping Debt 5.52%

Ratios to Redevelopment Increment Valuation (\$4,320,981,427):  
Total Overlapping Tax Increment Debt.....4.51%

## **No Default**

The City has no record of having ever defaulted in the payment of principal or interest on any of its loans, bonds, notes, or other debt obligations or on any of its lease obligations.

## **RETIREMENT AND OPEB OBLIGATIONS**

The City provides retirement and post-employment benefits to its employees as described below.

### **Employees Retirement Plans**

Plans Description. The City provides defined-benefit retirement benefits through CalPERS and SCERS. CalPERS is a multiple-employer public-employee defined-benefit pension plan, whereas SCERS is a single-employer defined-benefit pension plan.

All full time and certain part-time City employees hired on or after January 28, 1977, and all City safety employees regardless of the date of hire, are eligible to participate in CalPERS. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS annual financial report and a separate report for the City's plans within CalPERS may be obtained from the CalPERS-Executive Office at 400 Q Street, Sacramento, California 95811.

All full-time, non-safety employees hired before January 29, 1977, are eligible to participate in SCERS. SCERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The City reports SCERS as a pension trust fund. SCERS issues a publicly available annual financial report that includes financial statements and required supplementary information. This financial report may be obtained by writing to the City of Sacramento, Department of Finance, 915 I Street, NCH, 4th Floor, Sacramento, California 95814.

*CalPERS Details.* The tables below summarize the funded status of the City's retirement plans as of the most-recent actuarial-valuation dates. The funded status information presented from the June 30, 2013 actuarial valuation takes into account the effect of CalPERS's decision to lower its assumed investment earnings by 0.25% to 7.50%, which affected contribution rates beginning in Fiscal Year 2013-14. Additional information regarding the City's employee-retirement plans, annual pension costs, the funding status thereof, and significant accounting policies related thereto is set forth in Note 8 to the City's audited financial statements for the fiscal year ended June 30, 2014, attached as Appendix B to the Official Statement.

**CITY OF SACRAMENTO  
RETIREMENT PLAN TREND INFORMATION  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
Miscellaneous Employees  
(\$ in Millions)**

<b>Valuation Date (June 30)</b>	<b>Market Asset Value</b>	<b>Actuarial Liability (AAL) – Entry Age</b>	<b>Actuarial Asset Value</b>	<b>(Overfunded) Unfunded AAL</b>	<b>Actuarial Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>(Overfunded) Unfunded AAL as % of Covered Payroll</b>
2006	\$ 418	\$ 487	\$ 398	\$ 89	82%	\$ 153	58%
2007	521	549	457	92	83	173	53
2008	510	617	510	107	83	178	60
2009	403	696	556	140	80	175	80
2010	477	751	607	144	81	171	84
2011	590	819	660	159	81	165	96
2012	596	861	709	152	82	151	101
2013	677	914	677	237	74	151	157

Source: CalPERS actuarial valuations through June 30, 2013. The actuarial valuation for the City through June 30, 2014, is expected to be available in late Calendar Year 2015.

**CITY OF SACRAMENTO  
RETIREMENT PLAN TREND INFORMATION  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
Safety Employees  
(\$ in Millions)**

<b>Valuation Date (June 30)</b>	<b>Market Asset Value</b>	<b>Actuarial Liability (AAL) – Entry Age</b>	<b>Actuarial Asset Value</b>	<b>(Overfunded) Unfunded AAL</b>	<b>Actuarial Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>(Overfunded) Unfunded AAL as % of Covered Payroll</b>
2005	\$ 751	\$ 823	\$ 730	\$ 93	89%	\$ 83	111%
2006	834	908	787	121	87	92	131
2007	989	971	853	118	88	100	118
2008	928	1,048	908	140	87	110	127
2009	687	1,135	946	189	83	110	172
2010	770	1,183	987	196	83	111	178
2011	917	1,249	1,035	214	83	109	196
2012	897	1,313	1,077	236	82	108	219
2013	992	1,371	992	379	72	108	364

Source: CalPERS actuarial valuations through June 30, 2013. The actuarial valuation for the City through June 30, 2014, is expected to be available in late Calendar Year 2015.

**CITY OF SACRAMENTO  
RETIREMENT PLAN TREND INFORMATION  
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM  
(\$ in Millions)**

<b>Valuation Date (June 30)</b>	<b>Market Asset Value</b>	<b>Actuarial Liability (AAL) – Entry Age</b>	<b>Actuarial Asset Value</b>	<b>(Overfunded) Unfunded AAL</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>(Overfunded) Unfunded AAL as % of Covered Payroll</b>
2006	\$ 365	\$ 395	\$ 365	\$ 30	92%	\$ 10	292%
2007	378	395	365	30	92	10	313
2008	355	392	360	32	92	9	356
2009	273	398	314	84	79	6	1,406
2010	280	395	297	98	75	5	1,848
2011	304	397	297	100	75	4	2,420
2012	296	389	294	95	76	3	3,211
2013	296	382	292	90	76	2	3,949
2014	313	373	N/A	60	84	2	2,643

Source: SCERS actuarial valuations through June 30, 2014. The pension liability at June 30, 2014, was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, and, as a result, the actuarial asset value was not updated. The actuarial valuation for the SCERS through June 30, 2015, is expected to be available in late Calendar Year 2015.

**Recent CalPERS Developments.**

At its meetings on April 16 and 17, 2013, the CalPERS Board of Administration (“**PERS Board**”) approved a plan to replace the previous 15-year asset-smoothing policy with a 5-year direct-rate smoothing process and replace the previous 30-year rolling amortization of unfunded liabilities with a 30-year fixed-amortization period. The approach provides a single measure of funded status and unfunded liabilities, less volatility in extreme years, a faster path to full funding, and more transparency to employers about future contribution rates. These changes will accelerate the repayment of unfunded liabilities (including the 2008-09 market losses) of CalPERS participants’ plans (including the City’s) in the near term. The new methods are included in the June 30, 2012 valuation for rate projections, but actual rates were not set using the new methods until fiscal year 2014-15, reflected in the June 30, 2013 valuation.

At its February 18, 2014 meeting, the PERS Board approved new actuarial assumptions based on a recently completed experience study of CalPERS membership. The experience study was based on CalPERS member demographic data for the experience period from June 30, 1997, to June 30, 2011. The study focused on recent patterns of termination, death, disability, retirement, and salary increases. The major findings from the study showed an increase in life expectancy for both men and women. The actuarial assumptions adopted also reflect improvements to life expectancy.

CalPERS’s recent review of actuarial assumptions confirmed that government workers, including public-safety employees, are living longer. Since CalPERS last addressed the issue in 2010, there have been dramatic changes in life expectancy: by 2028, men retiring at age 55 are projected to live an average of 29.4 years and women 31.9 years post-retirement, longer than the prior assumptions of 27.3 years for men and 30.3 years for women post-retirement. Based on the revised figures, the PERS Board adopted the 20-year mortality projection along with 20-year amortization and a five-year phasing policy, with associated costs for local-government agencies beginning in Fiscal Year 2016-17. On a preliminary basis, the City anticipates that its General Fund contributions to CalPERS for Fiscal Year 2019-20 will be \$18.7 million higher than in Fiscal Year 2015-16.

*SCERS Details.* In the early 1980s, safety employees in the SCERS pension plan were moved to CalPERS after voters approved a change to the City Charter. There were 27 active members and 1,201 retirees and other beneficiaries participating in the SCERS plan as of June 30, 2014.

The SCERS pension plan has been closed to new members since 1977. Because SCERS is closed to new members and has only 27 remaining active members, the Actuarial Value of Assets is a three-year smoothed market value. Investment gains and losses are recognized over a three-year period. The actuarial value of assets is limited by a 15% corridor, meaning the actuarial value of assets will be no greater than 115% of market value of assets and no less than 85% of market value of assets.

*Overall Contributions.* Under collective bargaining arrangements signed in 2012 and 2013, the City will no longer pay the employee contribution to CalPERS after fiscal year 2014-15, and most bargaining groups have agreed to pay a portion of the City’s employer contribution through cost-sharing agreements.

The following table summarizes the City’s contributions to its defined-benefit pension plans.

**CITY OF SACRAMENTO  
ANNUAL CONTRIBUTION TO RETIREMENT PLANS  
(\$ in Millions)**

<b>Fiscal Year</b>	<b>CalPERS</b>	<b>SCERS</b>	<b>Total City Employer Contribution <sup>(1)</sup></b>	<b>Total City-Paid Employee Contribution <sup>(2)</sup></b>	<b>Total General Fund Contribution</b>
2008-09	\$41.7	\$3.2	\$44.9	\$17.1	\$52.3
2009-10	44.6	3.4	48.0	16.7	54.6
2010-11	44.3	10.5	54.8	16.1	58.9
2011-12	49.5	10.4	59.9	15.4	63.3
2012-13	47.7	10.6	58.3	12.7	59.8
2013-14	49.8	9.6	59.4	9.8	57.7
2014-15 <sup>(3)</sup>	61.4	9.1	70.5	5.7	64.3
2015-16 <sup>(3)(4)</sup>	68.8	8.6	77.4	0.0	64.7

(1) Includes contributions payable from special funds.

(2) Employee contribution amount paid by the City pursuant to collective bargaining arrangements.

(3) Budgeted.

(4) The City’s employer contribution to CalPERS in 2015-16 is offset by negotiated employee cost-sharing of employer contributions totaling \$3.8 million citywide and \$3.4 million in the General Fund.

Source: The City of Sacramento.

The City contributed 100% of the actuarially required contributions in each fiscal year reported in the table.

The City also provides defined-contribution retirement benefits through the City of Sacramento 401(a) Money Purchase Plan (the “**Plan**”). The Plan is administered by the International City Management Association Retirement Corporation. Plan provisions and contribution requirements are established and may be amended by the City Council. Unrepresented exempt and certain represented employees may elect to participate in the Plan. Participating exempt employees

are required to contribute 5% of covered salary and the City contributes 4%, while participating non-exempt employees are required to contribute 2% of covered salary and the City contributes 2%. For the year ended June 30, 2014, employees contributed \$2,732,000 and the City contributed \$2,354,000 to the Plan.

On June 25, 2012, the Governmental Accounting Standards Board (“GASB”) approved two new standards with respect to pension accounting and financial-reporting standards for state and local governments and pension plans. The new standards, GASB Statement Nos. 67 and 68, replace GASB Statement No. 27 and most of GASB Statement Nos. 25 and 50. The changes affect the accounting treatment of pension plans in which state and local governments participate. Major changes include (1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, unfunded liabilities are typically included as notes to the government’s financial statements); (2) more components of full pension costs will be shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates will be required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities will be required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the City is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013, and the reporting requirements for government employers, including the City, took effect for the fiscal year beginning July 1, 2014.

On November 25, 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, to eliminate a potential source of understatement of restated beginning net position and expense in a government’s first year of implementing GASB Statement No. 68. To correct this potential understatement, Statement 71 requires a state or local government, when transitioning to the new pension standards, to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions. The provisions are effective simultaneously with the provisions of Statement No. 68.

### **Annual OPEB Cost and Net OPEB Obligation**

The City provides health-care and dental-care insurance benefits for all retirees and their survivors and dependents. Participants have the choice of enrolling in one of several health plans and one of two dental plans. To be eligible for these benefits, an employee must retire with a minimum of 10 full years of active service and be 55 years of age for miscellaneous employees or 50 years of age for safety employees. Participants with a minimum of 20 years of service are eligible for 100% of the maximum benefit while participants with less than 20 years of service are eligible for 50% of the maximum benefit. The post-retirement health care and dental-care benefits range from \$300 and \$694 a month per participant, which covers between 16% and 100% of the benefit cost, depending on

the choice of plan and number of dependents. New employees hired after January 1, 2013, are not eligible to receive post-retirement health care and dental-care benefits.

City retiree health benefits are defined by labor agreements and resolutions approved by the City Council. Benefit costs are recorded on a pay-as-you-go basis. The City's financial statements assume that pay-as-you-go funding will continue. The City's annual other post-employment benefits ("OPEB") cost is calculated based on the Annual Required Contribution ("ARC") of the City, an amount that is actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years.

In February 2013, the City Council voted to establish an OPEB trust fund and begin funding a portion of its OPEB liability with a one-time investment of \$2,000,000 deposited in January 2014. Again, in February 2014, the City Council voted to contribute another \$2,000,000 to the OPEB trust fund. The City deposited another \$1,000,000 into the trust in July 2014 after the City Council approved the Fiscal Year 2014-15 budget and will deposit another \$1,000,000 in July 2015 based on authority in the approved Fiscal Year 2015-16 budget. The following table shows the components of the City's annual OPEB cost for Fiscal Year 2013-14, the amount contributed to the plan, and the changes in the City's net OPEB obligation.

**CITY OF SACRAMENTO  
ANNUAL OPEB COST COMPONENTS  
FISCAL YEAR 2013-14  
(\$ in Thousands)**

Annual Required Contribution (ARC)	\$43,974
Interest on beginning OPEB liability	5,928
Adjustment to the ARC	<u>(9,971)</u>
Annual OPEB cost	\$39,931
Contributions made	(13,473)
Trust prefunding	<u>(4,000)</u>
Increase in net OPEB obligation	\$22,458
Net OPEB obligation - Beginning of year	<u>131,739</u>
Net OPEB obligation - End of year	<u>\$154,197</u>

Source: The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

The City's annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous five fiscal years were as follows:

**CITY OF SACRAMENTO  
ANNUAL OPEB COST, ACTUAL CONTRIBUTIONS,  
ANNUAL COST CONTRIBUTED, AND NET OBLIGATION  
(\$ in Millions)**

<b>Fiscal Year</b>	<b>Annual OPEB Cost</b>	<b>Contributions</b>	<b>% of OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2009-10	\$29.5	\$11.0	38%	\$60.7
2010-11	31.4	11.9	38	80.2
2011-12	37.2	12.2	33	105.2
2012-13	39.4	12.8	33	131.8
2013-14	39.9	17.5	43	154.2

Source: The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

The City has projected, on a preliminary basis, that by the end of Fiscal Year 2014-15 its annual OPEB costs will increase to \$42.1 million, its annual contribution will increase to \$14.6 million, and its net OPEB obligation will increase to \$183.8 million.

The following table summarizes the funded status of the City's OPEB plan as of the most recent biennial actuarial-valuation date, June 30, 2013. Additional information regarding the City's OPEB plan, annual OPEB costs, the funding status thereof, and significant accounting policies related thereto is set forth in Note 9 to the City's audited financial statements attached as Appendix B hereto. The June 30, 2015 actuarial valuation is anticipated to be available in late Calendar Year 2015.

**CITY OF SACRAMENTO  
OPEB TREND INFORMATION  
(\$ in Millions)**

<b>Actuarial Valuation Date (June 30)</b>	<b>Actuarial Liability (AAL)</b>	<b>Actuarial Asset Value</b>	<b>(Overfunded) Unfunded AAL</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>(Overfunded) Unfunded AAL as % of Covered Payroll</b>
2007	\$ 380	--	\$ 380	0.00%	\$ 266	142.9%
2009	376	--	376	0.00	275	136.7
2011	440	--	440	0.00	254	173.4
2012	447	--	447	0.00	262	170.9
2013	434	--	434	0.00	257	168.4

Source: The City's OPEB actuarial valuations.

## CERTAIN CITY ECONOMIC AND DEMOGRAPHIC INFORMATION

### Population

A comparison of the City's population growth to that of the County and the State is provided in the table below. Population estimates are as of as of January 1 for each year.

### POPULATION ESTIMATES<sup>(1)</sup> CITY OF SACRAMENTO, COUNTY OF SACRAMENTO AND THE STATE OF CALIFORNIA FOR SELECTED CALENDAR YEARS 1970 THROUGH 2014

Year	City of Sacramento	Average Annual % Change	County of Sacramento	Average Annual % Change	State of California	Average Annual % Change
1970	257,105		634,373		19,935,134	
1980	275,741	0.72%	783,381	2.35%	23,782,000	1.87%
1990	369,365	3.40	1,046,870	3.36	29,828,496	2.57
1995	384,300	0.81	1,120,733	1.41	31,910,000	1.45
2000	407,018	0.81	1,233,599	2.01	34,095,209	1.27
2005	453,592	1.85	1,378,538	1.46	36,899,392	1.32
2009	481,356	1.35	1,440,500	0.84	38,476,724	0.98
2010 <sup>(2)</sup>	469,493	-2.46	1,427,961	-0.87	37,427,946	-2.73
2011 <sup>(2)</sup>	469,895	0.09	1,431,726	0.26	37,680,593	0.68
2012 <sup>(2)</sup>	472,679	0.59	1,442,993	0.79	38,030,609	0.93
2013 <sup>(2)</sup>	475,871	0.67	1,456,230	0.92	38,357,121	0.86
2014 <sup>(2)</sup>	480,105	0.89%	1,470,912	1.01	38,714,725	0.93

<sup>(1)</sup> Totals are estimates and may not add due to rounding.

<sup>(2)</sup> The population estimates for 2010 forward incorporate the 2010 Census Population Benchmark.

Source: State of California, Department of Finance.

<http://www.dof.ca.gov/research/demographic/reports/estimates/e-1/view.php>

### Industry and Employment

As the seat of State government, the City has traditionally had a large public-sector workforce. In recent years, the employment base in Sacramento and the surrounding area has diversified as the relatively low cost of living and supply of skilled labor have drawn a number of technology, financial services, and healthcare employers to the City.

As a result of the recent recession, unemployment levels throughout the country (including in the City) have significantly increased since Fiscal Year 2007-08. The table below shows historical unemployment rates for the City, the County, and the State.

**UNEMPLOYMENT RATES  
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO  
AND THE STATE OF CALIFORNIA**

<b>Year</b>	<b>City of Sacramento</b>	<b>County of Sacramento</b>	<b>State of California</b>
2003	7.0	5.8	6.8
2004	6.7	5.6	6.2
2005	5.9	4.9	5.4
2006	5.6	4.8	4.9
2007	6.4	5.4	5.4
2008	8.5	7.2	7.3
2009	13.2	11.0	11.2
2010	13.3	12.6	12.2
2011	12.8	12.1	11.7
2012	11.1	10.5	10.4
2013	9.4	8.9	8.9
2014	7.7	7.3	7.5
2015 <sup>(1)</sup>	6.0	5.7	6.1

<sup>(1)</sup> April 2015

Figures above are not seasonally adjusted.

Source: Source: State of California. Employment Development Department.

<http://www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/areaselection.asp?tablename=labforce>

Set forth below are data reflecting the County's civilian labor force, employment, and unemployment. These figures are County-wide and may not accurately reflect employment trends in the City.

**SACRAMENTO COUNTY AND SACRAMENTO-ROSEVILLE-ARDEN ARCADE  
METROPOLITAN STATISTICAL AREA (MSA)  
CIVILIAN LABOR FORCE, EMPLOYMENT AND  
THE ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY  
FOR YEARS 2009 THROUGH 2013**

<b>LABOR FORCE (COUNTY):</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Labor force <sup>(1)</sup>	681,100	682,500	679,800	682,700	680,900
Employment	606,100	596,400	597,500	610,900	620,400
Unemployment	75,000	86,100	82,300	71,800	60,500
Unemployment Rate	11.0%	12.6%	12.1%	10.5%	8.9%
<b>EMPLOYMENT INDUSTRY (MSA):</b>					
Total All Industries <sup>(2)</sup>	856,800	833,800	831,500	851,100	875,700
Total Farm	8,300	8,100	8,200	8,600	8,900
Total Non-farm	848,500	825,700	823,300	842,400	866,800
Goods Producing	78,400	71,600	70,600	72,700	77,700
Trade, Transportation & Utilities	135,000	132,600	134,100	138,900	141,700
Information	18,300	17,200	16,300	15,600	14,800
Financial Activities	52,900	48,300	46,700	48,200	49,400
Professional & Business Services	101,300	102,200	104,400	111,100	114,600
Education & Health Services	116,600	115,100	116,900	121,300	128,400
Leisure & Hospitality	81,900	80,200	81,700	84,500	88,700
Other Services	28,800	28,100	28,000	28,600	29,000
Government <sup>(3)</sup>	235,300	230,300	224,600	221,500	222,500

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

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

<sup>(3)</sup> Includes Federal and State & Local Government employees

Source: Labor Market Information Division of the California State Employment Development Department.  
<http://www.labormarketinfo.edd.ca.gov/>

The two tables below represent the Sacramento Region Major Private Sector Employers for the greater Sacramento area (including, Sacramento, El Dorado, Placer, Sutter, Yolo, and Yuba Counties) and the major public-sector employers. Major private employers in the Sacramento area include those in health care, electronics, telecommunications, and retail and financial services. Major public-sector employers include the State and the County. The data in the tables are from December 2014 and may not reflect subsequent changes in the work force.

**GREATER SACRAMENTO AREA  
2014 MAJOR PRIVATE SECTOR EMPLOYERS**

<b>Company</b>	<b>Type of Business</b>	<b>No. of Full-Time Employees</b>
Sutter Health Sacramento Sierra Region	Health care	7,352
Dignity Health	Health care	6,212
Intel Corp.	Researches and develops computer chips and chipsets, including desktop, mobile and server processor products	6,000
Kaiser Permanente	Health care	5,421
Raley's Inc.	Retail grocery chain	3,389
Apple Inc.	Consumer Goods – Electronic Equipment	2,500
VSP Global	Vision health care insurance, eyewear, ophthalmic products and lab services sales systems for the optical industry optical medical record software	2,382
Health Net of California	Managed health care	2,299
Wells Fargo & Co.	Financial Services	2,190
GenCorp Inc.	Design, develop and manufactures solid waste rocket motors, and liquid and electric in-space propulsion systems	1,710
Delta Dental of California	Dental benefits	1,149

Source: Sacramento Business Journal Book of Lists 2014, December 2014.

**COUNTY OF SACRAMENTO  
2014 MAJOR PUBLIC SECTOR EMPLOYERS**

<b>Name of Employer</b>	<b>No. of Full-Time Employees <sup>1</sup></b>
State of California	72,220
Sacramento County	10,700
U.S. Government	9,906
UC Davis Health System	9,905
Elk Grove Unified School District	5,410
Sacramento City Unified School District	4,200
City of Sacramento	4,140
San Juan Unified School District	3,632
California State University Sacramento	2,999
Los Rios Community College District	2,976
Sacramento Municipal Utility District	2,046
Folsom Cordova Unified School District	1,958

<sup>1</sup> Does not include substitutes or seasonal employees.

Source: Sacramento Business Journal Book of Lists 2014, December 2014.

**Commercial Activity**

The following table summarizes taxable sales within the City from 2009 through 2013.

**CITY OF SACRAMENTO  
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS  
FOR YEARS 2009 THROUGH 2013  
(\$ in Thousands)**

<b>Type of Business</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Apparel	\$314,415	\$319,555	\$331,037	\$339,108	\$340,610
General Merchandise	486,181	484,713	500,631	504,732	513,841
Food	272,980	282,078	291,616	295,149	299,456
Eating & Drinking	675,035	687,669	718,749	762,531	796,733
Household Furnishings	245,042	232,782	223,797	203,543	203,675
Building Materials	222,703	249,593	304,603	258,469	303,311
Automotive	285,724	259,294	282,738	338,082	388,898
Service Stations	424,739	484,980	574,763	612,199	599,365
Other Retail	444,823	455,716	475,042	487,314	506,059
Retail Stores Total	<u>\$3,371,643</u>	<u>\$3,456,380</u>	<u>\$3,702,978</u>	<u>\$3,801,126</u>	<u>\$3,951,948</u>
All Other Outlets	<u>1,577,522</u>	<u>1,491,067</u>	<u>1,588,997</u>	<u>1,670,192</u>	<u>1,752,173</u>
<b>TOTAL:</b>	<u><u>\$4,949,165</u></u>	<u><u>\$4,947,448</u></u>	<u><u>\$5,291,975</u></u>	<u><u>\$5,471,319</u></u>	<u><u>\$5,704,121</u></u>

Note: Detail may not compute to total due to rounding.

Source: State Board of Equalization, Taxable Sales in California (Sales & Use Tax), 2013 Annual Report

\$ \_\_\_\_\_  
**SACRAMENTO CITY FINANCING AUTHORITY**  
**2015 REFUNDING REVENUE BONDS (MASTER LEASE PROGRAM FACILITIES)**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2015

Sacramento City Financing Authority  
 915 I Street  
 Historic City Hall, Third Floor  
 Sacramento, California 95814

City of Sacramento  
 915 I Street  
 Historic City Hall, Third Floor  
 Sacramento, California 95814

Ladies and Gentlemen:

The undersigned, Morgan Stanley & Co. LLC, acting on behalf of itself and Stifel, Nicolaus & Company, Incorporated (collectively, the “**Underwriter**”), offers to enter into this Bond Purchase Agreement (this “**Purchase Agreement**”) with the Sacramento City Financing Authority (the “**Authority**”) and the City of Sacramento (the “**City**”) with respect to the refunding revenue bonds captioned above (the “**Bonds**”). This offer is made subject to its acceptance by the Authority and the City by execution of this Purchase Agreement and its delivery to the Underwriter on or before 5:00 p.m., California time, on the date of this Purchase Agreement, set out above. Upon acceptance, this Purchase Agreement will be binding upon the Authority, the City, and the Underwriter. All terms used in this Purchase Agreement and not otherwise defined have the meanings given to them in the Indenture (defined in Section 2 below).

The Authority and the City acknowledge and agree that (a) the purchase and sale of the Bonds under this Purchase Agreement is an arm’s-length commercial transaction between the Authority, the City, and the Underwriter; (b) in connection with the purchase and sale and with the discussions, undertakings, and procedures leading up to its consummation, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended) and has not assumed a fiduciary responsibility in favor of the Authority or the City with respect to the offering of the Bonds or the process leading to the offering, whether or not the Underwriter has advised or is currently advising the Authority or the City on other matters; (c) the only contractual obligations the Underwriter has to the Authority and the City with respect to the purchase and sale are those expressly set forth in this Purchase Agreement; (d) the Authority and the City have consulted their own legal, financial, and other advisors to the extent each has deemed appropriate; (e) the Underwriter has financial interests that may differ from, and be adverse to, those of the Authority and the City; and (f) the

Underwriter has provided the Authority and the City with certain disclosures required under the rules of the Municipal Securities Rulemaking Board (the “MSRB”). Nothing in this paragraph is intended to limit the Underwriter’s obligation of fair dealing under MSRB Rule G-17.

**1. Purchase and Sale.**

- (a) Upon the terms and conditions and upon the basis of the representations, warranties, and agreements set forth in this Purchase Agreement, the Underwriter hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell to the Underwriter for that purpose, all (but not less than all) of the Bonds at a purchase price equal to \$\_\_\_\_\_ (being the aggregate principal amount less an Underwriter’s discount of \$\_\_\_\_\_ and plus an original-issue premium of \$\_\_\_\_\_).
- (b) The payment for, and delivery of, the Bonds and the other actions contemplated by this Purchase Agreement to take place at the time of the payment and delivery are the “Closing.” At the request of the Authority, on the Closing Date (defined in Section 7 below), the Underwriter will wire to \_\_\_\_\_ (the “Insurer”) an amount equal to \$\_\_\_\_\_, representing the sum of the premiums for the bond-insurance policy (the “Policy”) and debt-service-reserve surety bond (the “Surety Bond”), in each case to be issued by the Insurer simultaneously with the issuance of the Bonds. As a result, the net amount the Underwriter will wire to the Authority in connection with the purchase of the Bonds will be \$\_\_\_\_\_.
- (c) Simultaneously with the sale of the Bonds, the Redevelopment Agency Successor Agency of the dissolved Redevelopment Agency of the City of Sacramento (the “Successor Agency”) expects to issue and sell \$\_\_\_\_\_ aggregate principal amount of its 2015 Tax Allocation Refunding Bonds, Series A (Tax-Exempt) and 2015 Tax Allocation Refunding Bonds, Series B (Federally Taxable) (collectively, the “Series 2015 Refunding Tax Allocation Bonds”). The issuance of the Series 2015 Refunding Tax Allocation Bonds is a condition of the Closing (see Section 8(g)).

**2. The Bonds and Related Documents.** The Bonds will be issued under the following: an Indenture (the “Indenture”), dated as of \_\_\_\_\_ 1, 2015, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”); the Joint Exercise of Powers Act, set out in sections 6500 through 6599.3 of the California Government Code and including the Marks-Roos Local Bond Pooling Act of 1985, set out in sections 6584 through 6599.3 (the “Act”); and a resolution of the Authority authorizing the issuance of the Bonds, adopted on \_\_\_\_\_, 2015 (the “Authority Resolution”). The Official Statement dated the Effective Date (defined in Section 4 below) relating to the Bonds (which, together with all exhibits and appendices included therein or attached thereto and any amendments or supplements thereto that are approved by the Underwriter, is the “Official Statement”) was approved by the Authority under the Authority Resolution and by the City under a resolution adopted on \_\_\_\_\_, 2015 (the “City Resolution”). The terms of the Bonds and the security therefor will be as described in the Indenture and in the Official Statement.

- (a) The Bonds are payable from the “**Revenues**” (as defined in the Indenture) and the other funds pledged under the Indenture. A portion of the proceeds of the Bonds will be used to refund and discharge certain outstanding obligations (the “**Defeased Obligations**”) as set forth in the Indenture.
  - (b) The payment of principal and interest when due on the Bonds maturing on December 1, 20\_\_\_, and on December 1 of each year thereafter up to and including December 1, 20\_\_\_, will be guaranteed by the Policy. The Surety Bond will be deposited in the Reserve Account for the Bonds under the Indenture.
  - (c) As required by the Continuing Disclosure Certificate, dated as of \_\_\_\_\_, 2015, and executed by the City (the “**Disclosure Certificate**”), the City will provide certain annual information and notices of the occurrence of certain enumerated events. A description of the undertaking is set forth in the Preliminary Official Statement (defined in Section 4 below) and will also be set forth in the Official Statement.
  - (d) The “**Legal Documents**” consist of the Indenture; the Master Project Lease dated as of December 1, 1999, between the Authority and the City (as heretofore amended, the “**Master Project Lease**”) as amended by the Tenth Amendment to Master Project Lease dated as of September 1, 2015, between the Authority and the City (the “**Tenth Amendment**”) and, together with the Master Project Lease, the “**Project Lease**”); the Disclosure Certificate; this Purchase Agreement; and the Escrow Agreement dated as of \_\_\_\_\_ 1, 2015 (the “**Escrow Agreement**”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “**Escrow Agent**”) and relating to the deposit of funds to be held in escrow for the refunding and discharge of the Defeased Obligations.
3. **Offering.** The Authority’s obligations to sell and to deliver the Bonds to the Underwriter and the Underwriter’s obligations to purchase, to accept delivery of, and to pay for the Bonds are subject to the condition that the entire \$\_\_\_\_\_ aggregate principal amount of the Bonds be issued, sold, and delivered by the Authority and purchased, accepted, and paid for by the Underwriter at the Closing. The Underwriter agrees to make a bona fide public offering of all of the Bonds at the initial public-offering prices or yields set forth in Exhibit A to this Purchase Agreement and on the inside front cover page of the Official Statement. After the initial public offering, the Underwriter may change the initial offering prices as it deems necessary in connection with the marketing of the Bonds.
4. **Use and Preparation of Documents.** The Authority and the City have caused to be prepared and delivered to the Underwriter, before the execution of this Purchase Agreement, copies of the Preliminary Official Statement dated \_\_\_\_\_, 2015 (the “**Preliminary Official Statement**”). The Authority and the City hereby ratify, confirm, and approve the Underwriter’s use of the Preliminary Official Statement before the date on which an authorized officer of the Authority and an authorized officer of the City execute the acceptance of this Purchase Agreement (the “**Effective Date**”). The Authority and the City have previously deemed the Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as

amended (“**Rule 15c2-12**”), except for information permitted to be omitted by Rule 15c2-12. The Authority and the City agree to execute and deliver to the Underwriter a certification to that effect in the form attached as Exhibit B to this Purchase Agreement. The Authority and the City agree to deliver or cause to be delivered to the Underwriter all of the following not later than the earlier of the business day preceding the Closing Date (defined in Section 7) or the seventh business day following the Effective Date: the form of the Official Statement relating to the Bonds in “designated electronic format” (as defined in MSRB Rule G-32); and printed copies of the Official Statement, dated the Effective Date, in the form of the Preliminary Official Statement with any changes the Underwriter may approve, in any quantity as the Underwriter may reasonably request. The Authority and the City approve of the Underwriter’s distribution and use of the Official Statement in connection with the offer and sale of the Bonds. The Preliminary Official Statement and the Official Statement may be distributed in printed or electronic form to the extent permitted by applicable rules of the MSRB. The Underwriter agrees that it will not confirm the sale of any Bonds unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the Official Statement (which may be in electronic form).

5. **Representations, Warranties, and Agreements of the Authority.** The Authority hereby represents, warrants, and agrees as follows:
- (a) The Authority is a public entity organized and existing under the Constitution and laws of the State of California, including the Act.
  - (b) The Authority has adopted the Authority Resolution approving the issuance, execution, and delivery of the Bonds and the execution and delivery of the Legal Documents to which it is a party and the Official Statement, and has full legal right, power, and authority to issue, execute, and deliver the Bonds, to enter into the Legal Documents to which it is a party and to carry out and consummate the transactions contemplated by the Legal Documents to which it is a party.
  - (c) By all necessary official action of the Authority taken before or concurrently with its acceptance of this Purchase Agreement, the Authority has duly authorized and approved the preparation and use of the Preliminary Official Statement and the Official Statement; the execution and delivery of the Official Statement and the Legal Documents to which it is a party; the issuance, execution, and delivery of the Bonds; and the performance by the Authority of all transactions contemplated by the Legal Documents to which it is a party. The Bonds and the Legal Documents to which the Authority is a party will constitute legal, valid, and binding obligations of the Authority, enforceable in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating to or limiting creditors’ rights generally.
  - (d) The Authority is not in breach of, or default under, the following in any respect that is material to the Authority’s performance of its obligations under the Legal Documents, and no event has occurred and is continuing that would constitute, with the passage of time or the giving of notice, or both, such a breach, default, or event of default: any

constitutional provision, law, or administrative regulation; any judgment or decree; or any loan agreement, indenture, bond, note, resolution, agreement (including the Indenture and the Project Lease), or other instrument. The execution and delivery of the Legal Documents to which the Authority is a party, and the Authority's compliance with the Legal Documents to which it is a party, will not conflict with, or constitute a material breach of, or a material default under, any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement, or other instrument to which the Authority is a party or to which the Authority or any of its property or assets is otherwise subject, nor will any such execution, delivery, or compliance result in the creation or imposition of any lien, charge, or other security interest or encumbrance of any nature upon any of the Authority's property or assets or under any such constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement, or instrument, except as provided by the Indenture.

- (e) As used in this Section 5(e), "Government Approvals" means all authorizations, approvals, licenses, permits, consents, and orders of any governmental authority, board, agency, or commission with jurisdiction over the matter, but excludes Blue Sky or other securities laws of any state. The Authority has obtained all Governmental Approvals (1) that are required for the due authorization of its obligations under the Legal Documents; (2) that would constitute a condition precedent to its obligations under the Legal Documents; and (3) that would, if absent, materially adversely affect the due performance of its obligations under the Legal Documents.
- (f) Between the Effective Date and the Closing Date, the Authority will not, without the Underwriter's prior written consent, offer or issue any bonds, notes, or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from the City's General Fund other than in the ordinary course of business.
- (g) To the current, actual knowledge of the officer of the Authority who executes this Purchase Agreement, as of the Effective Date the Authority 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, government agency, public board, or public body—
  - (1) in which an unfavorable decision, ruling, or finding would affect the existence of the Authority or the titles of its officers to their offices;
  - (2) that seeks to prohibit, restrain, or enjoin the execution and delivery of the Bonds, the Indenture, or the Tenth Amendment or the collection by the Trustee of the Revenues;
  - (3) that contests, as to the Authority, the validity or enforceability of the Bonds or the Legal Documents;

- (4) that contests the exclusion from gross income of interest on the Bonds for federal income-tax purposes;
  - (5) that contests the completeness or accuracy of the Preliminary Official Statement or the Official Statement;
  - (6) that contests the powers of the Authority or in any way contests or challenges the consummation of the transactions contemplated by this Purchase Agreement; or
  - (7) that might result in a material adverse change in the financial condition of the Authority or might materially adversely affect the Revenues.
- (h) To the current, actual knowledge of the Authority, there is no basis for any action, suit, proceeding, inquiry, or investigation of the type listed in Section 5(g) in which an unfavorable decision, ruling, or finding would materially adversely affect the validity of the Authority's authorization, execution, delivery, or performance of the Bonds or the Legal Documents to which it is a party.
- (i) As of the Effective Date and as of their dates, the Preliminary Official Statement (excluding pricing information and information relating to the Insurer, the Policy, and the Surety Bond) and the Official Statement (excluding information relating to the Insurer, the Policy, and the Surety Bond) did not and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
- (j) As of its date and at all times after its date, to and including the date that is 25 days after the End of the Underwriting Period (defined in Section 5(l) below), the Official Statement (including any amendment or supplement to the Official Statement as contemplated in Section 5(l) below) did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
- (k) If, between the Effective Date and the date that is 25 days after the End of the Underwriting Period, an event occurs that would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, the Authority will notify the Underwriter, and, if in the opinion of the Underwriter or the Authority, or their counsel, the event requires the preparation and publication of a supplement or amendment to the Official Statement, then the Authority will cooperate in the preparation of an amendment or supplement to the Official Statement in a form and manner approved by the Underwriter and will pay all expenses thereby incurred. For the purposes of this Section 5(l), between the Effective Date and the date that is 25 days after the End of the Underwriting Period, the Authority will furnish such information with respect to itself as the Underwriter may from time to time reasonably request. **"End of the Underwriting Period"** means the Closing Date unless the Underwriter gives the Authority written

notice to the contrary, in which case it means the later of (1) the date the Authority delivers the Bonds to the Underwriter and (2) the date the Underwriter no longer retains, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public.

- (l) If the Official Statement is amended or supplemented under Section 5(l) above, then, on the date of each supplement or amendment and (unless subsequently supplemented or amended again under Section 5(l)) at all times after that date, up to and including the date that is 25 days after the End of the Underwriting Period, the portions of the Official Statement so supplemented or amended (including any financial and statistical data) will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.
- (m) After the Closing, the Authority will not participate in the issuance of any amendment or supplement to the Official Statement if, after being furnished with a copy, the Underwriter reasonably objects to the amendment or supplement in writing or the Underwriter's counsel reasonably disapproves of the amendment or supplement in writing.
- (n) Any certificate duly signed by any authorized officer of the Authority and delivered to the Underwriter will be deemed a representation by the Authority to the Underwriter as to the statements made in the certificate.
- (o) The Authority will apply the proceeds from the sale of the Bonds for the purposes specified in the Official Statement.
- (p) The Authority has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Authority is a bond issuer whose arbitrage certifications may not be relied upon.
- (q) The Authority will furnish all information, execute all instruments, and take all other action in cooperation with the Underwriter, at the Underwriter's expense, as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the "blue sky" or other securities laws and regulations of any states and other jurisdictions of the United States of America the Underwriter may designate, except that the Authority is not required to execute a special or general consent to service of process or to qualify as a foreign corporation in connection with any such qualification in any jurisdiction.
- (r) Except as disclosed in the Official Statement, the Authority has not failed during the past five years to comply in all material respects with any prior continuing-disclosure undertaking.

6. **Representations, Warranties, and Agreements of the City.** The City hereby represents, warrants, and agrees as follows:

- (a) The City is a municipal corporation duly organized and existing under, and by virtue of, the Constitution and laws of the State of California.
- (b) The City has adopted the City Resolution approving the execution and delivery of the Legal Documents to which it is a party and the Official Statement, and has full legal right, power, and authority to enter into the Legal Documents to which it is a party and to carry out and consummate the transactions contemplated by the Legal Documents to which it is a party.
- (c) By all necessary official action of the City taken before or concurrently with its acceptance of this Purchase Agreement, the City has duly authorized and approved the preparation and use of the Preliminary Official Statement and the Official Statement, the execution and delivery of the Official Statement and the Legal Documents to which it is a party, and the performance by the City of all transactions contemplated by the Legal Documents to which it is a party; and the Legal Documents to which it is a party will constitute legal, valid, and binding obligations of the City, enforceable in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating to or limiting creditors' rights generally.
- (d) The City is not in breach of, or default under, the following in any respect that is material to the City's performance of its obligations under the Legal Documents, and no event has occurred and is continuing that would constitute, with the passage of time or the giving of notice, or both, such a breach, default, or event of default: any constitutional provision, law, or administrative regulation; any judgment or decree; or any loan agreement, indenture, bond, note, resolution, agreement (including the Project Lease), or other instrument. The execution and delivery of the Legal Documents to which it is a party, and the City's compliance with the Legal Documents to which it is a party, will not conflict with or constitute a material breach of, or a material default under, any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement, or other instrument to which the City is a party or to which the City or any of its property or assets is otherwise subject, nor will any such execution, delivery, or compliance result in the creation or imposition of any lien, charge, or other security interest or encumbrance of any nature upon any of the City's property or assets or under any such constitutional provision, law, administration regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement, or instrument, except as provided by the Project Lease.
- (e) As used in this Section 6(e), "Government Approvals" means all authorizations, approvals, licenses, permits, consents, and orders of any governmental authority, board, agency, or commission with jurisdiction over the matter, but excludes Blue Sky or other securities laws of any state. The City has obtained all Governmental Approvals (1) that are required for the due authorization of its obligations under the Legal Documents; (2) that would constitute a condition precedent to its obligations under the Legal

Documents; and (3) that would, if absent, materially adversely affect the due performance of its obligations under the Legal Documents.

- (f) Between the Effective Date and the Closing Date, the City will not, without the Underwriter's prior written consent, offer or issue any bonds, notes, or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from the City's General Fund other than in the ordinary course of business.
- (g) To the current, actual knowledge of the officer of the City who executes this Purchase Agreement, as of the Effective Date 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, government agency, public board, or public body—
  - (1) in which an unfavorable decision, ruling, or finding would affect the existence of the City or the titles of its officers to their offices;
  - (2) that seeks to prohibit, restrain, or enjoin the execution and delivery of the Bonds, the Indenture, or the Tenth Amendment or the collection by the Trustee of the Revenues;
  - (3) that contests, as to the City, the validity or enforceability of the Bonds or the Legal Documents;
  - (4) that contests the exclusion from gross income of interest on the Bonds for federal income-tax purposes;
  - (5) that contests the completeness or accuracy of the Preliminary Official Statement or the Official Statement;
  - (6) that contests the powers of the City or in any way contests or challenges the consummation of the transactions contemplated by this Purchase Agreement; or
  - (7) that might result in a material adverse change in the financial condition of the City or might materially adversely affect the ability of the City to make Program Obligation Payments under the Tenth Amendment or to make any other payments owed by the City under the Project Lease.
- (h) To the current, actual knowledge of the City, there is no basis for any action, suit, proceeding, inquiry, or investigation of the type listed in Section 6(g) in which an unfavorable decision, ruling, or finding would materially adversely affect the validity of the Bonds or the City's authorization, execution, delivery, or performance of the Legal Documents to which it is a party.
- (i) As of the Effective Date and as of their dates, the Preliminary Official Statement (excluding pricing information and information relating to the Insurer, the Policy, and the

Surety Bond) and the Official Statement (excluding information relating to the Insurer, the Policy, and the Surety Bond) did not and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

- (j) As of the its date and at all times after its date, to and including the date that is 25 days after the End of the Underwriting Period (defined in Section 5(l) above), the Official Statement (including any amendment or supplement to the Official Statement as contemplated in Section 6(k) below) did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
- (k) If, between the Effective Date and the date that is 25 days after the End of the Underwriting Period, an event occurs that would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, the City will notify the Underwriter, and, if in the opinion of the Underwriter or the City, or their counsel, the event requires the preparation and publication of a supplement or amendment to the Official Statement, then the City will cooperate in the preparation of an amendment or supplement to the Official Statement in a form and manner approved by the Underwriter and will pay all expenses thereby incurred. For the purposes of this Section 6(k), between the Effective Date and the date that is 25 days after the End of the Underwriting Period, the City will furnish such information with respect to itself as the Underwriter may from time to time reasonably request.
- (l) If the Official Statement is amended or supplemented under Section 6(k) above, then, on the date of each supplement or amendment and (unless subsequently supplemented or amended again under Section 6(k)) at all times after that date, up to and including the date that is 25 days after the End of the Underwriting Period, the portions of the Official Statement so supplemented or amended (including any financial and statistical data) will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.
- (m) After the Closing, the City will not participate in the issuance of any amendment or supplement to the Official Statement if, after being furnished with a copy, the Underwriter reasonably objects to the amendment or supplement in writing or the Underwriter's counsel reasonably disapproves of the amendment or supplement in writing.
- (n) Any certificate duly signed by any authorized officer of the City and delivered to the Underwriter will be deemed a representation by the City to the Underwriter as to the statements made in the certificate.

- (o) The City will apply the proceeds from the sale of the Bonds for the purposes specified in the Official Statement.
  - (p) The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the City is a bond issuer whose arbitrage certifications may not be relied upon.
  - (q) The City will furnish all information, execute all instruments, and take all other action in cooperation with the Underwriter, at the Underwriter's expense, as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the "blue sky" or other securities laws and regulations of any states and other jurisdictions of the United States of America the Underwriter may designate, except that the City is not required to execute a special or general consent to service of process or to qualify as a foreign corporation in connection with any such qualification in any jurisdiction.
  - (r) Except as disclosed in the Official Statement, the City has not failed during the past five years to comply in all material respects with any prior continuing-disclosure undertaking.
7. **Closing.** At 8:00 A.M., California time, on \_\_\_\_\_, 2015, or on such other date as may be agreed upon by the Authority, the City, and the Underwriter (the "**Closing Date**"), the Authority will, subject to the terms and conditions of this Purchase Agreement, sell and deliver the Bonds to the Underwriter, duly executed and authenticated, together with the other documents mentioned in Section 8 below; and, subject to the terms and conditions of this Purchase Agreement, the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 above in federal funds. Sale, delivery, and payment will occur at the offices of Orrick, Herrington & Sutcliffe LLP, Sacramento, California, ("**Bond Counsel**") or such other place as agreed upon by the Authority and the Underwriter, except that the Bonds (with one certificate for each maturity and otherwise in a form suitable for the book-entry system) will be delivered to the Underwriter through the book-entry system of The Depository Trust Company ("**DTC**"). Unless the DTC Fast Automated Securities Transfer ("**FAST**") is used, the Bonds will be made available for inspection by DTC at least one business day before the Closing.
8. **Closing Conditions.** The Underwriter has entered into this Purchase Agreement in reliance upon the following as of both the Effective Date and the Closing Date: the Authority's and the City's representations and warranties in Sections 5 and 6 above and in the documents and instruments to be delivered at the Closing, and the Authority's and the City's performance of their obligations under this Purchase Agreement. Accordingly, the Underwriter's obligations under this Purchase Agreement to purchase, to accept delivery of, and to pay for the Bonds are conditioned upon the Authority's and the City's performance of their obligations under this Purchase Agreement and under the documents and instruments to be delivered at the Closing, and are also subject to the following additional conditions:
- (a) The Underwriter must receive, within seven business days after the Effective Date, but in no event less than one day before the Closing, copies of the Official Statement (including all information previously permitted to have been omitted from the Preliminary Official

Statement by Rule 15c2-12 and any amendments or supplements as have been approved by the Underwriter) in such reasonable quantity as the Underwriter requests.

- (b) The representations and warranties of the Authority in Section 5 and the City in Section 6 above must be complete and accurate on the Effective Date and on and as of the Closing Date as if made on the Closing Date, and the statements of the officers and other officials of the Authority, the City, and the Trustee made in any certificate or other document furnished under this Purchase Agreement must be complete and accurate.
- (c) At the time of the Closing, the Legal Documents must have been duly authorized, executed, and delivered by the relevant parties, and the Official Statement must have been duly authorized, executed, and delivered by the Authority and the City, each in substantially the form previously submitted to the Underwriter with only the changes that the Underwriter has approved in writing, and each in full force and effect. The resolution or resolutions of the Authority's governing body and the Sacramento City Council that, in the opinion of Bond Counsel, are necessary or appropriate for the transactions contemplated under this Purchase Agreement, including the Authority Resolution and the City Resolution, must be in full force and effect.
- (d) At the time of the Closing, all necessary official action of the Authority and the City relating to the Official Statement and the Legal Documents must have been taken, and the Official Statement and the Legal Documents must be in full force and effect and must not have been amended, modified, or supplemented in any material respect.
- (e) At or before the Closing, the Underwriter must have received copies of each of the following documents:
  - (1) *Bond Counsel Final Opinion*. The approving opinion of Bond Counsel dated as of the Closing Date and substantially in the form included as Appendix E to the Official Statement (the "**Bond Opinion**").
  - (2) *Supplemental Opinion of Bond Counsel*. A supplemental opinion or opinions of Bond Counsel addressed to the Underwriter, in form and substance acceptable to the Underwriter and dated as of the Closing Date, substantially in the form attached as Exhibit C.
  - (3) *Financial Advisor Certificate*. A certificate signed by an authorized officer of First Southwest Company, LLC, the Authority's and the City's Financial Advisor (the "**Financial Advisor**"), addressed to the Underwriter, the Authority, and the City and dated as of the Closing Date, to the following effect: nothing has come to the Financial Advisor's attention in connection with its role in the preparation of the Official Statement (although the Financial Advisor has not conducted any investigation of its own) that would lead it to believe that the Official Statement, both as of date of the Official Statement and as of the Closing Date, contains an untrue statement of a material fact or omits to state a material fact necessary to

make the statements therein, in light of the circumstances in which they were made, not misleading.

- (4) *Authority Counsel Opinion.* An opinion of counsel to the Authority to the following effect, dated as of the Closing Date and addressed to the Underwriter, and in form and substance acceptable to the Underwriter:
- (A) The Authority is a public entity duly organized and existing under California law, with full right, power, and authority to execute, deliver, and perform its obligations under the Bonds and the Legal Documents.
  - (B) The Authority Resolution was duly adopted at a meeting of the governing board of the Authority, called and held according to law and with all public notice required by law, and at which a quorum was present and acting throughout; and the Authority Resolution is in full force and effect and has not been modified, amended, or rescinded.
  - (C) The Bonds and the Legal Documents to which the Authority is a party have been duly authorized, executed, and delivered by the Authority and, assuming due authorization, execution, and delivery by the other parties to them, constitute the valid, legal, and binding obligations of the Authority enforceable in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency, or other laws affecting enforcement of creditors' rights or by the application of equitable principles if equitable remedies are sought.
  - (D) The execution and delivery by the Authority of the Bonds and the Legal Documents to which it is a party and the Official Statement, and compliance by the Authority with the Legal Documents to which it is a party, under the circumstances contemplated by them, do not and will not in any material respect—
    - (i) conflict with, or constitute the Authority's breach of, or default under, any agreement or other instrument to which the Authority is a party or by which it is bound; and
    - (ii) constitute the Authority's violation or breach of, or default under, any existing law, regulation, court order, or consent decree.
  - (E) Except as otherwise disclosed in the Official Statement, to the counsel's current, actual knowledge, the Authority has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or public body—

- (i) that challenges the creation, organization, or existence of the Authority or the validity of the Bonds or the Legal Documents;
  - (ii) that seeks to restrain or enjoin any of the transactions referred to in, or contemplated by, the Bonds and the Legal Documents or under which a determination adverse to the Authority would have a material adverse effect upon the Authority's financial condition or revenues;
  - (iii) that in any manner questions the right of the Authority to issue, sell, and deliver the Bonds, to enter into the Indenture, or to use the Revenues for repayment of the Bonds; or
  - (iv) that affects in any manner the Authority's right or ability to take all actions required of it under, or contemplated by, the Bonds and the Legal Documents.
- (5) *City Attorney Opinion.* An opinion of the City Attorney of the City to the following effect, dated as of the Closing Date and addressed to the Underwriter, and in form and substance acceptable to the Underwriter:
- (A) The City is a municipal corporation duly organized and existing under its charter and California law, with full right, power, and authority to execute, deliver, and perform its obligations under the Legal Documents.
  - (B) The City Resolution was duly adopted at a meeting of the Sacramento City Council, called and held according to law and with all public notice required by law, and at which a quorum was present and acting throughout; and the City Resolution is in full force and effect and have not been modified, amended, or rescinded.
  - (C) The Legal Documents to which the City is a party have been duly authorized, executed, and delivered by the City and, assuming due authorization, execution, and delivery by the other parties to them, constitute the valid, legal, and binding obligations of the City enforceable in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency, or other laws affecting enforcement of creditors' rights or by the application of equitable principles if equitable remedies are sought.
  - (D) The execution and delivery of the Legal Documents to which the City is a party and the Official Statement, and compliance by the City with the Legal Documents to which it is a party, under the circumstances contemplated by them, do not and will not in any material respect—
    - (i) conflict with, or constitute the City's breach of, or default under, any agreement or other instrument to which the City is a party or by which it is bound; and

- (ii) constitute the City's violation or breach of, or default under, any existing law, regulation, court order, or consent decree.
- (E) Except as otherwise disclosed in the Official Statement, to the counsel's 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—
  - (i) that challenges the creation, organization, or existence of the City or the validity of the Bonds or the Legal Documents;
  - (ii) that seeks to restrain or enjoin any of the transactions referred to in, or contemplated by, the Legal Documents or under which a determination adverse to the City would have a material adverse effect upon the City's financial condition or revenues;
  - (iii) that in any manner questions the right of the City to enter into the Legal Documents to which it is a party; or
  - (iv) that affects in any manner the City's right or ability to take all actions required of it under, or contemplated by, the Legal Documents.
- (6) *Trustee Counsel Opinion.* The opinion of counsel to the Trustee, dated as of the Closing Date and addressed to the Underwriter, to the following effect:
  - (A) The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America and having full power to enter into, accept, and administer the trusts created under the Indenture.
  - (B) The Indenture has been duly authorized, executed, and delivered by the Trustee, and the Indenture constitutes the legal, valid, and binding obligation of the Trustee, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally or by the application of equitable principles, if equitable remedies are sought.
  - (C) Except as may be required under blue-sky laws or other securities laws of any state, no consent, approval, authorization, or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery of the Indenture or for the consummation of the transactions contemplated by the Indenture.

- (7) *Escrow Agent Counsel Opinion.* The opinion of counsel to the Escrow Agent, dated as of the Closing Date and addressed to the Underwriter, to the following effect:
- (A) The Escrow Bank is a national banking association, duly organized and validly existing under the laws of the United States of America and having full power to enter into, accept, and administer the trusts created under the Escrow Agreement.
  - (B) The Escrow Agreement has been duly authorized, executed, and delivered by the Escrow Agent, and the Escrow Agreement constitutes the legal, valid, and binding obligations of the Escrow Agent, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally or by the application of equitable principles, if equitable remedies are sought.
  - (C) Except as may be required under blue-sky laws or other securities laws of any state, no consent, approval, authorization, or other action by any governmental or regulatory authority having jurisdiction over the Escrow Agent that has not been obtained is or will be required for the execution and delivery of the Escrow Agreement or for the consummation of the transactions contemplated by the Escrow Agreement.
- (8) *Authority Certificate.* A certificate of the Authority, dated as of the Closing Date and signed on behalf of the Authority by a duly authorized officer of the Authority, to the following effect:
- (A) The representations and warranties of the Authority in Section 5 above are complete and accurate in all material respects on and as of the Closing Date as if made on the Closing Date.
  - (B) No event affecting the Authority has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- (9) *City Certificate.* A certificate of the City, dated as of the Closing Date and signed on behalf of the City by a duly authorized officer of the City, to the following effect:
- (A) The representations and warranties of the City in Section 6 above are complete and accurate in all material respects on and as of the Closing Date as if made on the Closing Date.
  - (B) No event affecting the City has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement

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

- (C) No further consent must be obtained to include the financial statements with respect to the City for the Fiscal Year ending June 30, 2014, which are excerpted from the audited *City of Sacramento, California, Year End June 30, 2014 Comprehensive Annual Financial Report* as Appendix B to the Official Statement.
- (10) *Trustee's Certificate*. A certificate of the Trustee, dated as of the Closing Date, to the following effect:
- (A) The Trustee is a national banking association duly organized and validly existing under the laws of the United States of America.
  - (B) The Trustee has full power, authority, and legal right to comply with the Indenture and to perform its obligations under it.
  - (C) The Indenture has been duly authorized, executed, and delivered by the Trustee and (assuming due authorization, execution, and delivery by the Authority) constitutes a legal, valid, and binding obligation of the Trustee in accordance with its terms, except as the enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating to or limiting creditors' rights generally.
- (11) *Escrow Agent's Certificate*. A certificate of the Escrow Agent, dated as of the Closing Date, to the following effect:
- (A) The Escrow Agent is a national banking association duly organized and validly existing under the laws of the United States of America.
  - (B) The Escrow Agent has full power, authority, and legal right to comply with the Escrow Agreement and to perform its obligations under it.
  - (C) The Escrow Agreement has been duly authorized, executed, and delivered by the Escrow Agent and (assuming due authorization, execution, and delivery by the Authority) constitutes a legal, valid, and binding obligation of the Escrow Agent in accordance with its terms, except as the enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating to or limiting creditors' rights generally.
- (12) *Legal Documents, and Official Statement*. Executed copies of this Purchase Agreement and the other Legal Documents, and copies of the Preliminary Official Statement and Official Statement, with the Official Statement duly executed on behalf of the Authority and the City.

- (13) *Rating Letters.* Evidence that Standard & Poor’s Financial Services, LLC, and Moody’s Investors Service, Inc., have assigned to the Bonds the ratings set forth on the cover of the Official Statement.
- (14) *Disclosure Letter.* A letter from Stradling Yocca Carlson & Rauth, P.C. (“**Disclosure Counsel**”), dated as of the Closing Date and addressed to the Underwriter, in form and substance acceptable to the Underwriter.
- (15) *Underwriter’s Counsel Opinion.* The opinion of Jones Hall, A Professional Law Corporation (“**Underwriter’s Counsel**”), dated as of the Closing Date and addressed to the Underwriter, to the following effect: based upon its participation in the preparation of the Official Statement and without having undertaken to determine independently the fairness, accuracy, or completeness of the statements in the Official Statement, Underwriter’s Counsel has no reason to believe that, as of the Closing Date, the Official Statement (excluding the reports, financial and statistical data, and forecasts in it; the information included in its appendices; information relating to DTC; and information relating to the Insurer, the Policy, and the Surety Bond, as to which no advice need be expressed) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- (16) *Resolutions.* A certified copy of the Authority Resolution and a certified copy of the City Resolution.
- (17) *Defeasance Opinion.* One or more opinions of Bond Counsel, addressed to the Underwriter and the trustee for the Defeased Obligations, dated the Closing Date, to the effect that the Defeased Obligations are no longer outstanding.
- (18) *Verification Report.* A verification report from Grant Thornton LLP, relating to the discharge of the Defeased Obligations, in form and substance satisfactory to the Underwriter.
- (19) *Tax Certificate.* A tax certificate or certificates with respect to maintaining the tax-exempt status of the Bonds, duly executed by the Authority, together with a completed and executed Form 8038-G.
- (20) *Bond Insurance and Surety Bond Documents.* A copy of the Policy and the Surety Bond, together with such certificates and opinions of the Insurer as required by Bond Counsel and the Underwriter.
- (21) *Title Insurance.* A copy of the leasehold title-insurance policy issued with respect to the leased property under the Project Lease.

(22) *Additional Documents.* Any additional certificates, instruments, and other documents that Bond Counsel, the Authority, or the Underwriter may reasonably deem necessary.

(f) All the opinions, letters, certificates, instruments, and other documents mentioned in this Section 8 or elsewhere in this Purchase Agreement are deemed to be in compliance with this Purchase Agreement if, but only if, they are in form and substance satisfactory to the Underwriter.

(g) The Successor Agency has issued the Series 2015 Refunding Tax Allocation Bonds.

**9. Termination.**

(a) This Purchase Agreement will terminate and neither the Underwriter, nor the Authority, nor the City will be under any further obligation under it if any of the following occurs:

(1) The Authority, the City, or the Trustee is unable to satisfy the conditions to the Underwriter's obligations under this Purchase Agreement to purchase, to accept delivery of, and to pay for, the Bonds.

(2) The Authority or the City determines in good faith (and provides written notice to the Underwriter) that legislation has been introduced in the California Legislature or proposals have been made by the Governor of the State of California that, if enacted and effective, would impose additional limitations or burdens on the Authority or the City by reason of the issuance of the Bonds, or that purport to prohibit the issuance of the Bonds.

(3) The Underwriter's obligation to purchase, to accept delivery of, and to pay for the Bonds is terminated for any reason permitted by this Purchase Agreement.

(b) The Underwriter may terminate this Purchase Agreement without liability by giving written notice to the Authority and the City if any of the following occurs at any time between the Effective Date and the Closing Date:

(1) Any event that causes any statement in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading.

(2) In the Underwriter's opinion, the marketability of the Bonds or the market price of the Bonds, or the Underwriter's ability to enforce contracts for the sale of the Bonds, has been materially adversely affected by an amendment to the United States Constitution or by any legislation in or by the United States Congress or the California Legislature, or the amendment of legislation pending as of the Effective Date in the United States Congress, or the recommendation to Congress or endorsement for passage (by press release, other form of notice, or otherwise) of

legislation by the President of the United States, the United States Treasury Department, the Internal Revenue Service, or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either Committee or by any member thereof, or the presentment of legislation for consideration as an option by either Committee, or by the staff of the Joint Committee on Taxation of the United States Congress, or the favorable reporting for passage of legislation to either House of the United States Congress by a Committee of the House to which the legislation has been referred for consideration, or any decision of any federal or California court or any ruling or regulation (final, temporary, or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service, or other federal or State of California authority materially adversely affecting the federal or state tax status of the Authority or the City, or the interest on bonds or notes or obligations of the general character of the Bonds.

- (3) Any legislation, ordinance, rule, or regulation is introduced in, or be enacted by, any governmental body, department, or agency of the State of California, or a decision by any court with jurisdiction within California or any court of the United States is rendered that, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds or the Underwriter's ability to enforce contracts for the sale of the Bonds.
- (4) Legislation is enacted by the United States Congress, or a decision by a court of the United States is rendered, or a stop order, ruling, regulation, or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter is issued or made to the effect that the issuance, offering, or sale of obligations of the general character of the Bonds, or the issuance, offering, or sale of the Bonds, including all underlying obligations, as contemplated by this Purchase Agreement or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and then in effect.
- (5) Additional material restrictions not in force as of the Effective Date have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange, and the restrictions materially adversely affect the Underwriter's ability to trade the Bonds.
- (6) A general banking moratorium has been established by federal or State of California authorities.
- (7) The United States has become engaged in hostilities that have resulted in a declaration of war or a national emergency, or any other outbreak of hostilities or a

national or international calamity or crisis has occurred, or any escalation of existing hostilities, calamity, or crisis, financial or otherwise, has occurred, and in the Underwriter's reasonable opinion the effect on the financial markets of the United States is such that it would materially and adversely affect the Underwriter's ability to market the Bonds or to enforce contracts for the sale of the Bonds.

- (8) Any rating of the Bonds has been downgraded, suspended, or withdrawn by a national rating service, and, in the Underwriter's reasonable opinion, the downgrading, suspension, or withdrawal materially adversely affects the marketability or market price of the Bonds.
- (9) The commencement of any action, suit, or proceeding described in Section 5(g) or Section 6(g) above that, in the Underwriter's judgment, materially adversely affects the market price of the Bonds or the Underwriter's ability to enforce contracts for the sale of the Bonds.
- (10) A general suspension of trading is in effect on the New York Stock Exchange.

**10. Expenses.**

- (a) The Underwriter is not obligated to pay, and the Authority or the City will pay, any expenses incident to the Authority's and the City's performance of its obligations under this Purchase Agreement, including (1) the cost of preparation, printing, and distribution of the Indenture and word-processing, reproduction, printing, and distribution costs relating to the Preliminary Official Statement, the Official Statement, and any supplements or amendments thereto (incurred by Disclosure Counsel or an independent printer); (2) the cost of preparation of the Bonds; (3) the fees and disbursements of Bond Counsel and Disclosure Counsel and the fees and expenses of counsel to the Authority and the City; (4) the fees and disbursements of the Financial Advisor and any other experts, consultants, or advisors retained by the Authority or the City; (5) the fees of the rating agencies; (6) the fees of the verification agent and the costs of verifying compliance with Rule 15c2-12; and (7) expenses of the Authority and City in connection with meals, transportation, lodging, travel, and entertainment.
- (b) The Underwriter will pay (1) the fees and expenses of its counsel; (2) the fees, if any, payable to the California Debt and Investment Advisory Commission in connection with the issuance of the Bonds; and (3) all other expenses the Underwriter incurs in connection with the public offering of the Bonds.

**11. Notices.** Any notice or other communication given under this Purchase Agreement must be in writing and must be given by delivery to the following addresses:

*If to the Authority:*

Sacramento City Financing Authority  
Historic City Hall  
915 I Street, Third Floor  
Sacramento, California 95814  
Attention: Executive Director

*If to the City:*

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

*If to Underwriter:*

Morgan Stanley & Co. LLC  
555 California Street Floor  
Suite 2200  
San Francisco, California 94104  
Attention: Margie Backstrom

12. **Parties in Interest.** This Purchase Agreement is made solely for the benefit of the Authority, the City, and the Underwriter. No other person has any right under or by virtue of it. All of the representations, warranties, and agreements of the Authority and the City in this Purchase Agreement remain operative and in full force and effect regardless of (a) any investigations made by or on behalf of the Underwriter; (b) delivery of and payment for the Bonds under this Purchase Agreement; and (c) any termination of this Purchase Agreement.
13. **Effectiveness and Counterpart Signatures.** This Purchase Agreement becomes effective upon the execution of the acceptance by authorized officers of the Authority and the City. The parties may execute this Purchase Agreement by facsimile transmission and in separate counterparts, each of which when so executed and delivered (including delivery by facsimile transmission) will be an original, and all counterparts will together constitute but one and the same instrument.
14. **Headings and Interpretation.** The section headings in this Purchase Agreement are for convenience only and are not part of it. This agreement is to be interpreted and applied in accordance with California law, except that that the rule of interpretation in California Civil Code section 1654 will not apply. Exhibits A and B are part of this Purchase Agreement. **“Include”** and its variants are terms of enlargement rather than of limitation. For example, **“includes”** means **“includes but not limited to,”** and **“including”** means **“including but not limited to.”**

*(Signature Page Follows)*

Very truly yours,

MORGAN STANLEY & CO. LLC, AS  
UNDERWRITER, ACTING ON BEHALF OF ITSELF  
AND STIFEL, NICOLAUS & COMPANY,  
INCORPORATED,

By: \_\_\_\_\_  
Authorized Officer

Accepted:

SACRAMENTO CITY FINANCING AUTHORITY

By: \_\_\_\_\_  
Russell T. Fehr, Treasurer

CITY OF SACRAMENTO

By: \_\_\_\_\_  
Russell T. Fehr, City Treasurer

Date and Time of Execution:

\_\_\_\_\_, 2015, at \_\_\_\_ a.m./p.m.

EXHIBIT A

\$ \_\_\_\_\_

SACRAMENTO CITY FINANCING AUTHORITY  
2015 REFUNDING REVENUE BONDS (MASTER LEASE PROGRAM FACILITIES)

Uninsured Serial Bonds

<i><u>Maturity Date</u></i>	<i><u>Amount</u></i>	<i><u>Coupon</u></i>	<i><u>Yield</u></i>	<i><u>Price</u></i>
<i><u>December 1</u></i>				

Insured Serial Bonds

<i><u>Maturity Date</u></i>	<i><u>Amount</u></i>	<i><u>Coupon</u></i>	<i><u>Yield</u></i>	<i><u>Price</u></i>
<i><u>December 1</u></i>				

Insured Term Bonds

<i><u>Maturity Date</u></i>	<i><u>Amount</u></i>	<i><u>Coupon</u></i>	<i><u>Yield</u></i>	<i><u>Price</u></i>
<i><u>December 1</u></i>				

---

**EXHIBIT B**

**RULE 15c2-12 CERTIFICATE**

**SACRAMENTO CITY FINANCING AUTHORITY  
2015 REFUNDING REVENUE BONDS (MASTER LEASE PROGRAM FACILITIES)**

The undersigned hereby certifies and represents to Morgan Stanley & Co. LLC, acting on behalf of itself and Stifel, Nicolaus & Company, Incorporated (together, the “**Underwriter**”), that he is a duly appointed and acting officer of both the Sacramento City Financing Authority (the “**Authority**”) and the City of Sacramento (the “**City**”) and that, as such, he is authorized to execute and deliver this Certificate. The undersigned hereby further certifies and reconfirms to the Underwriter as follows on the Authority’s and the City’s behalf:

1. This Certificate is delivered to enable the Underwriter to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “**Rule**”) in connection with the offering and sale of the refunding revenue bonds captioned above (the “**Bonds**”).
2. In connection with the offering and sale of the Bonds, a Preliminary Official Statement dated \_\_\_\_\_, 2015, has been prepared that sets forth information concerning the Bonds, the City, and the Authority (the “**Preliminary Official Statement**”).
3. As used in this certificate, “**Permitted Omissions**” means the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, and other terms of the Bonds depending on such matters and the identity of the underwriter(s), all with respect to the Bonds.
4. Except for the Permitted Omissions, the Preliminary Official Statement is deemed final within the meaning of the Rule.
5. If, at any time before the execution of the final contract of purchase, any event occurs that might cause the Preliminary Official Statement 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, then the Authority will promptly notify the Underwriter of that event.

SACRAMENTO CITY FINANCING AUTHORITY

CITY OF SACRAMENTO

By: \_\_\_\_\_

Russell T. Fehr, Treasurer

Date: \_\_\_\_\_, 2015

By: \_\_\_\_\_

Russell T. Fehr, City Treasurer

Date: \_\_\_\_\_, 2015

**EXHIBIT C**

**SUPPLEMENTAL OPINION OF BOND COUNSEL**

**SACRAMENTO CITY FINANCING AUTHORITY  
2015 REFUNDING REVENUE BONDS (MASTER LEASE PROGRAM FACILITIES)**

An opinion of Bond Counsel, addressed to the Underwriter, dated the Closing Date, to the following effect:

1. The Purchase Agreement has been duly executed and delivered by the Authority and the City and (assuming due authorization, execution, and delivery by, and validity against, the Underwriter) constitutes the valid and binding agreement of the Authority and the City, except as enforcement may be limited by bankruptcy, insolvency, or other laws affecting enforcement of creditors' rights or by the application of equitable principles.
2. The statements in the Official Statement under the captions "THE 2015 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS," and "TAX MATTERS," and the statements in Appendices D and E, insofar as the statements expressly summarize certain provisions of the Bonds, the Indenture, the Project Lease, or the opinion of Bond Counsel, are complete and accurate in all material respects.
3. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.
4. The Underwriter is entitled to rely on the Bond Opinion as if the Bond Opinion were addressed to the Underwriter.