

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2007

NEW ISSUE—BOOK—ENTRY ONLY

NOT RATED

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

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**CITY OF SACRAMENTO  
COLLEGE SQUARE  
COMMUNITY FACILITIES DISTRICT NO. 2005-01  
2007 SPECIAL TAX BONDS**

Dated: Date of Delivery

Due: September 1, as shown below

The City of Sacramento (the "City") is issuing its College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds (the "Bonds") to provide funds to pay for the acquisition and construction of certain public improvements to serve property located within the College Square Community Facilities District No. 2005-01 (the "District") of the City.

Interest on the Bonds accrues from their date, and is payable on March 1 and September 1 of each year, commencing March 1, 2008.

The eligible landowners in the District authorized the issuance of up to \$13,000,000 of Bonds. Proceeds from the sale of the Bonds will be used (i) to finance the acquisition and construction of certain public improvements to help mitigate the impacts on public infrastructure systems of the development expected to take place in the District and to finance certain City fees levied within the District (the "Facilities"), (ii) to fund a reserve fund for the Bonds, and (iii) to pay costs of issuance of the Bonds.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Mello-Roos Act"), and an Indenture dated as of September 1, 2007 (the "Indenture") by and between the City and The Bank of New York Trust Company, N.A. (the "Trustee")

The Bonds are payable from the proceeds of an annual Special Tax to be levied on property located within the District and from certain other funds pledged under the Indenture. See APPENDIX B – "Rate and Method of Apportionment of Special Tax." The Special Taxes are to be collected in the same manner and at the same time as *ad valorem* property taxes are collected by the County of Sacramento and, when received, will be placed in the Special Tax Fund established and maintained by the City. **The Special Taxes are secured by a lien on the real property within the District and do not constitute a personal indebtedness of the respective landowners. Accordingly, in the event of delinquency, proceedings may be initiated only against the real property securing the delinquent Special Taxes. Consequently, the value of the land within the District is a critical factor in determining the investment quality of the Bonds. See "SECURITY FOR THE BONDS" and "THE DISTRICT."**

The Bonds will be issued in fully registered form only, and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (collectively, "DTC"). Ownership interests in the Bonds may be purchased in book-entry form only, in integral multiples of \$5,000. See APPENDIX D — "BOOK-ENTRY ONLY SYSTEM."

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\* Preliminary, subject to change.

The Bonds are subject to redemption prior to maturity, as more fully described herein. See “THE BONDS — Redemption Of Bonds.”

**NEITHER THE FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY, THE COUNTY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE LIMITED OBLIGATIONS PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX AND CERTAIN FUNDS ESTABLISHED UNDER THE INDENTURE AND HELD BY THE TRUSTEE OR THE CITY, AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.**

See “**BONDOWNERS’ RISKS**” for a discussion of factors that should be considered, in addition to the other matters set forth in this Official Statement, in evaluating the investment quality of the Bonds.

**This cover page contains information for quick reference only. It is not a summary of the issue. Prospective purchasers must read the entire Official Statement to obtain information essential to the making of an informed investment decision.**

**MATURITY SCHEDULE**

(See inside cover)

*The Bonds are offered when, as and if issued and accepted by the Underwriter subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel Nossaman, Guthner, Knox & Elliott, LLP, Sacramento, California. It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York on or about September , 2007.*

**Stone & Youngberg LLC**

Dated: September\_\_, 2007

**MATURITY SCHEDULE**  
**BASE CUSIP®:**

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP®</u>	<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP®</u>
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\$ \_\_\_\_\_ % Term Bonds Due September 1, 20\_\_ — Yield \_\_\_\_\_%  
CUSIP®:

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® A registered trademark of the American Bankers Association. CUSIP data is provided by Standard & Poor's, CUSIP Services Bureau, a division of the McGraw-Hill Companies, Inc.

**CITY OF SACRAMENTO**

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**MAYOR AND CITY COUNCIL**

Heather Fargo, Mayor  
Ray Tretheway, Councilmember District 1  
Sandy Sheedy, Councilmember District 2  
Steve Cohn, Councilmember District 3  
Robert King Fong, Councilmember District 4  
Lauren Hammond, Councilmember District 5  
Kevin McCarty, Councilmember District 6  
Robbie Waters, Councilmember District 7  
Bonnie J. Pannell, Councilmember District 8

**CITY ADMINISTRATIVE PERSONNEL**

Ray Kerridge, City Manager  
Thomas P. Friery, City Treasurer  
Eileen M. Teichert, City Attorney  
Shirley Concolino, City Clerk  
Gary Reents, Director of Utilities

**BOND COUNSEL**

Orrick, Herrington & Sutcliffe LLP  
San Francisco, California

**TRUSTEE**

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

**SPECIAL TAX CONSULTANT**

Harris & Associates  
Irvine, California

**APPRAISER**

Morgan, Beebe & Leck, Inc.  
dba  
Integra Realty Resources  
Sacramento, California

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement shall not be construed as a contract with the purchasers of the Bonds.

**No Unauthorized Representations.** No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation with respect to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City.

**No Unlawful Offers or Sales.** This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Estimates and Projections.** When used in this Official Statement, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

**Involvement of Underwriter.** Stone & Youngberg, LLC (the “Underwriter”) has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**Information Subject to Change.** The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City or the District since the date hereof.

**Summaries.** All summaries of provisions of the Indenture or other documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All such documents are on file with the City, copies of which are available for inspection at the office of the City Treasurer, 915 I Street, Historic City Hall, Third Floor, #0900, Sacramento, California 95814-2704, telephone number (916) 808-5168. The City may impose a charge for copying, mailing and handling.

**Overallotment Or Stabilizing Transactions.** In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

**No Registration.** The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exception from the registration requirements contained in such Act. The Bonds have not been registered or qualified under the securities laws of any state.

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**REGIONAL LOCATION MAP**

## OFFICIAL STATEMENT

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**CITY OF SACRAMENTO  
COLLEGE SQUARE COMMUNITY FACILITIES DISTRICT  
NO. 2005-01  
2007 SPECIAL TAX BONDS**

### INTRODUCTORY STATEMENT

#### General

The purpose of this Official Statement, which includes the cover page and attached Appendices, is to provide information concerning the issuance of the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds (the “Bonds”). The Bonds are being issued by the City of Sacramento (the “City”) pursuant to an Indenture dated as of September 1, 2007 (the “Indenture”), by and between the City and The Bank of New York Trust Company, N.A. (the “Trustee”).

This introductory statement is subject in all respects to the more complete information set forth in this Official Statement. The descriptions and summaries of various documents do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements regarding any such document are qualified in their entirety by reference to such document. All capitalized terms used in this Official Statement and not otherwise defined have the same meaning as in the Indenture. See APPENDIX C — “SUMMARY OF THE INDENTURE — Definitions.”

#### Authority For Issuance

The Bonds will be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Sections 53311 et seq. of the California Government Code (the “Mello-Roos Act”), the approving vote of the eligible landowner voters of the College Square Community Facilities District No. 2005-01 (the “District”), a resolution of the City Council of the City and the Indenture.

The eligible landowners in the District authorized the issuance of up to \$13,000,000 of College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds (the “Bonds”). Following the issuance of the Bonds there will be no issuance of additional series of Bonds secured by the special taxes to be levied in the District. See “SECURITY FOR THE BONDS — No Additional Indebtedness.”

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\* Preliminary, subject to change.

## **Purpose Of The Bonds**

The District was formed and the Bonds are being issued to finance the acquisition and construction of certain public improvements to help mitigate the impacts on public infrastructure systems of the development expected to take place within the District, including road improvements, water distribution lines, drainage facilities, storm water treatment facilities, sewer lines, public dry utilities, all together with necessary appurtenances, as well as the financing of certain City fees levied within the District (the “Facilities”). See “FINANCING PLAN” and “THE DISTRICT — Facilities To Be Financed With The Bonds.”

## **Security For The Bonds**

***Limited Obligation.*** Neither the full faith and credit nor the general taxing power of the City, the County of Sacramento, the State of California, or any political subdivision of the State is pledged to the payment of the Bonds. The Bonds are not general obligations of the City but are limited obligations of the City payable solely from the proceeds of the Special Tax and other sources described in the Indenture.

***The Special Tax.*** Payments of interest on and principal of the Bonds are to be made from the proceeds of a special tax authorized to be levied annually by the City on all Taxable Property in the District under and pursuant to the Mello-Roos Act and the election held in the District on July 19, 2005 (the “Special Tax”). See “SECURITY FOR THE BONDS — The Special Tax,” and “THE DISTRICT — The Special Tax Formula.”

***Appraised Value of Property Within the District.*** An appraisal of the taxable property within the District (the “Appraisal”), has been prepared by Integra Realty Resources, Sacramento, California (the “Appraiser”). Based on the assumptions contained in the Appraisal, the Appraiser estimated that the total market value of the taxable property within the District as of July 1, 2007 was \$34,200,000. An executive summary of the Appraisal is attached as APPENDIX A. See “THE DISTRICT — Appraisal Of Parcels Within The District” for a discussion of the Appraisal and the assumptions and methodology used by the Appraiser. See also “THE DISTRICT — Cumulative Tax, Assessment, And Fee Burden On Property” for a description of certain additional debt or other obligations secured by liens on the property within the District.

***No Additional Bonds.*** Following the issuance of the Bonds, there will be no issuance under the Indenture of additional series of Bonds secured by special taxes to be levied within the District. See “SECURITY FOR THE BONDS — No Additional Indebtedness.”

***Bond Reserve Fund.*** The Indenture establishes a Bond Reserve Fund, which is required to be funded in an amount equal to the Required Bond Reserve, which is equal to the least of (i) 10% of the original principal amount of the Bonds (ii) the maximum Debt Service payable under the Indenture in the current or any future Bond Year, or (iii) 125% of the average Debt Service payable under the Indenture in the current or any future Bond Year. See “SECURITY FOR THE BONDS — Bond Reserve Fund.”

***Collateral Agreement Letter of Credit.*** Discussion of Collateral Agreement to come.

## **Risk Factors**

Certain events could affect the ability of the City to pay debt service on the Bonds when due. See “BONDOWNERS' RISKS” for a discussion of certain factors that should be considered, in addition to other matters set forth in this Official Statement, in evaluating an investment in the Bonds.

## **Tax Status**

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

## **Professionals Involved In The Offering**

The Bank of New York Trust Company, N.A. will serve as Trustee with respect to the Bonds. The Bonds will be delivered subject to approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. Certain legal matters will be passed upon for the Underwriter by its counsel, Nossaman, Guthner, Knox & Elliott, LLP, Sacramento, California. An appraisal of land within the District has been prepared by Integra Realty Resources, Sacramento, California. Harris & Associates, Irvine, California, has served as special tax consultant to the City for the financing.

## **Continuing Disclosure**

The City and certain landowners separately and independently have covenanted for the benefit of the Bondowners to provide, in the case of the City annually, and with respect to the landowners semiannually, certain financial information and operating data relating to the District (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events, if material. The specific nature of the information to be contained in the Annual Reports and the notices of material events are set forth in APPENDIX E — “FORMS OF CONTINUING DISCLOSURE CERTIFICATES.” See also “CONCLUDING INFORMATION — Continuing Disclosure.”

## FINANCING PLAN

### Financing Purpose

The proceeds of the Bonds are anticipated to finance the costs of the Facilities in the District. See “THE DISTRICT — Facilities To Be Financed With The Bonds.”

### Estimated Sources And Uses of Funds

Proceeds from the sale of the Bonds will be used as follows:

- (i) to finance the costs of the acquisition and construction of Facilities in the District,
- (ii) to fund the initial deposit to the Bond Reserve Fund to the Required Bond Reserve under the Indenture, and
- (iii) to pay costs of issuing the Bonds.

The following table sets forth the sources and uses of funds for these purposes:

**Table 1**  
**College Square**  
**Community Facilities District No. 2005-01,**  
**2007 Special Tax Bonds**

#### Sources And Uses Of Funds

SOURCES OF FUNDS	
Principal Amount of the Bonds	\$
<i>less</i> Underwriter’s Discount	
Total Sources of Funds	\$ _____
USES OF FUNDS	
Facilities	\$
Bond Reserve Fund [1]	
Costs of Issuance [2]	
Total Uses of Funds	\$ _____

[1] Equal to the Required Bond Reserve.

[2] Includes, among other things, the fees and expenses of Bond Counsel, the cost of printing the Preliminary and final Official Statements, fees and expenses of the Trustee, the cost of the Appraisal, and the fees of the Special Tax Consultant.

For a more detailed discussion of these and other funds and accounts and the application of monies on deposit therein, see APPENDIX C — “SUMMARY OF THE INDENTURE.”

## **THE BONDS**

### **Authority For Issuance**

The Mello-Roos Act was enacted by the California Legislature to provide an alternate method of financing certain public capital facilities and services, especially in developing areas of the State of California (the "State"). Once established, a community facilities district is a legally constituted governmental entity within defined boundaries, with the governing board or legislative body of the local agency that established the district acting on its behalf. Subject to approval by a two-thirds vote of eligible landowner electors and compliance with the provisions of the Mello-Roos Act, a legislative body of a local agency may issue debt securities for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Mello-Roos Act, on June 21, 2005, the City Council (the "City Council") of the City of Sacramento (the "City") adopted Resolution No. 2005-483 and Resolution No. 2005-484 forming the College Square Community Facilities District No. 2005-01 (the "District") and calling an election on July 19, 2005, to authorize the issuance of bonds and the levying of a special tax within the District.

On July 19, 2005, the eligible landowner voters of the District, by more than a two-thirds supermajority, authorized the issuance of not to exceed \$13,000,000 principal amount of Bonds to finance the acquisition and construction of the Facilities and approved the maximum rate and method of apportionment of a special tax (the "Special Tax") to pay debt service on Bonds issued to finance the Facilities. Following the issuance of the Bonds there will be no issuance of additional series of Bonds secured by special taxes to be levied within the District. See "SECURITY FOR THE BONDS — No Additional Indebtedness."

### **Description Of The Bonds**

The Bonds will be dated the date of their delivery and will mature on the dates and in the principal amounts and will bear interest at the rates per annum set forth on the cover page of the Official Statement. Interest on the Bonds will accrue from their date, and will be payable semiannually on March 1 and September 1 each year (each an "Interest Payment Date") commencing March 1, 2008. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Bonds will be issued in fully registered form without coupons in denominations of \$5,000. All of the Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. See APPENDIX D — "BOOK-ENTRY ONLY SYSTEM." Purchasers will not receive physical certificates representing their interests in the Bonds. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants (as defined herein), who will remit such payments to the beneficial owners of the Bonds. See APPENDIX D — "BOOK-ENTRY ONLY SYSTEM."

## Redemption Of Bonds

**Extraordinary Redemption.** The Bonds are subject to extraordinary redemption by the City prior to September 1, 20\_\_\_, as a whole or in part on any interest payment date, solely from prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at a redemption price equal to \_\_\_\_\_ percent (\_\_\_\_%) of the principal amount of the Bonds called for redemption, together with accrued interest thereon to the date of redemption. After that date the Bonds are subject to optional redemption from prepayments of the Special Tax as described below.

**Optional Redemption.** The Bonds maturing on or after September 1, 20\_\_ are subject to optional redemption by the City prior to their respective stated maturity dates, as a whole or in part on any Interest Payment Date on or after September 1, 20\_\_, from any source of available funds other than Sinking Fund Account Payments, upon mailed notice as provided in the Indenture, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, plus accrued interest to the redemption date:

**Redemption Date**

**Redemption Price**

**Mandatory Sinking Fund Redemption.** The Bonds maturing on September 1, 20\_\_ are subject to mandatory redemption from amounts deposited in the Sinking Fund Account on or after September 1, 20\_\_, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without a redemption premium, as follows:

**Redemption Date**  
**(September 1)**

**Redemption Price**

The Bonds maturing on September 1, 20\_\_ are subject to mandatory redemption from amounts deposited in the Sinking Fund Account on or after September 1, 20\_\_, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without a redemption premium, as follows:

**Redemption Date**  
**(September 1)**

**Redemption Price**

The Bonds maturing on September 1, 20\_\_ are subject to mandatory redemption from amounts deposited in the Sinking Fund Account on or after September 1, 20\_\_, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without a redemption premium, as follows:

**Redemption Date**

**Redemption Price**

**(September 1)**

If any Bonds are optionally redeemed, the amounts of the Sinking Fund Account payments shown above will be reduced proportionately by the principal amount of the Bonds optionally redeemed.

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

***Notice of Redemption.*** Notice of redemption prior to maturity shall be given by mail not less than 30 nor more than 90 days prior to the date fixed for redemption to (i) the respective registered owners of all Bonds selected for redemption in whole or in part, (ii) all securities information services selected by the City in accordance with the Indenture, and (iii) the Underwriter.

Each notice of redemption 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 or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and if less than all of any such maturity, the numbers of the Bonds of such maturity to be redeemed, and, in the case of the Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. The notice shall also state that interest on such Bonds or the portions thereof redeemed will not accrue from and after the redemption date.

Neither failure to receive the notice nor any immaterial defect in the notice shall affect the sufficiency or validity of the proceedings for the redemption of the Bonds.

So long as Cede & Co., as nominee of DTC, continues to be the registered owner of the Bonds, any notices of redemption will be given only to Cede & Co., as nominee of DTC, and not to DTC, DTC Participants or Beneficial Owners. See APPENDIX D — “BOOK-ENTRY ONLY SYSTEM.”

***Effect of Redemption.*** If notice of redemption is given as provided in the Indenture and the amount necessary for the payment of the redemption price is held by the Trustee, then the Bonds, or

portion thereof, designated for redemption shall become due and payable at the redemption prices thereof and interest thereon shall cease to accrue.

**Debt Service Schedule**

Table 2 below sets forth the scheduled annual debt service for the Bonds, the maximum annual Special Taxes and the projected debt service coverage for the bond years ending September 1, 2008 through September 1, 2033.

**TABLE 2**  
**College Square**  
**Community Facilities District No. 2005-01,**  
**2007 Special Tax Bonds**

**Debt Service and Coverage Table<sup>[1]</sup>**

Bond Year Ending <u>Sept. 1</u>	<u>Bonds</u> <u>Debt Service</u>	<u>Maximum</u> <u>Special Tax</u> <sup>[2]</sup>	<u>Coverage</u>
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
<b>TOTAL</b> <sup>[3]</sup>			

[1] Totals may not add due to rounding.

[2] Assumes Maximum Annual Special Tax is levied on all parcels.

## SECURITY FOR THE BONDS

### Limited City Obligation

**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 money in the Special Tax Fund and other funds established under the Indenture, and the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is not a general debt, liability or obligation of the City.**

### The Special Tax

The Special Tax will be levied pursuant to and in accordance with the rate and method of apportionment (the “Special Tax Formula”) set forth in APPENDIX B. Capitalized terms in this section are defined in the Special Tax Formula.

***Levy of the Special Tax.*** The City Council will levy the Special Tax against property within the District on an annual basis according to the Special Tax Formula. See “THE DISTRICT — The Special Tax Formula.” Pursuant to the Indenture, so long as any Bonds are outstanding, the City is required annually to levy the Special Tax against all Taxable Property in the District and to make provision for the collection of the Special Tax in amounts that will be sufficient, after making reasonable allowances for contingencies and errors in estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Indenture, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for, and redemption premiums, if any, on the Bonds as they become due, to replenish the Bond Reserve Fund to the Required Bond Reserve and to pay all expenses as they become due and payable.

The Special Tax is a special tax under Section 4 of California Constitution Article XIII A and therefore, so long as it is not an ad valorem tax under Section 1 of Article XIII A, is excepted from the tax rate limitation of that Section. Consequently, the City has the power and is obligated to cause the levy and collection of the Special Tax in an amount determined according to the Special Tax Formula, which the City Council and the eligible landowner electors within the District have approved.

The Mello-Roos Act prohibits the City Council from adopting a resolution to initiate proceedings to reduce the rate of the Special Tax or terminate the levy of the Special Tax unless the City Council determines that the reduction or termination of the Special Tax “would not interfere with the timely retirement” of outstanding Bonds secured by the Special Tax.

***Manner of Collection.*** The Special Tax will be collected in the manner and at the same time as ad valorem property taxes are collected by the County of Sacramento (the “County”) and, except as described below under the caption “Delinquent Special Taxes; Covenant To Foreclose,” shall be subject to the same penalties and the same procedures, sale and lien priority in the case of delinquency as is provided for ad valorem property taxes.

Taxes are levied by the County for each fiscal year on taxable real property situated in the County as of the preceding January 1. For collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed public utilities property and real property having a

tax lien that is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed and collected on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on June 30 of the fiscal year, and may thereafter be redeemed by payment of the penalty set forth in the Revenue and Taxation Code, together with the defaulted taxes, the delinquency penalty, costs, and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County.

In the event the County Assessor determines that the total property taxes assessed against a given parcel exceed the value of that parcel and, therefore, the tax lien against the parcel is *not* sufficient to secure payment of property taxes owed, the parcel will be transferred to the unsecured roll for assessment and collection. Property taxes on the unsecured roll are due as of the lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

***Teeter Plan.*** In June 1993, the Board of Supervisors of the County approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions, for which the County acts as the tax-levying or tax-collecting agency. The Teeter plan became effective for each fiscal year commencing July 1, 1993, and pursuant to the Teeter Plan the County purchased all delinquent receivables (comprising delinquent taxes, penalties, and interest) that had accrued as of June 30, 1993, from local taxing entities and selected special assessment districts and community facilities districts.

Under the Teeter Plan, the County distributes tax collections on a cash basis to taxing entities during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities and in respect of those special assessment districts and community facilities districts (and individual parcels within each district) that the County determines are eligible to participate in the Teeter Plan. The County may make such eligibility determinations annually, and may exclude a district or individual parcel that had previously been included in the plan. The County has the discretion to determine which delinquent assessments will be paid through the Teeter Plan on a case-by-case basis. There can be no assurance that the County will decide that any given delinquent special tax is eligible for the Teeter Plan. If the County determines that delinquent Special Taxes are not eligible for the Teeter Plan, the City retains the authority to collect such delinquencies by way of informal collection efforts and judicial foreclosure actions.

***Special Tax is not a Personal Obligation.*** Although the Special Tax will constitute a lien on property subject to taxation within the District, it does not constitute a personal indebtedness of the owners of such property. There is no assurance that the owners will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. The risk of the property

owners not paying the annual Special Tax is more fully described in “BONDOWNERS' RISKS — Collection Of The Special Tax.”

***Deposit of Taxes Collected.*** All proceeds of the annual Special Tax are to be deposited in the Special Tax Fund established by the Indenture, and first applied to the Bond Redemption Fund to pay bond debt service payments on all outstanding Bonds, then to the Bond Reserve Fund to the extent necessary to replenish the Bond Reserve Fund to the Required Bond Reserve, and then to the Expense Fund to pay administrative costs of the District. All money remaining in the Special Tax Fund on September 1 of each year after the applications of funds described above have been made is to be deposited in the Community Facilities Fund, and expended by the City for the payment of costs of the acquisition and construction of the Authorized Facilities or otherwise for the benefit of the District in accordance with the Mello-Roos Act. See APPENDIX C — “SUMMARY OF THE INDENTURE.”

***Special Tax Formula.*** The Special Tax Formula is used to allocate the amount of the Special Tax that is needed to be collected each fiscal year among the Taxable Parcels within the District, based upon the development status of the Taxable Parcels and their location, subject to a Maximum Annual Special Tax rate that may be levied against each category of Taxable Parcel. The Special Tax Formula is set forth in full in APPENDIX B; for a synopsis of the Special Tax Formula see “THE DISTRICT — The Special Tax Formula.”

***Duration of Levy.*** The Improvement Special Tax is authorized to be levied for as long as needed to pay debt service on bonds issued to fund Authorized Facilities, but not later, on any parcel, than 60 years after the fiscal year in which a building permit for new construction was issued for that parcel. A description of the Special Tax Formula and the Maximum Annual Special Tax Rate that can be levied against the various land use categories in the District, the manner of apportioning the Special Tax and the property exempt from the Special Tax is set forth in APPENDIX B. All parcels in the District remain subject to the Maintenance Special Tax in perpetuity.

***Exemptions.*** Pursuant to Section 53340 of the Mello-Roos Act, the Special Tax Formula exempts properties that are or are intended to be publicly owned; except that the Special Tax on property not otherwise exempt that is acquired by a public entity shall remain subject to the Special Tax or be required to be permanently satisfied pursuant to Sections 53317.3 and 53317.5 of the Mello-Roos Act. Tax Exempt Parcels within the District are exempt from the Special Tax. Parcels for which the owner has prepaid and satisfied the Special Tax are also exempt from further Improvement Special Taxes. See “BONDOWNERS' RISKS — Exempt Properties.”

## **Delinquent Special Taxes; Covenant To Foreclose**

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

***Accelerated Foreclosure.*** Pursuant to Section 53356.1 of the Mello-Roos Act, if any payment of the Special Tax for a Taxable Parcel is delinquent, the City may order the institution of a court action to foreclose the lien on the Taxable Parcel within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. The ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit

Insurance Corporation (the “FDIC”). See “BONDOWNERS' RISKS — Bankruptcy and Foreclosure Delays.”

Such judicial foreclosure action is not mandatory. However, the City has covenanted to review the County's records in connection with the collection of the Special Tax not later than October 1 of each year to determine the amount of Special Tax collected in the prior fiscal year. If the amount of Special Tax collected for the prior fiscal year is less than 95% of the amount levied, then the City will, not later than the next December 1, institute civil actions to foreclose the liens securing the delinquent installments of the Special Tax and will diligently prosecute the actions to judgment and sale. The City will in any case, not later than the next December 1, institute foreclosure proceedings against any parcel that is delinquent by more than \$1,000 in payments of the Special Tax at the end of the fiscal year in which the levy was placed on the tax roll for collection. (The City need not pursue foreclosure against any property for which it has received Special Tax installments pursuant to the Teeter Plan. However, it is the City’s practice to pursue foreclosure against any parcel that is delinquent by more than \$1000 in payments of the Special Tax as described in the preceding sentence.)

Subject to the maximum rates, the Special Tax Formula is designed to generate from all non-exempt property within the District the current year's debt service, administrative and other expenses, and replenishment of the Bond Reserve Fund to the Required Bond Reserve. However, if foreclosure proceedings are necessary, and the Bond Reserve Fund has been depleted, there could be a delay in payments to Bondowners pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale.

***Priority of Lien.*** The Mello-Roos Act specifies that the Special Tax will have the same lien priority as ad valorem property taxes in the case of delinquency but does not further specify the priority relationship, if any, between the Special Tax and other special taxes and ad valorem taxes on a taxed parcel. The City (and other jurisdictions) may levy additional special taxes to finance other infrastructure needed for the development of the area. See “SECURITY FOR THE BONDS — Overlapping Mello-Roos And Assessment Districts,” and “— No Additional Indebtedness.”

If foreclosure proceedings were ever instituted, any holder of a mortgage or deed of trust on the affected property could, but would not be required to, advance the amount of the delinquent Special Tax payment to protect its security interest.

***Sufficiency of Foreclosure Sale Proceeds.*** No assurance can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Mello-Roos Act does not require the City to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale. Section 53356.6 of the Mello-Roos Act requires that property sold pursuant to foreclosure under the Mello-Roos Act be sold for not less than the amount of judgment in the foreclosure action, plus postjudgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained.

***Delinquency History.*** Special Taxes have not yet been levied in the District; as a result there have been no delinquencies in the payment of the Special Taxes. The current owners of land within the District have not been delinquent in the payment of any property taxes.

## **Bond Reserve Fund**

Pursuant to the Indenture, the Trustee will establish a Bond Reserve Fund at the time of issuance of the Bonds, and maintain in the Bond Reserve Fund an amount equal to the Required Bond Reserve for the Bonds. The Required Bond Reserve is defined in the Indenture as an amount equal to the least of (i) 10% of the original principal amount of the Bonds, (ii) the maximum Debt Service on the Bonds payable under the Indenture in the current or any future Bond Year, or (iii) 125% of average Debt Service on the Bonds payable under the Indenture in the current or any future Bond Year. The proceeds of the sale of the Bonds will fund the initial deposit in the Bond Reserve Fund. See APPENDIX C — “SUMMARY OF THE INDENTURE.”

## **Collateral Agreement Letter of Credit**

[Discussion of Collateral Agreement to Come]

## **Overlapping Mello-Roos And Assessment Districts**

*Elk Grove Unified School District CFD No. 1.* All of the parcels within the District are subject to a lien of special taxes associated with the Elk Grove Unified School District CFD No. 1 (“EGUSD CFD No. 1”). EGUSD CFD No. 1 was formed in 1987 by a two-thirds vote of the electorate within the EGUSD CFD No. 1 District boundaries. The EGUSD CFD No. 1 special tax supports Elk Grove Unified School District’s bonds issued to provide funds necessary to pay the cost of building and modernizing school classrooms and related facilities. Further information may be obtained from the Elk Grove Unified School District Facilities and Planning office at (916) 686-7562.

*Other Mello-Roos and Assessment Districts.* Landscaping and lighting assessment districts may be formed within the District to fund services such as transportation and air quality mitigation, the maintenance of parks, roadway landscaping, and landscaping of connective use acreage within detention basins.

If additional service districts are formed that include the District, the special taxes and assessments levied therein will be an additional encumbrance on property. Formation of additional districts would require the approval of the affected property owners or registered voters.

For a listing of bonded indebtedness currently outstanding against the property in the District, see the Table entitled “Direct and Overlapping Bonded Debt,” and the Table entitled “Value-To-Lien Ratio for All Taxable Parcels.” For a listing of all taxes and assessments currently levied against parcels within the District, including taxes and assessments for services, see the Table entitled “Analysis Of Taxes And Assessments As A Percent Of Single Family Unit Sales Price.”

## **No Additional Indebtedness**

The landowner electors within the District have authorized the issuance of \$13,000,000 principal amount of Bonds to finance the cost of the Facilities and the expenses associated with the issuance of the Bonds. Following the issuance of the Bonds, there will be no issuance of additional series of Bonds.

[AERIAL PHOTO OF DISTRICT]

## THE DISTRICT

### General Description And Location Of The District

*The District.* The District is located in the southern portion of the City directly east of Cosumnes River College. The District is bounded by Bruceville Road on the west, Cosumnes River Boulevard to the north and State Highway 99 to the east. The District features West Stockton Boulevard as the main artery through the center of the District. The District encompasses approximately 42.76 acres and contains a mixture of uses as described below.

*Land Uses in the District.* The College Square planned unit development includes a mix of residential, office and retail uses and is being developed by College Marketplace, LLC and Granite Bay Holdings, LLC (collectively, the “Property Owners”). The District incorporates a portion of the larger College Square development. The residential component of planned development within the District consists of 604 multifamily residential units on approximately 19 acres. College Marketplace holds entitlements for 364 units on approximately 11 acres and Granite Bay Holdings, LLC holds entitlements for the balance of 240 units on approximately eight acres. The Granite Bay Holdings, LLC project is anticipated to be a multifamily housing project containing units for low- to moderate-income tenants. An additional 101 units of multifamily affordable housing on approximately 11.8 acres has been excluded from the District.

Approximately 24 acres of the District are being developed for commercial use. A neighborhood retail center is being developed on approximately 20 acres located to the north of West Stockton Boulevard, bounded by Cosumnes River College Boulevard and Bruceville Road. This development is anticipated to include approximately 176,000 square feet of retail space with proposed uses for a coffee house, restaurants and other retail services such as banks, dry cleaners, fast food and restaurants. Additional commercial and retail uses are proposed and being developed along West Stockton Boulevard adjacent to Highway 99. This development will encompass approximately four acres. Approximately six acres immediately south of West Stockton Boulevard and east of Bruceville Road will be developed into a light-rail transit-oriented combination of residential and retail uses. A Ralph’s grocery store project on approximately 6 acres within the College Square planned unit development has been excluded from the District.

For a more detailed description of proposed development within the District see “OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN THE DISTRICT.”

### Appraisal and Assessed Valuation Of Parcels Within The District

*The Appraisal.* The Appraiser, Morgan, Beebe & Leck, Inc., d/b/a Integra Realty Resources, Sacramento, California (the “Appraiser”), has prepared an appraisal of the taxable property within the District entitled “An Appraisal of Real Property – College Square CFD” with an effective date of July 1, 2007 (the “Appraisal”), and a date of value of July 1, 2007. The Appraisal was prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, which fully incorporate the Uniform Standard of Professional Appraisal Practice (USPAP) of the Appraisal Foundation. The Appraisal development process conforms to the requirements of Standards Rule 1 and Standards Rule 6 (mass appraisal) of the USPAP, and the Appraisal Standards for Land-Secured Financings, which is published by the California Debt and Investment Advisory Commission.

*Basis of Value and Assumptions.* The value opinions in the Appraisal represent the “as is” market value (bulk sale value) for all properties within the District, subject to special tax and assessment

liens on the properties, as of the July 1, 2007 date of valuation. Unless stated otherwise in the Appraisal, all factors pertinent to the value determination were considered as of that date.

The value opinion set forth in the Appraisal is subject to certain assumptions and limiting conditions, including without limitation, the following:

- (i) that title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions and the property is under responsible ownership and competent management and available for its highest and best use;
- (ii) there are no existing judgments or pending or threatened litigation that could affect the value of the property;
- (iii) there are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable and there is no asbestos in the property;
- (iv) the property is in compliance with all applicable building, environmental, zoning and other federal, state and local laws, regulations and codes; and
- (v) the information furnished to the Appraiser by others is believed to be reliable, but no warranty is given for its accuracy.

**Methodology.** The property within the District includes both “Improved” and “Unimproved” parcels. Given the composition of parcels and uses that comprise the District, various methodologies were utilized to estimate the “as is” market value (bulk sale value) for the entire District. The Appraiser utilized the three traditional approaches to value (the Cost, Income and Sales Comparison approaches) to estimate the value of the Improved Parcels within the District. A bulk discount was then applied to the concluded value of the Improved Parcels to estimate their contribution to the overall bulk value of the District. The Sales Comparison Approach and Discounted Cash Flow Analysis were utilized to estimate the bulk market value for the Unimproved Parcels. Finally, the bulk values of the Improved and Unimproved Parcels were summed to render a total bulk value for the entire District.

The “bulk” appraisal premise represents the market value that would be realized if a single buyer purchased multiple properties from a single seller and reflects that a bulk buyer would sell individual units over a market-based projected sell-out period. The various methodologies including the discounted cash flow analysis reflect all estimated costs to carry and sell the units, while providing a reasonable return to the buyer of the total property in bulk. The valuation methodologies incorporated an absorption forecast developed and supported by the Appraiser. The Appraiser did not rely upon a third-party absorption forecast or market study commissioned by the City.

A description of the methodology utilized by the Appraiser, relevant definitions and the assumptions and conditions utilized in the analysis, may be found in APPENDIX A – “EXECUTIVE SUMMARY OF APPRAISAL.”

**Value Conclusion.** The Appraiser concluded that subject to its Assumptions and Limiting Conditions and its Special Assumptions and Limiting Conditions, as of the July 1, 2007 date of value, the Taxable Property in the District had a fee simple value subject to special taxes and special assessment liens of \$34,200,000. The allocation of value to the Improved and Unimproved Parcels within the District is set forth below.

**Bulk Value Estimate - Total District**

	Land Area (acres)	Value Estimate
Improved Parcels	5.69	\$22,400,000
Unimproved Parcels	37.06	\$11,800,000
<b>TOTAL BULK VALUE</b>	<b>42.75</b>	<b>\$34,200,000</b>

Source: Morgan, Beebe & Leck, Inc.

An executive summary of the Appraisal is attached as APPENDIX A. APPENDIX A does not purport to be definitive or complete and is qualified in its entirety by reference to the complete Appraisal, a copy of which is available from the City Treasurer. *The City and the District make no representation as to the accuracy or completeness of the Appraisal.*

**Value To Lien Analysis**

The table below shows the ratio of the appraised value of all Taxable Property in the District to the lien of the Special Tax for the Bonds together with other overlapping bonded indebtedness represented by existing special taxes and liens. The table shows the value to lien ratios of Taxable Property which is currently classified under the Special Tax Formula as “Developed” and “Undeveloped” together with the value to lien ratio of Developed and Undeveloped Taxable Property combined. No assurance can be given that the appraised values and amounts shown in this table will conform to those ultimately realized.

**TABLE 3**  
**College Square**  
**Community Facilities District No. 2005-01,**  
**2007 Special Tax Bonds**  
**Value-To-Lien Ratio for All Taxable Property**

<b>Developed Property</b>				
Appraised <u>Value</u>	Special Tax <u>Lien</u>	Other Bonded <u>Liens</u>	Total <u>Liens</u>	Value-to-Lien <u>Ratio</u>
\$22,400,000	\$1,687,488	\$3,533 <sup>(1)</sup>	\$1,691,021	13.25 to 1
<b>Undeveloped Property</b>				
Appraised <u>Value</u>	Special Tax <u>Lien</u>	Other Bonded <u>Liens</u>	Total <u>Liens</u>	Value-to-Lien <u>Ratio</u>
\$11,800,000	\$9,137,512	\$67,530 <sup>(1)</sup>	\$9,205,042	1.28 to 1
<b>All Property</b>				
Appraised <u>Value</u>	Special Tax <u>Lien</u>	Other Bonded <u>Liens</u>	Total <u>Liens</u>	Value-to-Lien <u>Ratio</u>
\$34,200,000	\$10,825,000	\$71,063 <sup>(1)</sup>	\$10,825,000	3.14 to 1

(1) Elk Grove Unified School District CFD No. 1. See, “SECURITY FOR THE BONDS – Overlapping Mello-Roos and Assessment Districts.”  
Sources: Morgan, Beebe & Leck, Inc., Harris & Associates, and City of Sacramento

## **Facilities To Be Financed With The Bonds**

The Bonds are being issued to provide financing for the construction of certain necessary public improvements to help mitigate the impacts on public infrastructure systems of the development expected to take place in the District and to finance certain City fees levied within the District (the “Facilities”).

*List of Facilities.* The Facilities eligible to be financed with Bond proceeds are as follows:

- (i) Streets and Roads: Bruceville Road, West Stockton Boulevard, Kastanis Way, Cosumnes River Boulevard and necessary mobilization and traffic control and traffic signals;
- (ii) Public utilities along Bruceville Road, Kastanis Way, Cosumnes River Boulevard and West Stockton Boulevard: storm drainage, water, sanitary sewer and dry utilities;
- (iii) Landscaping along Bruceville Road, West Stockton Boulevard and Cosumnes River Boulevard and Kastanis Way; and
- (iii) Engineering, construction staking, construction management, plan check and inspection, administrative and legal costs for Facilities and City mitigation fees.

*Construction and Acquisition of Facilities.* Facilities are anticipated to be constructed or have been constructed by College Marketplace LLC pursuant to an Acquisition and Shortfall Agreement entered into between the City and College Marketplace LLC. College Marketplace LLC will initially construct Facilities with its own funds, and the Facilities will be acquired from the proceeds of the Bonds and other sources under procedures and conditions agreed upon by the City and College Marketplace LLC. The City may also directly construct Facilities using proceeds of the Bonds. In either case, the Facilities will be owned and operated by the City and the applicable utility. The City and the applicable utility will maintain the Facilities within the District and the District will provide ongoing landscape services.

The proceeds of District bonds may finance all or a portion of fees to be paid to the City under City fee programs; the City will, in turn, use the proceeds from those fees to construct the facility to be constructed by that fee program.

*Facilities Costs.* A portion of the proceeds of the Bonds is expected to fund the total amounts for Facilities set forth in the table below. The following table shows the estimated costs for Facilities, subject to final cost accounting, review and approval and the anticipated sources of funds to pay for such costs.

**TABLE 4**  
**College Square**  
**Community Facilities District No. 2005-01,**  
**2007 Special Tax Bonds**

**Estimated Facilities Costs**  
**and**  
**Sources of Funds for Facilities Costs**

<u>Facilities</u>	<u>Estimated Cost</u>
<u>Public Roads</u>	
Traffic Control/Signals	\$793,063
Landscaping	593,768
Roadways	<u>2,669,427</u>
Total Public Roads	\$4,056,259
<u>Public Utilities</u>	
Storm Drainage	\$2,324,180
Water	588,953
Sanitary Sewer	398,360
Dry Utilities	<u>372,668</u>
Total Public Utilities	\$3,684,161
<u>Engineering and Fees</u>	<u>\$7,353,805</u>
Total Facilities Costs	\$15,094,225
<u>Source of Funds</u>	
Estimated Net Bond Proceeds <sup>(1)</sup>	\$9,202,128
Other funds <sup>(2)</sup>	<u>5,892,097</u>
Total Estimated Sources	\$15,094,225

(1) See, "FINANCING PLAN - Estimated Sources And Uses Of Funds."

(2) Additional amounts to be financed through funds derived from College Marketplace LLC or other funding sources.

Source: City of Sacramento and College Marketplace LLC.

**The Special Tax Formula**

The following is a synopsis of the provisions of the Special Tax Formula. Please refer to APPENDIX B — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" for the complete text of the Special Tax Formula. The meanings of the defined terms used in this section captioned "THE SPECIAL TAX FORMULA" are as set forth in APPENDIX B.

**General.** Principal and interest payments with respect to the Bonds will be paid through the collection of the Special Taxes levied against the Taxable Property within the District. Special Taxes will be collected from Taxable Property on a per-square foot, per-unit or per-acre basis as appropriate. Under the Special Tax Formula, the District is divided into four zones (each a "Zone"). Each Zone has its own Assigned Improvement Special Tax and Assigned Maintenance Special Tax. The Special Tax levied is anticipated to fulfill the "Improvement Special Tax Requirement" (as defined below) in any year in which Bonds are outstanding. The development and permit status of each parcel determines the priority of taxation and the percent of the maximum Special Tax that can be levied. The maximum Special Tax rates include an annual two percent escalation.

**Classification of Parcels.** Each Fiscal Year, all Property with the District will be assigned to a Zone within the District and will be classified as either “Developed Property” or “Undeveloped Property,” “Undeveloped Property with or without a 404 Permit” and “Taxable” or “Exempt” Property and be subject to Special Taxes in accordance with the Special Tax Formula at the “Improvement Special Tax Rate” and, if necessary, the “Maintenance Special Tax Rate” as well. If a Property is within two or more Zones, that property will be assigned to the Zone with the highest Special Tax. Once a parcel is classified as “Developed Property” it may not be reclassified as “Undeveloped Property” or changed to “Exempt Property” without the Improvement Special Tax being prepaid in full.

- “Developed Property” means for each Fiscal Year, all property not otherwise classified as undeveloped or exempt, for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year.
- “Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed or Exempt Property.
- “Taxable Property” means all Assessor’s Parcels within the District which are not exempt from the Special Tax pursuant to law or owned by a property owners’ association or public property.
- “Exempt Property” means any property not subject to the special tax because it is owned by a property owners’ association or is Public Property.

The Assigned Improvement Special Tax for Developed Property, the Backup Improvement Special Tax for Developed Property and the Maximum Improvement Special Tax for Undeveloped Property as described herein will increase on July 1 of each Fiscal Year by an amount equal to two percent of the Assigned Improvement Special Tax for Developed Property, the Backup Improvement Special Tax for Developed Property and the Maximum Improvement Special Tax for Undeveloped Property, respectively.

**Developed Property.** The Assigned Improvement Special Tax for Developed Property in each Zone as of July 1, 2007 is shown below.

<u>Zone and Land Use</u>	Assigned Improvement <u>Special Tax</u>
Zone A- Commercial	\$1.53/sf building area
Zone B –Commercial	\$2.60/sf building area
Zone C – Commercial	\$1.99/sf building area
Zone D – Residential	\$520.20 per unit

The Backup Improvement Special Tax for Developed Property in each Zone as of July 1, 2007 is shown below.

	<u>Backup Improvement Special Tax</u>
Zone A	\$15,381.60/acre
Zone B	\$18,43.506/acre
Zone C	\$15,297.96/acre
Zone D	\$16,497.48/acre

The Maximum Improvement Special Tax for Developed Property is the greater of (i) the amount derived by application of the Assigned Improvement Special Tax or (ii) the amount derived by the application of the Backup Improvement Special Tax.

***Undeveloped Property.*** The Maximum Improvement Special Tax for Undeveloped Property as of July 1, 2007 is shown in the table below.

	<u>Undeveloped Improvement Special Tax</u>
Zone A	\$15,381.60/acre
Zone B	\$18,436.50/acre
Zone C	\$15,297.96/acre
Zone D	\$16,497.48/acre

***Method of Apportionment of the Improvement Special Tax.*** For each Fiscal Year, the City will levy the Improvement Special Tax until the amount levied equals the Improvement Special Tax Requirement.

The “Improvement Special Tax Requirement” is the amount required in any Fiscal Year for the District to pay the sum of (i) debt service on all Outstanding Bonds, (ii) periodic costs on the Bonds, including, but not limited to, credit enhancement and rebate payments on the Bonds, (iii) Administrative Expenses, (iv) any amounts required to establish or replenish any reserve funds for all Bonds issued or to be issued by the District, and (vi) any amounts required for construction of Facilities under the Act. In arriving at the Improvement Special Tax Requirement the Administrator is to take into account the reasonably anticipated delinquent Improvement Special Taxes on the delinquency rate for Improvement Special Taxes levied in the previous Fiscal Year and will give credit for funds available to reduce the annual Improvement Special Tax levy.

The Improvement Special Tax will be levied each Fiscal Year as follows:

***First:*** The Improvement Special Tax will be levied proportionately on each Assessor’s Parcel of Developed Property that does not have Veteran Status at up to 100% of the applicable Assigned Improvement Special Tax.

- Second:* If additional monies are needed to satisfy the Improvement Special Tax Requirement after the first step has been completed, the Improvement Special Tax will be levied proportionately on each Assessor's Parcel of Undeveloped Property with a 404 Permit at up to 100% of the Maximum Improvement Special Tax for Undeveloped Property.
- Third:* If additional monies are needed to satisfy the Improvement Special Tax Requirement after the first two steps have been completed, then the levy of the Improvement Special Tax on each Assessor's Parcel of Developed Property whose Maximum Improvement Special Tax is determined through the application of the Backup Improvement Special Tax will be increased proportionately from the Assigned Improvement Special Tax up to the Maximum Special Tax for each such Assessor's Parcel.
- Fourth:* If additional monies are needed to satisfy the Improvement Special Tax Requirement after the first three steps have been completed, then the Improvement Special Tax shall be levied proportionately on each Assessor's Parcel of Developed Property with Veteran Status at up to 100% of the applicable Assigned Improvement Special Tax.
- Fifth:* If additional monies are needed to satisfy the Improvement Special Tax Requirement after the first four steps have been completed, then the levy of the Improvement Special Tax on each Assessor's Parcel of Developed Property with Veteran Status whose Maximum Improvement Special Tax is determined through the application of the Backup Improvement Special Tax shall be increased proportionately from the Assigned Improvement Special Tax up to the Maximum Special Tax for each such Assessor's Parcel.
- Sixth:* If additional monies are needed to satisfy the Improvement Special Tax Requirement after the first five steps have been completed, then the Improvement Special Tax shall be levied proportionately on each Assessor's Parcel of Undeveloped Property without a 404 Permit at up to 100% of the Maximum Improvement Special Tax for Undeveloped Property.

The Improvement Special Tax will be collected in the following order of priority:

- First,* Up to 100% of the Assigned Improvement Special Tax on Developed Property that does not have Veteran Status.
- Then,* Up to 100% on Undeveloped Property with a 404 Permit.
- Then,* Up to 100% of the Maximum Improvement Special Tax on Developed Property that does not have Veteran Status.
- Then,* Up to 100% of the Assigned Improvement Special Tax on Developed Property with Veteran Status.
- Then,* Up to 100% of the Maximum Improvement Special Tax on Developed Property with Veteran Status.
- Then,* Up to 100% on Undeveloped Property without a 404 Permit.

The Improvement Special Tax will be levied on an Assessor’s Parcel for a period not to exceed 60 years from the Fiscal Year in which such Assessor’s Parcel first becomes Developed Property.

There is currently no property within the District without a 404 Permit.

**Maintenance Special Tax.** The Maintenance Special Tax may not be levied in any given year, as the primary responsibility for the Maintenance Expenses fall to the property owners within the District. The City has secondary responsibility; therefore, the Maintenance Special Tax is considered a contingency tax to be levied only when the City must fulfill its responsibility. For a description of the Maintenance Special Tax, see “APPENDIX B – RATE AND METHOD OF APPORTIONMENT OF SPECIAL.”

**Cumulative Tax, Assessment, And Fee Burden On Property**

In addition to paying the Special Tax, property owners within the District will be obligated to pay ad valorem property taxes and other existing and any additional special taxes, assessments, and fees (some of which secure other debt issued by the City and overlapping jurisdictions). The table below sets forth the overlapping assessment and community facilities districts having bonded indebtedness affecting property in the District as of July 1, 2007.

**TABLE 5  
College Square  
Community Facilities District No. 2005-01  
2007 Special Tax Bonds**

**Direct and Overlapping Bonded Debt**

<u>Direct and Overlapping Lien</u>	<u>Bonded Indebtedness</u>
Los Rios Community College G.O.	\$ 8,583
Elk Grove Unified School District CFD #1	<u>71,063</u>
Total	\$79,646

Source: California Tax Data, Harris & Associates.

## **OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN THE DISTRICT**

*Unless otherwise indicated, the information about property owners in the District contained in this Official Statement has been provided by representatives of the respective property owners and other sources that are believed by the Underwriter and the City to be reliable, but has not been independently confirmed or verified by either the Underwriter or the City. No representation is made by the Underwriter or the City as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date of this Official Statement, or that the information given below or incorporated by reference in this Official Statement is correct as of any time subsequent to its date. In addition, any Internet addresses of property owners or their affiliates included below are for reference only, and the information on those Internet sites is neither a part of this Official Statement nor incorporated by reference into this Official Statement.*

### **General**

Ownership of property in the District is divided between College Marketplace LLC (81%) and Granite Bay Holdings LLC (19%) and development within the District is described as co-development between the two entities. The District comprises a portion of a somewhat larger planned unit development known generally as “College Square.” College Square is designed to provide an urban infill with neighborhood residential community and retail services with residential, commercial and transit-centered components. The District itself is comprised of most of the College Square development other than an approximately 6 acre grocery store development and an 11.8 acre affordable housing development. The table below summarizes the anticipated product mix for College Square. No assurance can be given that construction will be carried according to the schedule and plans as outlined in the following table, or that College Marketplace LLC’s or Granite Bay Holdings LLC’s construction or sale plans will not change after the date of this Official Statement.

**TABLE 6**  
**College Square**  
**Community Facilities District No. 2005-01**  
**2007 Special Tax Bonds**

**Anticipated Product Mix**

Parcel No.	Proposed Use	Net Acres	Building Area (sq. ft.)	Intended for Lease or Sale	Expected/Actual Begin Construction	Expected/Actual Complete Construction	Expected Lease-Up Date	Expected Final Sale Date
1	Drugstore	2.06	14,000	Lease	2008	2008	2004	--
2	Shops	6.82	9,758	Lease		2007	2007	--
4	Shops	0.95	8,914	Lease	2008	2009	2009	--
5	Mini-Anchor	1.18	15,000	Lease	2008	2009	2009	--
6	Shops	0.98	7,320	Lease	2008	2009	2009	--
7	Shops	1.22	7,690	Lease	2008	2009	2009	--
8	Pad	1.10	7,800	Lease	2008	2009	2009	--
9	Pad	0.81	5,200	Lease		2007	2007	--
10	Pad	0.75	6,000	Lease		2007	2007	--
12	Fast Food	0.44	3,180	Lease		2007	2007	--
13	Retail Pad	0.56	4,500	Lease		2007	2007	--
14	Pad	0.45	3,920	Lease		2007	2007	--
15	Lad	0.82	6,177	Lease		2007	2007	--
16	Lad	0.83	4,270	Lease		2007	2007	--
18	Pad	1.14	4,800	Lease	2008	2009	2009	--
19	Pad	0.41	4,800	Lease	2008	2009	2009	--
20	Pad	0.41	4,800	Lease	2008	2009	2009	--
21	Restaurant	0.58	4,800	Lease	2008	2009	2009	--
22	Offices	0.99	28,351	Lease	2008	2009	2009	--
23	Retail	0.51	6,900	Lease	2008	2009	2009	--
24	Retail	0.92	6,900	Lease	2008	2009	2010	--
25	Child Care	1.01	3,889	Lease	2009	2009	2009	--
27	Restaurant	1.59	11,000	Sale	2008	2009	--	2007
28	Commercial	<u>2.69</u>	<u>20,000</u>	Lease	2008	2009	2009	--
	<b>Totals</b>	<b>23.85</b>	<b>205,569</b>					
17	Multifamily	0.52	18 units	Lease				
A	Multifamily	10.28	346 units	Lease	2008	2009		--
Granite	Multifamily	<u>8.11</u>	240 units	Lease	2008	2010	2010	--
	<b>Totals</b>	<b>18.91</b>	<b>604 units</b>					
	<b>Total Acreage</b>	<b>42.76</b>						

Source: College Marketplace LLC

The following table shows the expected distribution of Special Tax burden by each of: (i) classification as Developed or Undeveloped Property, (ii) expected land use, and (iii) ownership, all as of the date of this Official Statement.

**TABLE 7**  
**College Square**  
**Community Facilities District No. 2005-01**  
**2007 Special Tax Bonds**

**Special Tax Burden**  
**by**  
**Development Status, Land Use Type and Ownership**

<u>Owner/Property Type</u>	<u>Developed Property Bond Lien</u>	<u>Percentage of Lien</u>	<u>Undeveloped Property Bond Lien</u>	<u>Percentage of Lien</u>	<u>Total Bond Lien</u>	<u>Percentage of Total</u>
College Marketplace LLC						
Neighborhood Retail	\$1,687,488	15.59%	\$2,020,265	18.66%	\$3,707,753	34.25%
Transit-Oriented	0	0.00	1,247,364	11.52	1,247,364	11.52
Highway Commercial	0	0.00	1,209,048	11.17	1,209,048	11.17
Residential	<u>0</u>	<u>0.00</u>	<u>2,533,759</u>	<u>23.41</u>	<u>2,533,759</u>	<u>23.41</u>
Totals	\$1,687,488	15.59%	\$7,010,437	64.76%	\$8,697,924	80.35%
Granite Bay Holdings						
Residential	<u>\$ 0</u>	<u>0.00%</u>	<u>\$2,127,076</u>	<u>19.65%</u>	<u>\$2,127,076</u>	<u>19.65%</u>
<b>TOTALS</b>	\$1,687,488	15.59%	9,137,512	84.41%	\$10,825,000	100.00%

Source: Harris Associates, City of Sacramento.

*Residential Component.* College Marketplace LLC and Granite Bay Holdings LLC have received entitlements for 604 units of multifamily housing on approximately 19 acres in the District. College Marketplace LLC holds entitlements for 364 units of multifamily housing on approximately 11 acres and Granite Bay Holdings LLC holds entitlements for 240 multifamily units on approximately 8 acres. College Marketplace LLC is entering into a joint venture agreement with a residential developer for development of both affordable and market-rate multifamily units.

The joint venture committee constituted under that agreement has met with the City regarding the proposed residential layout and anticipates the summer 2008 submission of the plan and application for a special permit to the City for a 101-unit affordable housing component (which is part of the overall College Square planned development but not a part of the District). The planned affordable housing will satisfy College Marketplace LLC's affordable housing component requirements for the College Square planned development. Application to the City regarding the market rate multifamily units will be submitted subsequent to the affordable housing application; build-out of both the affordable and market-

rate components of the multifamily housing is anticipated to be completed by September 2009, with lease-up completed by December 2010. Construction of the market-rate units will be financed through commercial lenders.

Granite Bay Holdings LLC will develop the 8 acre multifamily residential portion of the project. However, Granite Bay Holdings LLC reports that a contractor for that portion of the project has not yet been identified and the determination of mix between units for sale and for rent has not yet been finalized. 15% of all units built by Granite Bay Holdings LLC must be held available for low- or very-low income occupants pursuant to a preliminary Inclusionary Agreement between Granite Bay Holdings LLC and the City. A final Inclusionary Agreement will be executed by the City and Granite Bay Holdings LLC when plans for the development are finalized. Granite Bay Holdings anticipates completing the project in early 2010 with lease-up anticipated for the third quarter of that year. Granite Bay Holdings LLC anticipates funding development of the residential portion of the project through a combination of debt and developer equity.

*Commercial Component.* Upon completion, the College Square planned development will contain approximately 271,000 square feet of commercial space. There are approximately 30 acres (approximately 24 acres of which are in the District and which are anticipated to be developed with 205,000 square feet of buildings) which are zoned for commercial uses in three general commercial uses: neighborhood retail, highway commercial and transit-oriented office and retail.

Neighborhood Retail. The neighborhood retail component of the College Square project is located on approximately 20 acres north of West Stockton Boulevard, bounded by the southeast corner of Cosumnes River College Boulevard and Bruceville Road. This component is made up of parcels 1, 2 and 4 through 16 inclusive as described in Table 6 above. The aggregate College Square planned unit development uses total approximately 176,000 square feet and consist of a shopping center anchored by a grocery store, drug store, coffee house, restaurants and retail services such as banks, dry cleaners and fast food. The commercial buildings will represent a variety of uses and will range in size from small-pad buildings of approximately 3,000 to 12,000 square feet, to the large grocery store of approximately 65,000 square feet. The first phase of the grocery-store anchored shopping center containing 113,000 square feet of development is complete with the grocery and four additional stores open for business. The approximately 6-acre, 65,000 square-foot grocery store owned by Food Co is not in the District. Of the commercial buildings which will be within the District, eight buildings totaling approximately 48,000 square feet are owned by College Marketplace, LLC. This phase of the commercial construction represents in excess of 53% of the total of 205,569 square feet of commercial space being developed which is within the District.

Plans for a pad building of approximately 4,500 square feet and a drug store of approximately 14,000 square feet situated on the corner of Cosumnes and Bruceville Road will be submitted to the City for design review in the fall of 2007.

College Marketplace LLC has entered into leases with twelve entities for approximately 22,633 square feet of space in the retail/commercial component of College Square at an aggregate initial annual rent of approximately \$64,629. The following table details those leases. None of the tenants currently occupies any property.

**Table 8  
College Square  
Community Facilities District No. 2005-01  
2007 Special Tax Bonds**

**Commercial Lease Summary**

<u>Tenant</u>	<u>Square Feet</u>	<u>Term/Years</u>	<u>Rent/Month</u>
Washington Mutual Bank	4,200	5	\$12,600
BB' Beauty Supply	1,500	5	4,125
Juice it Up	1,000	10	2,750
Postal Annex	1,200	5	3,180
QT Nails	1,600	5	4,400
Quizno's Sub	1,500	10	4,500
Samurai Sam's	1,500	10	4,125
Lollicup	1,333	5	3,999
Tacuerias La Estrella	2,600	10	5,500
Japanese Restaurant	1,800	5	5,850
T-Mobile	3,000	5	9,750
Vivia Salon	<u>1,400</u>	5	<u>3,850</u>
	22,633		\$64,629

Source: College Square Marketplace LLC

Financing for the development of the project was obtained by College Marketplace, LLC from Farmers and Merchants Bank in two components. The first component, which matured August 1, 2007, was a land development loan of \$13,500,000 (of which \$10,018,070 remains outstanding) secured by all parcels owned by College Marketplace LLC within College Square development other than the grocery-anchored shopping center parcels. The shopping center parcels secure a construction loan from Farmers and Merchants Bank of \$15,800,000 of which \$4,766,607 remains outstanding. College Marketplace, LLC intends to repay these loans from the proceeds of the Bonds received as reimbursements from the City and rental income from the retail uses.

Highway Oriented Retail. Commercial and retail uses of approximately 35,000 square feet are proposed to be located on West Stockton Boulevard adjacent to Highway 99 on approximately 5.3 acres. These parcels are identified in Table 6 above as parcels 25, 27 and 28. The development is intended to act as a buffer between the proposed residential units and Highway 99. The proposed development will

consist of one-story buildings oriented towards the freeway in an effort to stimulate consumer interest. An 11,000 square-foot restaurant is under contract at a price of approximately \$27.67 per square foot to occupy the northwestern-most parcel of the District. The second commercial building of approximately 20,000 square feet is in the construction documentation phase prior to actual construction. It is anticipated that construction will commence in summer 2008, unless the parcel is sold for hotel development.

Transit-Oriented Office and Retail. Approximately five acres located immediately south of West Stockton Boulevard and east of Bruceville Road are proposed to be developed as a transit-oriented design area offering a combination of retail uses totaling approximately 61,000 square feet in area. These are comprised of parcels 18 through 24, inclusive, as shown on Table 6 above. The uses are intended to benefit from and serve both local customers and patrons of the proposed light—rail facility (including a proposed park and ride area). Planned development includes one and two-story office buildings, retail pads, a restaurant in-line retail stores and a possible gas station.

Design for six retail buildings totaling approximately 33,000 square feet and two office buildings totaling approximately 28,351 square feet in the area are being prepared by College Marketplace LLC for special permit review by the City in the fall of 2007.

### **Infrastructure Improvements**

The first and second phases of construction of off-site and on-site infrastructure improvements necessary for the College Square development have been completed. First phase improvements included approximately one mile of new roadway, including 1,500 feet of Bruceville Road (nine lanes wide at the Cosumnes River Boulevard intersection) and 3,000 feet of West Stockton Boulevard. Additional improvements already completed include four sets of traffic signals, storm drain system to serve College Square and fifty acres of adjoining watershed and the completion of backbone infrastructure for sewer, water, phone, gas and cable television services. The second phase of construction consisted of Kastanis Way and a regional bike trail and was completed in August 2007.

***Flood Zone Designation.*** The property within the District lies within an area designated by FEMA and the Army Corps of Engineers as being in FEMA Flood Zone X. Flood Zone X means generally that the property designated as being within that Flood Zone is either (i) within the 500-year flood-plain, or (ii) within a 100-year flood-plain with average flood depths of less than one foot or with a drainage area less than one square mile but in either case protected from a 100-year flood by levees. Areas within the 500-year floodplain are further noted on FEMA maps by being shaded while areas within the 100-year floodplain are unshaded. Approximately two-thirds of the property within the District lies within a shaded Flood Zone X designation, meaning that it lies within a 500-year floodplain and therefore subject to flooding only once in every 500 years. The balance of the property lies within an unshaded portion of a Flood Zone X and therefore lies within the 100-year floodplain, but is subject to flooding of less than a foot of water elevation and protected from a 100-year flood by levees.

***Environmental Considerations.*** All environmental reviews and approvals necessary for the construction of proposed development have been received. The Army Corps of Engineers 404 Permit was issued in two parts – a first-phase 404 Permit was issued on July 19, 2005 and a follow-up 404 Permit for the second phase of the project was issued on October 18, 2006. The United States Fish and Wildlife Service has completed biological opinions regarding the proposed development, the Regional Water Quality Control Board has issued its 401 Permit and the California Department of Fish and Game has issued its permit for alteration of the stream bed in Union House Creek. The City has issued notices to proceed for both phases of the project.

**General Conditions to Development.** Other than completing the second phase improvements, to Kastanis Way the property owners know of no unique circumstances that would either prevent them from completing the planned development in the District or would significantly delay its completion.

**Taxes.** Taxes and assessments on the property within the District are current.

**Utilities and Services.** Water, sanitary sewer, storm drainage, and refuse collection services within the District are provided by the City. Electrical service is provided by the Sacramento Municipal Utility District, telephone service by Frontier Communications, natural gas service by Pacific Gas & Electric and cable television service by Comcast/Surewest Communications.

### **College Marketplace, LLC**

College Marketplace LLC is a California limited liability company affiliated with Citadel Equities Group, LLC (“Citadel”), a regional, privately held California limited liability company located in Roseville, California, whose principals are Douglas Sutherland, Managing Partner and investor, and Bob F. Spence, Partner and also an investor. Citadel currently owns and manages approximately one million square feet of office, retail, research and development, industrial and assisted-living facilities in the greater Sacramento area. Citadel is currently developing approximately 1.3 million square feet of new commercial space and approximately 25 residential lots. The firm is in the process of developing or seeking entitlements for an additional 500 residential units.

Citadel has been developing commercial and residential properties in the Sacramento area since 1979. In that time, Citadel has developed over one million square feet of buildings in the Roseville/South Placer County area and a total of approximately 1.7 million square feet in the greater Sacramento area. Citadel develops properties with the intent of building and holding for the long term. Citadel raises capital through its principals. Recently Citadel has focused primarily on the development of Class “A” office building and neighborhood retail centers such as College Square.

Douglas Southerland, President of Citadel Equities Group, has acted as a commercial broker, developer and owner in Sacramento-area commercial real estate since 1979. He has developed over 3 million square feet in that time. In 1983, he founded Western Commercial Real Estate, a 20-agent brokerage company operating in the greater Sacramento market. He sold that enterprise to Iliff-Thorne and Company (now Colliers International) and served on the board of directors. Mr. Sutherland has also served on the boards of directors of four companies engaged in the production of forest products in California, Maryland, New Zealand and Brazil.

Bob F. Spence started Sacramento Salvage Pool, Inc., in 1972 and began auctioning automobiles on behalf of insurance companies. In August 1999, Sacramento Salvage Pool, Inc. merged with Insurance Auto Auctions, a publicly held auction company with locations in 19 states including California. In 1987, Mr. Spence co-founded Pick-N-Pull, a self-service automobile dismantling facility in the Sacramento area. From that location, the business has grown to twenty-seven locations in three states with an annual customer count of over 6 million. Mr. Spence was managing partner and majority shareholder in that business from inception to its sale in 2004. Mr. Spence has successfully developed numerous commercial and residential real estate properties in California, Washington, Arizona, Texas Colorado and Nevada.

Citadel’s recent real estate development projects, both in process and completed, are shown below.

<u>Development</u>	<u>Description/Location</u>	<u>Units/Area</u>
Crown Corporate Center	Office Building/Sacramento, CA	120,000 sq/ft
Hanford Retail Plaza	Shopping Center, Hanford, CA	130,000 sq/ft
Dixon Retail Plaza	Shopping Center, Dixon, CA	18,824 sq/ft
Stanford Plaza	Retail, Rocklin, CA	132,500 sq/ft
Sunset West	Retail/Medical/Office, Rocklin, CA	130,000 sq/ft
Stone Point Corporate Plaza	Office/Retail Complex, Roseville, CA	440,000 sq/ft
Fairway Creek	Retail Center, Roseville, CA	108,000 sq/ft
Arbor View Retail Center	Office/Retail Complex, Roseville, CA	43,000 sq/ft
Placer Corporate Center	Research/Development Complex, Rocklin, CA	105,000 sq/ft
Eureka Corporate Center	Office Park, Roseville, CA	200,000 sq/ft
Chichester Estates	Residential, Gardnerville, NV	783 units
Blue Oaks Technical Center	Research/Development Complex, Roseville, CA	100,000 sq/ft

### **Granite Bay Holdings, LLC**

Granite Bay Holdings, LLC, a California limited liability company (“Granite Bay Holdings”), is a group of integrated real estate companies founded by D. Rick Cheney and Larry John, headquartered in Granite Bay, California and is one of a group of integrated operating companies which encompass all facets of property development from initial acquisition to sale and/or management of the final product. The company is currently developing several residential communities and commercial projects throughout the western United States and Hawaii. Granite Bay Holdings’ development department handles internally all aspects of development, including acquisition, design, construction, sales, mortgage and property management. Types of projects developed by Granite Bay Holdings include attached and detached single-family residential homes, apartment communities, light industrial, medical and garden office parks, retail shopping centers, limited service hotels and self-storage units. Granite Bay Holdings maintains a website at [www.granitebayholdings.com](http://www.granitebayholdings.com). *The website address is given for informational purposes only. The information on the website may be inaccurate or incomplete and has not been reviewed by the City or the Underwriter. Nothing on the website is part of the Official Statement or incorporated herein by this reference.*

D. Rick Cheney has been in the construction industry since 1976 and has designed and built in excess of one hundred projects including apartment complexes, condominium and single-family residential communities, luxury resort homes, hotels, retail shopping centers, industrial and storage facilities. Mr. Cheney is a managing member of Granite Bay Holdings. In addition, he is the responsible manager for a number of construction companies, including Sunset Valley Construction, among others. Mr. Cheney holds general contractor’s licenses in the States of California, Nevada and Hawaii.

Larry John is a managing member of Granite Bay Holdings and has extensive experience in property acquisition, development, sales, management and marketing.

A list of Granite Bay Holdings’ current projects, in process and completed, follows.

<u>Development</u>	<u>Description/Location</u>	<u>Units/Area</u>
Phoenician Villas	Luxury Condominiums, Roseville, CA	323 units
Kai Maluna	Island-Style Condominiums, Kona, HI	120 units
Winters Highlands	Mixed Residential, Winters, CA	413 units
Winters Highlands	Apartments, Winters, CA	30 units
Monterey Terrace	Condominiums, Rocklin, CA	80 units
Puako Bay	Oceanfront Estates, Kona, HI	3 units
Grant Street	Commercial Center, Winters, CA	45,000 sq/ft
Stonecrest	Urban Residential, Sacramento, CA	240 units
Solterra	Office complex, Gold River, CA	55,000 sq/ft
Waikola Self-Storage	Self Storage, Waikoloa, HI	80,000 sq/ft
El Sutton Self-Storage	Self Storage, Sacramento, CA	120,000 sq/ft

### **BONDOWNERS' RISKS**

*The following is a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in a rapid depletion of the Bond Reserve Fund and/or a default in payments of the principal of, and interest on, the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District.*

#### **Not A General Obligation Of The City**

The Bonds are not general obligations of the City but are limited obligations of the City payable solely from proceeds of the Special Tax and proceeds of the Bonds, including amounts in the Bond Reserve Fund and investment income on funds held pursuant to the Indenture (other than as necessary to be rebated to the United States of America pursuant thereto).

#### **Sufficiency Of The Special Tax**

The principal source of payment of debt service on the Bonds is the proceeds of the annual levy and collection of the Special Tax. The annual levy of the Special Tax is subject to the maximum tax rates authorized. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds. Other funds that might be available to pay debt service on the Bonds include funds derived from the payment of delinquent special taxes and funds derived from the foreclosure and sale of parcels on which the special taxes levied are delinquent.

The levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of the Taxable Property and the amount of the levy of the Special Tax. Thus, there will rarely, if ever, be a uniform relationship between the value of a parcel and the proportionate share of Bonds debt service levied on the parcel, and certainly not a direct relationship.

The Special Tax levied in any particular tax year on a Taxable Property is based upon the application of the Special Tax Formula. Application of the Special Tax Formula will, in turn, be dependent upon certain development factors with respect to each Taxable Property by comparison with similar development factors with respect to the other Taxable Property within the District. Thus, the

following are some of the factors that might cause the levy of the Special Tax on any particular Taxable Property to vary from the Special Tax that might otherwise be expected:

- Reduction in the amount of property classified as Taxable Property, for such reasons as acquisition of Taxable Property by a government and failure of the government to pay the Special Tax based upon a claim of exemption, thereby resulting in an increased tax burden on the remaining Taxable Property.
- Failure of the owners of Taxable Property to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels.

### **Collection Of The Special Tax**

The City has no obligation to pay debt service on the Bonds in the event Special Tax installments are delinquent, nor is the City obligated to advance funds to pay such debt service.

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

The City participates in the Teeter Plan, under which the County distributes tax collections on a cash basis to the City during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the City on behalf of the District. However, the County determines whether the District is eligible for the Teeter Plan on an annual basis, and may exclude the District or an individual parcel that had previously been included in the Teeter Plan. Moreover, the County has the discretion to determine which delinquent assessments will be paid through the Teeter Plan on a case-by-case basis. There can be no assurance that the County will decide that any given delinquent assessment is eligible for the Teeter Plan. If the County determines that delinquent Special Taxes are not eligible for the Teeter Plan, the City retains the authority to collect such delinquencies by way of informal collection efforts and judicial foreclosure actions pursuant to the Law, under which the City may order the institution of a superior court action to foreclose the lien therefor in the amount of the delinquent Special Taxes plus penalties, interest, and costs (including attorney's fees within specified time limits). In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory. However, the City has covenanted to cause foreclosure proceedings to be commenced and prosecuted against those properties that are delinquent in the payment of the Special Tax. For a description of the foreclosure covenant, see "SECURITY FOR THE BONDS — Delinquent Special Taxes; Covenant To Foreclose."

If sales or foreclosures of property are instituted due to a delinquency in the payment of the Special Tax that has not been paid through the Teeter Plan, there could be a delay in payment of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the Bond Reserve Fund is depleted. In addition, there can be no assurance that the sale of delinquent parcels in foreclosure will produce sufficient proceeds to cover delinquencies.

## **Not A Personal Obligation**

An owner of Taxable Property is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation only against the Taxable Property. If the value of the Taxable Property is not sufficient, taking into account other obligations also payable thereby to fully secure the Special Tax, the City has no recourse against the property owner.

## **Concentration Of Property Ownership**

Failure of a significant property owner in the District to pay installments of Special Taxes when due could result in the delinquency rate reaching a level that would cause an insufficiency in collection of the Special Tax to meet obligations under the Indenture. For a description of the degree of concentration of ownership, see “OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN THE DISTRICT.” In that event, there could be a delay in payments on the Bonds. The only asset of each owner that constitutes security for the payment of the Special Tax is his or her property holdings located within the District. Property owners are not personally liable for payment of the Special Tax. See “BONDOWNERS’ RISKS — Bankruptcy and Foreclosure Delays” and “SECURITY FOR THE BONDS — Delinquent Special Taxes; Covenant To Foreclose.”

In addition, delays in development due to economic conditions, adverse judgments in pending litigation, environmental factors and other causes could delay the subdivision and sale of large tracts of land currently held by certain property owners, which would prolong the relative concentration of property ownership in the District. See “BONDOWNERS’ RISKS — Property Development and Property Values.” In addition, due to the proposed types of development in the District, ownership of taxable property within the District will likely always be somewhat concentrated.

## **Parity Taxes And Special Assessments**

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. This lien is on a parity with all overlapping special taxes and special assessments levied by other agencies, and each lien is co-equal to and independent of the lien for general property taxes, regardless of when each is imposed. The Special Taxes have priority over all existing and future private liens imposed on the property. Although the City controls a number of districts with liens encumbering portions of the District, the City has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within the District. If any additional improvements or fees are financed pursuant to the establishment of an assessment district or another district formed pursuant to the Mello-Roos Act, any taxes or assessment levied to finance such improvements will have a lien on a parity with the lien of the Special Tax.

For information concerning existing direct and overlapping public indebtedness within the District, see “THE DISTRICT – Cumulative Tax, Assessment, And Fee Burden On Property.” The existence of general property taxes, other special taxes, and assessments may reduce the value-to-debt ratio of the affected parcels and increases the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Taxes or the principal of and interest on the Bonds when due.

There is no provision for the issuance of additional Bonds under the Indenture. See “SECURITY FOR THE BONDS — No Additional Indebtedness.”

## **Property Development And Property Values**

The value of Taxable Property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the City's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land development and land values could be adversely affected by economic and other factors beyond the City's control, such as a general economic downturn, adverse judgments in current or future litigation affecting the scope, timing or viability of development, relocation of employers out of the area, stricter land use regulations, the absence of water, destruction of property caused by earthquake, flood or other natural disasters, or environmental pollution or contamination.

*The City has not evaluated development risks. Since these are largely business risks of the type that property owners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any, particular parcel, the City is issuing the Bonds without regard to any such evaluation. Thus, the creation of the District and the issuance of the Bonds by the City in no way implies that the City has evaluated these risks or the reasonableness of these risks even though such risks may be serious and may ultimately halt or slow the progress of land development and forestall the realization of Taxable Property values.*

**Land Development.** Land values are influenced by the level of development in the area in many respects. First, undeveloped or partially developed land is generally less valuable than developed land and provides less security to the owners of the Bonds should it be necessary for the City to foreclose on undeveloped or partially developed property due to the nonpayment of Special Taxes. Second, failure to complete development on a timely basis could adversely affect the land values of those parcels that have been completed. Lower land values would result in less security for the payment of principal of and interest on the Bonds and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of the Special Tax not covered by the Teeter Plan. No assurance can be given that any unimproved property within the District will be developed, and in assessing the investment quality of the Bonds, prospective purchasers should evaluate the risks of noncompletion.

**Risks of Real Estate Investment Generally.** Continuing development of land within the District may be adversely affected by changes in general or local economic conditions, fluctuations in the real estate market, increased construction costs, development, financing and marketing capabilities of individual property owners, water shortages and other similar factors. Development in the District may also be affected by development in surrounding areas, which may compete with the District. In addition, land development operations are subject to comprehensive federal, state and local regulations, including environmental, land use, zoning and building requirements. There can be no assurance that proposed land development operations within the District will not be adversely affected by future government policies, including, but not limited to, governmental policies to restrict or control development, or future growth control initiatives. The City makes no representations regarding the future use of the police power to protect the public health, safety and welfare. There can be no assurance that land development operations within the District will not be adversely affected by these risks.

**Natural Disasters.** The value of the Taxable Parcels in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the Taxable Parcels and the continued habitability and enjoyment of such private improvements. For example, although the City believes that no active or inactive seismic fault lines pass through, or near, the District, the areas in and surrounding the District, like those in much of California, may be subject to unpredictable seismic activity.

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

***Legal Requirements.*** Other events that may affect the value of a Taxable Property include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures. Development in the District may also be adversely affected by the application of laws protecting endangered or threatened species.

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

The assessed values set forth herein do not take into account the possible reduction in marketability and value of any Taxable Property by reason of the possible liability of the owner or operator for the remedy of a hazardous substance condition of the parcel. Although the City is not aware that the owner or operator of any of the Taxable Property has such a current liability with respect to any of the Taxable Property, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the Taxable Property resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but that may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of Taxable Property that is realizable upon a delinquency.

## **Litigation**

There can be no assurance that future litigation will not occur with the potential to disrupt or delay the development of the property in the District as currently anticipated.

## **Exempt Properties**

Certain properties are exempt from the Special Tax in accordance with the approved formula. In addition, the Mello-Roos Act provides that properties or entities of the state, federal or local governments

are exempt from the Special Tax; provided, however, that property within the District acquired by a public entity through a negotiated transaction, or by gift or devise, that is not otherwise exempt from the Special Tax pursuant to the Special Tax Formula, will continue to be subject to the Special Tax. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Special Tax. In addition, the Mello-Roos Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property, for outstanding Bonds only, is to be treated as if it were a special assessment. The constitutionality and operation of these provisions of the Mello-Roos Act have not been tested. See “SECURITY FOR THE BONDS — The Special Tax.”

In particular, insofar as the Mello-Roos Act requires payment of the Special Tax by a federal entity acquiring property within the District, it may be unconstitutional. If for any reason property within the District becomes exempt from taxation by reason of ownership by a nontaxable entity such as the federal government, another public agency or a religious organization, subject to the limitation of the maximum rate, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax. Moreover, if a substantial portion of land within the District becomes exempt from the Special Tax because of public ownership, or otherwise, the maximum rate that could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the Bonds when due and a default would occur with respect to the payment of such principal and interest.

The Mello-Roos Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax adopted by the City and approved by a two-thirds vote of the qualified electors in the District. However, under the Mello-Roos Act, the City Council may not adopt such a resolution unless it finds that the proposed changes in the Special Tax would not interfere with the timely retirement of the Bonds.

### **Disclosures To Future Purchasers**

The willingness or ability of an owner of a Taxable Parcel to pay the Special Tax even if the value is sufficient may be affected by whether or not the owner was given due notice of the Special Tax lien at the time the owner purchased the parcel. The City has caused a notice of the Special Tax to be recorded in the Office of the Recorder for the County. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the District or lending of money thereon.

The Mello-Roos Act requires subdividers to notify prospective purchasers or long-term lessors of any lots, parcels, or units subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than purchases or long-term leases, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

### **Proposition 218 And The Initiative Power**

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 became effective for most purposes on November 6, 1996.

Article XIII C of The California Constitution, adopted by the voters as Proposition 218, extended the initiative power to reduce or repeal "any local tax, assessment, fee or charge." The initiative power is, however, limited by the United States Constitution's prohibition against State or local laws "impairing the obligation of contracts." The Bonds represent a contract between the City and the Bondholders secured by the Special Taxes. While not free from doubt, it is likely that, once the Bonds are issued, the Special Taxes would not be subject to repeal or reduction by initiative, at least to the extent the taxes are necessary to enable the City to make timely payment on principal and interest on the Bonds, but not necessarily to the full extent of the authorized tax amount. The interpretation and application of these provisions of Proposition 218 and the federal Constitution's Contracts Clause will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts.

### **Limitation On Remedies; No Acceleration**

Remedies available to Bondholders may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds, or to preserve the tax-exempt status of the Bonds. Bond Counsel has limited its opinion as to the enforceability of the Bonds and the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, or similar laws affecting generally the enforcement of creditors' rights. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. Lack of remedies may entail risks of delay, limitation, or modification of Bondowner rights. Judicial remedies, such as foreclosure and enforcement of covenants, are subject to exercise of judicial discretion. A California court may not strictly apply certain remedies or enforce certain covenants if it concludes that application or enforcement would be unreasonable under the circumstances and it may delay the application of such remedies and enforcement.

### **Bankruptcy And Foreclosure Delays**

*General.* The payment of the Special Tax and the ability of the City to foreclose the lien of a delinquent unpaid tax, as discussed under "SECURITY FOR THE BONDS," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. In addition, the prosecution of a foreclosure action could be delayed due to crowded local court calendars or delays in the legal process. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal

opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the lien of the Special Tax to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. The federal bankruptcy laws provide for an automatic stay of foreclosure and tax sale proceedings, thereby delaying such proceedings, perhaps for an extended period. Any such delays would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent tax installments not being paid in full.

To the extent that bankruptcy or similar proceedings were to involve a large property owner, the chances would increase the likelihood that the Bond Reserve Fund could be fully depleted during any resulting delay in receiving payment of delinquent Special Taxes. As a result, sufficient monies would not be available in the Bond Reserve Fund for transfer to the Bonds Redemption Fund to make up any shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis.

***Property Owned by the FDIC.*** The ability of the City to foreclose upon the lien relating to property on which Special Taxes have not been paid may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") has an interest. On November 26, 1996, the FDIC adopted a Statement of Policy Regarding the Payment of State and Local Property Taxes (the "Policy Statement") (which superseded a prior statement issued by the FDIC and the Resolution Trust Corporation in 1991). The Policy Statement applies to the FDIC when it is liquidating asset in its corporate and receivership capacities. The Policy Statement provides, in part, that owned real property of the FDIC is subject to state and local real property taxes if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on other bases. The Policy Statement also provides that the FDIC will pay its proper tax obligations when they become due and will pay claims for delinquencies as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC interest in the property is appropriate. It further provides that the FDIC will pay claims for interest on delinquent property taxes owned at the rate provided under state law, but only to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay for any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. The Policy Statement also provides that if any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. No property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, a lien for taxes and interest may attach, but the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement is unclear as to whether the FDIC considers the Special Taxes imposed by the City to be "real property taxes" that the FDIC intends to pay. With respect to challenges to assessments, the Policy Statement provides: "The [FDIC] is only liable for state and local taxes which are based on the value of the property during the period for which the tax is imposed, notwithstanding the failure of any person, including prior record owners, to challenge an assessment under the procedures available under state law. In the exercise of its business judgment, the [FDIC] may challenge assessments which do not conform with the statutory provisions, and during the challenge may pay tax claims based on the assessment level deemed appropriate, provided such payment will not prejudice the challenge. The [FDIC] will generally limit challenges to the current and immediately preceding taxable year and to the pursuit of previously filed tax protests. However, the [FDIC] may, in the exercise of its business judgment, challenge any prior taxes and assessments provided that (1) the [FDIC's] records (including

appraisals, offers or bids received for the purchase of the property, etc.) indicate that the assessed value is clearly excessive, (2) a successful challenge will result in a substantial savings to the [FDIC], (3) the challenge will not unduly delay the sale of the property, and (4) there is a reasonable likelihood of a successful challenge.”

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time the FDIC acquires its fee interest in the property, nor will the FDIC recognize the validity of any lien to the extent it purports to secure the payment of any such amounts.

Because the Special Taxes are neither ad valorem taxes nor special assessments, the City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency on a parcel included in the District in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that the City will be unable to foreclose on parcels of land in the District owned by the FDIC. Such an outcome would cause a draw on the Bond Reserve Fund and perhaps, ultimately, a default in payment of the Bonds.

### **Loss Of Tax Exemption**

As discussed under the caption “CONCLUDING INFORMATION — Tax Matters,” interest on the Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Indenture. The Indenture does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Bonds were to be includable in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to the redemption provisions described herein under “THE BONDS — Redemption Of Bonds.”

### **Secondary Markets And Prices**

The Underwriter will not be obligated to repurchase any of the Bonds, and no representation is made concerning the existence of any secondary market for the Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Bonds, and no assurance can be given that the initial offering prices for the Bonds will continue for any period of time.

## **CONCLUDING INFORMATION**

### **Tax Matters**

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

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

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

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

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

Future legislation, if enacted into law, or clarification of the Code, or court decisions, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing

the full current benefit of the tax status of such interest. As one example, on May 21, 2007, the United States Supreme Court agreed to hear an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislation or clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, regulation or litigation as to which Bond Counsel expresses no opinion.

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

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

## **Legal Opinion**

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("Bond Counsel"). A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX F and will be made available to purchasers at the time of original delivery. Bond Counsel has undertaken no responsibility for the accuracy, completeness, or fairness of this Official Statement.

## **Litigation**

At the time of delivery of and payment for the Bonds, the City will certify, among other things, that except as disclosed in this Official Statement or in the legal opinion of Bond Counsel, the City has not been served with process in, or overtly threatened with, any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or agency:

- that seeks to restrain or enjoin the delivery of the Bonds, or
- that contests or affects the validity of the Bonds or any documents entered into by the City in connection with the Bonds ("City Bond Documents"), or
- that contests the powers of the City or its authority to enter into the Bonds or the City Bond Documents, or

- that materially and adversely impacts the City’s ability to complete the transactions on its part described in this Official Statement.

### **Continuing Disclosure**

The City and College Marketplace LLC have separately and independently covenanted for the benefit of the Bondowners to provide annually certain financial information and operating data relating to the District (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events, if material. The City’s Annual Report will be delivered not later than February 1 of each year commencing on February 1, 2008. College Marketplace LLC’s Semi-Annual Reports will be delivered not later than 3 months and 9 months after the end of the City’s fiscal year (i.e., September 30 and March 31) based upon the City’s current June 30 fiscal year end. The Annual Reports will be filed by the City and the Semi-Annual Reports will be filed by College Marketplace LLC with each Nationally Recognized Municipal Securities Information Repository and with the appropriate State information depository, if any. The notices of material events will be filed by the City and College Marketplace LLC with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any).

The specific nature of the information to be contained in the Annual Reports and the notices of material events is set forth in APPENDIX E — “FORMS OF CONTINUING DISCLOSURE CERTIFICATES.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The obligation of College Marketplace LLC to provide information is limited to the type of information described in their continuing disclosure undertakings, and no determination has been made that any landowner is an “obligated person” for purposes of the Rule. The City will not assume any responsibility for the enforcement of College Marketplace LLC’s obligations under its continuing disclosure undertaking nor for the accuracy of the information contained in College Marketplace LLC’s Semi-Annual Reports.

The City has never failed to comply in all material respects with any previous undertakings with regard to Rule 15c2—12 to provide annual reports or notices of material events.

### **No Rating**

The City has not made, and does not contemplate making, application to any rating agency for the assignment of a rating to the Bonds.

### **Underwriting**

Stone & Youngberg LLC, the Underwriter of the Bonds, has agreed to purchase the Bonds from the City at a purchase price of \$\_\_\_\_\_ (representing the original principal amount of the Bonds of \$\_\_\_\_\_ less an underwriter’s discount of \$\_\_\_\_\_). The purchase contract pursuant to which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such contract of purchase.

The public offering prices of the Bonds may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at a price lower than the offering price stated on the cover page hereof.

### **Professional Fees**

In connection with the issuance of the Bonds, fees payable to certain professionals, including the

Underwriter; Nossaman, Guthner, Knox & Elliott, LLP, as counsel to the Underwriter; Orrick, Herrington & Sutcliffe LLP, as Bond Counsel to the City; and The Bank of New York Trust Company, N.A., as Trustee, are contingent upon the issuance and delivery of the Bonds.

**Miscellaneous**

All quotations from, and summaries and explanations of the Indenture, the Bonds, other documents and statutes contained herein do not purport to be complete, and reference is made to said documents, the Indenture, and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the City. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the City or the Underwriter. The information contained herein should not be construed as representing all conditions affecting the City or the Bonds.

All information contained in this Official Statement pertaining to the City has been furnished by the City and the execution and delivery of this Official Statement has been duly authorized by the City.

**CITY OF SACRAMENTO**

By \_\_\_\_\_  
City Treasurer

**APPENDIX A**  
**EXECUTIVE SUMMARY OF APPRAISAL**

**APPENDIX B**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**

## APPENDIX C

### SUMMARY OF THE INDENTURE

*The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the entire Indenture, a copy of which is on file and available for inspection at the corporate trust office of the Trustee at 550 Kearny Street, Suite 600, San Francisco, California 94108.*

#### **Definitions**

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

“Acquisition and Construction Fund” means the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Acquisition and Construction Fund established pursuant to the Indenture (to be maintained by the City Treasurer).

“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” means the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Bond Redemption Fund established pursuant to the Indenture (to be maintained by the Trustee).

“Bond Reserve Fund” means the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Bond Reserve Fund established pursuant to the Indenture (to be maintained by the Trustee).

“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” means the aggregate principal amount of special tax bonds of the City at any time Outstanding under the Indenture that are executed, authenticated and delivered in accordance with the provisions of the Indenture. “Serial Bonds” means the Bonds for which no Sinking Fund Account Payments are established, being the Bonds maturing during the period beginning on September 1, 2008, and ending on September 1, 20\_\_, both dates inclusive. “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, being the Bonds maturing on September 1, 20\_\_ and September 1, 20\_\_.

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

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

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

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

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

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

“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” means the City of Sacramento College Square Community Facilities District No. 2005-01, a community facilities district duly organized and existing in the City under and by virtue of the Act.

“Community Facilities Fund” means the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Community Facilities Fund established pursuant to the Indenture (to be maintained by the City Treasurer).

“Costs of Issuance” means all costs and expenses payable by or reimbursable to the City that are related to the authorization, sale, execution, authentication and initial delivery of the Bonds, including, but not limited to, 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 the Bonds, and any other cost or expense in connection with the authorization, sale, execution, authentication or initial delivery of the Bonds.

“Costs of Issuance Account” means the account in the Acquisition and Construction Fund referred to by that name established pursuant to the Indenture (to be maintained by the City Treasurer).

“Debt Service” means, for any Bond Year, the sum of (1) 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, plus (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, plus (3) the Sinking Fund Account Payment required to be deposited in the Sinking Fund Account in such Bond Year.

“Developers” means College Marketplace LLC, a California limited liability company, or its successors or assigns, and Granite Bay Holdings, LLC, a California limited liability company, or its successors or assigns.

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

“Expense Fund” means the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Expense Fund established pursuant to the Indenture (to be maintained by the City Treasurer).

“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, and any other expenses incidental to the acquisition, construction, completion and inspection of the Facilities; all as determined in accordance with Generally Accepted Accounting Principles.

“Facilities” means those certain public improvements described in Exhibit B to the Resolution of Formation to the extent they will be owned and operated by the City.

“Federal Securities” means any of the following which at the time of investment are legal investments under the laws of the State of California for the funds proposed to be invested therein: (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Fees” means the development impact fees described in Exhibit C to the Resolution of Formation to the extent the fees are to be paid to the City.

“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.

“Fitch” means Fitch, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

“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, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Government Securities” means any of the following securities: United States Treasury Obligations – State and Local Government Series (SLGS) and United States Treasury bills, notes and bonds.

“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 the Indenture.

“Indenture” means this Indenture dated as of September 1, 2007, by and 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 in the Indenture.

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

- (1) is in fact independent and not under the domination of the City;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (3) 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.

“Independent Special Tax Consultant” means any person or firm of such persons who is knowledgeable in the preparation of a rate and method of apportionment and manner of collection of a special tax in and for community facilities districts and is knowledgeable in bond financings under the Act, appointed and paid by the City, and who, or each of whom --

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

“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).

“Maximum Annual Debt Service” means, as of any date of calculation, the largest Debt Service in any Bond Year during the period from the date of such calculation through the final maturity date of any Outstanding Bonds.

“Mayor” means the Mayor of the City.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

“Opinion of Counsel” means a written opinion of counsel (including, without limitation, counsel for the City) retained by the City.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture all Bonds except --

- (1) Bonds cancelled and destroyed by the Trustee or delivered to the Trustee for cancellation and destruction;
- (2) Bonds paid or deemed to have been paid within the meaning as set forth in the Indenture; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the City and authenticated and delivered by the Trustee pursuant to the Indenture.

“Principal Corporate Trust Office” means the principal office of the Trustee in San Francisco, California, at which at any particular time its corporate trust business is being administered, except that with respect to 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.

“Rebate Fund” means the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Rebate Fund established pursuant to the Indenture (to be maintained by the City Treasurer).

“Required Bond Reserve” means, as of any date of calculation, the least of (a) ten per cent (10%) of the initial principal amount of the Bonds, or (b) the maximum Debt Service payable under the Indenture in the current or in any future Bond Year, or (c) one hundred twenty-five per cent (125%) of the average annual Debt Service payable under the Indenture in the current and in all future Bond Years, all as determined by the City under the Code and specified in writing to the Trustee.

“Resolution of Formation” means the City Council’s Resolution No. 2005-483 adopted on June 21, 2005 establishing the Community Facilities District.

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

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

“Special Tax” means the special tax described in the Resolution of Formation.

“Special Tax Formula” means the Rate and Method of Apportionment of Special Tax set forth in Exhibit D to the Resolution of Formation.

“Special Tax Fund” means the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Special Tax Fund established pursuant to the Indenture (to be maintained by the City Treasurer).

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

“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 to the Indenture; but only to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Taxable Property” means all land within the Community Facilities District taxable under the Act and under the Special Tax Formula.

“Tax Certificate” mean the certificate delivered upon the issuance of the Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate.

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

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

### **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 under the Indenture, subject to the agreements, conditions, covenants and terms contained in the Indenture; and all agreements, conditions, covenants and terms contained in the Indenture 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 in the Indenture or therein.

### **Terms And Provisions of Bonds**

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 maturity date and of authorized denominations for the same aggregate principal amount, except that neither the City nor the Trustee shall be required (i) to transfer or exchange any Bonds during the fifteen-day period prior to the selection of any Bonds for redemption under the Indenture, or (ii) 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 the Indenture.

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 of the Indenture, 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 in the Indenture, 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.

Mutilated, Destroyed, Stolen or Lost Bonds. In case any Bond shall become mutilated 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 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 the Indenture shall be entitled to equal and proportionate benefits with all other Bonds issued under the Indenture, and the City and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued under the Indenture or for the purpose of determining any percentage of Bonds Outstanding under the Indenture, but both the original and the replacement Bond shall be treated as one and the same.

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 of the Indenture 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 maturity date or dates, and until so exchanged, the temporary Bonds shall be entitled to the same benefits as definitive Bonds issued under the Indenture.

## **Funds and Accounts**

Acquisition and Construction Fund. There is established in the treasury of the City a fund to be known as the "City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Acquisition and Construction Fund," into which fund shall be deposited the amount required to be deposited therein by the provisions of the Indenture. All money in the Acquisition and Construction Fund shall be applied by the City Treasurer in the manner provided by the Act for paying the costs of the acquisition and construction of the Facilities (or for making reimbursements to the City for such costs theretofore paid by it), including payment of costs incidental to or connected with such acquisition and construction, or for the repayment of funds advanced to or for the Community Facilities District, or for the payment of the Fees; provided, that any money remaining in the Acquisition and Construction Fund after the completion of the payment of the costs of the acquisition and construction of the Facilities (but not prior to \_\_\_\_\_, 20\_\_) shall be withdrawn by the City Treasurer from the Acquisition and Construction Fund and deposited by the City Treasurer in the Special Tax Fund.

Costs of Issuance Account. There is established in the Acquisition and Construction Fund an account to be known as the "City of Sacramento College Square Community Facilities District No. 2005-

01, 2007 Special Tax Bonds Costs of Issuance Account,” into which account shall be deposited the amount required to be deposited therein by the provisions of the Indenture. All money in the Costs of Issuance Account shall be applied by the City Treasurer in the manner provided by law for payment of Costs of Issuance; provided, that any money remaining in the Costs of Issuance Account after the completion of the payment of the Costs of Issuance (but not later than February \_\_, 2008) shall be withdrawn by the City Treasurer from the Costs of Issuance Account and deposited by the City Treasurer in the Special Tax Fund, and the Costs of Issuance Account shall be closed.

Deposit of Proceeds of the Special Tax in the Special Tax Fund. The City agrees and covenants that all proceeds of the Special Tax, when and as received, will be received and held by it in trust under the Indenture, and will be deposited as and when received in the “City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Special Tax Fund,” which fund is established in the treasury of the City and which fund the City agrees and covenants to maintain with the City Treasurer so long as any Bonds are Outstanding under the Indenture, 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 as set forth in the Indenture.

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 (each of which funds 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 under the Indenture) in the following order of priority, and all money in each of such funds shall be applied, used and withdrawn only for the purposes authorized in the Indenture, namely:

(1) City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Expense Fund (maintained by the City Treasurer); and

(2) City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Bond Redemption Fund (maintained by the Trustee); and

(3) City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Bond Reserve Fund (maintained by the Trustee).

Expense Fund. On September 1 in each year, beginning in September 2008, the 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 to reimburse the City for the payment of any unbudgeted Expenses during the prior twelve-month period). All money in the Expense Fund shall be used and withdrawn by the Treasurer only for transfer to or for the account of the City to pay budgeted Expenses as provided in the Indenture, or to reimburse the City for the payment of unbudgeted Expenses as provided in the Indenture, or to pay interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money is available therefor.

Bond Redemption Fund. On or before the first (1st) day in March and September in each year, beginning in March 2008, 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. On or before the first (1st) day in September 1 in each year, beginning in September 2008, 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 or the Sinking Fund

Account Payment required to be made on such September 1 into the Sinking Fund Account (which the Trustee agrees and covenants to maintain), as the case may be. All of the 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 Payment required to be made on such date, as the case may be, then such money shall be applied pro rata in such proportion as the interest and principal or Sinking Fund Account Payments bear to each other. No deposit need be made into the Bond Redemption Fund if the amount of money contained therein is at least equal to the amount required by the terms of this paragraph to be deposited therein at the times and in the amounts provided in the Indenture.

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 the Term Bonds.

Bond Reserve Fund. On or before the first (1st) day in September in each year, beginning in September 2008, 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 (beginning in September 2008) be valued on or before September 1 of each year at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the holder at his option, if so redeemable, or if not so redeemable, at the lesser of (i) the cost of such investments, or (ii) the market value of such investments, and in making any valuations under the Indenture, 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; 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.

All money in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of 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; provided, that if as a result of any of the foregoing valuations 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 deposit such amount of money in the Special Tax Fund.

All money remaining in the Special Tax Fund on September 1 of each year, beginning in September 2008, after transferring all of the sums required to be transferred therefrom on or prior to such date by the provisions of the Indenture, shall be withdrawn from the Special Tax Fund by the City Treasurer and deposited in the "City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Community Facilities Fund," which fund the City agrees and covenants to maintain with the City Treasurer so long as any Bonds are Outstanding under the Indenture, and all money in the Community Facilities Fund shall be used and withdrawn by the City solely for the purposes authorized by 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 under the Indenture.

## Covenants of the City

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 under the Indenture in strict conformity with the terms of the Act and of the Indenture and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture and in the Bonds required to be observed and performed by it.

Against Indebtedness and Encumbrances. The City will not issue any evidences of indebtedness payable from the proceeds of the Special Tax except the Bonds as provided in the Indenture, 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 in the Indenture; 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 the Indenture) so long as any payments due thereunder shall be subordinate in all respects to the use of the proceeds of the Special Tax as provided in the Indenture.

### Against Federal Income Taxation.

(a) 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 the Indenture 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 of the Indenture. In the event that at any time the City is of the opinion that it is necessary to restrict or limit the yield on the investment of any money held by the City Treasurer or the Trustee under the Indenture 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.

(b) 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 established in the treasury of the City a fund to be known as the “City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Rebate Fund” to be held in trust and administered by the City Treasurer. The City will comply with the provisions of the 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 in the Indenture and in the Tax Certificate and no other person shall have claim to such money except as provided in the Tax Certificate.

Payment of Claims. The City will pay and discharge any and all lawful claims which, if unpaid, might become payable from the proceeds of the Special Tax or any part thereof or any and all lawful claims 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.

Expense Budgets. The City Council will, on or before September 1 in each year, beginning in September 2008, adopt a budget setting forth the costs of the estimated Expenses for the twelve-month period from such September 1 through the next succeeding August 31 (or for the reimbursement to the City for the payment of any unbudgeted Expenses made during any prior twelve-month period); provided, that any budget adopted in accordance with the Indenture may be amended by the City Council at any time.

Accounting Records; Financial Statements and Other Reports.

(a) The City will keep, or in the case of transactions made by the Trustee it will cause the Trustee to keep, appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Special Tax and of the proceeds of the Bonds, which accounting records shall at all times during 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 prepare annually not more than one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2008) a summary report showing in reasonable detail the proceeds of the Special Tax levied and collected and the costs of the Expenses for the preceding Fiscal Year and containing a general statement of the physical condition of the Facilities. The City will furnish a copy of such summary report without charge to any Holder (or his representative authorized in writing) and to any investment banker, security dealer or other person interested in the Bonds requesting a copy thereof.

(c) The City will prepare annually not later than October 30 of each year and file with the California Debt and Investment Advisory Commission by mail, postage prepaid, all necessary information required to be filed under the Act (see Section 53359.5), including:

- (1) The principal amount of the Outstanding Bonds;
- (2) The balance in the Bond Reserve Fund;
- (3) The balance in the Bond Redemption Fund constituting capitalized interest, if any;
- (4) The number of parcels securing the Bonds which are delinquent with respect to their Special Tax payments, the amount that each delinquent parcel is delinquent, the total amount of special taxes due on the delinquent parcels, the length of time that each delinquent parcel has been delinquent, when foreclosure was commenced for each delinquent parcel, the total number of foreclosure parcels for each date specified, and the total amount of tax due on the foreclosure parcels for each date specified; and
- (5) The balance in the Acquisition and Construction Fund;

(6) The assessed value of all parcels subject to the levy of the Special Tax to repay the Bonds, as shown on the most recent equalized assessment roll, the date of assessed value reported, and that the information comes from the County Assessor's Office of the County of Sacramento;

(7) The total amount of special taxes due, the total amount of unpaid special taxes, and whether the special taxes are paid under the County's Teeter Plan; and

(8) Contact information for the City official providing the information.

Additionally, the City will notify the California Debt and Investment Advisory Commission by mail, postage prepaid, or by any other method approved by the California Debt and Investment Advisory Commission, within ten (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.

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.

Payment of Governmental Charges and Compliance with Governmental Regulations. The City will pay and discharge all taxes or payments in lieu of taxes, assessments and other governmental charges or liens that may be levied, assessed or charged upon the Facilities or any part thereof promptly as and when the same shall become due and payable, except that the City shall not be required to pay any such governmental charges so long as the application or validity thereof shall be contested in good faith and the City shall have set aside reserves to cover such charges. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Facilities or any part thereof, except that the City shall not be required to comply with any such regulations or requirements so long as the application or validity thereof shall be contested in good faith.

Levy and Collection of the Special Tax. The City, so long as any Bonds are Outstanding, will annually levy the Special Tax against all Taxable Property in the Community Facilities District and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with all the agreements, conditions, covenants and terms contained in the Indenture, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund and to pay all Expenses as they become due and payable in accordance with the provisions and terms of the Indenture. 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 the Indenture 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.

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 of the Indenture and for the better assuring and confirming unto the Holders of the rights and benefits provided in the Indenture, including without limitation the filing of all financing statements, agreements, instruments or other documents in the forms and in the locations necessary to perfect and protect, and to continue the perfection of, the pledge of the Special Taxes provided in the Indenture to the fullest extent possible under applicable law of the State of California.

## The Trustee

The Bank of New York Trust Company, N.A., at its Principal Corporate Trust Office, is appointed Trustee for the purpose of receiving all money which the City is required to transfer to it under the Indenture and for applying and using such money as provided in the Indenture 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 either Los Angeles or in San Francisco, California.

The City may at any time remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided, that any such successor shall be a bank or trust company doing business and having a corporate trust office in either Los Angeles or San Francisco, California, with a combined capital (exclusive of borrowed capital) and surplus of at least one hundred million dollars (\$100,000,000) and subject to supervision or examination by a federal or state banking authority, and if such bank 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 the combined capital and surplus of such bank 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 the Indenture to the Holders, and upon receiving such notice of resignation the City shall promptly appoint a successor Trustee by an instrument in writing having the qualifications required by the Indenture. 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 thirty (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 by the Indenture.

Notwithstanding anything to the contrary contained in the Indenture, 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 succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee under the Indenture without the execution or filing of any paper or any further act on the part of any of the parties to the Indenture.

The Trustee is 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 fifteenth (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 the Indenture, as the registered owners thereof, such interest to be paid by check mailed by first class mail to the Holders at their addresses appearing on such books (except that in the case of a Holder of one million dollars (\$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 state or national 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 fifteenth (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 under the Indenture. 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 on 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 but not limited to 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 under the Indenture, and indemnify and save the Trustee harmless against loss, expenses, costs, claims and liabilities (including without limitation 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 under the Indenture, which obligation shall survive the resignation or removal of any Trustee or the payment or defeasance of the Bonds.

Liability of the Trustee. The recitals of facts, agreements and covenants contained in the Indenture 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 of the Indenture or of the Bonds or of the Special Tax, or as to the financial or technical feasibility of the acquisition and construction of any of the Facilities, 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 in the Indenture or in the Bonds, and shall not be liable in connection with the performance of its rights or obligations under the Indenture 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 of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any liability for the performance of its rights or obligations under the Indenture, or in the exercise of any of its rights or obligations under the Indenture.

### **Amendment Of Or Supplement To The Indenture**

#### 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 under the Indenture 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 sixty per cent (60%) or more in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, 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 principal of or any Sinking Fund Account Payment for or 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 in the Indenture 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 proceeds of the Special Tax other than the Bonds 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.

(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 --

(i) To add to the agreements and covenants required in the Indenture 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 in the Indenture to or conferred in the Indenture upon the City which shall not (in the opinion of the City) adversely affect the interests of the Holders;

(ii) To make such provisions for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the City may deem desirable or necessary and not inconsistent with the Indenture and which shall not (in the opinion of the City) adversely affect the interests of the Holders;

(iii) To authorize the issuance under and subject to the Act of any refunding bonds for any of the Bonds and to provide the conditions and terms under which such refunding bonds may be issued;

(iv) To make such additions, deletions or modifications as may be necessary or appropriate to insure compliance with Section 148(f) of the Code relating to the required rebate of excess investment earnings to the United States of America, or otherwise as may be necessary to 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; or

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

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 shall not be entitled to consent to or take any other action provided for in this article or in Article VIII.

Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as provided in this Article, 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.

Amendment or Supplement by Mutual Consent. The provisions of the Indenture 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.

## **Events Of Default And Remedies Of Holders**

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 in the Indenture required to be observed or performed by it, and such default shall have continued for a period of thirty (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 --

(a) 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 in the Indenture;

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

(c) 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.

Non-waiver. Nothing in this article or in any other provision in the Indenture 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 in the Indenture from the proceeds of the Special Tax and the other funds as provided in the Indenture, 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 in the Indenture 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 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 right or remedy or shall be construed to be a waiver of any 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 by the Indenture 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 the Holder shall be restored to their former positions, rights and remedies as if the action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture 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.

## **Defeasance**

### **Discharge of the 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 principal thereof and redemption premiums, if any, thereon at the times and in the manner stipulated therein and in the Indenture, then all agreements, covenants and other obligations of the City to the Holders of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied; and in that event, the Trustee shall execute and deliver to the City all instruments as may be necessary or desirable to evidence the 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 to the Indenture 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 or prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if there shall be on deposit with the Trustee money which is sufficient to pay the interest due on the Bonds on their maturity date or redemption date and the principal and redemption premiums, if any, due on the Bonds on their maturity date or redemption 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 subsection (a) above if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the City shall have agreed to mail a notice of redemption pursuant to the Indenture to the respective Holders of all such Outstanding Bonds and to those securities information services selected by it pursuant to the Indenture and to the original purchaser or underwriter of the Bonds, (2) there shall have been deposited with an escrow agent or the Trustee either money in an amount which shall be sufficient or 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 the 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, and an Opinion of Counsel to the effect that the payment of such Bonds has been provided for in the manner set forth in the Indenture and that all obligations of the City under the Indenture with respect to such Bonds have been discharged and satisfied, shall have been filed with the City and the Trustee, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have agreed to mail pursuant to the Indenture a notice to the Holders of such Bonds and to the securities information services selected by it pursuant to the Indenture and to the original purchaser or underwriter of the Bonds that the deposit required by clause (2) above has been made with the escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture 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.

Unclaimed Money. Anything contained in the Indenture 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 (2) 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 (2) 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 the Indenture a notice to the Holders of all Outstanding Bonds and to such securities information services selected by the City pursuant to the Indenture 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 thirty (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.

### Miscellaneous

Liability of City Limited to Proceeds of the Special Tax and Certain Other Funds. Notwithstanding anything contained in the Indenture, 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 in the Indenture 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 and 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 the other funds established under the Indenture, 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 the other funds established under the Indenture, 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 in the Indenture.

Deposit and Investment of Money in Accounts and Funds. All money held by the City Treasurer in any fund established in the Indenture shall be deposited by the City Treasurer in time or demand deposits in any state or national bank, including the Trustee or its affiliates, and shall be secured at all times by such obligations as are required by law to the fullest extent required by law; provided, that any money in the Acquisition and Construction Fund (and the Costs of Issuance Account therein), in the Special Tax Fund and in the Expense Fund may be invested by the City Treasurer in Legal Investments. 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 (2) days before making any such investment in those Legal Investments specified in such Written Request of the City that mature not later than the date on which it is estimated that such money will be required to be paid out under the Indenture, 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 received by the Trustee at least two (2) days before making any such investment in those Federal Securities specified in such Written Request of the City, 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 under the Indenture, as the case may be; provided, that in the absence of receipt of any such Written Request of the City, the Trustee shall, to the extent practicable, invest such money in units of a taxable government money-market portfolio composed of or secured by Federal Securities. 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 under the Indenture 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 with the Indenture; provided, that for investment purposes the Trustee may commingle the accounts and funds which it invests under the Indenture, as long as the Trustee accounts for each such account and fund separately.

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 under the Indenture.

All interest received on any such money so deposited or invested which exceeds the requirements of the fund from which such money was deposited or invested shall be deposited in the Special Tax Fund, 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.

Waiver of Personal Liability. No member of the City Council or 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 contained in the Indenture shall relieve any member of the City Council or officer or employee of the City from the performance of any official duty provided by the Act or by the Indenture or by any other applicable provisions of law.

Acquisition of Bonds by City. All Bonds acquired by the City, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation and destruction by it.

Maintenance of Accounts and Funds. Any account or fund required in the Indenture 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.

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

## APPENDIX D

### BOOK-ENTRY ONLY SYSTEM

#### Book-Entry-Only System

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from DTC. The City takes no responsibility for the accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtce.com](http://www.dtce.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

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

**APPENDIX E**

**FORMS OF CONTINUING DISCLOSURE CERTIFICATES**

**APPENDIX F**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

\_\_\_\_\_, 2007

City of Sacramento  
Sacramento, California

**City of Sacramento**  
**College Square Community Facilities District No. 95-01**  
**2007 Special Tax Bonds**  
**(Final Opinion)**

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sacramento (the “Issuer”) in connection with the issuance by the Issuer of \$\_\_\_\_\_ aggregate principal amount of City of Sacramento College Square Community Facilities District No. 95-01, 2007 Special Tax Bonds (the “Bonds”) pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 of the State of California (being Sections 53311 et seq. of the Government Code of the State of California, as amended) and an Indenture by and between the Issuer and The Bank of New York Trust Company, N.A., as trustee, dated as of September 1, 2007 (the “Indenture”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Issuer dated the date hereof (the “Tax Certificate”), opinions of counsel to the Issuer and the Trustee, certificates of the Issuer, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California. We

express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the Rate and Method of Apportionment of the Special Tax or the validity of the Special Tax levied upon any individual parcel. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute valid and binding special tax obligations of the Issuer, payable solely from the proceeds of the Special Tax (as that term is defined in the Indenture) and certain funds held under the Indenture.

2. The Indenture has been duly adopted and constitutes a valid and binding obligation of the Issuer.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

**APPENDIX G  
CERTAIN INFORMATION CONCERNING THE  
CITY OF SACRAMENTO**

**General**

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

**Population**

A comparison of the City’s population growth to that of the County of Sacramento (the “County”) and the State is provided in the table below. Population estimates are as of January 1 in each year.

**TABLE G-1  
CITY OF SACRAMENTO  
COUNTY OF SACRAMENTO  
STATE OF CALIFORNIA  
Population Estimates**

<u>Year</u>	<u>City of Sacramento</u>	<u>Average Annual Percentage Change</u>	<u>County of Sacramento</u>	<u>Average Annual Percentage Change</u>	<u>State of California</u>	<u>Average Annual Percentage Change</u>
1970	257,105	3.41%	643,373	2.80%	19,935,134	2.68%
1980	275,741	0.72	783,381	2.18	23,667,837	1.87
1990	369,365	3.40	1,041,219	3.29	29,758,213	2.57
1995	384,300	0.81	1,115,100	1.42	31,910,000	1.45
2000	407,018	1.40	1,223,499	2.07	33,873,086	1.27
2001	414,627	1.87	1,252,509	2.37	34,441,561	1.68
2002	426,660	2.90	1,287,246	2.77	35,088,671	1.88
2003	435,506	2.07	1,317,806	2.37	35,691,472	1.72
2004	444,505	1.95	1,344,867	2.05	36,245,016	1.55
2005	452,050	1.81	1,366,937	1.64	36,728,196	1.33
2006	457,514	1.21	1,385,607	1.36	37,171,015	1.21
2007	467,343	2.00	1,406,804	1.40	37,662,518	1.30

Source: U.S. Bureau of Census and State of California Department of Finance.

**Government**

The City was incorporated in 1849, although it had been settled in the 1830s during which time Captain John A. Sutter acquired a 50,000-acre land grant. It was on Sutter’s farm that the City was planned in 1848. The discovery of gold on the American River during that same year triggered the “Forty-Niner” gold rush, which led to the development of Sacramento as the supply center for the northern mines of the Mother Lode. Although less publicized, the agricultural potential of the Sacramento Valley was just as important to the future of the City. In 1854, Sacramento became the capital

of the State. Today, State government employees and governmental-related activities contribute substantially to the City's economy.

In 1856, the City was the western terminus of the State's first railroad, which ran a distance of approximately 25 miles to Folsom. Shortly thereafter, it provided the starting point for the first transcontinental railroad, the Central Pacific, which later became the Southern Pacific. Prior to completion of that railroad, Sacramento was the western-most station for the Pony Express.

The City operates under a Charter, adopted in 1921, that currently provides for a nine-member elected Council, including an elected Mayor. There are no other elected City officials. The Council appoints the City Manager, City Attorney, City Clerk and City Treasurer to carry out its adopted policies. Sacramento was one of the first cities to utilize the Council-Manager form of government, which has since been recognized as an efficient and effective method of providing municipal services.

Members of the Council serve terms of four years. The Mayor is chairperson of the Council and is elected in at-large City elections. Councilmembers are elected by eight individual districts.

### **The Local Economy**

The table below shows the historic gross assessed values of all property within the City (but excluding property subject to redevelopment tax increments).

**TABLE G-2  
CITY OF SACRAMENTO  
Historic Gross Assessed Property Values  
(dollars in thousands)**

<u>Fiscal Year</u>	<u>Secured</u>	<u>Public Utility</u>	<u>Unsecured</u>	<u>Total</u>
1996-97	\$15,812,272	\$50,688	\$1,193,868	\$17,056,828
1997-98	15,939,774	53,559	1,227,359	17,220,692
1998-99	16,539,681	57,831	1,247,496	17,845,188
1999-00	17,289,515	58,000	1,246,831	18,594,346
2000-01	18,369,903	54,667	1,231,639	19,656,209
2001-02	19,718,191	57,292	1,171,368	20,946,851
2002-03	21,855,519	66,428	1,157,123	23,079,070
2003-04	23,859,347	60,908	1,168,917	25,089,123
2004-05	27,010,976	57,800	1,363,104	28,411,880
2005-06	31,112,448	56,950	1,574,566	32,743,964
2006-07	35,687,712	54,611	1,441,042	37,183,365

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Source: County of Sacramento, Office of Auditor/Controller / Construction Industry Research Board.

*Economic Structure.* Set forth below is data reflecting the Sacramento-Arden Arcade-Roseville Metropolitan Statistical Area's civilian labor force, employment and unemployment. These figures are for the Sacramento-Arden Arcade-Roseville Metropolitan Statistical Area which includes the counties of El Dorado, Placer, Sacramento and Yolo and may not necessarily accurately reflect employment trends in the City of Sacramento.

**TABLE G-3**  
**SACRAMENTO-ARDEN ARCADE-ROSEVILLE METROPOLITAN STATISTICAL AREA**  
**Estimated Number of Wage and Salary Workers By Industry**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007*</u>
Civilian Labor Force <sup>[1]</sup>	908,800	936,200	970,100	992,000	1,007,800	1,024,200	1,039,800	1,056,800
Employment	869,900	894,200	916,300	934,600	952,300	974,100	991,300	1,005,300
Unemployment	38,900	42,000	53,800	57,400	55,500	50,100	48,500	51,100
Unemployment Rate	4.3%	4.5%	5.5%	5.8%	5.5%	4.9%	4.6%	4.8%
Total All Industries <sup>[2]</sup>	806,000	827,000	840,100	853,500	866,400	888,300	908,000	929,300
Total Farm	8,900	8,100	7,900	7,500	7,400	7,400	7,600	9,800
Total Nonfarm	797,100	818,900	832,200	846,000	859,100	880,900	900,300	919,500
Goods Producing	105,800	110,200	109,100	113,400	118,800	122,900	121,000	119,700
Natural Resources & Mining	900	900	800	700	700	700	800	800
Construction	53,100	59,500	61,300	66,500	70,800	73,400	71,000	70,200
Manufacturing	51,900	49,800	47,000	46,300	47,300	48,800	49,200	48,700
Service Providing	691,300	708,700	723,100	732,600	740,300	758,000	779,400	799,800
Trade, Transportation & Utilities	138,700	140,600	140,600	143,100	146,100	148,900	153,200	153,700
Wholesale Trade	25,100	25,800	25,600	26,300	26,500	26,900	28,600	29,300
Retail Trade	89,900	91,600	92,700	94,900	96,700	98,700	100,600	100,400
Transportation, Warehousing & Utilities	23,600	23,300	22,400	21,900	22,900	23,400	23,900	24,000
Information	18,600	22,300	23,100	21,900	20,900	19,900	19,900	20,300
Financial Activities	52,300	52,500	55,200	59,400	60,400	63,500	65,300	66,000
Professional & Business Services	103,500	99,300	96,100	95,800	98,400	102,800	106,300	109,500
Education & Health Services	70,600	75,900	78,000	81,000	84,600	88,200	92,000	95,400
Leisure & Hospitality	70,300	72,200	75,200	77,300	79,900	82,100	85,700	87,100
Other Services	26,800	27,700	28,200	28,000	28,500	28,500	28,700	29,300
Government	210,700	218,100	226,800	226,200	221,600	224,000	228,400	238,500
Federal Government	15,500	12,800	12,700	12,900	12,600	12,800	12,600	12,600
State and Local Government	195,200	205,300	214,100	213,300	209,000	211,300	215,800	225,900

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

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

\* As of May 2007.

Source: Labor Market Information Division of the California State Employment Development Department.

The table below represents the Sacramento Region Major Private-Sector Employers for the greater Sacramento area (including, Sacramento, El Dorado, Placer, Sutter, Yolo and Yuba Counties). Major private employers in the Sacramento area include those in health care, electronics, telecommunications, retail, financial and package delivery services. Major public sector employers include the State of California and the County.

**TABLE G-4  
GREATER SACRAMENTO AREA  
Major Private-Sector Employers**

<u>Name of Employer</u>	<u>Type of Business</u>	<u>No. of Employees</u>
Kaiser Permanente	Healthcare	7,283
Raley's Inc.	Retail Groceries	7,134
Intel Corp.	Semiconductors & Related Devices	6,500
UC Davis Health System	Healthcare	6,449
CHW/Mercy Healthcare Sacramento	Healthcare	6,303
Sutter Medical Center	Healthcare	6,227
SBC	Telecommunications	5,010
Hewlett-Packard Co.	Computer Hardware Manufacturer	4,000
Target Corp.	Retail	3,212
The Home Depot	Retail	3,200
Wells Fargo	Financial Services	3,083
Cache Creek Casino Resort	Casino	2,326
Sacramento Municipal Utility District (SMUD)	Utility	2,300
PRIDE Industries Inc.	Mail and Fulfillment Services; Manufacturing and Logistics	2,200
Health Net Inc.	Healthcare	2,160
Electronic Data Systems (EDS)	Computer and Data Processing	2,015
Rideout Memorial Hospital	Healthcare	2,000
Bank of America	Financial Services	1,964
Pacific Gas and Electric Co. (PG&E)	Utility	1,953
Blue Shield of California	Healthcare	1,744
Vision Service Plan Inc.	Insurance Agents, Brokers & Services	1,688
Apple Computer Inc.	Computer, Hardware & Software Application	1,500
The McClatchy Co.	Newspapers	1,410
Aerojet	Propulsion, Smart Munitions, Fine Chemical Manufacturer	1,400
Franklin Templeton Investment	Financial Services	1,200
DST Output	Computer Programming & Business Services	1,170
Union Pacific Railroad Co., Inc.	Freight Railroad	1,062
SureWest Communications	Telecommunications	1,010
Woodland Healthcare	Healthcare	944
Marshall Medical Center	Healthcare	920

Source: Sacramento Area Commerce and Trade Organization, 2005.

*Commercial Activity.* The following table shows a summary of historic taxable sales within the City.

**TABLE G-5  
CITY OF SACRAMENTO  
Taxable Transactions  
(in thousands)**

Business	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006*</u>
<b>RETAIL STORES:</b>							
Apparel Stores	\$167,352	\$165,051	\$184,332	\$197,884	\$217,533	\$244,319	\$115,046
General Merchandise Stores	617,303	620,208	603,027	613,304	668,864	700,577	325,764
Food Stores	240,227	248,401	244,110	262,784	268,920	279,255	138,858
Eating & Drinking Places	438,164	460,409	476,009	508,416	559,897	615,212	323,876
Home Furnishings. & Appliances	119,200	114,345	118,964	119,887	127,725	146,232	64,032
Building. Materials & Farm Implements.	328,469	375,303	386,656	413,908	480,420	528,628	243,281
Auto Dealers. & Auto Supplies	476,485	500,189	499,827	509,352	457,911	421,707	202,706
Service Stations	233,059	233,932	206,977	271,453	317,874	382,239	202,422
Other Retail Stores	<u>642,159</u>	<u>642,037</u>	<u>659,864</u>	<u>744,086</u>	<u>701,522</u>	<u>721,612</u>	<u>352,881</u>
Retail Stores Total	3,262,418	3,559,875	3,379,766	3,641,074	3,800,666	4,039,781	1,968,866
All Other Outlets	<u>1,687,758</u>	<u>1,652,508</u>	<u>1,619,829</u>	<u>1,646,630</u>	<u>1,869,898</u>	<u>2,029,214</u>	<u>983,184</u>
<b>TOTAL ALL OUTLETS</b>	<u>\$4,950,176</u>	<u>\$5,012,383</u>	<u>\$4,999,595</u>	<u>\$5,287,704</u>	<u>\$5,670,564</u>	\$6,068,995	\$2,952,050

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\* Through Second Quarter of 2006.  
Source: State Board of Equalization

**Building and Construction.** The following table presents residential and non-residential building permit valuations and the number of new housing units for the City.

**TABLE G-6  
CITY OF SACRAMENTO  
Residential and Non-Residential Building Permit Valuations and New Housing Units  
(Dollar Amounts Are Stated Fully)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007*</u>
Residential Building Permit Valuations							
New Single Family	\$399,498,142	\$479,627,831	\$483,080,599	\$429,519,813	\$224,904,467	\$211,301,576	\$157,615,706
New Multi-Family	<u>61,143,318</u>	<u>96,733,285</u>	<u>198,917,767</u>	<u>112,839,356</u>	<u>101,740,056</u>	<u>169,160,730</u>	<u>53,708,373</u>
Alterations/Additions	<u>67,105,074</u>	<u>75,538,127</u>	<u>82,911,943</u>	<u>120,170,639</u>	<u>127,722,262</u>	<u>113,100,281</u>	<u>63,415,881</u>
Total Residential	\$527,746,534	\$651,899,243	\$764,910,309	\$662,529,808	\$454,366,785	\$493,562,587	\$274,739,960
New Housing Units							
Single Family	2,745	3,227	3,605	3,108	1,782	1,731	917
Multi-Family	<u>881</u>	<u>1,328</u>	<u>2,368</u>	<u>1,214</u>	<u>1,176</u>	<u>1,907</u>	<u>503</u>
Total Units	3,626	4,555	5,973	4,322	2,958	3,638	1,420
Non-Residential Building Permit Valuations							
New Commercial	\$66,545,808	\$97,108,790	\$99,722,509	\$92,793,643	\$114,617,811	\$186,225,999	52,206,745
New Industrial	32,124,717	30,088,140	18,772,115	35,754,172	38,965,511	26,610,422	2,450,898
Other New Non-Res.	<u>18,461,319</u>	<u>24,527,341</u>	<u>45,164,003</u>	<u>23,234,556</u>	<u>47,298,984</u>	<u>52,347,200</u>	<u>32,603,082</u>
Alterations/Additions	<u>71,294,882</u>	<u>80,310,523</u>	<u>93,859,828</u>	<u>121,622,522</u>	<u>120,049,747</u>	<u>139,022,975</u>	<u>86,616,750</u>
Total Non-Residential	\$188,426,726	\$232,034,794	\$257,518,455	\$273,404,893	\$320,932,053	404,206,596	\$173,877,475
TOTAL: Residential and Non-Residential	\$716,173,260	\$883,934,037	\$1,022,428,764	\$935,934,701	\$775,298,838	\$897,769,183	\$448,617,435

\* Through June of 2007

Source: Construction Industry Research Board.

*Agriculture.* Agriculture continues to be an important factor in Sacramento's economy. Agricultural production and processing have been continually improved by the application of modern technological methods, keeping the industry's need for labor relatively low. This is demonstrated by the fact that although agricultural production and processing is a major factor in Sacramento's economic base, it ranks only tenth in terms of the number of people employed, even when the largest seasonal employment figures are used. The area's agricultural production is important on a national basis, with one or more of the nearby nine counties leading the nation in the production of various crops. These crops have traditionally been almonds, apricots, honeydew and Persian melons, olives, peaches, persimmons, plums, prunes, safflower, ladino clover seed, sugar beets, tomatoes for processing, rice and walnuts.

*Community Facilities.* The four-county Sacramento metropolitan area offers over 125 public parks, 200 tennis courts, 45 theaters and 53 golf courses. The Sacramento area's Mediterranean climate encourages use of the many recreational opportunities along the American and Sacramento rivers including fishing, swimming, biking along the 22 mile bicycle trail, horseback riding and hiking. The area supports an equally impressive arts community. Professional symphony, opera, theater and ballet companies perform to sizable crowds. Scores of multi-screen cinemas showing first-run films, museums, live theaters, and more than 100 traditional and modern art galleries, host hundreds of thousands of patrons year round.

ARCO Arena, a 17,300-seat privately-owned sports arena located in the North Natomas area of the City adjacent to Interstate 5, is currently the home of the Sacramento Kings of the National Basketball Association, the Sacramento Monarchs of the Women's National Basketball Association, and the Sacramento Knights of the World Indoor Soccer League.

Media outlets in the four-county area consist of more than 30 newspapers, nine television stations (four network, four independents and one public) and 30 radio stations.

Public school education within the City is available through eight elementary, two high school and six unified school districts. There are approximately 84 private schools in the County and 70 industrial, technical trade schools. School enrollment during the 2005-2006 school year was approximately 88,000 in the City public schools.

The Los Rios Community College District serves the majority of the County, as well as portions of El Dorado, Placer, Yolo and Solano Counties. The Los Rios Community College District maintains three campuses in the County: American River College, located in Carmichael (northeast of the City of Sacramento); Sacramento City College located in the City of Sacramento; and Cosumnes River College, located in the southern area of the City. The Los Rios Community College District also maintains two education centers, the El Dorado Center, located in Placerville, and the Folsom Lake Center, located in Folsom.

California State University, Sacramento, offers four-year program in business administration, liberal arts, engineering, education and nursing, and masters degree programs in various fields. The reported combined enrollment of undergraduate and graduate students for the spring semester of the 2005-2006 school year was 27,932. Other higher education facilities located in Sacramento are: McGeorge School of Law branch of the University of the Pacific; the Medical Center of the University of California, Davis; National University, Lincoln Law School; Golden Gate University; University of Phoenix; the University of Southern California (for public administration); and the University of Northern California (law).

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

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

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

Sacramento International Airport is about 12 miles northwest of downtown Sacramento. The airport is served by eight major carriers, two regional carriers and three commuter carriers. Executive Airport, located in Sacramento is a full-service, 680-acre facility serving general aviation. In addition to Sacramento International Airport and Mather Air Field, there are two other County-operated general airports and numerous private airports.

*Utilities.* The City is unique among large California cities in that it has an abundant water supply delivered by two rivers within its boundaries. The City has rights to approximately 900 cubic feet per second from the Sacramento and American rivers through permits issued by the State Water Resources Control Board. These water rights are supplemented with storage in Folsom Reservoir obtained through contract with the United States Bureau of Reclamation. The available supply is adequate to furnish the peak summer water demand for the population estimated to be within the service area by the year 2030. Two plants supply treated water to the service area south of the American River, portions of North Sacramento and the Natomas area. Ground water obtained from wells in the area north of the American River is of high quality and needs no treatment except for chlorination. Additionally, the City provides sewage collection service for most of the area. Sewage treatment is provided by the Sacramento Regional County Sanitation District.

The Sacramento Municipal Utility District ("SMUD") generates, transmits and distributes electric power to a 900 square-mile service area that includes the County and a small portion of Placer County. SMUD generates about half the electricity used by its customers and purchases the balance on the open market through short-term and long-term contracts (in equal proportions). Although SMUD has been able to keep electric rates stable for over ten years, sharply increasing costs for wholesale electricity and natural gas in California have caused SMUD to propose and have approved an increase in electric rates.

Pacific Gas and Electric Company ("PG&E") supplies natural gas and electricity throughout the County from sources in California, the southwestern United States and Canada. PG&E is one of the oldest public utility companies in California and is the largest in the United States. For many years it has

provided adequate natural gas and electricity for the continually growing population in its service area. However, PG&E has recently been adversely affected by the sharply increasing cost of wholesale electricity and natural gas, resulting in financial difficulty and power shortages in many parts of the State.

The City is served by Pacific Bell, a Pacific Telesis Company, which is the principal telephone utility in the County. However, several telephone firms are active in the area, including General Telephone of California, Citizen Utilities Company of California and the Roseville Telephone Company.

APPENDIX H

DEBT SERVICE SCHEDULE

	<u>Principal</u>	<u>Interest</u>	<u>Semiannual Debt Service</u>	<u>Total Annual Debt Service</u>
03/01/08	—			—
09/01/08				
03/01/09	—			—
09/01/09				
03/01/10	—			—
09/01/10				
03/01/11	—			—
09/01/11				
03/01/12	—			—
09/01/12				
03/01/13	—			—
09/01/13				
03/01/14	—			—
09/01/14				
03/01/15	—			—
09/01/15				
03/01/16	—			—
09/01/16				
03/01/17	—			—
09/01/17				
03/01/18	—			—
09/01/18				
03/01/19	—			—
09/01/19				
03/01/20	—			—
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03/01/23	—			—
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03/01/24	—			—
09/01/24				
03/01/25	—			—
09/01/25				
03/01/26	—			—
09/01/26				
03/01/27	—			—
09/01/27				
03/01/28	—			—
09/01/28				
03/01/29	—			—

09/01/29		
03/01/30	—	—
09/01/30		
03/01/31	—	—
09/01/31		
03/01/32	—	—
09/01/32		
03/01/33	—	—
09/01/33		
Total:		