

**Meeting Date:** 1/19/2016

**Report Type:** Staff/Discussion

**Report ID:** 2016-00048

**Title: Authorize the Issuance of the North Natomas Basin 8C CFD No. 99-04 Special Tax Refunding Bonds, Series C (2016)**

**Location:** District 1

**Recommendation:** Pass a Resolution authorizing 1) the refunding of the City of Sacramento North Natomas Basin 8C CFD No. 99-04 Special Tax Bonds, Series A (1999) and Series B (2004); 2) the execution and delivery of an Indenture, a Placement Agent Engagement Agreement, and an Agreement for Bond Counsel Services in connection with the Bonds; and 3) certain other actions in connection with the Bonds.

**Contact:** Colin Bettis, Debt Analyst, (916) 808-8292; Brian Wong, Debt Manager, (916) 808-5811, Office of the City Treasurer

**Presenter:** Colin Bettis, Debt Analyst (916) 808-8292, Office of the City Treasurer

**Department:** City Treasurer

**Division:** City Treasurer

**Dept ID:** 05001011

**Attachments:**

- 1-Description/Analysis
- 2-Resolution
- 3-Indenture
- 4-Private Placement Agreement
- 5-Agreement for Bond Counsel Services

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**City Attorney Review**

Approved as to Form  
Joseph Cerullo  
1/13/2016 3:31:03 PM

**Approvals/Acknowledgements**

Department Director or Designee: Russell Fehr - 1/12/2016 11:54:55 AM

## Description/Analysis

**Issue Detail:** At an election held on July 13, 1999, the qualified electors within North Natomas Basin 8C CFD No. 99-04 (the “**CFD**”) authorized the issuance of special-tax bonds in the total principal amount of \$12,500,000 for the purpose of financing the acquisition and construction of certain public facilities.

On September 9, 1999, the City issued the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Series A (1999) in the amount of \$2,805,000 (the “**1999 Bonds**”). On September 15, 2004, the City issued the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds, Series B (2004) in the principal amount of \$3,790,000 (the “**2004 Bonds**” and, collectively with the 1999 Bonds, the “**Prior Bonds**”). Currently, \$4,045,000 in principal of the Prior Bonds is outstanding.

Long-term interest rates are currently near historic lows. The low rates mean that refinancing the Prior Bonds would reduce the debt-service payments for the CFD, with the savings passed on to property owners by way of lower property taxes. City National Bank has guaranteed (locked) the rate until February 1 so that City staff will have sufficient time to obtain the necessary approvals and perform the necessary steps to complete the refinancing without having risking a near-term rise in interest rates.

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

**Economic Impacts:** Not applicable

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

**Sustainability:** Not applicable.

**Commission/Committee Action:** Not applicable

**Rationale for Recommendation:** Analysis of the refinancing indicates that property owners in the CFD can realize savings on their property taxes.

**Financial Considerations:** Based on the analysis of the current terms provided by City National Bank, cash-flow savings would be approximately \$2,000,000 between now and the final maturity of the refunding bonds (“**2016 Bonds**”) on September 1, 2034, which is

the same date as the final maturity of the Prior Bonds. The cash-flow savings will equate to average annual savings of approximately \$170 for a typical property owner in the CFD. Actual savings to property owners in any given year will fluctuate depending on the required debt-service payment in that year and the costs to administer the CFD.

Although the 2016 Bonds will be issued by the City, the City's General Fund will have no obligation to pay or ensure the full and timely payment of debt service related to the 2016 Bonds. Debt service on the 2016 Bonds is solely the responsibility of the property owners within the CFD. According to the most-recent tax roll (2015-16 tax year), there are 612 taxable properties within the CFD.

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

## RESOLUTION NO. 2016-\_\_\_\_\_

Adopted by the Sacramento City Council

January 19, 2016

### **AUTHORIZING (1) THE ISSUANCE OF CITY OF SACRAMENTO NORTH NATOMAS BASIN 8C CFD NO. 99-04 SPECIAL TAX REFUNDING BONDS, SERIES C (2016); (2) THE EXECUTION AND DELIVERY OF AN INDENTURE, A PLACEMENT AGENT ENGAGEMENT AGREEMENT, AND AN AGREEMENT FOR BOND-COUNSEL SERVICES; AND (3) CERTAIN OTHER ACTIONS IN CONNECTION WITH THE BONDS**

#### **BACKGROUND:**

- A.** At an election held on July 13, 1999, in the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California (the “**CFD**”), the qualified electors in the CFD duly authorized the issuance of \$12,500,000 principal amount of special-tax bonds under the Mello-Roos Community Facilities Act of 1982 as amended (Government Code sections 53311 through 53368.3; the “**Act**”) for the purpose of financing the acquisition and construction of certain public facilities.
- B.** At the election, the qualified electors in the CFD also authorized the levy and collection of a special tax under the Act to be used to pay the interest on, principal of, and redemption premiums (if any) on, the bonds.
- C.** On September 9, 1999, the City of Sacramento (the “**City**”) issued the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds, Series A (1999) in the principal amount of \$2,805,000 (the “**1999 Bonds**”).
- D.** On September 15, 2004, the City issued the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds, Series B (2004) in the principal amount of \$3,790,000 (the “**2004 Bonds**” and, collectively with the 1999 Bonds, the “**Prior Bonds**”).
- E.** The Act authorizes the City to issue bonds for the purpose of refunding the Prior Bonds.
- F.** The Sacramento City Council (the “**City Council**”) has determined to authorize the issuance of the City of Sacramento North Natomas Basin 8C CFD No. 99-04 Special Tax Refunding Bonds, Series C (2016) (the “**Bonds**”) under the Act for the purpose of refunding all of the outstanding Prior Bonds and has determined that the issuance of the Bonds is prudent in the management of the City’s fiscal affairs.

- G.** The City desires to sell the Bonds to City National Bank (the “**Initial Purchaser**”), and the City Council has determined that a private (i.e., negotiated) sale of the Bonds to the Initial Purchaser under the Act will result in a lower overall cost to the City.
- H.** In furtherance of the City’s issuance of the Bonds, forms of the following documents have been filed with the Sacramento City Clerk (the “**Clerk**”) for the City Council’s consideration and approval:
- An Indenture between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), which specifies the terms on which the Bonds are to be issued and secured (the “**Indenture**”).
  - A Placement Agent Engagement Agreement, under the terms of which the City retains Stifel, Nicolaus & Company, Incorporated (the “**Placement Agent**”) to act as the placement agent for the Bonds (the “**Placement Agent Agreement**”).
  - An Agreement for Bond-Counsel Services under which Orrick, Herrington & Sutcliffe LLP will provide legal services to the City as bond counsel with respect to the Bonds (the “**Agreement for Bond-Counsel Services**”).
- I.** All acts, conditions, and things required by California law to exist, to have happened, and to have been performed before and in connection with the consummation of the financing authorized by this resolution do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the City is now duly authorized and empowered, under each requirement of law, to authorize the execution and delivery of certain documents in order to further implement the financing in the manner and upon the terms provided in this resolution.

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

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

**Section 2.** The City Council hereby authorizes and approves the issuance of the Bonds in accordance with the Indenture in an aggregate principal amount not to exceed \$4,750,000. The interest rate on the Bonds may not exceed 4.50% per annum. The final maturity date of the Bonds may not be later than the final maturity date of the Prior Bonds. The total interest cost to maturity on the Bonds plus the principal amount of the Bonds may not exceed the total interest cost to maturity on the Prior Bonds to be refunded plus the principal amount of the Prior Bonds to be refunded.

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

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

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

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

**Section 5.** The City Council hereby approves the Placement Agent Agreement and authorizes the Treasurer to execute and deliver it to the Placement Agent on the City’s behalf in substantially the form on file with the Clerk, with any changes the Treasurer may require or approve with the concurrence of the City Attorney, and with approval to be conclusively evidenced by the execution and delivery of the Placement Agent Agreement.

**Section 6.** The City Council hereby approves the Agreement for Bond-Counsel Services and authorizes and directs the City Attorney to execute and deliver it to Orrick, Herrington & Sutcliffe LLP on the City’s behalf in substantially the form on file with the Clerk, with any changes the City Attorney may require or approve, and with approval to

be conclusively evidenced by the execution and delivery of the Agreement for Bond Counsel Services.

**Section 7.** Each officer of the City, each acting alone, is hereby authorized and directed to do any and all things and to execute and deliver any and all documents and agreements he or she considers necessary or advisable to carry out, give effect to, and comply with, the terms and intent of this resolution, the Indenture, the Placement Agent Agreement, and the Bonds; and all such actions previously taken by the officers of the City are hereby ratified, confirmed, and approved. This authorization includes the execution and delivery of any documents necessary to refund the Prior Bonds, including any escrow agreements.

**Section 8.** This resolution takes effect when adopted.

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INDENTURE

between the

CITY OF SACRAMENTO

and

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

as Trustee

Relating to

[\$[PRINCIPAL AMOUNT]

CITY OF SACRAMENTO  
NORTH NATOMAS BASIN 8C CFD NO. 99-04  
SPECIAL TAX REFUNDING BONDS, SERIES C (2016)

AND

ADDITIONAL REFUNDING BONDS

Dated as of January 1, 2016

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## INDENTURE

This Indenture (the “**Indenture**”), dated as of January 1, 2016, between the City of Sacramento, a California municipal corporation (the “**City**”), and The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character herein set forth, as trustee (the “**Trustee**”);

### WITNESSETH:

WHEREAS, at an election held in the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California (the “**Community Facilities District**”) on July 13, 1999, the qualified electors therein duly authorized the issuance of \$12,500,000 principal amount of special tax bonds under the Mello-Roos Community Facilities Act of 1982, as amended, and all laws amendatory thereof or supplemental thereto (the “**Act**”), for the purpose of financing the acquisition and construction of certain public facilities; and

WHEREAS, at such election the qualified electors in the Community Facilities District additionally authorized the levy and collection of a special tax under the Act to be used for the purpose of paying the interest on and principal of and redemption premiums, if any, on such bonds; and

WHEREAS, on September 9, 1999, the City issued the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds, Series A (1999) in the principal amount of \$2,805,000 (the “**1999 Bonds**”); and

WHEREAS, on September 15, 2004, the City issued the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds, Series B (2004) in the principal amount of \$3,790,000 (the “**2004 Bonds**” and, collectively with the 1999 Bonds, the “**Prior Bonds**”); and

WHEREAS, pursuant to the Act, the City is authorized to issue bonds for the purpose of refunding the Prior Bonds; and

WHEREAS, the City Council of the City has authorized the issuance of the City of Sacramento North Natomas Basin 8C CFD No. 99-04 Special Tax Refunding Bonds, Series C (2016) (the “**2016 Refunding Bonds**”) pursuant to the Act for the purpose of refunding all of the outstanding Prior Bonds; and

WHEREAS, the City has determined that all things necessary to cause the 2016 Refunding Bonds, when duly executed by the City and authenticated and delivered by the Trustee as provided herein, to be legal and valid special tax obligations of the City enforceable in accordance with their terms, and to constitute the Indenture a valid agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken; and

WHEREAS, the execution and delivery of this Indenture and the execution and delivery of the 2016 Refunding Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THE INDENTURE WITNESSETH, that in order to secure the payment of the interest on and principal of and redemption premiums, if any, on all Bonds (as defined in Section 1.01) at any time issued and outstanding hereunder according to their tenor, and to secure the observance and performance of all the agreements, conditions, covenants and terms therein and herein set forth, and to declare the conditions and terms upon and subject to which the Bonds shall be issued and received, and in consideration of the premises and of the mutual agreements and covenants contained herein and of the purchase and acceptance of the Bonds by the respective registered owners thereof from time to time, and for other valuable considerations, the receipt whereof is hereby acknowledged, the City does hereby agree and covenant with the Trustee, for the benefit of the respective registered owners from time to time of the Bonds, as follows:

## ARTICLE I

### DEFINITIONS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, all terms defined in this section shall for all purposes hereof and of any Supplemental Indenture and of the Bonds and of any certificate, opinion, report, request, or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

#### Accountant's Report

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

#### Act

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 et seq. of the Government Code of the State of California), and all laws amendatory thereof or supplemental thereto.

#### Bond Redemption Fund

“Bond Redemption Fund” means the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Bond Redemption Fund established pursuant to Section 4.02 (to be maintained by the Trustee).

#### Bond Reserve Fund

“Bond Reserve Fund” means the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Bond Reserve Fund established pursuant to Section 4.02 (to be maintained by the Trustee).

Bond Year

“Bond Year” means the twelve-month period terminating on September 1 of each year; provided, that the first Bond Year shall commence on the date of the execution, authentication, and initial delivery of the Bonds.

Bonds, Serial Bonds, Term Bonds

“Bonds” means the aggregate principal amount of special tax bonds of the City at any time Outstanding hereunder that are executed, authenticated, and delivered in accordance with the provisions hereof, including the 2016 Refunding Bonds and any additional Series of Bonds. “Serial Bonds” means the Bonds for which no Sinking Fund Account Payments are established. “Term Bonds” means the Bonds which are redeemable or payable on or before their maturity date from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their maturity date.

Business Day

“Business Day” means any day (other than a Saturday or a Sunday) on which the Trustee is open for corporate trust business at its Principal Corporate Trust Office.

Certificate of the City

“Certificate of the City” means an instrument in writing signed by the City Manager, the City Treasurer, or any other officer of the City duly authorized by the City Council for that purpose.

City

“City” means the City of Sacramento, a California municipal corporation.

City Council

“City Council” means the City Council of the City of Sacramento.

City Clerk

“City Clerk” means the City Clerk of the City of Sacramento.

City Manager

“City Manager” means the City Manager of the City of Sacramento.

City Treasurer

“City Treasurer” means the City Treasurer of the City of Sacramento.

## 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 such regulations are, at the time, applicable and in effect, and in this regard reference to any particular section of the Code shall include reference to any successor to such section of the Code.

## Community Facilities District

“Community Facilities District” means the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California, a community facilities district duly organized and existing in the City under and by virtue of the Act.

## Community Facilities Fund

“Community Facilities Fund” means the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Community Facilities Fund continued in the treasury of the City pursuant to Section 4.02 (to be maintained by the City Treasurer).

## Costs of Issuance

“Costs of Issuance” means all costs and expenses payable by or reimbursable to the City that are related to the authorization, sale, execution, authentication, or initial delivery of Bonds, including costs of preparation and reproduction of documents, rating agency fees (if any), filing fees, fees, and charges of the Trustee (including fees and expenses of its counsel), legal fees and charges and fees and charges of other consultants and professionals, together with all costs for the preparation of Bonds, and any other cost or expense in connection with the authorization, sale, execution, authentication, or initial delivery of Bonds.

## Costs of Issuance Fund

“Costs of Issuance Fund” means the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Costs of Issuance Fund established pursuant to Section 2.10 (to be maintained by the Trustee).

## Debt Service

“Debt Service” means, for any Bond Year, the sum of (a) the interest payable during such Bond Year on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid as scheduled at the times of and in amounts equal to the sum of the Sinking Fund Account Payments, plus (b) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, plus (c) the Sinking Fund Account Payments required to be deposited in the Sinking Fund Account in such Bond Year.

### Escrow Agent

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

### Escrow Agreement

“Escrow Agreement” means that certain Escrow Agreement, dated as of January 1, 2016, between the City and the Escrow Agent relating to the Prior Bonds.

### Event of Default

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

### Expense Fund

“Expense Fund” means the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Expense Fund continued in the treasury of the City pursuant to Section 4.02 (to be maintained by the City Treasurer).

### Expenses

“Expenses” means all costs associated with the determination of the amount of the Special Tax, the collection of the Special Tax, and the payment of the Special Tax, together with all other costs incurred in order to carry out the authorized purposes of the Community Facilities District, all as determined in accordance with Generally Accepted Accounting Principles.

### Federal Securities

“Federal Securities” means all of the following as and to the extent they are eligible for the legal investment of City funds:

(a) Any securities now or hereafter authorized both the interest on and principal of which are guaranteed by the full faith and credit of the United States of America.

(b) Any of the following obligations of federal agencies not guaranteed by the full faith and credit of the United States of America: (1) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation; (2) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act and bonds of any federal home loan bank established under such act; and (3) stocks, bonds, debentures, participations, and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation.

(c) Any repurchase agreements that are secured by any of the securities or obligations described in subparagraph (a) or (b) of this definition, which securities or obligations also (1) have a fair market value (determined at least daily) at least equal to 102% of the amount

invested in the repurchase agreement, (2) are in the possession of the Trustee or a third party acting solely as custodian for the Trustee who holds a perfected first lien therein, and (3) are free from all third-party claims.

#### Fiscal Year

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

#### Generally Accepted Accounting Principles

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, including, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

#### Holder

“Holder” means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books maintained by the Trustee pursuant to Section 2.06.

#### Indenture

“Indenture” means this Indenture, dated as of January 1, 2016, between the City and the Trustee entered into under and pursuant to the Act, as originally executed and delivered and as it may from time to time be amended or supplemented by any Supplemental Indenture executed and delivered as provided herein.

#### Independent Certified Public Accountant

“Independent Certified Public Accountant” means any nationally recognized certified public accountant or firm of such accountants appointed and paid by the City and who—

- (a) is in fact independent and not under the domination of the City;
- (b) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

### Initial Purchaser

“Initial Purchaser” means City National Bank, as initial purchaser of the 2016 Refunding Bonds.

### Legal Investments

“Legal Investments” means any securities in which funds of the City may be legally invested in accordance with the applicable law in effect at the time of such investment and in accordance with the then-current investment policy of the City (as established by the City Council).

### Mayor

“Mayor” means the Mayor of the City of Sacramento.

### Opinion of Counsel

“Opinion of Counsel” means a written opinion of legal counsel retained by the City (including the Sacramento City Attorney or his designee).

### Outstanding

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 7.02) all Bonds except—

- (a) Bonds cancelled and destroyed by the Trustee or delivered to the Trustee for cancellation and destruction;
- (b) Bonds paid or deemed to have been paid within the meaning of Section 9.01; and
- (c) Bonds mutilated, destroyed, stolen, or lost that have been replaced by other Bonds executed by the City and authenticated and delivered by the Trustee pursuant to Section 2.07.

### Principal Corporate Trust Office

“Principal Corporate Trust Office” means the principal office of the Trustee in Los Angeles, California or such other or additional offices as shall be specified by the Trustee in writing delivered to the City, at which at any particular time its corporate trust business is being administered, except that with respect to presentation of Bonds for registration, payment, redemption, transfer, or exchange, such term shall mean such other office designated by the Trustee from time to time as its Principal Corporate Trust Office.

### Prior Bonds

“Prior Bonds” has the meaning set out in the recitals to this Indenture.

### Qualified Institutional Buyer

“Qualified Institutional Buyer” means a “qualified institutional buyer” as defined in Rule 144A under the Securities Act of 1933, as amended.

### Rebate Fund

“Rebate Fund” means the City of Sacramento North Natomas Basin 8C CFD No. 99-04 Special Tax Refunding Bonds Rebate Fund established pursuant to Section 5.03 (to be maintained by the Treasurer).

### Required Bond Reserve

“Required Bond Reserve” means, as of any date of calculation, the least of (a) 5% of the principal amount of the Outstanding Bonds, or (b) one-half of the maximum Debt Service payable hereunder in the current or any future Bond Year, or (c) one-half of 125% of the average Debt Service payable hereunder in the current and in all future Bond Years, all as determined by the City and specified in writing to the Trustee; provided, that the amount of the Required Bond Reserve shall not increase at any time except upon the issuance of a new Series of Bonds; and provided further, that with respect to the issuance of any issue of Bonds, if the amount on deposit in the Bond Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such issue of Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such issue of Bonds) then the Required Bond Reserve shall be such lesser amount as is determined by a deposit of such 10%.

### Series

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

### Sinking Fund Account

“Sinking Fund Account” means the account in the Bond Redemption Fund referred to by that name established pursuant to Section 4.02.

### Sinking Fund Account Payments

“Sinking Fund Account Payments” means the payments required hereunder to be deposited in the Sinking Fund Account for the payment of the Term Bonds.

### Special Tax

“Special Tax” means the special tax authorized at the special election held in the Community Facilities District on July 13, 1999, to be levied and collected annually on all Taxable Land in the Community Facilities District under and pursuant to the Act.

### Special Tax Formula

“Special Tax Formula” means the Rate and Method of Apportionment of Special Tax, approved at the election held in the Community Facilities District on July 13, 1999.

### Special Tax Fund

“Special Tax Fund” means the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Special Tax Fund continued in the treasury of the City pursuant to Section 4.01 (to be maintained by the City Treasurer).

### Special Tax Revenues

“Special Tax Revenues” means the proceeds of the Special Tax received by the City, excluding any prepayments thereof (which shall be used to redeem Bonds in accordance with the terms hereof and any Supplemental Indenture) and including the proceeds of the redemption or sale of property sold as a result of the foreclosure of the lien of the Special Tax, but excluding any interest or penalties thereon.

### Supplemental Indenture

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

### Taxable Land

“Taxable Land” means all land within the Community Facilities District that is taxable under the Act in accordance with the proceedings for the levy and collection of the Special Tax under the Special Tax Formula.

### Tax Certificate

“Tax Certificate” means, with respect to any Series of Bonds, the certificate delivered upon the issuance of such Series of Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate.

### 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 California which may at any time be substituted in its place as provided in Section 6.01.

## 2016 Refunding Bonds

“2016 Refunding Bonds” means the \$[PRINCIPAL AMOUNT] aggregate principal amount of City of Sacramento North Natomas Basin 8C CFD No. 99-04 Special Tax Refunding Bonds, Series C (2016) at any time Outstanding hereunder that are executed, authenticated, and delivered in accordance with the provisions hereof.

## 2016 Refunding Bonds Costs of Issuance Account

“2016 Refunding Bonds Costs of Issuance Account” means the account by that name within the Costs of Issuance Fund established pursuant to Section 2.10.

## Written Request of the City

“Written Request of the City” means an instrument in writing signed by the City Manager, the City Treasurer, or any other officer of the City duly authorized by the City Council for that purpose.

SECTION 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Holders thereof, the Indenture shall be deemed to be and shall constitute a contract between the City and the Holders from time to time to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, sold, executed, authenticated, and delivered hereunder, 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 City shall 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 otherwise for any cause whatsoever, except as expressly provided herein or therein.

## ARTICLE II

### ISSUANCE OF 2016 REFUNDING BONDS; TERMS OF 2016 REFUNDING BONDS; GENERAL TERMS OF BONDS

SECTION 2.01. Authorization and Purpose of 2016 Refunding Bonds. The City Council has reviewed all proceedings heretofore taken relative to the authorization of the 2016 Refunding Bonds and has found, as a result of such review, and hereby finds and determines, that all acts, conditions, and things required by law to exist, happen, and be performed precedent to and in the issuance of the 2016 Refunding Bonds do exist, have happened, and have been performed in due time, form, and manner as required by the Act, and the City is now authorized, pursuant to each and every requirement of the Act and hereof, to issue the 2016 Refunding Bonds pursuant to the Act and pursuant hereto to refund the Prior Bonds, and to pay the Costs of Issuance of the 2016 Refunding Bonds, which 2016 Refunding Bonds shall be entitled to the benefit, protection, and security of the Act and hereof. The 2016 Refunding Bonds shall be designated the “City of Sacramento North Natomas Basin 8C CFD No. 99-04 Special Tax Refunding Bonds, Series C (2016).”

From and after the issuance of the 2016 Refunding Bonds, the findings and determinations of the City Council respecting the 2016 Refunding Bonds shall 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 any 2016 Refunding Bonds is at issue, and no bona fide purchaser of any 2016 Refunding Bonds shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the purchase price paid for such 2016 Refunding Bonds. The recital contained in the 2016 Refunding Bonds that the 2016 Refunding Bonds are issued pursuant to the Act and pursuant hereto shall be conclusive evidence of their validity and of the regularity of their initial issuance, and all 2016 Refunding Bonds shall be incontestable from and after their initial issuance, which shall be the date the definitive 2016 Refunding Bonds (or any temporary 2016 Refunding Bond exchangeable therefor) shall have been delivered to the purchaser thereof and the purchase price thereof shall have been received by the Trustee.

SECTION 2.02. Terms of 2016 Refunding Bonds. The 2016 Refunding Bonds shall be issued in the aggregate principal amount of \$[PRINCIPAL AMOUNT]; shall be dated the date of the initial delivery thereof; shall be issued in fully registered form in the denomination of \$250,000 or any integral multiple of \$5,000 in excess thereof (except that no 2016 Refunding Bond shall have principal maturing on more than one maturity date); shall mature on September 1, 2034; and shall bear interest (computed on a 360-day year of twelve 30-day calendar months) payable on March 1, 2016, and semiannually thereafter on March 1 and September 1 in each year, at the rate of 3.75% per annum.

Sinking Fund Account Payments are hereby established for the mandatory redemption and payment of the 2016 Refunding Bonds, which payments shall become due during the years ending on the dates and in the amounts set forth in the following schedule (except that if any of the 2016 Refunding Bonds shall have been optionally or extraordinarily redeemed under Section 2.03 of this Indenture, the amounts of the Sinking Fund Account Payments for the 2016 Refunding Bonds shall be reduced proportionately by the principal amount of all such 2016 Refunding Bonds so optionally or extraordinarily redeemed, as set out in a revised schedule of Sinking Fund Account Payments delivered by the City to the Trustee), namely:

Year Ending September 1	Sinking Fund Account Payment
2016	\$
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	
2031	
2032	
2033	
2034*	

\*Maturity

All such Sinking Fund Account Payments shall be deposited in the Sinking Fund Account. All money in the Sinking Fund Account representing such Sinking Fund Account Payments shall be used and withdrawn by the Trustee (upon receipt of a Written Request of the City) at any time for the purchase of the 2016 Refunding Bonds at public or private sale as and when and at such prices (including brokerage and other charges) as the City may in its discretion determine, but not to exceed the principal amount of such 2016 Refunding Bonds. All money in the Sinking Fund Account representing such Sinking Fund Account Payments on September 1 of each year during the period beginning on September 1, 2016, and ending on September 1, 2034, both dates inclusive, shall be used and withdrawn by the Trustee on each such September 1 for the mandatory redemption or payment of the 2016 Refunding Bonds; and the City hereby agrees and covenants with the Holders of the 2016 Refunding Bonds to call and redeem in accordance with Article III of this Indenture, or pay, the 2016 Refunding Bonds from the Sinking Fund Account Payments deposited in the Sinking Fund Account under this paragraph whenever on September 1 of any year, beginning on September 1, 2016, there is money in the Sinking Fund Account available for such purpose.

The interest on and principal of and redemption premiums, if any, on the 2016 Refunding Bonds shall be payable in lawful money of the United States of America at the Principal Corporate Trust Office of the Trustee. Each 2016 Refunding Bond shall bear interest from the interest payment date next preceding the date of authentication thereof, unless it is authenticated on a day during the period from the 16<sup>th</sup> day of the month next preceding any 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 it is authenticated on a day on or before the 15<sup>th</sup> day of the month next preceding the first interest payment date on the 2016 Refunding Bonds, in which event it shall bear interest from its date; provided, that if at the time of authentication of any 2016 Refunding Bond interest is then in default on any Outstanding 2016 Refunding Bonds, such 2016 Refunding Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment of interest on such Outstanding 2016 Refunding Bonds. Payment of interest on the 2016 Refunding Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.06 as the registered owner thereof at the close of business on the 15<sup>th</sup> day of the month next preceding each interest payment date, such interest to be paid by check mailed by first class mail to such registered owner at his address as it appears on such books (except that in the case of a Holder of \$1,000,000 or more in aggregate principal amount of 2016 Refunding Bonds, payment shall be made at such Holder's option by federal wire transfer of immediately available funds according to written instructions provided by such Holder to the Trustee prior to the 15<sup>th</sup> day of the month next preceding such interest payment date to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the United States of America). Payment of the principal of and redemption premiums, if any, on the 2016 Refunding Bonds shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.06 as the registered owner thereof, such principal and redemption premiums, if any, to be paid only on the surrender of the 2016 Refunding Bonds at the Principal Corporate Trust Office of the Trustee at maturity or on redemption prior to maturity.

Notwithstanding anything herein to the contrary, the City and the Trustee agree that any amounts payable to the Holder of any 2016 Refunding Bonds with respect to the 2016 Refunding Bonds held by the Holder may be made by the Trustee to the Holder, upon the Holder's written direction to the Trustee (without any presentment thereof, except upon the payment of the final installment of principal, and without any notation of such payment being made on the 2016 Refunding Bonds), in such manner or at such address in the United States as may be designated by the Holder in writing to the Trustee.

#### SECTION 2.03. Redemption Prices of 2016 Refunding Bonds.

(a) Optional Redemption. The 2016 Refunding Bonds are subject to optional redemption by the City prior to their stated maturity date, as a whole or in part on any date on or after September 1, 2022, from any source of available funds, upon mailed notice as provided herein, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

(b) Extraordinary Redemption. The 2016 Refunding Bonds are subject to extraordinary redemption by the City prior to their stated maturity date, as a whole or in part on any date, solely from prepayments of the Special Tax, upon mailed notice as provided herein, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

(c) Mandatory Redemption. The 2016 Refunding Bonds are subject to mandatory redemption by the City prior to their stated maturity date in part solely from Sinking Fund Account Payments deposited in the Sinking Fund Account therefor as provided in Section 2.02, upon mailed notice as provided herein, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

SECTION 2.04. Form of 2016 Refunding Bonds. The 2016 Refunding Bonds and the certificate of authentication and the assignment to appear thereon shall be in substantially the forms set forth in Exhibit A hereto, with such variations, insertions, or omissions as are appropriate and not inconsistent herewith.

SECTION 2.05. Execution of Bonds. The Bonds shall be signed on behalf of the City by the manual or a facsimile signature of the Mayor and countersigned by the manual or a facsimile signature of the City Clerk. In case any officer of the City who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been delivered to the purchaser by the Trustee, such Bonds may nevertheless be delivered and issued and, upon such delivery and issuance, shall be as binding upon the City as though the officer who signed the same had continued to be such officer until such delivery and issuance. Also, any Bond may be signed on behalf of the City by any officer of the City who on the actual date of the execution of such Bond shall be the proper officer of the City, although on the nominal date of such Bond such person shall not have been such officer of the City. Only those Bonds that bear thereon a certificate of authentication executed by the Trustee shall be entitled to any benefit, protection, or security hereunder or be valid or obligatory for any purpose, and such certificate of authentication of the Trustee shall 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 Exchange of Bonds. The Trustee will keep at its Principal Corporate Trust Office sufficient books for the transfer and exchange of the Bonds, which books shall at all times during normal business hours with reasonable prior notice be open to inspection by the City or by any Holder. Any Bond may, in accordance with its terms, be transferred or exchanged on such books by the person in whose name it is registered, in person or by his duly authorized attorney, upon payment by the Holder requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange and upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same Series and maturity date and of authorized denominations for the same aggregate principal amount, except that neither the City nor the Trustee shall be required (a) to transfer or exchange any Bonds during the 15 day period prior to the selection of any Bonds for redemption under Article III, or (b) to transfer or exchange any Bond which has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part under Article III.

The City and the Trustee may deem and treat the registered owner of any Bond as the absolute owner of such Bond for all purposes hereof, whether such Bond shall be overdue or not, and neither the City nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and the principal of and the redemption premium, if any, on such Bond shall be made only to the registered owner thereof as provided herein, which payments shall be valid and effectual to satisfy and discharge the liability on such Bond to the extent of the sum or sums so paid.

SECTION 2.07. Mutilated, Destroyed, Stolen, or Lost Bonds. In case any Bond shall become mutilated in respect of the body of such Bond or shall be believed by the Trustee to have been destroyed, stolen, or lost, upon proof of ownership satisfactory to the Trustee and upon the surrender of such mutilated Bond at the Principal Corporate Trust Office of the Trustee, or upon the receipt of evidence satisfactory to the Trustee of such destruction, theft, or loss and upon receipt of indemnity satisfactory to the Trustee, and also upon payment of all expenses incurred by the City and the Trustee in the premises, the City shall execute and the Trustee shall authenticate and deliver at its Principal Corporate Trust Office a new Bond or Bonds of the same Series and maturity date for the same aggregate principal amount of like tenor and date and bearing such numbers and notations as the Trustee shall 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 shall have matured or shall have been 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 Bond issued pursuant to this section in lieu of any mutilated Bond or any Bond alleged to be destroyed, stolen, or lost shall replace the mutilated Bond or the Bond alleged to be destroyed, stolen, or lost as an original contractual obligation on the part of the City and shall be entitled to equal and proportionate benefits with all other Bonds issued under this Indenture.

SECTION 2.08. Temporary Bonds. Any Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be typewritten, shall be of such denominations as may be determined by the City, shall be issued in fully registered form, shall contain such reference to any of the provisions hereof as may be appropriate, and shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds, it will 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 such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same Series and maturity date or dates, and until so exchanged, the temporary Bonds shall be entitled to the same benefits as definitive Bonds issued hereunder.

SECTION 2.09. Registration and Transfer of 2016 Refunding Bonds. The 2016 Refunding Bonds will be issued as physical certificated instruments (and shall not be held in a book-entry only system) initially registered in the name of the Initial Purchaser. The

2016 Refunding Bonds will be initially issued as one 2016 Refunding Bond in the aggregate principal amount of the 2016 Refunding Bonds. Notwithstanding any other provision of this Indenture, the 2016 Refunding Bonds may not be registered in the name of, or transferred to, any person except a Qualified Institutional Buyer that has executed and delivered an investor letter in the form set forth in Exhibit B hereto with only those revisions approved in writing by the City.

SECTION 2.10. Costs of Issuance Fund; 2016 Refunding Bonds Costs of Issuance Account. There is hereby established with the Trustee a fund to be known as the “North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Costs of Issuance Fund” and a separate account therein to be known as the “2016 Refunding Bonds Costs of Issuance Account,” into which account shall be deposited the amount required to be deposited therein by the provisions hereof. All money in the 2016 Refunding Bonds Costs of Issuance Account shall be applied by the Trustee as directed in writing by the City (which written direction must include the payee, amount and payment instructions for each payment) in the manner provided by law for payment of Costs of Issuance of the 2016 Refunding Bonds; provided, that any money remaining in the 2016 Refunding Bonds Costs of Issuance Account after the completion of the payment of the Costs of Issuance of the 2016 Refunding Bonds as specified in writing by the City to the Trustee (but not later than 90 days after the issuance of the 2016 Refunding Bonds) shall be withdrawn by the Trustee and transferred to the City for deposit in the Special Tax Fund.

SECTION 2.11. Application of Proceeds of Sale of 2016 Refunding Bonds. Upon the receipt of payment of the proceeds of sale of the 2016 Refunding Bonds, the Trustee shall (upon receipt of a Written Request of the City) set aside and deposit or transfer the proceeds of sale of the 2016 Refunding Bonds in the following order:

(a) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the Bond Reserve Fund, which amount is equal to the Required Bond Reserve as of the date of issuance of the 2016 Refunding Bonds;

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

(c) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the 2016 Refunding Bonds Costs of Issuance Account.

SECTION 2.12. Provisions for the Issuance of Additional Series of Bonds. In addition to the 2016 Refunding Bonds, the City may at any time, by a Supplemental Indenture, authorize the issuance of additional Series of Bonds, secured by, and payable from, the Special Tax Revenues as provided herein equally and ratably with any other Outstanding Bonds, including any Outstanding 2016 Refunding Bonds, but only upon compliance by the City with the provisions of this Indenture and any additional requirements set forth in the Supplemental Indenture, and subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such additional Series of Bonds:

(a) No Event of Default shall have occurred and then be continuing;

(b) Such Series of Bonds shall be issued only for the purposes of refunding any other Outstanding Bonds, making any deposit to the Bond Reserve Fund that is required in connection with the issuance of such Series of Bonds, and paying the Costs of Issuance in connection with the issuance of such Series of Bonds; and

(c) The Debt Service in each Bond Year that begins after the issuance of such Series of Bonds is not increased by reason of the issuance of such Series of Bonds.

### ARTICLE III

#### REDEMPTION OF BONDS

SECTION 3.01. Selection of Bonds for Redemption. If less than all the Bonds of any Series are to be redeemed at any one time, the City shall select the maturity date or dates and amounts of the Bonds of such Series to be redeemed pro rata (as nearly as possible given minimum authorized denominations) in proportion to the total principal amount of Bonds of such Series Outstanding at the time of redemption, and if less than all the Bonds of any Series of any one maturity date are to be redeemed at any one time, the Trustee shall select by lot the Bonds of such Series or the portions thereof of such maturity date to be redeemed in integral multiples of \$5,000. The City shall notify the Trustee in writing at least 15 days prior to the date fixed for the selection of any Bonds for redemption, and after such selection the Trustee shall promptly notify the City in writing of the numbers of the Bonds selected for redemption in whole or in part.

SECTION 3.02. Notice of Redemption. The Trustee shall mail a notice of redemption pursuant to Section 10.08 to the respective Holders of all Bonds selected for redemption in whole or in part and to the underwriter or first purchaser of the Bonds selected for redemption. Such notice shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place of redemption (being the address of the Principal Corporate Trust Office of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity and if there is more than one Bond of such maturity, the numbers of the Bonds of such maturity to be redeemed, and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall give notice that further interest on such Bonds or the portions thereof redeemed will not accrue from and after the redemption date, and shall require that such Bonds be surrendered at the Principal Corporate Trust Office of the Trustee for payment of the redemption price thereof. If any Bond so chosen for redemption shall not be redeemable in whole, such notice shall also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds of the same Series and maturity date and of authorized denominations equal in aggregate principal amount to such unredeemed portion.

With respect to any notice of redemption of Bonds delivered pursuant to this Section 3.02 in respect of an optional or extraordinary redemption, unless, upon the giving of such notice, such Bonds shall be deemed to have been paid within the meaning of Article IX hereof, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the

principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such amounts shall not have been so received the notice shall be of no force and effect and the City shall not be required to redeem such Bonds. In the event that any such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to the Holders to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given. Such failure to redeem such Bonds shall not constitute an Event of Default.

Any notice given pursuant to this Section 3.02 may be rescinded by written notice given to the Trustee by the City no later than five Business Days prior to the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same Persons, as notice of such redemption was given pursuant to this Section 3.02.

SECTION 3.03. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the registered owner thereof at the expense of the City a new Bond or Bonds of the same Series and maturity date and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

SECTION 3.04. Effect of Redemption of Bonds. If notice of redemption has been duly given pursuant to Section 3.02 and money for the payment of the redemption price of the Bonds or portions thereof called for redemption is held by the Trustee, then on the redemption date designated in such notice such Bonds or such portions thereof shall become due and payable, and from and after the date so designated interest on the Bonds or such portions thereof so called for redemption shall cease to accrue and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof on the redemption date.

## ARTICLE IV

### PAYMENT OF BONDS

SECTION 4.01. Deposit of Proceeds of the Special Tax in the Special Tax Fund. The City agrees and covenants that all Special Tax Revenues, when and as received, will be received and held by it in trust hereunder and will be deposited as and when received in the “North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California, Special Tax Bonds Special Tax Fund,” which fund is hereby continued in the treasury of the City and which fund the City hereby agrees and covenants to maintain with the City Treasurer so long as any Bonds are Outstanding hereunder, and all money in the Special Tax Fund shall be accounted for separately and apart from all other accounts, funds, money, or other resources of the City and shall be disbursed, allocated, and applied solely to the uses and purposes hereinafter set forth in this article. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, there are hereby pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of this Indenture, all

of the Special Tax Revenues and any other amounts held in the Special Tax Fund, the Bond Redemption Fund, and the Bond Reserve Fund. This pledge constitutes a lien on and security interest in such assets and will attach, be perfected, and be valid and binding without any physical delivery or further act.

SECTION 4.02. Allocation of Money in the Special Tax Fund. All money in the Special Tax Fund shall be set aside by the City Treasurer in the following respective funds and accounts (each of which funds and accounts is hereby established or, with respect to the Expense Fund and the Community Facilities Fund, continued in the treasury of the City and each of which funds and accounts the City agrees and covenants to maintain with the City Treasurer or the Trustee, as the case may be, so long as any Bonds are Outstanding hereunder) in the following order of priority, and all money in each of such funds shall be applied, used, and withdrawn only for the purposes hereinafter authorized in this section, namely:

(a) North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Bond Redemption Fund (maintained by the Trustee). On or before the first day in March and September in each year, beginning in March 2016, the City Treasurer shall, from the money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such March 1 or September 1, as the case may be; and on or before the first day in September 1 in each year, beginning in September 2016, the City Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on such September 1 plus the Sinking Fund Account Payments required to be made on such September 1 into the Sinking Fund Account, as the case may be; provided, that all of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that the money in the Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds on such date, or in the event that the money in the Bond Redemption Fund on any September 1 is not equal to the aggregate amount of principal of the Bonds becoming due on such date or the Sinking Fund Account Payments required to be made on such date, as the case may be, then such money shall be applied pro rata in such proportion that such interest and principal or Sinking Fund Account Payment bear to each other; and provided further, that no deposit need be made into the Bond Redemption Fund if the amount of money contained therein is at least equal to the amount required by the terms of this paragraph to be deposited therein at the times and in the amounts provided herein.

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

(b) North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Bond Reserve Fund (maintained by the Trustee). On or before the first day in September in each year, beginning in September 2016, the City Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Reserve Fund the amount of money that is required to restore the Bond Reserve Fund to an amount equal to the Required Bond Reserve; and for this purpose all investments in the Bond Reserve Fund shall be valued before September 1 of each year (beginning with September 2016) at the face value thereof if such investments mature within 12 months from the date of valuation or, if such investments mature more than 12 months after the date of valuation, at the lesser of either the par value of such investments or the market value of such investments; provided, that no deposit need be made into the Bond Reserve Fund if the amount contained therein is at least equal to the Required Bond Reserve. In making any valuations hereunder, the Trustee may use and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system.

All money in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the interest on or principal of the Bonds in the event there is insufficient money in the Bond Redemption Fund available for this purpose; or (ii) retiring Bonds, in whole or in part, to the extent that the amount on deposit in the Bond Reserve Fund exceeds the Required Bond Reserve due to a redemption or defeasance of Bonds; provided, that if as a result of any of the valuations required by the first paragraph of this Section 4.02(b) it is determined that the amount of money in the Bond Reserve Fund exceeds the Required Bond Reserve, the Trustee shall withdraw the amount of money representing such excess from such fund and shall transfer such funds to the Bond Redemption Fund.

(c) North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Expense Fund (maintained by the City Treasurer). On September 1 in each year, beginning in September 2016, the City Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Expense Fund a sum equal to the amount required by the City for the payment of budgeted Expenses during the twelve-month period beginning on such date (or for the reimbursement to the City for the payment of any unbudgeted Expenses made during any prior twelve-month period). All money in the Expense Fund shall be used and withdrawn by the City Treasurer only for transfer to or for the account of the City to pay budgeted Expenses (as herein provided) or to reimburse the City for the payment of unbudgeted Expenses (as herein provided), or to pay the interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money is available therefor.

(d) North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Community Facilities Fund (maintained by the City Treasurer). All money remaining in the Special Tax Fund on September 1 of each year, beginning in September 2016, after transferring all of the sums required to be transferred therefrom on or prior to such date by the provisions of

Sections 4.02(a), (b), and (c), shall be withdrawn from the Special Tax Fund by the City Treasurer and deposited in the “North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds Community Facilities Fund,” which fund the City hereby agrees and covenants to maintain with the City Treasurer so long as any Bonds are Outstanding hereunder, and all money in the Community Facilities Fund shall be used and withdrawn by the City solely for the benefit of the Community Facilities District in accordance with the Act; provided, that the City Treasurer shall not make any such withdrawal of money in the Special Tax Fund if and when (to the City Treasurer’s actual knowledge) an Event of Default is then existing hereunder.

## ARTICLE V

### COVENANTS OF THE CITY

SECTION 5.01. Punctual Payment and Performance. The City will punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond issued hereunder in strict conformity with the terms of the Act and hereof and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants, and terms contained herein and in the Bonds required to be observed and performed by it.

SECTION 5.02. Against Indebtedness and Encumbrances. The City will not issue any evidences of indebtedness payable from the Special Tax Revenues except the Bonds as provided herein, and will not create, or permit the creation of, any pledge, lien, charge, or other encumbrance upon any money in the Special Tax Fund other than as provided herein; provided, that the City may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose of the Community Facilities District which are payable from any money in the Community Facilities Fund as may from time to time be deposited therein (as provided in Section 4.02) so long as any payments due thereunder shall be subordinate in all respects to the use of the Special Tax Revenues as provided herein.

SECTION 5.03. Against Federal Income Taxation. The City will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the City will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the City or take or omit to take any action that would cause the Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code or “private activity bonds” subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are “federally guaranteed” as provided in Section 149(b) of the Code; and to that end the City, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code; provided, that if the City shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the City may rely conclusively on such opinion in complying with the provisions hereof. In the event that at any time the City is of the opinion that for purposes of this section it is necessary to restrict or limit

the yield on the investment of any money held by the City Treasurer or the Trustee hereunder or otherwise the City shall so instruct the City Treasurer or the Trustee, as the case may be, in writing, and the City Treasurer or the Trustee, as the case may be, shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the City will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect, which obligation shall survive payment in full or defeasance of the Bonds, and to that end, there is hereby established in the treasury of the City a fund to be known as the “City of Sacramento North Natomas Basin 8C CFD No. 99-04 Special Tax Refunding Bonds Rebate Fund” to be held in trust and administered by the Treasurer. The City will comply with the provisions of each Tax Certificate with respect to making deposits in the Rebate Fund, and all money held in the Rebate Fund is pledged to provide payments to the United States of America as provided herein and in each Tax Certificate and no other person shall have claim to such money except as provided in each Tax Certificate.

SECTION 5.04. Payment of Claims. The City will pay and discharge any and all lawful claims which, if unpaid, might become payable from the Special Tax Revenues or any part thereof or upon any funds in the hands of the City Treasurer or the Trustee allocated to the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, or which might impair the security of the Bonds.

SECTION 5.05. Accounting Records and Other Reports.

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

(b) The City will furnish the Trustee and the Holders, before the end of the ninth month after the close of each Fiscal Year, the financial statements of the City for such Fiscal Year, together with the report of an independent certified public accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles and that such accountant’s examination of the financial statements was performed in accordance with generally accepted auditing standards. The City may comply with this covenant by posting such financial statements on an internet site that provides access to the Trustee and the Holders.

(c) The City will prepare annually not later than October 30 of each year (commencing in the year 2016) and file with the California Debt and Investment Advisory Commission by mail, postage prepaid, or any other method approved by the California Debt and Investment Advisory Commission all information required to be filed pursuant to Section 53359.5(b) of the Act. Additionally, the City will notify the California Debt and

Investment Advisory Commission by mail, postage prepaid, or any other method approved by the California Debt and Investment Advisory Commission, within 10 days if the Trustee fails to pay any interest on or principal of any of the Bonds on any scheduled payment date or if funds are withdrawn from the Bond Reserve Fund to pay any interest on or principal of the Bonds. For so long as the Initial Purchaser is the Holder of any Outstanding 2016 Refunding Bonds, the City will furnish a copy of all such filings and notices to the Initial Purchaser.

SECTION 5.06. Protection of Security and Rights of Holders. The City will preserve and protect the security of the Bonds and the rights of the Holders and will warrant and defend their rights against all claims and demands of all persons.

SECTION 5.07. Levy and Collection of the Special Tax. So long as any Bonds are Outstanding, the City will annually levy the Special Tax against all Taxable Land in the Community Facilities District in accordance with the Special Tax Formula and, subject to the limitations in the Special Tax Formula and the Act, make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Bond Redemption Fund, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with all the agreements, conditions, covenants, and terms contained herein, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund and to pay all Expenses as they become due and payable in accordance with the provisions and terms hereof. The Special Tax shall be collected in the same manner as ordinary ad valorem property taxes for the County of Sacramento are collected and, except as otherwise provided in Section 5.08 or by the Act, shall be subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

SECTION 5.08. Foreclosure of Special Tax Liens. On or before October 1 of each year, the City will review the public records of the County of Sacramento relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels of Taxable Land that are delinquent in the payment of such Special Tax in such Fiscal Year by \$1,000 or more in order to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; and (b) on the further basis of such review, if the City determines that the total amount so collected is less than 95% of the total amount of the Special Tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels of Taxable Land that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of all the delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with the Act; and provided further, that the City shall not be obligated to enforce the lien against any parcel of Taxable Land of any delinquent installment of the Special Tax in any Fiscal Year in which the City shall have received 100% of the amount of such delinquent installment from the County of Sacramento pursuant to the so-called "Teeter Plan."

SECTION 5.09. Further Assurances. The City will adopt, deliver, execute, make, and file any and all further assurances, instruments, and resolutions as 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 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 Special Taxes provided herein to the fullest extent possible under applicable law of the State of California.

## ARTICLE VI

### THE TRUSTEE

SECTION 6.01. The Trustee. The Bank of New York Mellon Trust Company, N.A., at its Principal Corporate Trust Office, is hereby appointed Trustee for the purpose of receiving all money which the City is required to transfer to it hereunder and for applying and using such money as provided herein for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds. The City agrees that it will at all times maintain a Trustee having a Principal Corporate Trust Office in California.

The City may remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing delivered to the Trustee at least 30 days before the effective date of such removal and appointment; provided, that any such successor shall be a bank, national banking association or trust company doing business and having a corporate trust office in California, with a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000 and subject to supervision or examination by a federal or state banking authority, and if such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to 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 such bank, national banking association or trust company shall 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 written notice of such resignation to the City and by giving notice of such resignation by mail pursuant to Section 10.08 to the Holders at least 30 days before the proposed effective date of such resignation, and upon receiving such notice of resignation the City shall promptly appoint a successor Trustee by an instrument in writing having the qualifications required hereby. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon 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 shall have been appointed by the City and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction 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 hereby.

Notwithstanding anything to the contrary contained herein, any corporation or association into which the Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which the Trustee shall

be a party, or any corporation or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business, or any corporation or association succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto.

The Trustee is hereby authorized to pay interest on the Bonds due on or before the maturity or prior redemption thereof to the Holders as their names appear at the close of business on the 15<sup>th</sup> day of the month next preceding each interest payment date on the registration books required to be kept by it pursuant to Section 2.06 as the registered owners thereof, such interest to be paid by check mailed by first class mail on the applicable interest payment date to the Holders at their addresses appearing on such books (except that in the case of a Holder of \$1,000,000 or more in principal amount of Bonds, payment shall be made at such Holder's option by wire transfer of immediately available funds to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the United States of America according to written instructions provided by such Holder to the Trustee prior to the 15<sup>th</sup> day of the month next preceding such interest payment date) and to pay to the Holders the principal of and redemption premiums, if any, on the Bonds upon presentation and surrender of the Bonds to the Trustee at maturity or on redemption prior to maturity. The Trustee shall cancel and destroy all Bonds paid by it at maturity or on redemption prior to maturity and all Bonds surrendered to it by the City, and shall (if requested by the City) deliver to the City a certificate of such destruction, and the Trustee shall keep accurate records of all Bonds cancelled and destroyed by it hereunder. All money held by or on behalf of the Trustee for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, whether at maturity or upon prior redemption, shall be held in trust for the account of the Holders thereof, and the Trustee shall not be required to pay Holders or the City any interest on, or be liable to the City, the Holders or any other person for any interest earned on, any money so held.

The City shall from time to time, subject to any agreement between the City and the Trustee then in force, pay the Trustee compensation for its services, reimburse the Trustee for all its advances and expenditures, including advances to and fees and expenses of independent accountants, counsel and engineers or other experts employed by it in the exercise and performance of its rights and obligations hereunder, and indemnify and save the Trustee harmless against loss, expenses, costs, claims and liabilities (including those of its attorneys and agents) not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its rights and obligations hereunder, which obligation shall survive the resignation or removal of any Trustee or the payment or defeasance of the Bonds.

SECTION 6.02. Liability of the Trustee. The recitals of facts, agreements, and covenants contained herein and in the Bonds shall be taken as statements, agreements, and covenants of the City, and the Trustee does not assume any responsibility for the correctness of the same and does not make any representation as to the sufficiency or validity hereof or of the Bonds or of the Special Tax and shall not incur any responsibility in respect thereof other than in connection with the rights and obligations expressly assigned to or imposed upon it herein or in the Bonds, and shall not be liable in connection with the performance of its rights or obligations hereunder except for its own negligence or willful misconduct. The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer thereof unless it shall be

proved that the Trustee was negligent in ascertaining the pertinent facts, and no provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any liability for the performance of its rights or obligations hereunder or in the exercise of any of its rights or obligations hereunder. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, affiliates, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee shall not be answerable for any willful misconduct or negligence on the part of any such attorney, agent, or receiver selected by it with reasonable care.

The Trustee shall perform only those obligations expressly set forth herein, and no implied obligations shall be read herein against the Trustee. The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum, or any other disclosure material prepared or distributed with respect to the Bonds. No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its obligations hereunder or in the exercise of any of its rights hereunder if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders pursuant to the provisions of this Indenture unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

SECTION 6.03. Notice to the Trustee. The Trustee shall be protected in acting upon any Bond, certificate, consent, notice, opinion, report, request, resolution, 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, including counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection with respect to any action taken or suffered hereunder in good faith and in accordance therewith. The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder unless and until an officer of the Trustee at its Principal Corporate Trust Office responsible for the administration of its obligations hereunder shall have actual knowledge thereof or the Trustee shall have received written notice thereof at its Principal Corporate Trust Office.

Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively established or proved by a Certificate of the City or an Accountant's Report, which shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, and on which the Trustee may conclusively rely, except that in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

## ARTICLE VII

### AMENDMENT OF OR SUPPLEMENT TO THE INDENTURE

#### SECTION 7.01. 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 City and of the Holders hereunder may be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.02, shall have been filed with the Trustee; provided, that no such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the City to pay the interest on or the principal of or any Sinking Fund Account Payment for or the redemption premium, if any, on 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 City of any obligations payable from the Special Tax Revenues other than the Bonds as provided herein, or jeopardize the ability of the City to levy and collect the Special Tax; or (3) reduce the percentage of the Bonds required for the written consent to any such amendment or supplement; or (4) 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 City and of the Holders may also be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding upon execution without the prior written consent of any Holders, but only to the extent permitted by law and 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 City other agreements and covenants thereafter to be performed by the City which shall not (in the opinion of the City) adversely affect the interests of the Holders, or to surrender any right or power reserved herein to or conferred herein upon the City which shall not (in the opinion of the City) 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 which the City may deem desirable or necessary and not inconsistent herewith and which shall not (in the opinion of the City) adversely affect the interests of the Holders.

(3) To provide for the issuance of any additional Series of Bonds pursuant to Section 2.12.

(4) To make such additions, deletions, or modifications as may be necessary or appropriate to ensure 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 insure the exclusion from gross income for purposes of federal income taxation of the interest on the Bonds or the exemption of such interest from State of California personal income taxes.

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

SECTION 7.02. Disqualified Bonds. Bonds owned or held for the account of the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in this article or in Article VIII, and the City shall not be entitled to consent to or take any other action provided for in this article or in Article VIII. Upon request of the Trustee, the City shall specify in a certificate to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

SECTION 7.03. Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as provided in Section 7.01, the City may determine that the Bonds may bear a notation by endorsement in form approved by it as to such action, and in that case upon demand of the Holder of any Bond Outstanding on such effective date and presentation of his Bond for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the City shall so determine, new Bonds so modified as, in the opinion of the City, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Bond Outstanding on such effective date such new Bonds shall, upon surrender of such Outstanding Bonds, be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Holder, for Bonds then Outstanding.

SECTION 7.04. Amendment or Supplement by Mutual Consent. The provisions of this article shall not prevent any Holder from accepting any amendment or supplement as to any particular Bonds held by him; provided, that due notation thereof is made on such Bonds.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

SECTION 8.01. Events of Default and Remedies of Holders. If one or more of the following events (herein “Events of Default”) shall happen, that is to say—

(a) if default shall be made by the City in the due and punctual payment of any interest on or principal of or Sinking Fund Account Payment for or redemption premium, if any, on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the City in the observance or performance of any of the other agreements or covenants contained herein required to be observed or performed

by it, and such default shall have continued for a period of 30 days after the City shall have been given notice in writing of such default by the Trustee; or

(c) if the City shall file 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 if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City 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 if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then in each and every such case during the continuance of such Event of Default any Holder shall have the right for the equal benefit and protection of all Holders similarly situated—

(1) by mandamus or other suit or proceeding at law or in equity to enforce his rights against the City Council or any of the officers or employees of the City, and to compel the City Council or any officers or employees of the City to perform and carry out their duties under the Act and the agreements and covenants with the Holders contained herein; or

(2) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Holders; or

(3) by suit in equity upon the nonpayment of the Bonds to require the City Council or the officers and employees of the City to account as the trustee of an express trust.

SECTION 8.02. Non-waiver. Nothing in this article or in any other provision herein or in the Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon redemption prior to maturity as provided herein from the Special Tax Revenues and the other funds as provided herein, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein and in the Bonds.

A waiver of any Event of Default or breach of duty or contract by any Holder shall not affect any subsequent Event of Default or breach of duty or contract and shall not impair any rights or remedies on any such subsequent Event of Default or breach of duty or contract. No delay or omission by any Holder to exercise any right or remedy accruing upon any Event of Default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or breach of duty or contract or an acquiescence therein. Every right and remedy conferred upon the Holders by the Act or hereby may be enforced and exercised from time to time and as often as shall be deemed expedient by the Holders.

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

SECTION 8.03. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be 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 IX

### DEFEASANCE

#### SECTION 9.01. Discharge of Bonds.

(a) If the City shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated therein and herein, then all agreements, covenants, and other obligations of the City to the Holders of such Bonds hereunder shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City for deposit in the Community Facilities Fund all money or securities held by it pursuant hereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall on the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in Section 9.01(a) if there shall be on deposit with the Trustee money which is sufficient to pay the interest due on such Bonds on such date and the principal and redemption premiums, if any, due on such Bonds on such date.

(c) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in Section 9.01(a) if—

(1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, notice of redemption shall have been given as provided in Article III or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(2) there shall have been deposited with an escrow agent or the Trustee either (i) money in an amount which shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of or redemption prices of such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, or (ii) Federal

Securities which are not subject to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with such escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of or redemption prices of such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by an Accountant's Report on file with the City and the Trustee in the case of a deposit of Federal Securities under this clause (ii); and

(3) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the City shall have instructed the escrow agent or the Trustee to mail pursuant to Section 10.08 a notice to the Holders of such Bonds that the deposit required by Section 9.01(c)(2) above has been made with such escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with this Section 9.01 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 or redemption prices of such Bonds.

SECTION 9.02. Unclaimed Money. Anything contained 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 which remains unclaimed for two years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee on such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds or interest thereon became due and payable, shall be repaid by the Trustee to the City as its absolute property free from trust for deposit in the Community Facilities Fund and for use in accordance with the Act, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall look only to the City for the payment of such Bonds and interest thereon; provided, that before the Trustee shall be required to make any such repayment the City shall mail pursuant to Section 10.08 a notice to the Holders of all Outstanding Bonds and to such securities information services selected by the City pursuant to Section 3.02 and to the original purchaser or underwriter of the Bonds that such money remains unclaimed and that after a date named in such notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the City for deposit in the Community Facilities Fund.

## ARTICLE X

### MISCELLANEOUS

SECTION 10.01. Liability of City Limited to Proceeds of the Special Tax and Certain Other Funds. Notwithstanding anything contained herein, the City shall not be required to advance any money derived from any source of income other than the proceeds of the Special Tax and the other funds provided herein for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds.

The Bonds are special tax obligations of the City. The interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax and such other funds, and the City is not obligated to pay them except from the proceeds of the Special Tax and such other funds. The General Fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien, or encumbrance upon any property of the City or any of its income or receipts except the proceeds of the Special Tax and such other funds, and neither the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is a general debt, liability, or obligation of the City. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction, and neither the City Council nor any officer or employee of the City shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds other than from the proceeds of the Special Tax and such other funds as provided herein.

SECTION 10.02. Benefits of the Indenture Limited to Certain Parties. Nothing contained herein, express or implied, is intended to give to any entity or person other than the City Council, the City, the City Treasurer, the Trustee, and the Holders any right, remedy, or claim under or by reason hereof, and any agreement or covenant required herein to be performed by or on behalf of the City Council or the City or any officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Holders.

SECTION 10.03. Successor is Deemed Included in All References to Predecessor. Whenever either the City Council or the City or any officer or employee of the City is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties, and functions with respect to the administration, control, and management of the Community Facilities District that as of the date hereof are vested in the City Council or the City or such officer or employee of the City, and all agreements and covenants required herein to be performed by or on behalf of the City Council or the City or any officer or employee of the City shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 10.04. Execution of Documents by Holders. Any declaration, request, consent, or other instrument which 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 attorney of any declaration, request, consent, or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request, consent, or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer. The ownership of Bonds and the amount, maturity, number, and date of holding the same shall be provided by the registration books required to be kept by the Trustee pursuant to Section 2.06.

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

SECTION 10.05. Deposit and Investment of Money in Accounts and Funds.

All money held by the City Treasurer in any fund established herein shall be deposited by the City Treasurer in time or demand deposits in any state or nationally chartered bank or trust company, including the Trustee or its affiliates, or in any state or federal savings and loan association, and shall be secured at all times by such obligations as are required by law to the fullest extent required by law; provided, that all money in the Special Tax Fund and the Expense Fund may be invested by the City Treasurer in Legal Investments; and provided further, that for investment purposes the Trustee may commingle the accounts and funds which it invests hereunder as long as the Trustee accounts for each such account and fund separately. All money held by the Trustee in the Bond Redemption Fund shall be invested by the Trustee pursuant to a Written Request of the City received by the Trustee at least two days before making any such investment in those Legal Investments specified in such Written Request of the City that mature not later than the date on which it is estimated that such money will be required to be paid out hereunder, and all money held by the Trustee in the Bond Reserve Fund shall be invested by the Trustee pursuant to a Written Request of the City (which may include money market funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services) received by the Trustee at least two days before making any such investment in those Federal Securities specified in such Written Request of the City that mature not more than five years from the date of purchase by the Trustee or the final maturity date of any Outstanding Bonds, whichever is earlier, and the Trustee may conclusively rely that any investment specified in such Written Request of the City is a Legal Investment or a Federal Security hereunder, as the case may be; provided, that in the absence of receipt of any such Written Request of the City, the Trustee shall hold such moneys uninvested. The Trustee (or any of its affiliates) may act as principal or agent or as sponsor, advisor, or manager in connection with the making of any investment by the Trustee hereunder and may impose its customary charges therefor, and the Trustee shall not be responsible for any loss suffered in connection with any investment made in accordance herewith.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law; provided, that the Trustee will furnish the City periodic cash transaction statements which include details for all investment transactions made by the Trustee hereunder.

All interest received on any such money so deposited or invested shall (subject to the requirements of Section 5.03) be deposited in the fund from which the deposit or investment was made, and all losses on any such money so deposited or invested shall be borne by the fund from which the deposit or investment was made.

SECTION 10.06. Waiver of Personal Liability.

No member of the City Council and no officer or employee of the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, but

nothing herein contained shall relieve any member of the City Council or any officer or employee of the City from the performance of any official duty provided by the Act or hereby or by any other applicable provisions of law.

SECTION 10.07. Content of Certificates and Reports. Every certificate or report with respect to compliance with an agreement, condition, covenant, or term provided herein shall include (a) a statement that the person or persons making or giving such certificate or report have read such 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 such agreement, condition, covenant, or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant, or term has been complied with.

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

SECTION 10.08. Notice by Mail. Any notice required to be given by mail to any Holders or to the original purchaser or underwriter of the Bonds shall be given by mailing a copy of such notice, first class postage prepaid, to such Holders at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.06 or to such purchaser or underwriter not less than 30 days nor more than 90 days following the action or prior to the event concerning which notice thereof is required to be given; provided, that neither failure to receive any such mailed notice nor any immaterial defect contained therein shall affect the sufficiency or validity of any such notice.

SECTION 10.09. Maintenance of Accounts and Funds. Any account or fund required herein to be established and maintained by the City Treasurer or the Trustee may be maintained by the City 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 such accounting records, any audits thereof, and any financial reports or statements with respect thereto, be treated either as an account or as a fund; but all such accounting records with respect to all such accounts and funds shall at all times be maintained by the City 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 10.10. 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 shall be solely for convenience of reference and shall not affect the construction, effect, or meaning hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding articles, sections or subdivisions hereof; and 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. The word “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.”

SECTION 10.11. 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 City or the Trustee should be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants, or such term or terms or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants, or terms or portions thereof and shall in no way affect the validity hereof or of the Bonds; and the Holders shall retain all the rights and benefits accorded to them under the Act or any other applicable provisions of law. The City 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 pursuant hereto 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 10.12. Execution in Counterparts. The Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

SECTION 10.13. Governing Law. The Indenture shall be governed by and construed and interpreted in accordance with the laws of the State of California.

SECTION 10.14. Notices. All written notices to be given hereunder shall 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 City:

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

If to the Trustee:

The Bank of New York Mellon Trust Company, N.A.  
400 S. Hope Street, Suite 400  
Los Angeles, California 90071  
Attention: Corporate Trust Department

SECTION 10.15. Effective Date of the Indenture. The Indenture shall take effect from and after its execution and delivery.

IN WITNESS WHEREOF, the City of Sacramento has caused the Indenture to be signed in its name by its City Treasurer, and The Bank of New York Mellon Trust Company, N.A., as Trustee, in token of its acceptance of the trusts created hereunder, has caused 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.

CITY OF SACRAMENTO

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

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

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

EXHIBIT A

FORM OF 2016 REFUNDING BOND

BY POSSESSION OF THIS BOND, THE HOLDER CERTIFIES THAT IT IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN THE INDENTURE AND OTHERWISE SATISFIES THE REQUIREMENTS OF SECTION 2.09 OF THE INDENTURE. THE HOLDER HEREOF, BY THE ACCEPTANCE OF THIS BOND, ACKNOWLEDGES THAT THIS BOND MAY ONLY BE REGISTERED IN THE NAME OF, OR TRANSFERRED TO A "QUALIFIED INSTITUTIONAL BUYER" THAT OTHERWISE SATISFIES THE REQUIREMENTS OF SECTION 2.09 OF THE INDENTURE.

No. R-1

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

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF SACRAMENTO

CITY OF SACRAMENTO  
NORTH NATOMAS BASIN 8C CFD NO. 99-04  
SPECIAL TAX REFUNDING BOND,  
SERIES C (2016)

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>
3.75%	September 1, 2034	January __, 2016

REGISTERED OWNER: CITY NATIONAL BANK

PRINCIPAL AMOUNT:

DOLLARS

The City of Sacramento, a California municipal corporation (the "City"), for value received hereby promises to pay (but only out of the proceeds of the Special Tax hereinafter referred to and certain other funds hereinafter referred to) to the registered owner set forth above on the maturity date set forth above (subject to any right of prior redemption hereinafter provided for) the principal amount set forth above, together with interest thereon from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is authenticated on a day during the period from the 16<sup>th</sup> day of the month next preceding any interest payment date to such interest payment date, both days inclusive, in which event it shall bear interest from such interest payment date, or unless this Bond is authenticated on a day on or before the 15<sup>th</sup> day of the month next preceding the first interest payment date on the

Bonds (as defined below), in which event it shall bear interest from its date) until the principal hereof shall have been paid, at the interest rate per annum set forth above (computed on a 360-day year of twelve 30-day calendar months), payable on March 1, 2016, and semiannually thereafter on March 1 and September 1 in each year. The interest on and principal of and redemption premium, if any, on this Bond are payable in lawful money of the United States of America at the principal office of The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), in San Francisco, California or such other place as designated by the Trustee. The interest on this Bond due on or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books required to be kept by the Trustee as the registered owner hereof at the close of business on the 15<sup>th</sup> day of the month next preceding each interest payment date, such interest to be paid by check mailed by first class mail to such registered owner at his address as it appears on such books, except that in the case of a registered owner of \$1,000,000 or more in aggregate principal amount of Bonds, payment shall be made at such owner's option by federal wire transfer of immediately available funds according to written instructions provided by such owner to the Trustee prior to the 15<sup>th</sup> day of the month next preceding such interest payment date to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the United States of America. The principal of and redemption premium, if any, on this Bond shall be payable only to the person whose name appears in such registration books as the registered owner hereof, such principal and redemption premium, if any, to be paid only on the surrender of this Bond at the office of the Trustee at maturity or on redemption prior to maturity.

This bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$[PRINCIPAL AMOUNT] issued by the City Council of the City for the North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California (the "Community Facilities District") located in the City, designated the "City of Sacramento North Natomas Basin 8C CFD No. 99-04 Special Tax Refunding Bonds, Series C (2016)" (the "Bonds"), under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 et seq. of the Government Code of the State of California), and all laws amendatory thereof or supplemental thereto (the "Act"), and under and pursuant to an Indenture (the "Indenture") dated as of January 1, 2016, between the City and the Trustee, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, denominations, maturities, interest rates, or redemption provisions). All the Bonds are equally and ratably secured in accordance with the Act and the terms and conditions of the Indenture (copies of which are on file at the office of the City Clerk and at the above-mentioned office of the Trustee), and reference is hereby made to the Act and to the Indenture and any and all amendments thereof and 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; and all the terms of the Act and the Indenture are hereby incorporated herein and constitute a contract between the City 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 acceptance hereof, agrees and consents; and each taker and subsequent 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 provide money to refund certain outstanding bonds of the City issued to finance the acquisition and construction of certain public facilities in and for the Community Facilities District and are special tax obligations of the City. The interest on and

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

The Bonds are subject to optional redemption by the City prior to their stated maturity date, as a whole or in part on any date on or after September 1, 2022, from any source of available funds, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

The Bonds are subject to extraordinary redemption by the City prior to their stated maturity date, as a whole or in part on any date, solely from prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

The Bonds are subject to mandatory redemption by the City prior to their stated maturity date in part on September 1 in each of the years 2016 through 2034, both dates inclusive, solely from Sinking Fund Account Payments deposited in the Sinking Fund Account (as those terms are defined in and as provided in the Indenture), upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

If less than all the Bonds are to be redeemed at any one time, the Trustee shall select by lot the Bonds or portions thereof of such maturity date to be redeemed in integral multiples of \$5,000.

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

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

The Bonds are issuable in the form of fully registered Bonds in the denomination of \$250,000 or any integral multiple of \$5,000 in excess thereof (except that no Bond shall have principal maturing on more than one 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 duly authorized attorney) in exchange for an equal aggregate principal amount of Bonds of the same maturity date of any other authorized denominations in the manner, subject to the conditions and upon payment of the charges provided in the Indenture.

The registration of this Bond is transferable on the registration books kept by the Trustee by the registered owner hereof or by his duly authorized attorney upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new 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 City 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 principal hereof and redemption premium, if any, hereon and for all other purposes.

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

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

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 City, 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 City of Sacramento has caused this Bond to be executed in its name and on its behalf by the signature of the Mayor of the City and countersigned by the signature of the City Clerk, and has caused this Bond to be dated January \_\_, 2016.

CITY OF SACRAMENTO

By \_\_\_\_\_  
Mayor

Countersigned:

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

[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 and registered on the date indicated below.

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

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

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

[FORM OF ASSIGNMENT TO APPEAR ON 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.

\_\_\_\_\_

Dated: \_\_\_\_\_

SIGNATURE GUARANTEED BY:

\_\_\_\_\_

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within 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: \_\_\_\_\_

EXHIBIT B  
FORM OF INVESTOR LETTER  
[TO COME]

## PLACEMENT AGENT ENGAGEMENT AGREEMENT

City of Sacramento  
North Natomas Basin 8C CFD No. 99-04  
Special Tax Refunding Bonds, Series C (2016)

This Placement Agent Engagement Agreement, dated as of January 19, 2016, for reference purposes only, is between the CITY OF SACRAMENTO, a California municipal corporation (the "City"); and STIFEL NICOLAUS & COMPANY, INCORPORATED ("Stifel").

### Background

In 1999, the Sacramento City Council (the "Council") formed the community facilities district known as North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California (the "CFD"). The City subsequently issued two series of special-tax bonds through the CFD: Series A in 1999 and Series B in 2004 (the "Prior Bonds").

The Council now desires to issue a new series of special-tax bonds through the CFD for the purposes of refunding the Prior Bonds and paying debt-issuance costs. The new series will be designated as City of Sacramento North Natomas Basin 8C CFD No. 99-04 Special Tax Refunding Bonds, Series C (the "Series C Bonds"), and the sale of the Series C Bonds will be limited to "qualified institutional buyers" and "accredited investors" as defined by Rule 144A of the Securities Act of 1933, Rule 501 of Regulation D of the Securities Act of 1933, and regulations of the Securities and Exchange Commission.

The City desires to retain Stifel's services as the placement agent for the Series C Bonds and is authorized by law to do so. Stifel desires to be retained by the City as placement agent and to provide the City with the services described below, subject to the conditions set forth below.

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

1. **Scope of Services.** Within the framework of all relevant rules and regulations, Stifel shall provide the following services and perform the following functions in connection with the issuance of the Series C Bonds. All services will be provided on an arm's length, commercial basis and may or may not be provided in conjunction with services provided by advisors to the City, such as a financial advisor or a municipal advisor.

(a) *Structuring the Financing.*

- (1) Stifel shall work with the City and the members of the City's financing team, including bond counsel and the City's financial advisor, if any, in evaluating specific terms and conditions affecting the Series C Bonds, with the goal of meeting the City's financing objectives and assuring appropriate credit quality.
- (2) Stifel shall work with the City to create a feasible and efficient structure for the Series C Bonds in order to enhance the marketability of the Series C Bonds.

- (3) Stifel shall coordinate the financing schedule and other aspects of the financing program's logistics.
- (4) As needed, and in cooperation with the City, Stifel shall assist in the preparation and review of all documents necessary to implement the issuance of the Series C Bonds, including authorizing resolutions and an indenture.

(b) *Marketing the Series C Bonds.*

- (1) Stifel shall serve as the intermediary between the City and the purchaser or purchasers of the Series C Bonds.
- (2) Stifel shall coordinate the distribution of materials to the prospective purchaser or purchasers.
- (3) Working with the City and other appropriate parties, Stifel shall coordinate arrangements for a due-diligence session with the prospective purchaser or purchasers in the offering.
- (4) Stifel shall review and summarize proposals from the prospective purchasers for review by the financing team and, if necessary, shall facilitate negotiations between the City and prospective purchaser or purchasers.

**2. The City's Covenants, Representations, and Warranties.**

(a) The City covenants, represents, and warrants as follows:

- (1) The City is, and at the time of the closing of the Series C Bonds will be, a validly existing municipal corporation and charter city duly organized under California law with full power and authority to perform its obligations under this agreement.
- (2) The City's execution and delivery of this agreement and compliance with its provisions do not and will not conflict with, or constitute a breach of or default under, any law, administrative regulation, judgment, decree, statute, indenture, mortgage, deed of trust, bond, note, resolution, agreement, or other instrument to which the City is a party or by which the City is bound.
- (3) Any certificate signed by an authorized officer of the City and delivered to Stifel in connection with this agreement will be the City's representation and warranty to Stifel as to the truth of the statements made in the certificate, but only for the purposes for which the certificate is delivered.
- (4) The Series C Bonds will be exempt from registration under the Securities Act of 1933, as amended, and any indenture for the Series C Bonds will be exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

- (5) The City shall promptly take such action as Stifel may reasonably request to qualify, if qualification is necessary, the Series C Bonds for offering and sale as a private placement under the securities laws of such states as Stifel may reasonably request, and the City shall comply with those laws so as to permit the offers and sales. Any applicable filings will be prepared by the City's legal counsel, whose fees and disbursements in connection therewith will be for the City's account.
- (6) At the closing of the Series C Bonds, Stifel will be entitled to rely on the City's representations and warranties, and the City shall cause the City's legal counsel to permit Stifel to rely upon any opinion furnished to any purchaser of the Series C Bonds.

(b) All of the City's representations, warranties, and agreements in this agreement will remain operative and in full force and effect regardless of delivery of any payment for the Series C Bonds.

**3. Regulatory Disclosure.** The City is aware of section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities and Exchange Commission's adopted rule commonly known as the "Municipal Advisor Rule" (SEC Rule 15Ba1-1 to 15Ba1-8), and the underwriter exclusion from the definition of "municipal advisor" for a firm serving as an underwriter or placement agent for a particular issuance of municipal securities. Some of the services that Stifel will be called upon to perform under this agreement, such as providing advice with respect to the sizing, structure, timing, and terms of the issuance of the Series C Bonds, are services that are also commonly provided by financial advisory firms. The parties understand and agree that Stifel, in providing these services for the City in connection with the Series C Bonds, is serving as a placement agent for the issuance and is permitted to give advice and recommendations under the "underwriter exclusion" provision of the Municipal Advisor Rule. The City acknowledges that Stifel will not be serving as the City's financial advisor or acting as an agent or fiduciary for the City and that the City will be consulting with its own legal, financial, and other advisors. This agreement and relationship will be executed, approved, or acknowledged by the Council.

**4. Disclosures Required by MSRB Rule G-17 Concerning the Role of the Placement Agent.**

- (a) Rule G-17 of the Municipal Securities Rulemaking Board (the "MSRB") requires a placement agent to deal fairly at all times with both municipal issuers and investors.
- (b) Stifel's primary role as placement agent is to place securities directly with an investor or investors on behalf of the City without first purchasing the securities, and Stifel has financial and other interests that differ from those of the City.
- (c) As a placement agent, Stifel, unlike a municipal advisor, does not have a fiduciary duty to the City under the federal securities laws and is therefore not required by federal law to act in the best interests of the City without regard to its own financial or other interests.

- (d) Stifel shall review the official statement for the securities (if any) in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction.
5. **Disclosures Concerning Stifel's Compensation.** Stifel will be compensated by a fee agreed upon with the City in connection with the private placement of the Series C Bonds. Payment or receipt of the fee will be contingent on the closing of the Series C Bonds, and the amount of the fee may be based, in whole or in part, on a percentage of the principal amount of the Series C Bonds. Although this form of compensation is customary in the municipal-securities market, it presents a potential conflict of interest because Stifel may have an incentive to recommend to the City a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.
6. **Conflicts of Interest Disclosures.** Stifel has not identified any additional potential or actual material conflicts that require disclosure.
7. **Disclosures and Acknowledgments Relating to Complex Municipal Securities Financing.** Because Stifel has not recommended a "complex municipal securities financing" to the City, additional disclosures regarding the financing structure of the Series C Bonds are not required under MSRB Rule G-17. However, if Stifel recommends a "complex municipal securities financing" to the City, or if the Series C Bonds are ultimately structured in a manner that is considered to be a "complex municipal securities financing," then this agreement will be supplemented to provide disclosure of the material financial characteristics of that financing structure as well as the material financial risks of the financing that are known to Stifel and are reasonably foreseeable at that time. The City acknowledges and recognizes Stifel as placement agent with respect to the municipal securities referenced for purposes of MSRB Rule G-23 and 17 CFR Parts 200, 240, and 249 (Registration of Municipal Advisors).
8. **Limitation of Duties.**
- (a) The City acknowledges and agrees (1) that the services provided under this agreement involve Stifel's professional judgment, and the results cannot be, and are not, guaranteed; (2) that Stifel will be acting as the City's agent in the offering and sale of the Series C Bonds; (3) that Stifel shall use its "best efforts" to place the Series C Bonds; and (4) that this agreement does not give rise to any expressed or implied commitment by Stifel to purchase or place any of the Series C Bonds. "Best efforts" means the diligence of a reasonable person under comparable circumstances.
- (b) As addressed above, among the services that Stifel will perform under this agreement are assistance in preparation and review of the preliminary and final official statements for the Series C Bonds (if any). Under federal securities law, however, an issuer of securities has the primary responsibility for disclosure to investors. Stifel's assistance with respect to any official statement will be solely for purposes of satisfying Stifel's obligations under the federal securities laws and is not a guarantee by Stifel of the accuracy or completeness of the information in the official statement (if any).

**9. Expenses.**

- (a) The City shall pay, from the proceeds of the Series C Bonds, Stifel's out-of-pocket expenses incurred in the performance of this agreement, including the costs of Stifel's legal counsel, messenger and delivery costs, and overhead expenses.
- (b) The City shall pay, from the proceeds of the Series C Bonds or from other lawfully available funds, all costs incidental to the issuance of the Series C Bonds, including the following, as applicable: legal fees, including those of bond counsel; the costs of statistical, computer, and graphics services (if any); the expense of publication, advertising, and informational meetings; and the costs of the bond trustee and its legal counsel.

**10. Compensation.** Stifel shall prepare and coordinate all aspects of the City's sale of the Series C Bonds to a purchaser or purchasers. The fee for Stifel's services as placement agent will not exceed \$40,000.00. Payment of the fee is contingent on the successful closing of the Series C Bonds, and the fee is payable exclusively from the proceeds of the Series C Bonds.

**11. Term of Agreement.** This agreement will continue in effect until the Series C Bonds are issued and sold or until the Council formally abandons the issuance of the Series C Bonds, unless sooner terminated as follows: either party may terminate this agreement with or without cause by giving the other party written notice at least five business days before the termination date specified in the notice. "Business day" means any day the City's offices located at 915 I Street, Sacramento, California, are open to the public. Neither the Council's formal abandonment of the issuance of the Series C Bonds nor the early termination of this agreement will affect the City's obligations under section 9 above.

**12. Miscellaneous.**

- (a) *Severability of Provisions.* If any nonmaterial provision of this agreement is held invalid, the remainder of the agreement will remain valid and fully enforceable.
- (b) *Governing Law.* This agreement and the rights and obligations of the parties are to be interpreted and applied in accordance with California law, except that the rule of interpretation in California Civil Code section 1654 will not apply.
- (c) *Litigation.* Any litigation concerning this agreement must be brought in the Sacramento Superior Court or in the U.S. District Court for the Eastern District of California (Sacramento Division). Before commencing any litigation, the parties shall submit the disputed issues to nonbinding mediation.
- (d) *No Third-Party Beneficiaries.* This agreement is made solely for the benefit of the City and Stifel. It is not intended to benefit any third parties.
- (e) *Subcontractors.* Stifel may, with the City's prior written approval, use such subcontractors as are necessary to fulfill this agreement.

- (f) *Customary and Usual Business Activities.* This agreement does not preclude Stifel from carrying on its customary and usual business activities. Stifel reserves the right to bid for and maintain secondary markets on any of the City's outstanding bonds, subject to appropriate information barriers, but is not obligated to do so. Services provided by Stifel under this agreement will not limit Stifel from providing services for the City in conjunction with other services requested by the City except as limited by rule of law or regulation.
- (g) *Independent Contractor.* Stifel's performance under this agreement will be as an independent contractor. Neither Stifel nor any of its agents or employees is an employee of the City for any purpose.
- (h) *Assignment.* Stifel shall not assign or otherwise transfer any interest in this agreement without the City's prior written consent.
- (i) *Entire Agreement; Amendments.* This agreement sets forth the parties' entire understanding regarding the matters set forth above and is intended to be their final, complete, and exclusive expression of those matters. It supersedes all prior or contemporaneous agreements, representations, and negotiations—written, oral, express, or implied—and may be modified only by another written agreement signed by both parties.
- (j) *Counterparts.* The parties may sign this agreement in counterparts, each of which will be considered an original, but all of which will constitute the same agreement. Delivery of signed counterparts may be accomplished email transmission of a pdf document.
- (k) *Acceptance.* The City's acceptance of this agreement will occur upon the return of a counterpart signed by an authorized City representative, and the person signing below for the City represents that he is so authorized.

*(Signature Page Follows)*

**City of Sacramento**

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

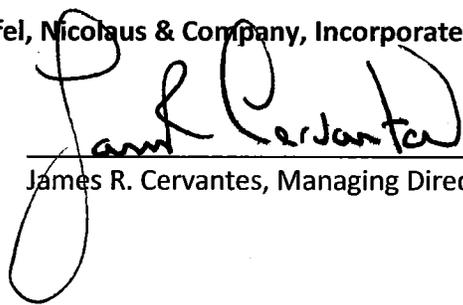
Attest  
Sacramento City Clerk

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

Approved as to Form  
Sacramento City Attorney

By: \_\_\_\_\_  
Joseph Cerullo Jr.  
Senior Deputy City Attorney

**Stifel, Nicolaus & Company, Incorporated**

By:   
James R. Cervantes, Managing Director

## AGREEMENT FOR BOND-COUNSEL SERVICES

### CITY OF SACRAMENTO NORTH NATOMAS BASIN 8C CFD NO. 99-04, SPECIAL TAX REFUNDING BONDS, SERIES C (2016)

This Agreement for Bond-Counsel Services, dated as of January 19, 2016, for reference only, is between the CITY OF SACRAMENTO, a California municipal corporation (the “City”); and ORRICK, HERRINGTON & SUTCLIFFE LLP, a California limited-liability partnership (“Orrick”).

#### Background

The City desires to engage the services of Orrick in connection with the City’s authorization, issuance, sale, and delivery of a single series of fixed rate, unrated, uninsured bonds (the “Refunding Bonds”) for the purpose of refunding all of the outstanding North Natomas Basin 8C CFD No. 99-04, City of Sacramento, County of Sacramento, State of California Special Tax Bonds, Series A (1999) and Series B (2004) (the “Refunded Bonds”). City National Bank will directly purchase the Refunding Bonds. The City and Orrick desire to enter into this agreement to evidence the engagement of Orrick in connection with the Refunding Bonds and to specify the terms of the engagement. Orrick possesses the necessary professional capabilities and resources to provide the legal services required by the City as described in this agreement.

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

1. The City retains Orrick as special counsel to perform, and Orrick shall perform, the following legal services for the City in connection with the Refunding Bonds:
  - (a) Consultation with representatives of the City (including the City Treasurer and the City Attorney); Stifel, Nicolaus & Company, Incorporated, as placement agent; and others with respect to the timing, terms, and legal structure of the Refunding Bonds.
  - (b) Preparation of documents that are required for the authorization, issuance, sale, and delivery of the Refunding Bonds and are to be adopted or entered into by the City, including an authorizing resolution and an indenture or similar document (the “Major Legal Documents”). The Major Legal Documents do not include any marketing or disclosure documents, term sheet, placement-agent agreement, purchase contract, or continuing-disclosure certificate or agreement.
  - (c) Attendance at such meetings or hearings of the City Council and at such working-group meetings or conference calls as the City may request, and assistance to the City’s staff in preparation of such explanations or presentations to the City Council as the City may request.
  - (d) Rendering of Orrick’s customary form of final approving opinion to the City on the validity of the Refunding Bonds and the tax-exempt status of interest on the Refunding Bonds.

- (e) After issuance of the Refunding Bonds, preparation and delivery to the City of a transcript of the legal proceedings for the Refunding Bonds in both loose-leaf and CD-ROM formats.
  - (f) After issuance of the Refunding Bonds, telephone consultations with the City's officials and staff to answer questions about the facts and circumstances concerning the Refunding Bonds.
2. Orrick's services under this agreement do not include the following, although Orrick may provide these services under a separate agreement with the City:
- (a) Legal services in connection with any litigation or other legal or administrative proceeding, audit, or investigation involving any of the Refunding Bonds, the Refunded Bonds, or any related matter.
  - (b) Legal Services in connection with the preparation, content, or dissemination of any term sheet or any official statement or other marketing or disclosure document.
  - (c) Legal services related to compliance with the California Environmental Quality Act.
  - (d) Legal services in connection with arbitrage-rebate compliance respecting the Refunding Bonds or the Refunded Bonds.
  - (e) Legal services relating to state blue-sky laws or to title to, or perfection of security interests in, real or personal property.
  - (f) Financial analysis or advice.
3. Orrick and the City acknowledge that the City retains the full-time services of the City Attorney and City Attorney's Office to render day-to-day and ongoing legal services to the City. Orrick shall circulate documents to, and coordinate its services with, the City Attorney to the extent requested by the City or the City Attorney. Orrick may assume that the City Attorney or one of the attorneys in the City Attorney's Office has reviewed all documents and matters submitted to the City Council for adoption or approval, or to the City's officers for execution, before those documents and matters are adopted, approved, or executed.
4. As consideration for the services set forth in section 1, the City shall pay to Orrick the following fees and disbursements:
- (a) As legal fees, assuming a closing by January 31, 2016, a flat amount of \$55,000. If the closing occurs after January 31, 2016, then Orrick and the City shall negotiate in good faith on a new flat amount of legal fees.
  - (b) As payment of disbursements, including preparation and distribution of a transcript in loose-leaf and CD-ROM formats, a flat amount of \$1,500.

- (c) Except as provided in section 5 respecting termination of this agreement by the City, payment of legal fees and expense reimbursement are contingent upon the issuance, sale, and delivery of the Refunding Bonds, and the amounts owed will be due and payable forthwith upon presentation of an invoice by Orrick following such issuance, sale, and delivery.
  
- 5. Either party may, at any time, terminate this agreement and all legal services to be rendered under it, with or without cause, by giving written notice to the other party. In that event, all finished and unfinished documents that Orrick has prepared for the City's adoption, approval, or execution will, at the option of the City, become the City's property, and Orrick shall deliver them to the City or to any party the City may designate, all subject to the condition that Orrick will have no liability whatsoever for any subsequent use of the documents. If the City terminates this agreement, then the City shall pay Orrick forthwith for all satisfactory work at its standard hourly rates but not to exceed the flat amount specified in section 4(a) above, subject to the following: if the City terminates for cause, then any compensation is to be adjusted in the light of the facts and circumstances involved in the termination. If not sooner terminated, this agreement and all legal services to be rendered under it will terminate upon issuance and sale of the Refunding Bonds, except that the City will remain liable for any unpaid fees and expenses due under section 4 above. Upon termination, Orrick will have no future duty of any kind to the City with respect to the Refunding Bonds, except as provided in sections 1(e) and 1(f) above.
  
- 6. Role of Bond Counsel.
  - (a) The role of bond counsel in financings, generally, is to prepare or review documents and to coordinate the procedures for authorization of the issuance, sale, and delivery of bonds and to provide an expert legal opinion with respect to the validity of the bonds and other subjects addressed by the opinion. Consistent with the historical origin and unique role of bond counsel, and the reliance thereon by the public-finance market generally, Orrick's role as bond counsel under this agreement is not the partisan role of an advocate. Instead, Orrick's role is to provide legal documents needed for the issuance, sale, and delivery of the Refunding Bonds and to provide an opinion that represents an objective judgment on the matters addressed therein.
  
  - (b) In performing its services as bond counsel in connection with the Refunding Bonds, Orrick shall act as special counsel to the City with respect to issuance of the Refunding Bonds. In that capacity, Orrick shall assist the City's staff in representing the City, but only with respect to the sufficiency of the legal documents for the issuance, sale, and delivery of the Refunding Bonds and in a manner not inconsistent with the role of bond counsel described in section 6(a) above.
  
  - (c) Orrick's function and responsibility under this agreement, and as bond counsel with respect to the issuance of the Refunding Bonds, terminates upon the issuance, sale, and delivery of the Refunding Bonds (unless terminated sooner as provided in section 5 above), except as provided in sections 1(e) and 1(f) above. Orrick's services as bond

counsel through issuance, sale, and delivery of the Refunding Bonds are limited to those contracted for explicitly in this agreement. Any engagement of Orrick with respect to rebate compliance, disclosure, or any other matter is separate from its engagement as bond counsel through issuance of the Refunding Bonds. However, unless otherwise provided, any such post-issuance engagement with respect to the Refunding Bonds will continue on the same basis set forth in this section 6.

7. The City acknowledges that Orrick regularly performs legal services for many private and public entities in connection with a wide variety of matters. For example, Orrick has represented, is representing, and expects to represent in the future other public entities (such as the County of Sacramento, the Sacramento Municipal Utility District, and the State of California), bond underwriters (such as Stifel, Nicolaus & Company, Incorporated), trustees, rating agencies, insurers, banks, credit-enhancement providers, lenders, contractors, suppliers, financial and other consultants and advisors, accountants, investment providers/brokers, providers/brokers of derivative products, and others who may have a role or interest in the Refunding Bonds or who may be involved with, or adverse to, the City in this or some other matter. Orrick shall not represent any such entity (i.e., other private and public entities) in connection with the Refunding Bonds without the City's express written consent. Given the special, limited role of bond counsel described in section 6 above, the City (a) acknowledges that no conflict of interest exists or would exist in connection with any matter other than the Refunding Bonds; (b) waives any such conflict of interest that might appear actually or potentially to exist, now or in the future, by virtue of this agreement or any such other attorney-client relationship that Orrick may have had, may have, or may enter into; and (c) consents to any and all such relationships subject to the condition that the City's separate written consent and a separate conflict-waiver letter will be required to be obtained by Orrick if Orrick concurrently represents the City and any other entity in connection with the issuance, sale, and delivery of the Refunding Bonds.
8. Nothing in this agreement or in any of the documents expressly or impliedly contemplated by this agreement is intended to give, or is to be construed to give, any person or entity other than the City and Orrick any legal or equitable right or claim under, or in respect of, this agreement, and this agreement inures to the sole and exclusive benefit of the City and Orrick. Orrick may not assign its obligations under this agreement without the express written consent of the City, except to a successor partnership or corporation to which all or substantially all of the assets and operations of Orrick are transferred. The City may not assign its rights and obligations under this agreement without the express written consent of Orrick. All references to Orrick and the City in this agreement refer to their respective successors and assignees and will bind and inure to the benefit of their successors and assignees whether so expressed or not.
9. The parties may sign this agreement in counterparts, each of which will be considered an original, but all of which will constitute the same agreement. Delivery of signed counterparts may be accomplished email transmission of a pdf document.

10. To be effective, notices pertaining to this agreement must be sent by the U.S. Postal Service, first class, postage prepaid, addressed as follows:

*If to the City:*

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

*If to Orrick:*

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

*and*

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

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

*(Signature Page Follows)*

**City of Sacramento**

**Orrick, Herrington & Sutcliffe LLP**

By: \_\_\_\_\_  
James Sanchez, City Attorney  
Date: January \_\_, 2016

By:  \_\_\_\_\_  
Jenna Wagan, Partner  
Date: January 12, 2016

Attest  
Sacramento City Clerk

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

Approved as to Form  
Sacramento City Attorney

By: \_\_\_\_\_  
Joseph Cerullo, Senior Deputy City Attorney