

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 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 "LEGAL MATTERS – Tax Exemption."*

**\$23,525,000**  
**SACRAMENTO CITY FINANCING AUTHORITY**  
**2013 Special Tax Refunding Revenue Bonds**  
**(Westlake and Regency Park)**  
**SERIES A**

Dated: Date of Delivery

Due: September 1, as shown on inside cover.

**Authority for Issuance.** The bonds captioned above (the "Bonds") are being issued under (i) the Marks-Roos Local Bond Pooling Act of 1985 (the "Bond Law"); (ii) a Trust Agreement dated as of January 1, 2013 (the "Trust Agreement"), between the Sacramento City Financing Authority (the "Authority"), the City of Sacramento (the "City"), and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"); and (iii) a resolution of the Board of Directors of the Authority adopted on December 11, 2012. See "THE BONDS – Authority for Issuance."

**Security and Sources of Payment.** The Bonds are payable from "Revenues" received under the Trust Agreement, which are generally defined as all amounts derived from two series of special tax bonds (collectively, the "Special Tax Bonds") to be issued by the City for two community facilities districts (each, a "CFD", and collectively, the "CFDs") previously formed by the City:

**The Westlake CFD.** Special tax bonds to be issued by the City for the City of Sacramento North Natomas Westlake Community Facilities District No. 2000-01 (the "Westlake CFD") designated "City of Sacramento 2013 North Natomas Westlake Community Facilities District No. 2000-01 Special Tax Refunding Bonds, Series A" (the "Westlake CFD Bonds").

**The Regency Park CFD.** Special tax bonds to be issued by the City for the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 (the "Regency Park CFD") designated "City of Sacramento 2013 North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Refunding Bonds, Series A" (the "Regency Park CFD Bonds").

See "SECURITY FOR THE BONDS."

**Use of Proceeds.** The Bonds are being issued to finance the acquisition of each series of Special Tax Bonds.

The proceeds of each series of Special Tax Bonds will be used to (i) refund the outstanding special tax bonds of the City for each CFD; (ii) fund two separate debt service reserve funds, one for each series of Special Tax Bonds; and (iii) fund a portion of the costs of issuing the Bonds and the Special Tax Bonds. See "FINANCING PLAN."

**Bond Terms.** Interest on the Bonds is payable on September 1, 2013, and semiannually thereafter on each March 1 and September 1. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. The Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. See "THE BONDS – General Bond Terms" and "APPENDIX E – DTC and the Book-Entry Only System."

**Debt Service Reserve Funds.** Neither the City nor the Authority will create or maintain a debt service reserve account with respect to the Bonds. The City will create and maintain two separate debt service reserve funds, one for each series of Special Tax Bonds. See "SECURITY FOR THE BONDS" and "THE SPECIAL TAX BONDS – Deposit and Allocation of Special Taxes, Allocations, Bond Reserve Funds."

**Redemption.** The Bonds are subject to optional redemption and extraordinary redemption from the redemption of Special Tax Bonds due to Special Tax prepayments. See "THE BONDS - Redemption."

**Bond Insurance on Certain Maturities.** The scheduled payment of principal of and interest on the Bonds maturing on September 1, 2017 through September 1, 2023, inclusive (the "Insured Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by ASSURED GUARANTY MUNICIPAL CORP. See "BOND INSURANCE" and "APPENDIX H - Specimen Municipal Bond Insurance Policy."



The Bonds, the interest on the Bonds, and any premiums payable on the redemption of any of the Bonds are special, limited obligations of the Authority secured solely by, and payable solely from, Revenues and other assets pledged under the Trust Agreement. They are not an indebtedness of the City, the CFDs, the State of California (the "State"), or any of the State's political subdivisions; and the City, the CFDs, the State, the State's political subdivisions, and the members of the Authority are not liable on the Bonds. Neither the faith and credit nor the taxing power of the City, the CFDs, the State, any political division of the State, the Authority, or the members of the Authority is pledged to the payment of the Bonds. The Authority has no taxing power.

**MATURITY SCHEDULE**

(see inside cover)

**This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the Bonds involves risks that may not be appropriate for some investors. See "BONDOWNERS' RISKS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.**

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Orrick, Herrington & Sutcliffe LLP, bond counsel to the Authority, and subject to certain other conditions. Certain legal matters will be passed upon for the Authority and the City by the Office of the City Attorney. Jones Hall, A Professional Law Corporation, San Francisco, California, is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery on or about January 29, 2013.

**STONE & YOUNGBERG**  
A DIVISION OF STIFEL NICOLAUS

## MATURITY SCHEDULE

**\$23,525,000 Serial Bonds**  
(Base CUSIP†: 785852)

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2013	\$1,785,000	2.000%	0.700%	100.762%	AA2
2014	940,000	3.000	1.000	103.144	AB0
2015	1,005,000	3.000	1.390	104.079	AC8
2016	1,065,000	3.000	1.730	104.399	AD6
2017**	1,140,000	3.000	1.770	105.397	AE4
2018**	1,210,000	4.000	2.040	110.301	AF1
2019**	1,300,000	4.000	2.260	110.594	AG9
2020**	1,400,000	5.000	2.580	116.580	AH7
2021**	1,505,000	5.000	2.800	116.689	AJ3
2022**	1,615,000	4.000	3.010	108.190	AK0
2023**	1,730,000	5.000	3.190	115.506 C	AL8
2024	1,855,000	5.000	3.460	113.017 C	AM6
2025	1,995,000	5.000	3.540	112.292 C	AN4
2026	2,145,000	5.000	3.610	111.663 C	AP9
2027	1,370,000	5.000	3.680	111.037 C	AQ7
2028	1,465,000	4.000	4.000	100.000	AR5

C = Priced to the optional par redemption date of March 1, 2023.

\*\* Insured by Assured Guaranty Municipal Corp.

† Copyright 2013, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the Authority, the City nor the Underwriter assumes any responsibility for the accuracy of CUSIP data.

**MAYOR AND CITY COUNCIL  
AND  
SACRAMENTO CITY FINANCING AUTHORITY BOARD OF DIRECTORS**

Kevin Johnson, *Chairperson of the Authority and Mayor of the City*  
Angelique Ashby, *Vice-Chairperson of the Authority and Vice-Mayor of the City, District 1*  
Allen Wayne Warren, *District 2*  
Steve Cohn, *District 3*  
Steve Hansen, *District 4*  
Jay Schenirer, *District 5*  
Kevin McCarty, *District 6*  
Darrell Fong, *District 7*  
Bonnie Pannell, *District 8*

**CITY OF SACRAMENTO AND AUTHORITY STAFF**

John F. Shirey, *City Manager*  
John Dangberg, *Assistant City Manager*  
Russell T. Fehr, *Treasurer of the Authority and City Treasurer*  
Shirley Concolino, *Secretary of the Authority and City Clerk*  
Leyne Milstein, *Controller of the Authority and City Director of Finance*  
James Sanchez, *Counsel to the Authority and City Attorney*

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**PROFESSIONAL SERVICES**

**BOND COUNSEL**

Orrick, Herrington & Sutcliffe LLP

**UNDERWRITER'S COUNSEL**

Jones Hall, A Professional Law Corporation  
San Francisco, California

**SPECIAL TAX CONSULTANT**

NBS Government Finance Group  
Temecula, California

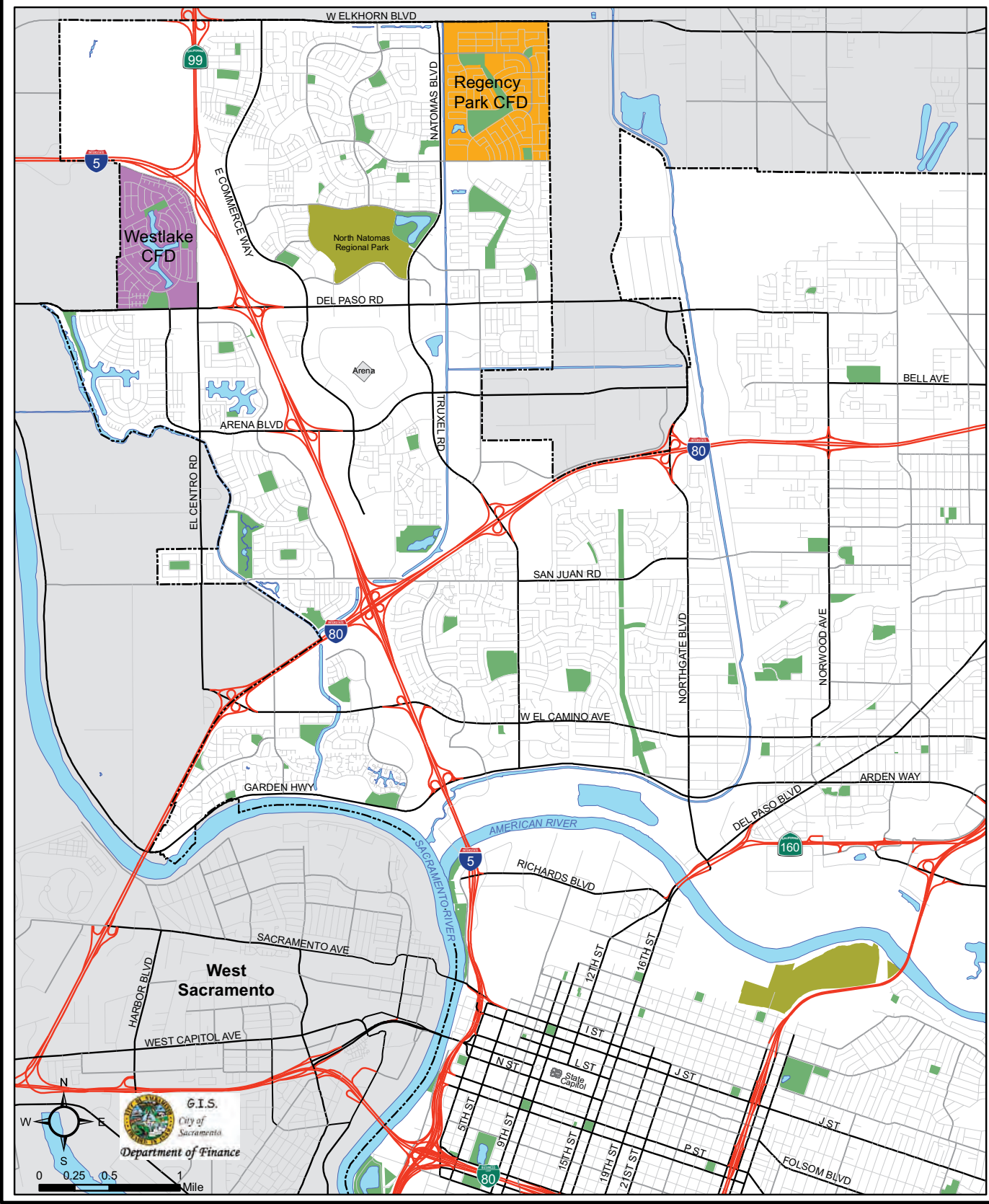
**TRUSTEE**

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

**VERIFICATION AGENT**

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

City of Sacramento - Regional Vicinity Map  
North Natomas Westlake CFD No. 2000-01 &  
North Natomas Regency Park CFD No. 2001-03



## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**No Offering May Be Made Except by this Official Statement.** No dealer, broker, salesperson, or other person has been authorized to give any information or to make any representations regarding the Bonds other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so. Nor does this Official Statement constitute an offer or solicitation to any person to whom it is unlawful to make such offer or solicitation.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds is meant, under any circumstances, to imply that there has been no change since the date of this Official Statement in the affairs of the City, the CFDs, or any other parties described in this Official Statement or in the condition of property within the CFDs.

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

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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."

**Document References and Summaries.** All references to, and summaries of, the Trust Agreement and the Indentures or other documents in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

**Stabilization of and Changes to Offering Prices.** The Underwriter may overallocate or take other steps that stabilize or maintain the market price of the Bonds at a level above what might otherwise prevail in the open market. The Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks, and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

**Bonds are Exempt from Securities Laws Registration.** The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

**Estimates and Projections.** Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995; Section 21E of the United States Securities Exchange Act of 1934, as amended; and Section 27A of the United States Securities Act of 1933, as amended. These statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE, OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY THE FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS.

**Insurer's Disclaimer.** Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX H - Specimen Municipal Bond Insurance Policy."

**The City's Disclaimer Regarding the Insurer.** AGM supplied the information set out under the heading "BOND INSURANCE" and the form set out as "APPENDIX H – Specimen Municipal Bond Insurance Policy." The City and the Authority have not independently verified the information set out under the heading "BOND INSURANCE," make no representations about it, and disclaim any responsibility for its accuracy and completeness. They also make no representations about the absence of any material adverse changes in the information after the date of this Official Statement. Similarly, the City and the Authority have not independently verified the information pertaining to AGM that is posted on the websites identified under the heading "BOND INSURANCE" and incorporated by reference into this Official Statement, and they make no representations about the information on those websites and disclaim any responsibility for its accuracy and completeness. Investors should independently investigate and verify the information set out under the heading "BOND INSURANCE" or in the referenced websites, including but not limited to information about AGM's capitalization and financial strength.

**City Internet Site.** The City maintains a website at [www.cityofsacramento.org](http://www.cityofsacramento.org). In addition, certain information and reports found on other websites, and other information and reports, are referred to in this Official Statement. The information and reports available on these websites and the other referenced information and reports are not incorporated by reference into this Official Statement and should not be relied upon when investing in the Bonds.

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## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION .....	1	Assessed Property Values.....	32
FINANCING PLAN.....	4	Value-to-Burden Ratio .....	33
Use of Proceeds .....	4	Major Land Owners.....	36
Refunding of the Prior Westlake CFD Bonds .....	4	Delinquencies .....	37
Refunding of the Prior Regency Park CFD Bonds .....	4	Direct and Overlapping Governmental Obligations ..	38
Estimated Sources and Uses of Funds .....	5	THE WESTLAKE CFD.....	42
THE BONDS .....	8	Formation and Background .....	42
Authority for Issuance .....	8	Location and Description .....	42
General Bond Terms .....	8	Land Use Distribution.....	43
Redemption .....	9	Assessed Property Values.....	43
No Issuance of Parity Bonds .....	11	Value-to-Burden Ratio .....	44
Registration, Transfer, and Exchange .....	11	Major Land Owners.....	46
DEBT SERVICE SCHEDULE.....	12	Delinquencies .....	47
SECURITY FOR THE BONDS .....	13	Direct and Overlapping Governmental Obligations ..	48
General .....	13	BOND OWNERS' RISKS.....	50
Limited Obligation .....	13	Limited Obligation to Pay Debt Service .....	50
Allocation of Revenues .....	14	Levy and Collection of the Special Taxes.....	50
No Reserve Account.....	14	Payment of Special Taxes Is Not a Personal	
Investment of Moneys in Funds.....	14	Obligation of the Property Owners .....	51
THE SPECIAL TAX BONDS .....	15	Property Values .....	51
General .....	15	No Cross Collateralization .....	54
Security for the Special Tax Bonds .....	15	Other Possible Claims Upon the Property Values....	54
Levy and Collection of Special Taxes.....	15	Enforcement of Special Taxes on Governmentally	
Deposit and Allocation of Special Taxes .....	16	Owned Properties .....	55
Covenant to Foreclose.....	18	No Reserve for Bonds; Depletion of Reserve Funds	
Rates and Methods of Apportionment.....	20	for Special Tax Bonds.....	56
No Issuance of Parity Special Tax Bonds .....	22	Bankruptcy Delays .....	57
No Direct Cross-Collateralization Among Special		Disclosure to Future Purchasers .....	57
Tax Bonds.....	22	No Acceleration.....	57
Scheduled Debt Service Coverage .....	22	Loss of Tax Exemption .....	57
THE CFDS IN THE AGGREGATE .....	24	Voter Initiatives .....	58
Introduction .....	24	Secondary Market for Bonds .....	58
Special Tax Revenues and Projected Debt Service		THE AUTHORITY .....	59
Coverage .....	24	THE CITY.....	59
Varying Maturity Dates of the Special Tax Bonds ....	24	BOND INSURANCE .....	60
Land Use Summary and Development Status .....	25	Bond Insurance Policy .....	60
Land Ownership in the CFDs on an Aggregate		Assured Guaranty Municipal Corp.....	60
Basis .....	27	LEGAL MATTERS .....	63
Property Values and Value-to-Burden Ratios on an		Legal Opinions .....	63
Aggregate Basis .....	27	Tax Exemption .....	63
Overlapping Liens.....	28	No Litigation .....	64
Potential Consequences of Special Tax		CONTINUING DISCLOSURE.....	65
Delinquencies .....	29	RATINGS .....	65
THE REGENCY PARK CFD .....	31	UNDERWRITING.....	66
Formation and Background .....	31	VERIFICATION OF MATHEMATICAL ACCURACY ....	67
Location and Description .....	31	PROFESSIONAL FEES .....	67
Land Use Distribution .....	32		
APPENDIX A – General Information About the City of Sacramento and Sacramento County			
APPENDIX B – Rate and Method of Apportionment for Each CFD			
APPENDIX C – Summary of Trust Agreement			
APPENDIX D – Summary of Indentures			
APPENDIX E – DTC and the Book-Entry Only System			
APPENDIX F – Form of Continuing Disclosure Certificate			
APPENDIX G – Form of Opinion of Bond Counsel			
APPENDIX H – Specimen Municipal Bond Insurance Policy			

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## OFFICIAL STATEMENT

**\$23,525,000**  
**SACRAMENTO CITY FINANCING AUTHORITY**  
**2013 SPECIAL TAX REFUNDING REVENUE BONDS**  
**(WESTLAKE AND REGENCY PARK)**  
**SERIES A**

### INTRODUCTION

This Official Statement, including the cover page, inside cover, and attached appendices, is provided to furnish information regarding the bonds captioned above (the “**Bonds**”) to be issued by the Sacramento City Financing Authority (the “**Authority**”).

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, the inside cover, and attached appendices, and in the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.*

**The Authority.** The Authority is a joint exercise of powers agency organized under the laws of the State of California (the “**State**”) and a Joint Exercise of Powers Agreement dated as of October 1, 1989, as amended (the “**Joint Powers Agreement**”), between the City of Sacramento (the “**City**”) and the former Redevelopment Agency of the City of Sacramento (the “**Redevelopment Agency**”), and under the Joint Exercise of Powers Act set out in the California Government Code beginning with Section 6500 (the “**Act**”).

The Authority was created primarily to provide financing of public capital improvements and the purchase by the Authority of “local obligations” within the meaning of the Act. See “THE AUTHORITY.”

**Authority for Issuance of the Bonds.** The Bonds are being issued under the following:

- The Marks-Roos Local Bond Pooling Act of 1985 set out in the California Government Code beginning with Section 6584 (the “**Bond Law**”).
- A Trust Agreement dated as of January 1, 2013 (the “**Trust Agreement**”), between the Authority, the City, and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”).
- A resolution of the Board of Directors of the Authority (the “**Board**”) adopted on December 11, 2012 (the “**Resolution**”).

See “THE BONDS – Authority for Issuance.”

**Security and Sources of Payment for the Bonds.** The Bonds are payable from “Revenues” received under the Trust Agreement, which are generally defined as all amounts derived from two series of special tax refunding bonds (collectively, the “**Special Tax Bonds**”) being purchased with the proceeds of the Bonds, as described below. See “SECURITY FOR THE BONDS.”

**Special Tax Bonds.** The Special Tax Bonds consist of two series of special tax refunding bonds that will be issued by the City for two community facilities districts previously formed by the City (each, a “CFD”, and collectively, the “CFDs”), as follows:

**The Westlake CFD.** Special tax bonds to be issued by the City for the City of Sacramento North Natomas Westlake Community Facilities District No. 2000-01 (the “**Westlake CFD**”) designated “City of Sacramento 2013 North Natomas Westlake Community Facilities District No. 2000-01 Special Tax Refunding Bonds, Series A” (the “**Westlake CFD Bonds**”).

**The Regency Park CFD.** Special tax bonds to be issued by the City for the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 (the “**Regency Park CFD**”) designated “City of Sacramento 2013 North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Refunding Bonds, Series A” (the “**Regency Park CFD Bonds**”).

Each series of Special Tax Bonds will be issued concurrently with the Bonds and purchased by the Authority with the proceeds of the Bonds. See “SECURITY FOR THE BONDS.”

**Security for the Special Tax Bonds.** Each series of Special Tax Bonds will be secured under a separate indenture between the City and the Trustee (collectively, the “**Indentures**”), as further described below:

- **The Westlake CFD.** The Westlake CFD Bonds will be issued under an Indenture dated as of January 1, 2013 (the “**Westlake CFD Indenture**”) between the City and the Trustee. The Westlake CFD Bonds will be secured and payable solely from the “**Westlake CFD Special Tax**” levied on taxable property within the Westlake CFD and from amounts in certain funds and accounts held under the Westlake CFD Indenture.
- **The Regency Park CFD.** The Regency Park CFD Bonds will be issued under an Indenture dated as of January 1, 2013 (the “**Regency Park CFD Indenture**”) between the City and the Trustee. The Regency Park CFD Bonds will be secured and payable solely from the “**Regency Park CFD Special Tax**” levied on taxable property within the Regency Park CFD and from amounts in certain funds and accounts held under the Regency Park CFD Indenture.

The Westlake CFD Bonds and the Regency Park CFD Bonds are secured respectively by the Westlake CFD Special Tax and the Regency Park CFD Special Tax (collectively, the “**Special Taxes**”) levied by the City on taxable property within the respective boundaries of each CFD according to the special tax formulas in the respective Rate and Method of Apportionment of Special Tax for the CFDs (each a “**Rate and Method of Apportionment**”). See “THE SPECIAL TAX BONDS.”

**No Direct Cross-Collateralization Among Special Tax Bonds.** The Special Taxes levied to pay debt service on one series of Special Tax Bonds are not available to pay debt service on any other series of Special Tax Bonds. See “THE SPECIAL TAX BONDS – No Direct Cross-Collateralization Among Special Tax Bonds” and “BOND OWNERS’ RISKS – No Cross Collateralization.”

**Purpose of the Bonds and the Special Tax Bonds.** The Bonds are being issued to finance the acquisition of each series of Special Tax Bonds.

The proceeds of each series of Special Tax Bonds will be used to (i) refund the outstanding special tax bonds of the City for the related CFD; (ii) fund two separate debt service reserve funds, one for each series of Special Tax Bonds; and (iii) fund a portion of the costs of issuing the Bonds and the Special Tax Bonds.

See "FINANCING PLAN."

**No Additional Parity Obligations.** Under the Trust Agreement, the Authority will covenant that it will not issue any additional bonds or other indebtedness on parity with the Bonds (except for refunding purposes). See "THE BONDS – No Issuance of Parity Bonds."

Under each Indenture, the City will covenant that it will not issue any additional bonds or other indebtedness with respect to either CFD on parity with the related series of Special Tax Bonds (except for refunding purposes). See "THE SPECIAL TAX BONDS – No Issuance of Parity Special Tax Bonds."

**Reserve Funds.** Neither the City nor the Authority will create or maintain a debt service reserve account for the Bonds. The City will create and maintain two separate debt service reserve funds, one for each series of Special Tax Bonds. See "SECURITY FOR THE BONDS" and "THE SPECIAL TAX BONDS - Deposit and Allocation of Special Taxes, Allocations, Bond Reserve Funds."

**Redemption.** The Bonds are subject to optional redemption and extraordinary redemption from the redemption of Special Tax Bonds due to Special Tax prepayments. See "THE BONDS – Redemption."

**Bond Insurance.** Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (the "**Bond Insurer**" or "**AGM**") will issue its Municipal Bond Insurance Policy (the "**Policy**") for the Bonds maturing on September 1, 2017, through September 1, 2023, inclusive (the "**Insured Bonds**"). The Policy guarantees the scheduled payment of principal and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement. See "BOND INSURANCE" and "APPENDIX H - Specimen Municipal Bond Insurance Policy."

**The CFDs.** The CFDs are located in the northern part of the City known as North Natomas, in the County of Sacramento (the "**County**"), and comprise approximately 795 gross acres, including 486 net taxable acres and comprising 3,782 taxable parcels, all of which are developed with, or entitled for development with, a mix of residential and non-residential properties. See "THE CFDs IN THE AGGREGATE."

**Limit of Liability; Risk Factors Associated with Purchasing the Bonds.** The Bonds are limited obligations of the Authority payable solely from Revenues and other assets pledged under the Trust Agreement. Investment in the Bonds involves risks that may not be appropriate for some investors. See "BOND OWNERS' RISKS" for a discussion of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Bonds.

## FINANCING PLAN

### Use of Proceeds

**The Bonds.** All of the net proceeds of the Bonds will be used to acquire the Special Tax Bonds.

**The Special Tax Bonds.** The proceeds of each series of Special Tax Bonds will be used to refund the outstanding special tax bonds previously issued by the City for the related CFD, as described below.

The proceeds of each series of Special Tax Bonds will also be used to fund two separate debt service reserve funds, one for each series of Special Tax Bonds, and to fund a portion of the costs of issuing the Bonds and the Special Tax Bonds.

### Refunding of the Prior Westlake CFD Bonds

In April 2001, on behalf of the Westlake CFD, the City issued special tax bonds captioned “City of Sacramento North Natomas Westlake Community Facilities District No. 2000-01 Special Tax Bonds” in the original principal amount of \$11,890,000 (the “**Prior Westlake CFD Bonds**”) for the purpose of financing certain public facilities. See “The Westlake CFD – Formation and Background.”

The Prior Westlake CFD Bonds are currently outstanding in the principal amount of \$9,410,000, which will be redeemed in full, on a current basis, on March 1, 2013, at a redemption price equal to the principal amount thereof, together with accrued interest to the redemption date, without premium.

To accomplish the refinancing plan, the net proceeds of the Westlake CFD Bonds, together with certain other funds on hand with respect to the Westlake CFD Bonds, will be transferred to The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “**Westlake CFD Escrow Agent**”), for deposit in an escrow fund (the “**Westlake CFD Escrow Fund**”) to be established under an Escrow Agreement dated as of January 1, 2013, between the City and the Westlake CFD Escrow Agent.

The Westlake CFD Escrow Agent will hold the amounts on deposit in the Westlake CFD Escrow Fund in cash, uninvested, which will be sufficient to pay and redeem the Prior Westlake CFD Bonds in full on March 1, 2013. See “VERIFICATION OF MATHEMATICAL ACCURACY.”

*The amounts held by the Escrow Agent in the Westlake CFD Escrow Fund are pledged solely to the payment of the Prior Westlake CFD Bonds, and the funds deposited in the Westlake CFD Escrow Fund will not be available for the payment of debt service on the Bonds.*

### Refunding of the Prior Regency Park CFD Bonds

In July 2003, on behalf of the Regency Park CFD, the City issued special tax bonds captioned “City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Bonds” in the original principal amount of \$19,570,000 (the “**Prior Regency Park CFD Bonds**”) for the purpose of financing certain public facilities. See “The Regency Park CFD – Formation and Background.”

The Prior Regency Park CFD Bonds are currently outstanding in the principal amount of \$16,665,000, which will be redeemed in full, on a current basis, on March 1, 2013, at a redemption price equal to the principal amount thereof, together with accrued interest to the redemption date, without premium.

To accomplish the refinancing plan, the net proceeds of the Regency Park CFD Bonds, together with certain other funds on hand with respect to the Regency Park CFD Bonds, will be transferred to The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “**Regency Park CFD Escrow Agent**”), for deposit in an escrow fund (the “**Regency Park CFD Escrow Fund**”) to be established under an Escrow Agreement dated as of January 1, 2013, between the City and the Regency Park CFD Escrow Agent.

The Regency Park CFD Escrow Agent will hold the amounts on deposit in the Regency Park CFD Escrow Fund in cash, uninvested, which will be sufficient to pay and redeem the Prior Regency Park CFD Bonds in full on March 1, 2013. See “VERIFICATION OF MATHEMATICAL ACCURACY.”

*The amounts held by the Escrow Agent in the Regency Park CFD Escrow Fund are pledged solely to the payment of the Prior Regency Park CFD Bonds, and the funds deposited in the Regency Park CFD Escrow Fund will not be available for the payment of debt service on the Bonds.*

#### **Estimated Sources and Uses of Funds**

**The Bonds.** The proceeds from the sale of the Bonds will be deposited into the following funds established under the Trust Agreement.

##### SOURCES

Principal Amount of Bonds	\$23,525,000.00
Plus: Original Issue Premium	<u>2,226,769.25</u>
<i>Total Sources</i>	<u>\$25,751,769.25</u>

##### USES

Purchase Fund (1)	\$25,474,528.05
Underwriter's Discount	<u>277,241.20</u>
<i>Total Uses</i>	<u>\$25,751,769.25</u>

(1) Represents funds that will be used to acquire the Special Tax Bonds.

**The Westlake CFD.** The proceeds received by the City from the Authority from the sale of the Westlake CFD Bonds, together with certain funds on hand related to the Prior Westlake CFD Bonds, will be deposited into the following funds established under the Westlake CFD Indenture.

<u>SOURCES</u>	
Principal Amount of the Westlake CFD Bonds	\$8,455,000.00
<i>Plus:</i> Share of Original Issue Premium	846,053.10
<i>Plus:</i> Other Sources of Funds	
Revenue Fund	218,090.05
Reserve Fund	1,230,387.67
<i>Total Sources</i>	<u>\$10,749,530.82</u>
<u>USES</u>	
Transfer to Prior Westlake CFD Bonds Escrow Fund	\$9,701,638.75
Deposit to Reserve Fund (1)	845,500.00
Deposit to Costs of Issuance Fund (2)	105,512.51
Share of Underwriter's Discount	96,879.56
<i>Total Uses</i>	<u>\$10,749,530.82</u>

- (1) Funds that will be used to fund the Westlake CFD Bond Reserve Fund. See "THE SPECIAL TAX BONDS - Deposit and Allocation of Special Taxes, Allocations, Bond Reserve Funds."
- (2) Costs of issuance include costs of bond insurance premium, 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, and initial delivery of the Bonds.

**Regency Park CFD.** The proceeds received by the City from the Authority from the sale of the Regency Park CFD Bonds, together with certain funds on hand related to the Prior Regency Park CFD Bonds, will be deposited into the following funds established under the Regency Park CFD Indenture.

SOURCES

Principal Amount of the Regency Park CFD Bonds	\$15,070,000.00
<i>Plus:</i> Share of Original Issue Premium	1,380,716.15
<i>Plus:</i> Other Sources of Funds	
Construction Fund	10,677.80
Revenue Fund	598,261.28
Reserve Fund	1,945,636.11
<i>Total Sources</i>	\$19,005,291.34

USES

Transfer to Prior Regency Park CFD Bonds Escrow Fund	\$17,147,605.00
Deposit to Reserve Fund (1)	1,507,000.00
Deposit to Costs of Issuance Fund (2)	170,324.70
Share of Underwriter's Discount	180,361.64
<i>Total Uses</i>	\$19,005,291.34

- (1) Funds that will be used to fund the Regency Park CFD Bond Reserve Fund. See "THE SPECIAL TAX BONDS - Deposit and Allocation of Special Taxes, Allocations, Bond Reserve Funds."
- (2) Costs of issuance include costs of bond insurance premium, 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, and initial delivery of the Bonds.



## THE BONDS

*This section generally describes the terms of the Bonds contained in the Trust Agreement, which is summarized in more detail in APPENDIX C. Capitalized terms used but not defined in this section are defined in APPENDIX C.*

### Authority for Issuance

The Bonds are being issued under the Bond Law; the Trust Agreement; and the Resolution, which was adopted by the Authority Board on December 11, 2012, authorizing the issuance of bonds in a maximum principal amount of \$29,000,000.

The Authority may issue additional bonds for refunding purposes under this authorization. See “THE BONDS – No Issuance of Parity Bonds.”

### General Bond Terms

***Dated Date, Maturity, and Authorized Denominations.*** The Bonds will be dated their date of delivery (the “**Dated Date**”) and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in integral multiples of \$5,000.

***Interest.*** The Bonds will bear interest at the annual rates set forth on the inside cover page of this Official Statement, payable semiannually on each March 1 and September 1, commencing September 1, 2013 (each, an “**Interest Payment Date**”), until the principal sum of the Bonds has been paid. Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless —

- it is authenticated during the period from the 16th day of the month preceding an Interest Payment Date to and including that Interest Payment Date, in which event it will bear interest from and including that Interest Payment Date; or
- it is authenticated on or before the Dated Date, in which event it will bear interest from the Dated Date;

*provided*, that if, at the time of authentication of any Bond, interest is then in default or overdue on the Bonds, then that Bond will bear interest from the Interest Payment Date to which interest has previously been paid in full or made available for payment in full on all outstanding Bonds.

***Record Date.*** With respect to any Interest Payment Date, the Trust Agreement defines the record date for the Bonds as the 15th calendar day of the month preceding such Interest Payment Date, whether or not that day is a Business Day (the “**Record Date**”).

***DTC and Book-Entry Only System.*** DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered initially in the name of Cede & Co. (DTC’s partnership nominee). See “APPENDIX E – DTC and the Book-Entry Only System.”

**Payments of Interest and Principal.** For so long as DTC is used as depository for the Bonds, principal of, premium, if any, and interest payments on the Bonds will be made solely to DTC or its nominee, Cede & Co., as registered owner of the Bonds, for distribution to the beneficial owners of the Bonds in accordance with the procedures adopted by DTC.

Payment of the interest on any Bond will be made to the Person whose name appears on the Bond Register as the Owner of the Bond as of the close of business on the Record Date, with the interest to be paid by check mailed by first-class mail on the Interest Payment Date to the Owner at the address that appears on the Bond Register as of the Record Date for that purpose, except as follows: in the case of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon written request of the Owner to the Trustee (in form satisfactory to the Trustee) received not later than the Record Date, the interest will be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and is located in the United States of America.

The principal of, and redemption premiums (if any) on, the Bonds will be payable by the Trustee at its Corporate Trust Office upon presentation and surrender of such Bonds.

The principal of, and interest and premium (if any) on, the Bonds will be payable in lawful money of the United States of America.

## **Redemption**

**Optional Redemption.** The Bonds maturing on or after September 1, 2023, are subject to optional redemption by the Authority before their stated maturity dates, as a whole or in part, on any date on or after March 1, 2023, from any source of available funds, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

**Extraordinary Redemption From Prepaid Special Taxes.** The Bonds are subject to extraordinary redemption by the Authority before their stated maturity dates, as a whole or in part, on any Interest Payment Date, from the proceeds of a redemption of any Special Tax Bonds as a result of prepayment of Special Taxes, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date of redemption, together with a redemption premium equal to the following percentages of the principal amount to be redeemed:

<u>Redemption Date</u>	<u>Redemption Premium</u>
Any Interest Payment Date from March 1, 2013 through September 1, 2020	3%
March 1, 2021 and September 1, 2021	2
March 1, 2022 and September 1, 2022	1
March 1, 2023 and any Interest Payment Date thereafter	0

**Notice of Redemption.** The Trustee will mail notice of redemption by first-class mail, in a sealed envelope, postage prepaid, at least 20 but not more than 60 days before the date fixed for redemption, to the Owners of Bonds (or portions of Bonds) called for redemption, at their addresses as they appear on the Bond Register.

However, neither the failure of an Owner to receive notice of redemption of Bonds nor any error in such a notice will affect the validity of the proceedings for the redemption of Bonds; and no notice of redemption need be given to the Owner of a Bond to be called for redemption who waives notice in writing if the waiver is filed with the Trustee before the redemption date.

*However, while the Bonds are subject to DTC's book-entry system, the Trustee will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the Authority and received and accepted by DTC. DTC and its Participants (as defined in Appendix E) will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Trust Agreement.*

**Conditional Redemption Notice and Rescission of Redemption.** With respect to any notice of optional or extraordinary redemption, unless, upon the giving of the notice, the Bonds to be redeemed are deemed to have been paid within the meaning of the Trust Agreement, the notice will state (i) that redemption will be conditional upon the receipt by the Trustee, on or before the date fixed for redemption, of amounts sufficient to pay the principal of, and premium (if any) and interest on, the Bonds to be redeemed; and (ii) that if such amounts are not so received the redemption notice will be of no force and effect and the Authority will not be required to redeem the Bonds.

If any notice of redemption contains such a condition and the amounts are not so received, then the redemption will not be made and, within a reasonable time thereafter, the Trustee will give notice to the Holders to the effect that the amounts were not so received and redemption was not made, the notice to be given by the Trustee in the manner in which the notice of redemption was given. Such a failure to redeem the Bonds will not constitute an Event of Default under the Trust Agreement.

Any redemption notice given under the Trust Agreement may be rescinded by written notice given to the Trustee by the Authority no later than five Business Days before the date specified for redemption. The Trustee will give notice of rescission as soon thereafter as practicable in the same manner, and to the same Persons, as notice of redemption was given under the Trust Agreement.

**Selection of Bonds for Redemption.** Whenever less than all the Outstanding Bonds of any one maturity are to be redeemed on any one date, the Trustee will select by lot the particular Bonds to be redeemed, and in selecting the Bonds for redemption the Trustee will treat each Bond of a denomination of more than \$5,000 as representing that number of Bonds of \$5,000 denomination that is obtained by dividing the principal amount of the Bond by \$5,000, and the portion of any Bond of a denomination of more than \$5,000 to be redeemed will be redeemed in an Authorized Denomination. If a portion, but not all, of the Outstanding Bonds is to be redeemed at any one time, such Bonds will be redeemed pro rata (as nearly as possible given minimum authorized denominations) in proportion to the total principal amount of Bonds Outstanding at the time of such redemption,

**Effect of Redemption.** If notice of redemption has been given or waived as provided in the Trust Agreement, and moneys for the payment of the principal of, and premium (if any) and the interest accrued to the redemption date on, the Bonds (or portions of the Bonds) so called for redemption are held by the Trustee, then the Bonds (or portions of the Bonds) called for

redemption will be due and payable on the date fixed for redemption at the redemption price of those Bonds, together with accrued interest to the date fixed for redemption, upon presentation and surrender of the Bonds to be redeemed at the Corporate Trust Office of the Trustee specified in the notice of redemption.

If less than the full principal amount of a Bond is called for redemption, then the Authority will execute and deliver and the Trustee will authenticate, upon surrender of the Bond, and without charge to the Owner, one or more Bonds of like interest rate and maturity in an aggregate principal amount equal to the unredeemed portion of the principal amount of the Bond so surrendered in the Authorized Denominations specified by the Owner of the Bond.

***Purchase in Lieu of Redemption.*** Instead of the optional redemption or extraordinary redemption of the Bonds as described above, all amounts on deposit in the Redemption Fund may also be used and withdrawn by the Trustee, upon receipt of a Written Order of the Authority at any time before selection of Bonds for redemption, for the purchase of Bonds, at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as the Authority may in its discretion determine, but not in excess of the then current redemption price of the Bonds plus accrued interest to the purchase date. All Bonds so purchased must be delivered to the Trustee for cancellation.

### **No Issuance of Parity Bonds**

Under the Trust Agreement, the Authority will covenant that it will not issue any bonds, notes, or other evidences of indebtedness or incur any obligations payable or secured by the Revenues and other assets pledged under the Trust Agreement (other than the Bonds and any refunding bonds described in the following paragraph) and that it will not create, or permit the creation of, any pledge, lien, charge, or other encumbrance upon the Revenues and other assets pledged or assigned under the Trust Agreement while any of the Bonds are outstanding, except the pledge and assignment created by the Trust Agreement.

However, the Authority may issue bonds under the Trust Agreement secured by the Revenues and other assets pledged under the Trust Agreement, equally and ratably with any other outstanding Bonds, solely for the purpose of refunding all or part of any other series of Bonds then outstanding.

### **Registration, Transfer, and Exchange**

The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds. The Bonds are subject to transfer and exchange under the conditions set forth in the Trust Agreement.

*While the Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules, and requirements established by DTC. See "APPENDIX E – DTC and the Book-Entry Only System."*

## DEBT SERVICE SCHEDULE

The following table presents the annual debt service on the Bonds, assuming there are no optional redemptions or extraordinary redemptions.

Year Ending	Principal	Interest	Debt Service	Total Debt Service
9/1/13	\$1,785,000	\$579,348.89	\$2,364,348.89	\$2,364,348.89
3/1/14	--	474,050.00	474,050.00	--
9/1/14	940,000	474,050.00	1,414,050.00	1,888,100.00
3/1/15	--	459,950.00	459,950.00	--
9/1/15	1,005,000	459,950.00	1,464,950.00	1,924,900.00
3/1/16	--	444,875.00	444,875.00	--
9/1/16	1,065,000	444,875.00	1,509,875.00	1,954,750.00
3/1/17	--	428,900.00	428,900.00	--
9/1/17	1,140,000	428,900.00	1,568,900.00	1,997,800.00
3/1/18	--	411,800.00	411,800.00	--
9/1/18	1,210,000	411,800.00	1,621,800.00	2,033,600.00
3/1/19	--	387,600.00	387,600.00	--
9/1/19	1,300,000	387,600.00	1,687,600.00	2,075,200.00
3/1/20	--	361,600.00	361,600.00	--
9/1/20	1,400,000	361,600.00	1,761,600.00	2,123,200.00
3/1/21	--	326,600.00	326,600.00	--
9/1/21	1,505,000	326,600.00	1,831,600.00	2,158,200.00
3/1/22	--	288,975.00	288,975.00	--
9/1/22	1,615,000	288,975.00	1,903,975.00	2,192,950.00
3/1/23	--	256,675.00	256,675.00	--
9/1/23	1,730,000	256,675.00	1,986,675.00	2,243,350.00
3/1/24	--	213,425.00	213,425.00	--
9/1/24	1,855,000	213,425.00	2,068,425.00	2,281,850.00
3/1/25	--	167,050.00	167,050.00	--
9/1/25	1,995,000	167,050.00	2,162,050.00	2,329,100.00
3/1/26	--	117,175.00	117,175.00	--
9/1/26	2,145,000	117,175.00	2,262,175.00	2,379,350.00
3/1/27	--	63,550.00	63,550.00	--
9/1/27	1,370,000	63,550.00	1,433,550.00	1,497,100.00
3/1/28	--	29,300.00	29,300.00	--
9/1/28	1,465,000	29,300.00	1,494,300.00	1,523,600.00
	<b>\$23,525,000</b>	<b>\$9,442,398.89</b>	<b>\$32,967,398.89</b>	<b>\$32,967,398.89</b>

## SECURITY FOR THE BONDS

*This section generally describes the security for the Bonds set forth in the Trust Agreement, which is summarized in more detail in APPENDIX C. Capitalized terms used but not defined in the section are defined in APPENDIX C.*

### General

***Pledge of Revenues and Other Assets.*** All money required to be deposited with, or paid to, the Trustee in any of the Funds (other than the Rebate Fund) referred to in the Trust Agreement will be held by the Trustee in trust, and, except for money held for the payment or redemption of Bonds or the payment of interest on Bonds under the provisions of the Trust Agreement regarding defeasance, will, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien and pledge created by the Trust Agreement. The Trust Agreement defines the “**Trust Estate**” as all of the following:

- the proceeds of sale of the Bonds;
- the Revenues;
- the money in the Funds established under the Trust Agreement, except the money in the Rebate Fund; and
- the Special Tax Bonds.

***Definition of Revenues.*** The Trust Agreement defines “Revenues” as (a) all amounts received by the Trustee as the payment of interest or redemption premium on the Special Tax Bonds (or the equivalent thereof); (b) the payment or return of principal of the Special Tax Bonds (or the equivalent thereof), whether as a result of scheduled payments or prepayments of the Special Tax Bonds or remedial proceedings taken in the event of a default on the Special Tax Bonds; and (c) all investment earnings on any money held in the Funds established under the Trust Agreement, except the Rebate Fund.

***Transfer and Assignment to Trustee.*** Under the Trust Agreement, the Authority will assign, bargain, convey, grant, mortgage, and pledge a security interest to the Trustee and the Trustee’s successors and assigns forever in all right, title, and interest of the Authority in, to, and under the Trust Estate, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

### Limited Obligation

**The Bonds, the interest on the Bonds, and any premiums payable on the redemption of any of the Bonds are special, limited obligations of the Authority secured solely by, and payable solely from, Revenues and other assets pledged under the Trust Agreement. They are not an indebtedness of the City, the CFDs, the State, or any of the State’s political subdivisions; and the City, the CFDs, the State, the State’s political subdivisions, and the members of the Authority are not liable on the Bonds. Neither the faith and credit nor the taxing power of the City, the CFDs, the State, any political division of the State, the Authority, or the members of the Authority is pledged to the payment of the Bonds. The Authority has no taxing power.**



## **Allocation of Revenues**

**Revenue Fund.** First, all Revenues received by the Trustee (other than Revenues derived from prepayments of the Special Tax Bonds, which will be deposited in the Redemption Fund) will be deposited by the Trustee in the Revenue Fund. Not later than each Interest Payment Date and Principal Payment Date, the Trustee will transfer the Revenues from the Revenue Fund, in the amounts described below, for deposit into the Funds specified below in the order of priority set forth below, the requirements of each Fund to be fully satisfied, leaving no deficiencies in the Fund, before any deposit into any Fund later in priority.

**Interest Fund.** Second, not later than each Interest Payment Date, the Trustee will deposit in the Interest Fund an amount of Revenues that, together with any amounts then on deposit in the Interest Fund, is equal to the interest on the Bonds due on such date. On each Interest Payment Date, the Trustee will pay from the Interest Fund the interest then due and payable on the Bonds. All money in the Interest Fund will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable.

**Principal Fund.** Third, not later than each Principal Payment Date, after satisfying the requirements to make deposits to the Interest Fund as described above, the Trustee will deposit in the Principal Fund an amount of Revenues that is sufficient to pay the Principal Installments on the Bonds when due on the Principal Payment Date.

**Redemption Fund.** To maintain a proper matching between debt service payments on the Special Tax Bonds and debt service payments on the Bonds, all Revenues received by the Trustee that constitute prepayments of Special Tax Bonds will be deposited in the Redemption Fund and be utilized by the Trustee to redeem Bonds through optional redemption or extraordinary redemption. See “THE BONDS – Redemption,” above.

**Rebate Fund.** The Trustee will establish and maintain a separate Rebate Fund. The Trustee will deposit in the Rebate Fund, from funds made available by the Authority, the Rebate Requirement. The Trustee will apply money held in the Rebate Fund as provided in the Trust Agreement and according to instructions provided by the Authority. Subject to the provisions of the Trust Agreement, all money held in the Rebate Fund is pledged to secure payments to the United States of America, and the Authority and the City and the Bond Owners will have no rights in or claim to such money.

## **No Reserve Account**

Neither the City nor the Authority will create or maintain a debt service reserve account with respect to the Bonds. The City will create and maintain two separate debt service reserve funds, one for each series of Special Tax Bonds. See “THE SPECIAL TAX BONDS – Deposit and Allocation of Special Taxes, Allocations, Bond Reserve Funds.”

## **Investment of Moneys in Funds**

All moneys in any of the funds or accounts established with the Trustee under the Trust Agreement will be invested by the Trustee solely in Legal Investments. See APPENDIX C for a definition of “Legal Investments” and other restrictions on the investment of moneys in the funds and accounts held under the Trust Agreement.



## THE SPECIAL TAX BONDS

*The provisions of the Indentures with respect to security and sources of payment for each series of Special Tax Bonds are substantially identical, and will be described together in this section except as otherwise set forth. This section contains only a brief description of those provisions of the Indentures, which are further described in APPENDIX D. Capitalized terms used but not defined in this section have the meanings given in APPENDIX D.*

### General

The two series of Special Tax Bonds will be issued by the City for each CFD under a separate Indenture and under the Mello-Roos Community Facilities Act of 1982 set out in the California Government Code beginning with Section 53311 (the “**Mello-Roos Act**”). Each series of Special Tax Bonds will be purchased by the Authority with the proceeds of the Bonds.

Each series of Special Tax Bonds is secured by and payable from the levy of Special Taxes made by the City in the related CFD.

### Security for the Special Tax Bonds

**Pledge of Special Taxes.** Under each Indenture, the principal of, and interest on, and redemption premiums on (if any) the Special Tax Bonds are payable solely from the “**Special Tax Revenues**,” which is defined in each Indenture as the proceeds the City receives from the Westlake CFD Special Tax or the Regency Park CFD Special Tax (excluding any prepayments), as applicable, plus the proceeds of the redemption or sale of property sold because of the foreclosure of the related special tax lien (excluding any interest or penalties collected because of delinquencies). Certain other funds as provided in each Indenture may also be used to pay principal of, and interest on, and redemptions premiums on (if any) the related Special Tax Bonds.

“**Taxable Property**” or “**Taxable Land**” means all land within a CFD that is classified as taxable under the CFD’s Rate and Method of Apportionment.

**Limited Obligation.** All obligations of the City under each Indenture and each series of Special Tax Bonds are special obligations of the City, payable solely from the related Special Taxes and the funds pledged therefor under the related Indenture. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in each Indenture) or the State or any political subdivision of the State is pledged to the payment of the Special Tax Bonds.

**Redemption.** Each issue of Special Tax Bonds is subject to optional redemption, extraordinary redemption from prepayments of the Special Tax.

### Levy and Collection of Special Taxes

**General.** Under each Indenture the City will covenant to levy the Special Tax annually against all Taxable Land in each CFD and to make provision for the collection of the Special Tax in amounts (i) that 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 in the Indenture; and (ii) that in any event will be sufficient to pay the interest on, principal of and redemption premiums (if any) on, each

series of Special Tax Bonds as they become due and payable and to replenish the Bond Reserve Fund and pay all Expenses as they become due and payable.

***Manner of Collection.*** The Special Taxes will be payable and be collected in the same manner and at the same time and in the same installments as ordinary ad valorem property taxes for the County are collected and are payable, and will have the same priority, become delinquent at the same time and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

*Because the Special Tax levy is limited to the maximum Special Tax rates set forth in each Rate and Method of Apportionment, no assurance can be given that, in the event of Special Tax delinquencies, the receipts of Special Taxes will in fact be collected in sufficient amounts in any given year to pay debt service on the Special Tax Bonds.*

***Risks Related to Special Taxes.*** Although the Special Taxes will constitute liens on the taxed parcels within the related CFDs, they do not constitute a personal indebtedness of the owners of property within the CFDs and they cannot be accelerated in the event of a delinquency in payment of the Special Taxes in any given year. There is no assurance that the property owners will be financially able to pay the annual Special Taxes or that they will timely pay the taxes even if they are financially able to do so. See "BOND OWNERS' RISKS."

#### **Deposit and Allocation of Special Taxes**

***Deposits.*** Under each Indenture, the City agrees and covenants that all Special Tax Revenues, 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 separate Special Tax Funds for each CFD established in the treasury of the City. All money in each separate Special Tax Fund will be accounted for separately and apart from all other accounts, funds, money, or other resources of the City, and will be disbursed, allocated, and applied solely to the uses and purposes set forth in each Indenture and described below.

***Allocations.*** All money in each Special Tax Fund will be set aside in the following funds for each CFD in the following order of priority, and all money in each of such funds will be applied, used, and withdrawn only for the purposes authorized in each Indenture: ***first***, in a separate Bond Redemption Fund for each CFD, to be held by the Trustee; ***second***, in a separate Bond Reserve Fund for each CFD, to be held by the Trustee; and ***third***, in a separate Expense Fund for each CFD, to be held by the City Treasurer.

**Bond Redemption Funds.** On or before the first day in March and September in each year, beginning in September 2013, the City Treasurer will, from the money in each Special Tax Fund, transfer to the Trustee for deposit in each Bond Redemption Fund an amount of money equal to the aggregate amount of interest becoming due and payable on all outstanding Special Tax Bonds on that March 1 or September 1, as the case may be; and on or before the first day in September in each year, beginning in September, 2013, the City Treasurer will, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in each Special Tax Redemption Fund, an aggregate amount of money equal to the aggregate amount of principal becoming due and payable on all outstanding Special Tax Bonds on that September 1.

All of these payments will be made without priority of any payment over any other payment.

If the money in a Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all related Special Tax Bonds on that date, or if 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 that date, then the money will be applied pro rata in the proportion that the interest and principal bear to each other.

No deposit need be made into a Bond Redemption Fund if the amount of money it contains is at least equal to the amount required to be deposited in it at the times and in the amounts provided in each Indenture.

All money in a Bond Redemption Fund will be used and withdrawn by the Trustee solely to pay the interest on the related Special Tax Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed before maturity) plus the principal of, and redemption premiums (if any) on, the related Special Tax Bonds as they mature or upon their prior redemption.

Bond Reserve Funds. On or before the first day in September in each year, beginning in September 2013, the City Treasurer will, from the then remaining money in each Special Tax Fund, transfer to the Trustee for deposit in each Bond Reserve Fund the amount of money that is required to restore each Bond Reserve Fund to an amount equal to each Required Bond Reserve. All investments in each Bond Reserve Fund will be valued in accordance with each Indenture.

No deposit need be made into a Bond Reserve Fund if the amount it contains is at least equal to the Required Bond Reserve.

**“Required Bond Reserve”** means, for each series of Special Tax Bonds, as of any date of calculation, the least of —

- 10% of the initial principal amount of the Special Tax Bonds (or 10% of the issue price of the Special Tax Bonds if the issue price of the Special Tax Bonds includes more than a de minimis amount (more than 2%) of original issue discount); or
- the maximum Debt Service payable under the related Indenture in the current or any future Bond Year; or
- 125% of the average Debt Service payable under the related Indenture in the current and in all future Bond Years.

Except as further described in each Indenture, all money in a Bond Reserve Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest on, or principal of, the related series of Special Tax Bonds if there is insufficient money in the related Bond Redemption Fund available for this purpose.

See APPENDIX D for a complete description of the timing, purpose, and manner of disbursements from the Bond Reserve Funds.

Expense Funds. On September 1 in each year, beginning in September 2013, the City Treasurer will, from the then remaining money in the Special Tax Fund, transfer to, and deposit in, each Expense Fund sums equal to the costs associated with the determination of the amount

of the Special Taxes, the collection of the Special Taxes, and the payment of the Special Taxes, together with all other costs incurred to carry out the authorized purposes of each CFD during the 12-month period beginning on that date (or for the reimbursement to the City for the payment of any such unbudgeted expenses made during any prior 12-month period).

All money in each Expense Fund will be used and withdrawn by the City Treasurer only for transfer to, or for the account of, the City to pay budgeted Expenses or to reimburse the City for the payment of unbudgeted Expenses, or to pay the principal of, interest on, or redemption premiums on (if any) the related series of Special Tax Bonds if no other money is available for that purpose.

**Remaining Funds.** Beginning in September 2013, all money remaining in the Special Tax Funds on September 1 of each year, after transferring all of the sums as described above, will be withdrawn from the Special Tax Fund by the City Treasurer and deposited in the Community Facilities Funds to be established for each CFD. The City will maintain these funds so long as any Special Tax Bonds are outstanding, and all money in each of the Community Facilities Funds will be used and withdrawn by the City solely for the benefit of the related CFD in accordance with the Mello-Roos Act and the related Indenture.

### **Covenant to Foreclose**

**Sale of Property for Nonpayment of Taxes.** Each Indenture provides that the Special Taxes are 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, are 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. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

**Foreclosure Under the Act.** Under Section 53356.1 of the Mello-Roos Act, if any delinquency occurs in the payment of the Special Taxes, the City may order the institution of an action in superior court to foreclose the lien of the Special Taxes within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale.

Although judicial foreclosure action is not mandatory, the City will agree in each Indenture that, on or before October 1 of each year, the City will review the public records of the County relating to the collection of the related Special Tax to determine the amount of the Special Tax collected in the prior Fiscal Year and, if needed, to proceed as set forth below:

**Individual Delinquencies.** On the basis of its review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Mello-Roos Act against all parcels of Taxable Land that are delinquent in the payment of the Special Tax in the Fiscal Year by \$1,000 or more in order to enforce the lien of all such delinquent installments of such Special Tax and will diligently prosecute and pursue the foreclosure proceedings to judgment and sale.

**Aggregate Delinquencies.** On the further basis of its review, if the City determines that the total amount so collected is less than 95% of the total amount of the Special Tax levied in such Fiscal Year in a particular CFD, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Mello-

Roos Act against all parcels of Taxable Land in the CFD that are delinquent in the payment of the Special Tax in the Fiscal Year to enforce the lien of all the delinquent installments of the Special Tax and will diligently prosecute and pursue the foreclosure proceedings to judgment and sale.

*However*, the City will not be obligated to enforce the lien against any parcel of Taxable Land of any delinquent installment of the Special Tax in any Fiscal Year in which the City has received 100% of the amount of the delinquent installment from the County under the so-called "Teeter Plan" (as described below).

***Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays.***

No assurances 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 suffice to pay any delinquent Special Tax installments. The Mello-Roos Act does not require the City to purchase or otherwise acquire any lot or parcel foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Mello-Roos Act requires that property sold through foreclosure under the Mello-Roos Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Special Tax Bonds (which will at all times be the Authority) is obtained. However, under Section 53356.5 of the Mello-Roos Act, the City, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the City could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Taxes. If the City becomes the purchaser under a credit bid, the City must pay the amount of its credit bid into the redemption fund established for the related Special Tax Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent on (i) the nature of the defense, if any, put forth by the debtor and (ii) the superior court's calendar. In addition, the City's ability 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 "RISK FACTORS RELATED TO SPECIAL TAX BONDS."

***Teeter Plan.*** The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in the California Revenue and Taxation Code beginning at Section 4701. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The County currently includes each CFD in the Teeter Plan, and thus the City currently receives 100% of Special Taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

So long as the Teeter Plan remains in effect and the County continues to include each CFD in the Teeter Plan, the City's receipt of revenues with respect to the levy of Special Taxes will not be dependent upon actual collections of Special Taxes by the County.

However, under the statute creating the Teeter Plan, the Board of Supervisors of the County could, under certain circumstances, terminate the Teeter Plan in its entirety. In addition, the Board of Supervisors of the County could terminate the Teeter Plan with respect to a CFD if



the delinquency rate for all ad valorem property taxes levied within the CFD in any year exceeds 3%. If the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of ad valorem property taxes in the affected CFD would depend upon the collections of the ad valorem property taxes and delinquency rates experienced with respect to the parcels within the CFD.

## **Rates and Methods of Apportionment**

*This section briefly describes the Rate and Method of Apportionment for each CFD and is qualified by the complete terms of each Rate and Method of Apportionment, each of which is attached in APPENDIX B to this Official Statement. Capitalized terms used but not defined in this section have the meanings set forth in each respective Rate and Method of Apportionment.*

### **The Westlake CFD Rate and Method of Apportionment**

Classification of Property. For each Fiscal Year, each parcel within the Westlake CFD has been and will be classified as a Tax-Exempt Parcel or Taxable Parcel. Each parcel of Taxable property will further be classified as a Low Density Residential Parcel, Medium Density Residential Parcel, Other Residential Parcel, or Non-Residential Parcel, and each Low Density Residential Parcel will be identified according to a “Residential Village.” Each Residential Village was originally demarcated according to the developer of the land within the Westlake CFD. No Special Taxes will be levied on a Public Parcel in the Westlake CFD except as otherwise provided in the Mello-Roos Act.

A “**Low Density Residential Parcel**” is defined as a Taxable Parcel with an approved land use for single family detached residential dwelling units, lying within a Residential Village as shown in the map attached to the Westlake CFD Rate and Method of Apportionment. A “**Medium Density Residential Parcel**” is defined as a single family residential parcel as shown in the map attached to the Westlake CFD Rate and Method of Apportionment and as designated for medium density uses. An “**Other Residential Parcel**” is defined as a Taxable Parcel with an approved land use for other than low density or medium density single family residential uses, such as three or more attached residential units in common. A “**Non-Residential Parcel**” is defined as a Taxable Parcel designated for retail, commercial, office, industrial, institutional, or similar use.

Maximum Special Tax. The Special Tax Formula for the Westlake CFD Bonds identifies a “**Maximum Special Tax**” for four classes of Taxable Parcels, as set forth in the Westlake CFD Rate and Method of Apportionment.

The Maximum Special Tax for Low Density Residential Parcel in the Westlake CFD is determined by the Residential Village in which the parcel is located. Medium Density Residential Parcels, Other Residential Parcels, and Non-Residential Parcels in the Westlake CFD are subject to a per-net-acre Maximum Special Tax. The Maximum Special Tax for all classes of property has escalated two percent a year since Fiscal Year 2000-01. The Maximum Tax Rate of any parcel within the Westlake CFD is subject to revision as set forth in the Westlake CFD Rate and Method of Apportionment.

Maximum Special Taxes will be levied and collected until principal and interest on the Westlake CFD Bonds has been repaid. However, in no event will Special Taxes be levied with respect to the Westlake CFD Bonds after Fiscal Year 2029-30.

## ***The Regency Park CFD Rate and Method of Apportionment***

Classification of Property. For each Fiscal Year, each parcel within the Regency Park CFD has been and will be classified as Developed Property, Undeveloped Property, or Public Property. No Special Taxes will be levied upon Public Property in the Regency Park CFD except as otherwise provided in the Mello-Roos Act.

**“Developed Property”** is defined as (i) all parcels of Single Family Residential Property for which a Final Map was recorded prior to January 1 of the prior Fiscal Year and (ii) all parcels of Medium Density Residential Property, High Density Residential Property, and Other Property for which a building permit was issued before January 1 of the prior Fiscal Year. **“Undeveloped Property”** means, in any Fiscal Year, all parcels of Taxable Property that are not Developed Property.

Maximum Special Tax. The Special Tax Formula for the Regency Park CFD Bonds identifies a **“Maximum Special Tax”** for four classes of Developed Property and one category of Undeveloped Property, as set forth in the Regency Park CFD Rate and Method of Apportionment.

The Maximum Special Tax for Single Family Residential Property in the Regency Park CFD is determined by Average Lot Size of all single family lots within a Final Map. Lots within a Final Map with an Average Lot Size that is greater than or equal to 4,500 square feet are subject to a Maximum Special Tax that is approximately one-third greater than the Maximum Special Tax that will apply to lots with Average Lot Size less than 4,500 square feet. Medium Density Residential Property, High Density Residential Property, Other Property, and Undeveloped Property in the Regency Park CFD are subject to a per-acre Maximum Special Tax. The Maximum Special Tax for all classes of property has escalated two percent a year since Fiscal Year 2004-05. The Maximum Tax Rate of any parcel within the Regency Park CFD is subject to revision as set forth in the Regency Park CFD Rate and Method of Apportionment.

Maximum Special Taxes will be levied and collected until principal and interest on the Regency Park CFD Bonds has been repaid. However, in no event will Special Taxes be levied with respect to the Regency Park CFD Bonds after Fiscal Year 2036-37.

***Full and Partial Prepayment of Annual Special Taxes.*** Each Rate and Method of Apportionment permits the property owners to prepay their Special Taxes in full or in part so long as the terms of the Rate and Method of Apportionment are satisfied.



### **No Issuance of Parity Special Tax Bonds**

Under each Indenture, the City will covenant that it will not issue any evidences of indebtedness payable from the Special Tax Revenues (other than each series of the Special Tax Bonds and any refunding bonds described in the following paragraph) and that it will not create, or permit the creation of, any pledge, lien, charge, or other encumbrance upon any money in the related Special Tax Fund other than as provided in the Indenture while any of the Special Tax Bonds are outstanding.

However, the City may at any time, or from time to time, issue evidences of indebtedness payable from the Special Tax Revenues so long as any payments due under that indebtedness is subordinate in all respects to the pledge of the Special Tax Revenues to secure each series of Special Tax Bonds.

In addition, the City may issue Special Tax Bonds secured by, and payable from, the Special Tax Revenues, equally and ratably with any other outstanding Special Tax Bonds, solely for the purpose of refunding all or part of any other series of Special Tax Bonds then outstanding.

### **No Direct Cross-Collateralization Among Special Tax Bonds**

Special Taxes levied by the City in one CFD may only be applied to pay debt service on the Special Tax Bonds issued by the City for that CFD and are not cross-pledged or available to pay debt service on the Special Tax Bonds issued by the City for the other CFD.

### **Scheduled Debt Service Coverage**

The combined, projected debt service on the Special Tax Bonds will be equal to the projected debt service on the Bonds.

The following table presents the scheduled annual debt service on each series of Special Tax Bonds and shows the coverage the debt service provides with respect to the scheduled debt service on the Bonds, assuming there are no prepayments of any Special Tax Bonds or Bonds.

**Table 1  
Special Tax Bonds Debt Service and  
Debt Service Coverage on the Bonds**

Payment Date	Westlake CFD Debt Service	Regency Park CFD Debt Service	Debt Service	Total Special Tax Bonds Debt Service	Authority Bonds Debt Service
9/1/2013	\$925,846.11	\$1,438,502.78	\$2,364,348.89	\$2,364,348.89	\$2,364,348.89
3/1/2014	167,575.00	306,475.00	474,050.00		
9/1/2014	562,575.00	851,475.00	1,414,050.00	1,888,100.00	1,888,100.00
3/1/2015	161,650.00	298,300.00	459,950.00		
9/1/2015	581,650.00	883,300.00	1,464,950.00	1,924,900.00	1,924,900.00
3/1/2016	155,350.00	289,525.00	444,875.00		
9/1/2016	600,350.00	909,525.00	1,509,875.00	1,954,750.00	1,954,750.00
3/1/2017	148,675.00	280,225.00	428,900.00		
9/1/2017	623,675.00	945,225.00	1,568,900.00	1,997,800.00	1,997,800.00
3/1/2018	141,550.00	270,250.00	411,800.00		
9/1/2018	641,550.00	980,250.00	1,621,800.00	2,033,600.00	2,033,600.00
3/1/2019	131,550.00	256,050.00	387,600.00		
9/1/2019	666,550.00	1,021,050.00	1,687,600.00	2,075,200.00	2,075,200.00
3/1/2020	120,850.00	240,750.00	361,600.00		
9/1/2020	695,850.00	1,065,750.00	1,761,600.00	2,123,200.00	2,123,200.00
3/1/2021	106,475.00	220,125.00	326,600.00		
9/1/2021	721,475.00	1,110,125.00	1,831,600.00	2,158,200.00	2,158,200.00
3/1/2022	91,100.00	197,875.00	288,975.00		
9/1/2022	746,100.00	1,157,875.00	1,903,975.00	2,192,950.00	2,192,950.00
3/1/2023	78,000.00	178,675.00	256,675.00		
9/1/2023	778,000.00	1,208,675.00	1,986,675.00	2,243,350.00	2,243,350.00
3/1/2024	60,500.00	152,925.00	213,425.00		
9/1/2024	810,500.00	1,257,925.00	2,068,425.00	2,281,850.00	2,281,850.00
3/1/2025	41,750.00	125,300.00	167,050.00		
9/1/2025	846,750.00	1,315,300.00	2,162,050.00	2,329,100.00	2,329,100.00
3/1/2026	21,625.00	95,550.00	117,175.00		
9/1/2026	886,625.00	1,375,550.00	2,262,175.00	2,379,350.00	2,379,350.00
3/1/2027	0.00	63,550.00	63,550.00		
9/1/2027	0.00	1,433,550.00	1,433,550.00	1,497,100.00	1,497,100.00
3/1/2028	0.00	29,300.00	29,300.00		
9/1/2028	0.00	1,494,300.00	1,494,300.00	1,523,600.00	1,523,600.00
<b>Total:</b>	<b>\$11,514,146.11</b>	<b>\$21,453,252.78</b>	<b>\$32,967,398.89</b>	<b>\$32,967,398.89</b>	<b>\$32,967,398.89</b>

## THE CFDS IN THE AGGREGATE

### Introduction

Set forth in the following sections is certain information describing the Westlake CFD and the Regency Park CFD in the aggregate, as well as separate sections on each CFD.

The Westlake CFD, and the Regency Park CFD are located entirely within the northern portion of the City of Sacramento.

The gross and net taxable acreage in each CFD is currently as follows:

	<u>Gross Acreage (1)</u>	<u>Net Acreage (1)</u>
The Westlake CFD	331 acres	202 acres
The Regency Park CFD	464 acres	284 acres

(1) Based on County of Sacramento GIS data analysis.  
Source: NBS Government Finance Group.

**Although the Authority believes that the aggregated information is relevant to an informed decision to purchase the Bonds, investors should be aware that the debt service on each series of Special Tax Bonds relating to one CFD may not be used to make up any shortfall in the debt service on the Special Tax Bonds of any other CFD. Moreover, the parcels in each CFD are taxed according to that CFD's Rate and Method of Apportionment.**

Special Taxes are levied against individual parcels within each CFD, and any parcel may have a value-to-debt burden less than the overall value-to-debt burden for all parcels within such CFD. In particular, an individual parcel upon which development has not taken place may have a value-to-debt burden of less than 1 to 1.

### Special Tax Revenues and Projected Debt Service Coverage

Each Rate and Method of Apportionment is structured to produce Special Tax Revenues from Maximum Special Taxes that, when applied to the projected debt service on the series of Special Tax Bonds, plus Administrative Expenses, is anticipated to result in a debt service coverage ratio of 100%.

*It should be noted* that neither the Westlake CFD nor the Regency Park CFD may in the future issue additional debt secured by the Special Tax Revenues on parity with the Westlake CFD Bonds or the Regency Park CFD Bonds (other than refunding bonds). See "THE SPECIAL TAX BONDS – No Issuance of Parity Special Tax Bonds."

### Varying Maturity Dates of the Special Tax Bonds

The Special Tax Bonds acquired with proceeds of the Bonds mature on different dates. Consequently, the source of security for debt service on the Bonds varies depending upon the characteristics of the underlying CFDs. The table below summarizes the maturity dates of the Special Tax Bonds, the principal amount of each Special Tax Bond, and the approximate annual debt service payment for each Special Tax Bond.

**Table 2**  
**CITY OF SACRAMENTO**  
**Westlake CFD and Regency Park CFD**  
**Summary of the Special Tax Bonds**

CFD	Maturity Date	Principal Amount	Average Annual Debt Service
Westlake CFD	9/1/2026	\$8,455,000	\$ 822,500
Regency Park CFD	9/1/2028	15,070,000	1,341,000

*Source: NBS Government Finance Group.*

**Land Use Summary and Development Status**

The table below summarizes land use and development status based on the compilation of Fiscal Year 2012-13 County Assessor’s valuation data and the burden of the Special Taxes only. Because the Special Tax Bonds are not cross-collateralized, investors should read the following table in conjunction with the tables contained in the sections of this Official Statement entitled “Westlake CFD” and “Regency Park CFD.” See also “SPECIAL TAX BONDS – No Direct Cross-Collateralization Among Special Tax Bonds” and “BOND OWNERS’ RISKS – No Cross Collateralization.”

“**Developed Property**” represents parcels with assessed valuations for both land and improvements. Parcels included in the “**Undeveloped Property**” category are parcels with an assessed valuation for land only.

In the following table, “Taxable Property” as defined in the Westlake CFD Rate and Method of Apportionment, is presented as “Developed Property,” and “Tax-Exempt Property” is presented as “Undeveloped Property” or excluded, as appropriate.

Additional information on property ownership, assessed values, and current land uses for each CFD follows in subsequent sections of this Official Statement.

**Table 3**  
**CITY OF SACRAMENTO**  
**Westlake CFD and Regency Park CFD**  
**Development Status and Land Use Summary**

Land Uses/Classification	Number of Parcels	% of Total (1) (2)	2012-13 Assessed Valuation (3)	% of Total	Share of Special Tax Bonds (4)	% of Total
<b>Westlake CFD</b>						
<i>Developed Property (6)</i>						
Residential	1,211	80.7%	\$308,654,636	86.2%	\$ 7,578,499	89.6%
Other	289	19.2	49,362,389	13.8	876,501	10.4
<i>Undeveloped Property</i>	0	0.0	0	0.0	0	0.0
Subtotal	1,500	100.0	358,017,025	100.0	8,455,000	100.0
<b>Regency Park CFD</b>						
<i>Developed Property (6)</i>						
Residential	2,277	99.8	421,761,536	95.1	14,124,446	93.7
Other	1	0.0	21,266,095	4.8	433,547	2.9
<i>Undeveloped Property</i>	4	0.2	639,649	0.1	512,007	3.4
Subtotal	2,282	100.0	443,667,280	100.0	15,070,000	100.0
<b>TOTAL:</b>	3,782		N/A		N/A	

(1) Based on development status reported for Fiscal Year 2012-13.

(2) Totals may not sum due to rounding.

(3) Based on Sacramento County Assessor Roll for Fiscal Year 2012-13.

(4) Based on principal amount of the Special Tax Bonds. Allocated based on proportionate share of applicable projected Fiscal Year 2012-13 Special Tax.

Source: NBS Government Finance Group, City of Sacramento.

## **Land Ownership in the CFDs on an Aggregate Basis**

The land ownership of the parcels in each CFD is set forth below. See “WESTLAKE CFD” and “REGENCY PARK CFD.” No owner of property in either CFD is responsible for more than 8% of the Fiscal Year 2012-13 Special Tax.

The Special Tax Bonds mature at different times, and, as a result, the aggregate significance of the concentration of the property owners in each CFD will change over time. See “BOND OWNERS’ RISKS – Varying Maturities of Special Tax Bonds.”

## **Property Values and Value-to-Burden Ratios on an Aggregate Basis**

**Assessed Value.** Article XIII A of the California Constitution (known as Proposition 13) defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under ‘full cash value’, or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction, or other factors.

Because of the general limitation to 2% per year in increases in full cash value of properties that remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values. Should a parcel with delinquent installments be foreclosed and sold for the amount of the delinquency, no assurance can be given that any bid will be received for such property or, if a bid is received, that the bid will be sufficient to pay the delinquent installments.

A number of properties within the City have been subject to foreclosure in recent years. The sale of foreclosed properties at prices much lower than their prior assessed values has generally reduced property valuations throughout the City and caused the City’s aggregate ad valorem property tax receipts to decline. Additionally, property owner appeals of assessed valuations have further led to lower aggregate property valuations throughout the City, including during Fiscal Year 2011-12. The County Assessor reduced the assessed valuations of approximately 39% of all parcels located within the City during Fiscal Year 2011-12. The total assessed valuation of property in the City declined 1.8% from Fiscal Year 2009-10 to Fiscal Year 2010-11, and declined further by 4.0% from Fiscal Year 2010-11 to Fiscal Year 2011-12.

The following table details historical assessed values in each CFD for Fiscal Year 2012-13 and the prior four Fiscal Years. More detail on the assessed value of taxable property in each CFD is set forth below in this Official Statement.

**Table 4**  
**CITY OF SACRAMENTO**  
**Westlake CFD and Regency Park CFD**  
**Summary of Assessed Values for Taxable Property**  
**Fiscal Years 2008-09 through 2012-13**

	2008-09	2009-10 <sup>(1)</sup>	2010-11	2011-12	2012-13
Westlake CFD	\$561,190,826	\$455,591,345	\$426,251,639	\$394,593,466	\$358,017,025
Regency Park CFD	705,646,863	525,010,832	494,508,091	476,389,361	443,667,280
Totals:	\$1,266,837,689	\$980,602,177	\$920,759,730	\$870,982,827	\$801,684,305

(1) For Fiscal Year 2009-10 assessed values were reduced significantly by the County Assessor to reflect the sharp decline in actual property values.

Source: NBS Government Finance Group, based on information provided by the County assessor as of January 1 preceding each Fiscal Year.

**Value-to-Burden Ratios.** The following table sets forth the current total value-to-burden ratios for CFD, based upon Fiscal Year 2012-13 assessed values and the burden of the Special Tax Bonds and overlapping special tax and assessment debt.

**Table 5**  
**CITY OF SACRAMENTO**  
**Westlake CFD and Regency Park CFD**  
**Value-to-Burden Ratios**

CFD	2012-13 Assessed Value (1)	Principal Amount of Special Tax Bonds	Overlapping Liens (2)	Total Lien	Value-to-Burden Ratio
Westlake CFD	\$ 358,017,025	\$8,455,000	\$ 2,748,254	\$11,203,254	32.0:1
Regency Park CFD	443,667,280	15,070,000	5,787,830	20,857,830	21.3:1

(1) Based on Sacramento County Assessor Roll for Fiscal Year 2012-13.

(2) Represents overlapping assessment district and other CFD debt outstanding as of October 1, 2012.

Source: NBS Government Finance Group, based on information provided by the County assessor. Overlapping debt data provided by California Municipal Statistics.

## Overlapping Liens

Numerous agencies providing public services overlap the boundaries of each CFD. Many of these agencies may have outstanding certificates of participation and bonds in the form of general obligation, special assessment, special tax, redevelopment, or lease revenue bonds. In general, certificates of participation and redevelopment and lease revenue bonds do not represent obligations for which a property owner is obligated to make a direct payment. However, special tax, assessment, and general obligation bonds represent a direct obligation of the subject property.

For a summary of the liens represented by overlapping indebtedness of assessment districts and CFDs that is secured by land in each CFD, see “WESTLAKE CFD – Direct and Overlapping Governmental Obligations” and “REGENCY PARK CFD – Direct and Overlapping Governmental Obligations.”



## Potential Consequences of Special Tax Delinquencies

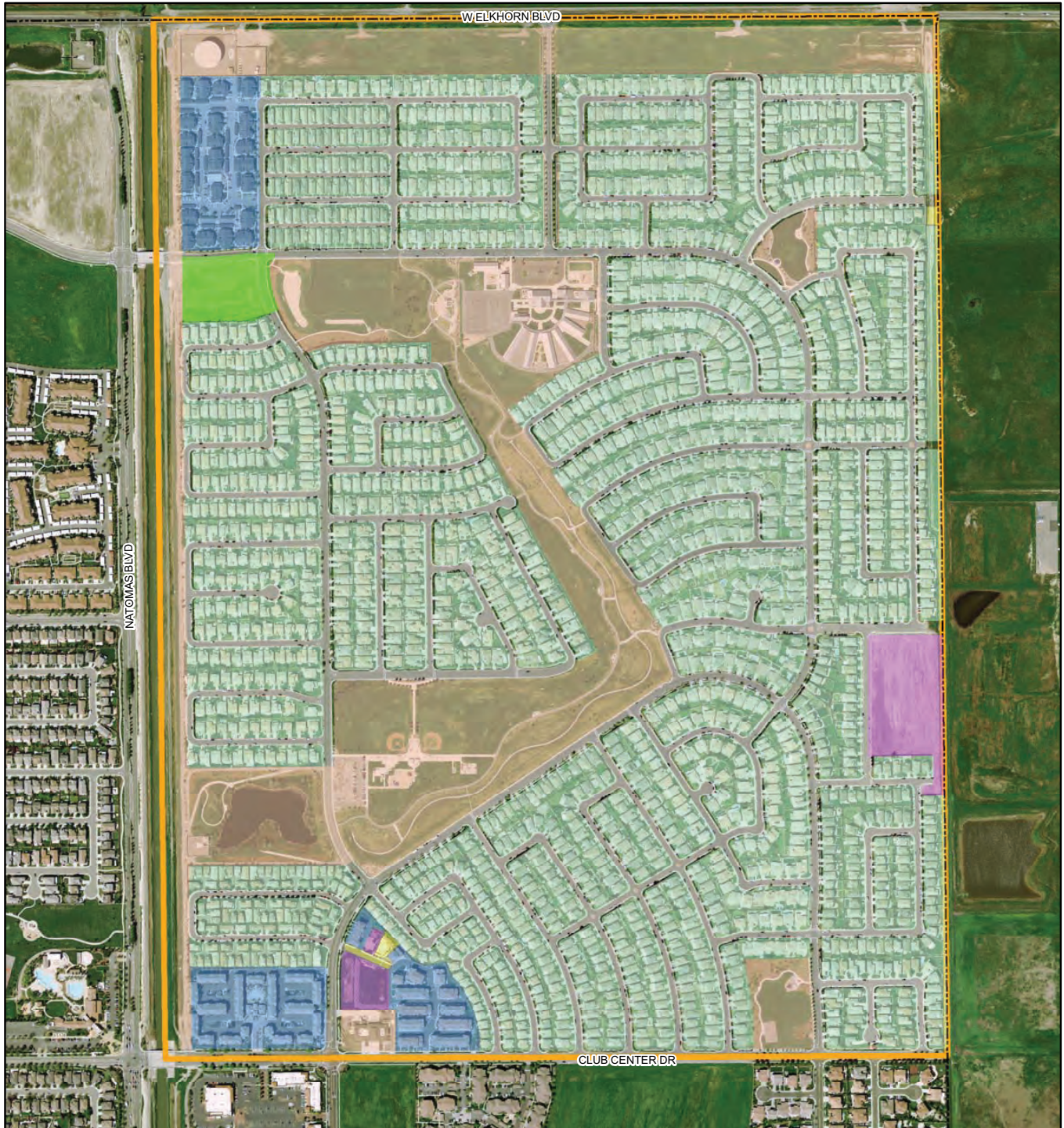
**General.** Future delinquencies in the payment of property taxes (including the Special Taxes) on property in the CFDs could result in shortfalls in Revenues available to pay debt service on the Bonds, draws on the Reserve Fund established for the Bonds, and perhaps, ultimately, a default in the payment on the Bonds. See “BOND OWNERS’ RISKS.”

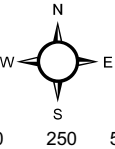

**Special Tax Enforcement and Collection Procedures.** The CFDs could receive additional funds for the payment of debt service through foreclosure sales of delinquent property, but no assurance can be given as to the amount of foreclosure sale proceeds or when foreclosure sale proceeds would be received. The City has covenanted in each of the Indentures to take certain enforcement actions and to commence and pursue foreclosure proceedings against delinquent parcels under the terms and conditions described in this Official Statement. See “THE SPECIAL TAX BONDS — Covenant to Foreclose.”


Foreclosure actions would include, among other steps, formal City Council action to authorize commencement of foreclosure proceedings, mailing multiple demand letters to the record owners of the delinquent parcels advising them of the consequences of failing to pay the applicable special taxes, and contacting secured lenders to obtain payment. If these efforts were unsuccessful, they would be followed (as needed) by the filing of an action to foreclose in superior court against each parcel that remained delinquent.

**Limitations on Increases in Special Tax Levy.** If owners are delinquent in the payment of Special Taxes, the CFDs may not increase Special Tax levies to make up for delinquencies for prior Fiscal Years above the Maximum Special Tax rates specified in each Rate and Method of Apportionment. See “THE SPECIAL TAX BONDS – Rate and Method of Apportionment.” In addition, Section 53321(d) of the Mello-Roos Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a CFD by more than 10% above the amount that would have been levied in the Fiscal Year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in shortfalls in Revenues available to pay debt service on the Bonds. See “BOND OWNERS’ RISKS.”

North Natomas Regency Park CFD No. 2001-03  
 City of Sacramento  
 2011 Aerial



  
 0 250 500 1,000 Feet  
  
 G.I.S.  
 City of Sacramento  
 Department of Finance

Category	
	Single Family Developed
	Multi Family Developed
	Undeveloped - Residential
	Public Spaces
	Undeveloped - Commercial and other Non-Residential
	Commercial and other Non-Residential
	North Natomas Regency Park CFD Boundary



## THE REGENCY PARK CFD

### Formation and Background

**Formation.** Formation of the Regency Park CFD was completed on January 22, 2002, under the Mello-Roos Act following a public hearing held on December 18, 2001. An election of the property owners within the Regency Park CFD was held on January 22, 2002, and the eligible voters approved a ballot proposition authorizing the Regency Park CFD to incur bonded indebtedness.

The Rate and Method of Apportionment for the Regency Park CFD is summarized above (see “THE SPECIAL TAX BONDS – Rate and Method of Apportionment”) and attached as APPENDIX B.

**Prior Bonds.** The Prior Regency Park CFD Bonds were issued by the City to finance the acquisition and construction of certain public capital improvements serving the property within the Regency Park CFD, consisting, among other things, of drainage facilities as identified in the City’s North Natomas Comprehensive Drainage Plan, roads, sanitary sewer and water transmission lines, landscaping, soundwalls, and public dry utilities.

The City covenants in the Indenture for the Regency Park CFD that, following the issuance of the Regency Park CFD Bonds, it will not issue any additional bonds (but may issue bonds for the purpose of partially refunding the Regency Park CFD Bonds). See “THE SPECIAL TAX BONDS – No Issuance of Parity Special Tax Bonds.”

### Location and Description

The Regency Park CFD is located to the north of the downtown of the City and is bordered by Elkhorn Boulevard to the north, Club Center Drive to the south, a drainage canal running contiguous to North Natomas Boulevard to the west, and the City corporate limits to the east. The Regency Park CFD and its projects are located generally north of Sleep Train Arena and are accessible from Interstate 5.

The Regency Park CFD consists of approximately 464 gross acres, including approximately 1,662 single family homes with a mix of homes with lot sizes ranging in area from 4,725 to 6,825 square feet. The Regency Park CFD also contains approximately 44 gross acres of medium density residential and approximately 23 gross acres of high density residential properties, with the balance of development spread among school sites, institutional and commercial uses, and parks and open space.

Northpointe North LLC, a California limited liability company, originally acted as master developer for the majority of the land in the Regency Park CFD. The members of Northpointe North were Lennar Corporation and AKT Development Corporation.

For demographic information regarding the area within and surrounding the Regency Park CFD, see APPENDIX A. The map showing the boundaries of the Regency Park CFD is shown in the cover of this Official Statement.

## Land Use Distribution

The following table shows the distribution of land uses of Taxable Property within the Regency Park CFD based on the principal amount of the Regency Park CFD Bonds and pro rata shares of the Regency Park CFD Bonds.

**Table 6**  
**Regency Park CFD**  
**Distribution of Land Uses**  
**(Taxable Property)**

Land Uses	Number of Parcels	Fiscal Year 2012-13 Special Tax (1)	Maximum Fiscal Year 2012-13 Special Tax	Pro Rata Share of Special Tax Bonds (2)	% of Total
Developed Property (3)					
High Density Residential	274	\$68,347	\$75,175	\$680,675	4.5%
Medium Density Residential	299	124,263	136,676	1,237,539	8.2
Single Family Residential > = 4,500 sq ft	1,704	1,225,642	1,348,081	12,206,233	81.0
Other (4)	1	43,533	47,882	433,547	2.9
Undeveloped Property (5)					
	4	0	56,547	512,007	3.4
<b>Total</b>	<b>2,282</b>	<b>\$1,461,785</b>	<b>\$1,664,361</b>	<b>\$15,070,000</b>	<b>100.0%</b>

(1) Based on the levy of the Special Tax.

(2) Allocated based on proportionate share of the Special Tax levy for Fiscal Year 2012-13.

(3) Represents approximately 284 acres.

(4) Represents approximately 170.5 acres.

(4) Represents approximately 9.5 acres.

Source: NBS Government Finance Group.

## Assessed Property Values

**No Appraisal of Property in the Regency Park CFD.** The City has not commissioned an appraisal of the Taxable Property in the Regency Park CFD in connection with the issuance of the Bonds. Therefore, the valuation of the Taxable Property in the Regency Park CFD will be estimated for the purposes of the Mello-Roos Act, and set forth in this Official Statement, based on the County Assessor's values.

**Assessed Valuation.** The valuation of real property in the City is established by the County Assessor. Assessed valuations are reported at 100% of the full cash value of the property, as defined in Article XIII A of the California Constitution. Article XIII A of the California Constitution defines "full cash value" as the appraised value as of March 1, 1975, plus adjustments not to exceed 2% per year to reflect inflation, and requires assessment of "full cash value" upon change of ownership or new construction.

Accordingly, the gross assessed valuation presented in this Official Statement may not necessarily be representative of the actual market value of certain property in the Regency Park CFD.

The Fiscal Year 2012-13 total assessed value of the 2,278 parcels of Taxable Property in the Regency Park CFD is \$443,667,280. All parcels of Taxable Property in the Regency Park CFD constitute Developed Property.

**Historical Assessed Values.** The table below shows annual changes in assessed valuations for the Fiscal Year 2012-13 and prior four Fiscal Years with respect to Taxable Property in the Regency Park CFD.

**Table 7  
Regency Park CFD  
Change in Assessed Valuation  
Fiscal Years 2008-09 through 2012-13  
(Taxable Property)**

Fiscal Year	Number of Parcels Subject to Levy	Assessed Valuation (1)	Percent Change
2008-09	2,234	\$705,646,863	N/A
2009-10 (2)	2,282	525,010,832	(25.6%)
2010-11	2,282	494,508,091	(5.8)
2011-12	2,282	476,389,361	(3.7)
2012-13	2,282	443,667,280	(6.9)

(1) Based on applicable Sacramento County Assessor Roll dated January 1st preceding each Fiscal Year.

(2) For Fiscal Year 2009-10, assessed values were reduced significantly by the County Assessor to reflect the sharp decline in actual property values.

Source: NBS Government Finance Group, based on information provided by the County assessor.

### Value-to-Burden Ratio

**General Information Regarding Value-to-Burden Ratios.** In comparing the aggregate assessed value of the real property within the Regency Park CFD and the principal amount of bonds issued for the Regency Park CFD, it should be noted that an individual parcel may only be foreclosed upon to pay delinquent installments of the Special Taxes attributable to that parcel. The principal amount of the Regency Park CFD Bonds is not allocated pro-rata among the parcels within the Regency Park CFD; rather, the total Special Taxes have been allocated to the parcels within the Regency Park CFD according to the Rate and Method of Apportionment. The “value-to-burden ratio” measures the burden of Special Taxes borne by each property in the Regency Park CFD relative to the burden borne by other properties in the Regency Park CFD.

The value-to-burden ratio on bonds secured by the Regency Park CFD Special Taxes will generally vary over the life of Regency Park CFD Bonds as a result of changes in the value of the property that is security for the Regency Park CFD Special Taxes and the principal amount of the Regency Park CFD Bonds.

Economic and other factors beyond the property owners’ control, such as economic recession, deflation of land values, financial difficulty or bankruptcy by one or more property owners, or the complete or partial destruction of Taxable Property caused by, among other possibilities, earthquake, flood, fire, or other natural disaster, could cause a reduction in the assessed value within the Regency Park CFD. See “BOND OWNERS’ RISKS – Property Values” and “BOND OWNERS’ RISKS – Bankruptcy Delays.”

**Value-to-Burden Ratio Distribution.** The following tables set forth the distribution of assessed value-to-burden ratios for parcels of Taxable Property based on Fiscal Year 2012-13 assessed values, and the burden of the Regency Park CFD Bonds and overlapping special tax and assessment debt.

**Table 8  
Regency Park CFD  
Assessed Values and Value to Burden Ratios by Land Use**

Land Uses	No. of Parcels	Assessed Value (1)	Pro Rata Share of Special Tax Bonds (2)	% of Total	Total Overlapping Land-Secured Debt (3)	Value to Burden Ratio (4)
Developed Property						
High Density Residential	274	\$26,594,182	\$680,675	4.5%	\$1,122,691	23.7:1
Medium Density Residential	299	54,109,503	1,237,539	8.2	1,967,160	27.5:1
Single Family Residence > or = 4,500 sq ft	1,704	341,057,851	12,206,233	81.0	16,636,976	20.5:1
Other	1	21,266,095	433,547	2.9	618,996	34.4:1
Undeveloped Property	4	639,649	512,007	3.4	512,007	1.2:1
<b>Total</b>	<b>2,282</b>	<b>\$443,667,280</b>	<b>\$15,070,000</b>	<b>100.0%</b>	<b>\$20,857,830</b>	<b>21.3:1</b>

(1) Based on County Assessor Roll for Fiscal Year 2012-13.

(2) Allocated based on the share of the Fiscal Year 2012-13 Special Tax levy. See "THE CFDs IN THE AGGREGATE – Special Tax Revenues and Projected Debt Service Coverage" above.

(3) Includes the lien of the Regency Park CFD Bonds and other overlapping debt. See "–Direct and Overlapping Governmental Obligations" below.

(4) Actual value-to-lien ratio per parcel may vary.

Source: NBS Government Finance Group, based on information provided by the County assessor. Overlapping debt data provided by California Municipal Statistics.

**Table 9**  
**Regency Park CFD**  
**Assessed Values by Value-to-Debt Burden Category**

Value-to-Debt Burden Category	Number of Parcels	Percent of Number of Parcels	2012-13 Assessed Valuation (1)	Pro Rata Share of Special Tax Refunding Bonds (2)	Percent of Total Burden (3)
50.00:1 and above	160	7.0%	\$29,160,861	\$523,124	3.5%
30.00:1 to 49.99:1	809	35.5	182,849,371	4,981,775	33.1
20.00:1 to 29.99:1	1,236	54.2	227,162,625	8,758,669	58.1
19.99:1 and under	77	3.4	4,494,423	806,432	5.4
<b>Total</b>	<b>2,282</b>	<b>100.0%</b>	<b>\$443,667,280</b>	<b>\$15,070,000</b>	<b>100.0%</b>

(1) Based on County Assessor Roll for Fiscal Year 2012-13.

(2) Allocated based on proportionate share of applicable projected Fiscal Year 2012-13 Special Tax.

(3) Totals may not sum due to rounding.

Source: NBS Government Finance Group, based on information provided by the County assessor.



## Major Land Owners

The table below shows the property owners responsible for more than 0.5% of the Annual Special Taxes within the Regency Park CFD for Fiscal Year 2012-13.

**Table 10  
Regency Park CFD  
Major Property Owners**

Property Owner Name (1)	Number of Parcels	Fiscal Year 2012-13 Annual Special Taxes	Percent of Annual Special Taxes	Value to Burden Ratio (3)
Northpointe Park Apartments	1	\$43,533	3.0%	49.1:1
Family Trust	42	8,795	0.6	2.5:1
Subtotal	43	52,328	3.6	41.2:1
All other owners	2,236	1,409,456	96.4	29.0:1
Total: (2)	2,282	\$1,461,785	100.0%	

(1) Ownership information is based on County Assessor Roll for Fiscal Year 2012-13.

(2) Totals may not sum due to rounding.

(3) Based, for each ownership, on Fiscal Year 2012-13 assessed values divided by the share of outstanding Regency Park CFD Bonds (but excluding any overlapping bonded debt), allocated based on the share of the Fiscal Year 2012-13 Maximum Special Tax.

Source: NBS Government Finance Group.

## Delinquencies

**General.** The table below shows the collections and delinquencies of the Special Taxes within the Regency Park CFD since Fiscal Year 2007-08, with updated delinquency amounts as of October 4, 2012. All delinquent Special Taxes shown below have been covered by the Teeter Plan. See “THE SPECIAL TAX BONDS — Covenant to Foreclose, Teeter Plan.”

**Table 11**  
**Regency Park CFD**  
**Special Tax Collections and Delinquencies**  
**Fiscal Years 2007-08 through 2011-12**

Fiscal Year Ending June 30	Subject Fiscal Year (1)					As of October 4, 2012		
	Aggregate Annual Special Tax	Total Annual Special Taxes Collected	Parcels Delinquent	Fiscal Year Amount Delinquent	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$1,363,779.28	\$1,327,529.58	58	\$36,249.70	2.66%	0	\$ 0.00	0.00%
2009	1,538,144.82	1,505,499.05	57	32,645.77	2.12	0	0.00	0.00
2010	1,423,830.34	1,390,721.30	71	33,109.04	2.33	0	0.00	0.00
2011	1,441,799.84	1,419,667.98	54	22,131.86	1.54	10	5,057.89	0.35
2012	1,428,753.42	1,409,379.64	40	19,373.78	1.36	24	12,424.73	0.87

(1) Delinquency information as of June 30 in the Fiscal Year in which the Special Taxes were levied. Does not include any penalties, interest or fees.  
Source: NBS Government Finance Group.

**Enforcement Actions.** The City has taken actions to enforce delinquent Special Taxes within the Regency Park CFD in the past (including sending letters to the delinquent property owners) and the City may strip Special Taxes from the property tax rolls. To date, the City has not filed any Superior Court actions for foreclosure.

## Direct and Overlapping Governmental Obligations

The direct and overlapping obligations affecting the property in Regency Park CFD as of November 1, 2012, are shown in the following table. The table was prepared by California Municipal Statistics, Inc., and is included for general information purposes only. The Authority has not reviewed this report for completeness or accuracy and makes no representation in connection with it.

**Table 12**  
**Direct and Overlapping Governmental Obligations**  
**Regency Park CFD**

Fiscal Year 2012-13 Assessed Valuation: \$443,667,280 (Land and Improvements)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 11/1/12
Sacramento Area Flood Control District Consolidated Capital Assessment District Bonds	1.23%	\$2,411,655
Sacramento Area Flood Control District Operations and Maintenance Assessment District Bonds	0.40	13,246
City of Sacramento North Natomas CFD No. 97-01 Mello-Roos Act Bonds	10.93	3,362,929
<b>City of Sacramento North Natomas Regency Park CFD No. 2001-03 Mello-Roos Act Bonds</b>	<b>100.00%</b>	<b>15,070,000 (1)</b>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$20,857,830

(1) Excludes the Bonds to be sold.

Percentage of 2012-13 Assessed Valuation:

<b>Direct Debt (\$15,070,000)</b>	<b>3.40%</b>
Total Direct and Overlapping Tax and Assessment Debt	4.70%

Source: California Municipal Statistics.

***Overlapping Bonded Districts.*** As shown in the table above, the Regency Park CFD and the Westlake CFD are both encompassed within three overlapping districts with outstanding debt secured by special taxes as assessments, as described here. See “THE WESTLAKE CFD – Direct and Overlapping Governmental Obligations,” below.

Sacramento Area Flood Control District Consolidated Capital Assessment District. The Sacramento Area Flood Control District Consolidated Capital Assessment District is a benefit assessment district financing the Sacramento Area Flood Control Agency’s (“**SAFCA**”) repayment of bonds issued to construct a series of levee and other flood control improvements in the district’s North Area Local Project, as well as a series of immediate projects necessary to provide 100-year flood protection for developed areas in Sacramento’s major floodplains. In addition, this district funds a series of long-term projects to provide 200-year flood protection for developed areas in Sacramento’s major floodplains. Assessments are based on property-related benefits related to depth of flooding and potential damage to structures and land.

Sacramento Area Flood Control District Operations and Maintenance Assessment District. The Sacramento Area Flood Control District Operations and Maintenance Assessment District is a benefit assessment district financing SAFCA’s regional flood control planning and mitigation of serious flood risk within this district’s boundaries. Assessment funds are used to conduct studies, in coordination with the federal and State governments, leading to the future construction of flood control projects to reduce flood risk. Assessments are levied on properties within the district’s boundaries that will benefit from improved flood protection on the American and Sacramento Rivers and their tributaries. Assessments are based on relative land value, area of parcel, and relative benefit derived from flood control.

City of Sacramento North Natomas CFD No. 97-01. The City of Sacramento North Natomas CFD No. 97-01 has levied a Mello-Roos special tax to finance the acquisition and construction of certain stormwater drainage improvements, i.e., levees, channel improvements, pumping plants, all necessary appurtenances, and land for habitat mitigation.

**Estimated Tax Burden.** The following table sets forth the estimated total tax burden on a representative developed single family detached home in Regency Park CFD, based on actual tax rates for Fiscal Year 2012-13.

**Table 13  
Regency Park CFD  
Fiscal Year 2012-13 Tax Rates  
(Developed Single Family Detached Units)**

<b>Assessed Valuations and Property Taxes</b>	<b>Average Single Family Detached Unit</b>	
Assessed Value (1)		\$200,151
Homeowner's Exemption		(7,000)
<hr/>		
Net Assessed Value (2)		\$193,151
<b>Ad Valorem Property Taxes</b>	<b>Percent of Total AV</b>	
General Purposes	1.00%	\$1,932
Los Rios Community College District (GO Bonds)	0.19	373
Natomas Unified School District (GO Bonds)	0.20	0
Twin Rivers Unified School District (GO Bonds)	0.17	325
<hr/>		
Total Ad Valorem Property Taxes		\$2,629
<b>Assessments, Special Taxes, and Parcel Charges (3)</b>		
N. Natomas TMA CFD #9901		\$24
N. Natomas Nghbr Lndscp CFD 9902 F		22
N. Natomas Landscaping CFD #3		72
Citywide L&L Assessment District		75
Neighborhood Park Maint CFD 2002-02		59
Sacramento Library Services Tax		29
North Natomas Drainage CFD		117
N. Natomas Regency Park CFD 2001-03		719
Reclamation District #1000 M&O		27
SAFCA Consolidate Capital Assmt		113
SAFCA O & M Assessment #1		17
<hr/>		
Total Assessments, Special Taxes, and Parcel Charges (4)		\$1,273
<b>Total Property Taxes (5)</b>		<b>\$3,902</b>
<hr/>		
Total Effective Tax Rate		2.0%

- (1) Fiscal Year 2012-13 assessed valuation for a average single family detached homes within the Regency Park CFD.  
(2) Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption. Not all residences qualify for the exemption.  
(3) All charges and special assessments are based on a lot size of less than one acre.  
(4) Totals may not sum due to rounding.  
(5) Districts are included in the Overlapping Land-Secured Debt referenced in Table 12 above.  
Source: NBS Government Finance Group, based on information provided by the County assessor. Overlapping debt data provided by California Municipal Statistics.



North Natomas Westlake CFD No. 2000-01  
 City of Sacramento  
 2011 Aerial



## THE WESTLAKE CFD

### Formation and Background

**Formation.** Formation of the Westlake CFD was completed on October 31, 2000, under the Mello-Roos Law, following a public hearing held on the same date. An election of the property owners within the Westlake CFD was held on October 31, 2000, and the eligible voters approved a ballot proposition authorizing the Westlake CFD to incur bonded indebtedness to finance the acquisition and construction of the authorized facilities. Since its formation, the Westlake CFD has issued the Prior Westlake CFD Bonds and has levied Special Taxes.

The Rate and Method of Apportionment for the Westlake CFD is summarized above (see “THE SPECIAL TAX BONDS – Rate and Method of Apportionment”) and attached as APPENDIX B.

**Prior Bonds.** The Prior Westlake CFD Bonds were issued by the City to finance the acquisition and construction of certain public capital improvements serving the property within the Westlake CFD, consisting, among other things, of a man-made lake, drainage facilities as identified in the City’s Westlake Master Drainage Plan, roads, sanitary sewer and water transmission lines, landscaping, soundwalls, and public dry utilities.

The City covenants in the Indenture for the Westlake CFD that, following the issuance of the Westlake CFD Bonds, it will not issue any additional bonds (but may issue bonds for the purpose of partially refunding the Westlake CFD Bonds). See “THE SPECIAL TAX BONDS – No Issuance of Parity Special Tax Bonds.”

### Location and Description

The Westlake CFD is located to the western side of the North Natomas Financing Plan Area and encompasses the North Natomas Drainage Basin 8A. The Westlake CFD is bounded by the County line to the west, Bayou Road on the north and northeast, El Centro Road on the east, and Del Paso Road on the south. The Westlake CFD contains eight “Residential Villages,” which are planned residential communities and were originally demarcated according to the developer of the land within Westlake CFD.

The Westlake CFD consists of approximately 331 gross acres, including 927 single family homes and 246 high density residential apartment units, as well as approximately 36.5 acres of office, retail commercial, light industrial and institutional uses, and approximately 9.6 acres of school and park public land.

Winncrest Natomas LLC, a California limited liability company, originally acted as master developer for the majority of the land in the Westlake CFD. The members of Winncrest Natomas were Lennar Winncrest LLC, an affiliate of Lennar Homes, and Phoenix LLC, an affiliate of AKT Development.

For demographic information regarding the area within and surrounding the Westlake CFD, see APPENDIX A. The map showing the boundaries of the Westlake CFD shown in the cover of this Official Statement.



## Land Use Distribution

The following table shows the distribution of land uses of Taxable Property within the Westlake CFD based on the principal amount of the Westlake CFD Bonds.

**Table 14**  
**Westlake CFD**  
**Distribution of Land Uses**  
**(Taxable Property)**

Land Uses	No. of Parcels	Fiscal Year 2012-13 Special Tax (1)	Maximum FY 2012-13 Special Tax	Pro Rata Share of the Special Tax Bonds (2)	% of Total
<b>Developed Property (3)</b>					
Low Density Residential: Village 1	133	\$ 81,667	\$ 104,579	\$732,060	8.7%
Low Density Residential: Village 2	111	127,522	163,299	1,143,099	13.5
Low Density Residential: Village 3	104	104,030	133,216	932,519	11.0
Low Density Residential: Village 4A	86	61,325	78,530	549,710	6.5
Low Density Residential: Village 4B	184	167,653	214,688	1,502,826	17.8
Low Density Residential: Village 6	84	69,050	88,422	618,957	7.3
Medium Density Residential	509	234,198	299,902	2,099,328	24.8
Other Residential / Non-Residential	289	97,781	125,214	876,501	10.4
<b>Total</b>	<b>1,500</b>	<b>\$943,226</b>	<b>\$1,207,849</b>	<b>\$8,455,000</b>	<b>100.0%</b>

(1) Based on the levy of the Special Tax.

(2) Allocated based on proportionate share of the Special Tax levy for Fiscal Year 2012-13.

(3) Represents approximately net 202 acres.

Source: NBS Government Finance Group, based on information provided by the County assessor. Overlapping debt data provided by California Municipal Statistics.

## Assessed Property Values

**No Appraisal of Property in the Westlake CFD.** The City has not commissioned an appraisal of the taxable property in the Westlake CFD in connection with the issuance of the Bonds. Therefore, the valuation of the taxable property in the Westlake CFD will be estimated for the purposes of the Mello-Roos Act, and set forth in this Official Statement, based on the County Assessor's values.

**Assessed Valuation.** The valuation of real property in the City is established by the County Assessor. Assessed valuations are reported at 100% of the full cash value of the property, as defined in Article XIII A of the California Constitution. Article XIII A of the California Constitution defines "full cash value" as the appraised value as of March 1, 1975, plus adjustments not to exceed 2% per year to reflect inflation, and requires assessment of "full cash value" upon change of ownership or new construction.

Accordingly, the gross assessed valuation presented in this Official Statement may not necessarily be representative of the actual market value of certain property in the Westlake CFD.

The Fiscal Year 2011-12 total assessed value of the 1,500 parcels of Taxable Property in Westlake CFD is \$358,017,025. All parcels of Taxable Property in the Westlake CFD constitute Developed Property.

**Historical Assessed Values.** The table below shows annual changes in assessed valuations for Fiscal Year 2012-13 and prior four Fiscal Years with respect to Taxable Property in the Westlake CFD.

**Table 15  
Westlake CFD  
Change in Assessed Valuation  
Fiscal Years 2008-09 through 2012-13  
(Taxable Property)**

Fiscal Year	Number of Parcels Subject to Levy	Assessed Valuation (1)	Percent Change
2008-09	1,500	\$561,190,826	-
2009-10 (2)	1,500	455,591,345	(18.8%)
2010-11	1,500	426,251,639	(6.4)
2011-12	1,500	394,593,466	(7.4)
2012-13	1,500	358,017,025	(9.3)

- (1) Based on applicable Sacramento County Assessor Roll dated January 1st preceding each Fiscal Year.  
 (2) For Fiscal Year 2009-10 assessed values were reduced significantly by the County Assessor to reflect the sharp decline in actual property value.

*Source: NBS Government Finance Group, based on information provided by the County assessor*

### Value-to-Burden Ratio

**General Information Regarding Value-to-Burden Ratios.** In comparing the aggregate assessed value of the real property within the Westlake CFD and the principal amount of bonds issued for the Westlake CFD, it should be noted that an individual parcel may only be foreclosed upon to pay delinquent installments of the Special Taxes attributable to that parcel. The principal amount of the Westlake CFD Bonds is not allocated pro-rata among the parcels within the Westlake CFD; rather, the total Special Taxes have been allocated to the parcels within the Westlake CFD according to the Rate and Method of Apportionment. The “value-to-burden ratio” measures the burden of Special Taxes borne by each property in the Westlake CFD relative to the burden borne by other properties in the Westlake CFD.

The value-to-burden ratio on bonds secured by the Westlake CFD Special Taxes will generally vary over the life of Westlake CFD Bonds as a result of changes in the value of the property that is security for the Westlake CFD Special Taxes and the principal amount of the Westlake CFD Bonds.

Economic and other factors beyond the property owners’ control, such as economic recession, deflation of land values, financial difficulty or bankruptcy by one or more property owners, or the complete or partial destruction of Taxable Property caused by, among other possibilities, earthquake, flood, fire, or other natural disaster, could cause a reduction in the assessed value within the Westlake CFD. See “BOND OWNERS’ RISKS – Property Value” and “– Bankruptcy Delays.”

**Value-to-Burden Ratio Distribution.** The following tables set forth the distribution of assessed value-to-burden ratios for parcels of Taxable Property based on Fiscal Year 2012-13 assessed values, and the burden of the Westlake CFD Bonds and overlapping special tax and assessment debt.

**Table 16  
Westlake CFD  
Assessed Values and Value to Burden Ratios by Land Use**

Land Uses	No. of Parcels	Assessed Value (1)	Pro Rata Share of Special Tax Bonds (2)	% of Total	Total Overlapping Land- Secured Debt (3)	Value to Burden Ratio (4)
Developed Property (4)						
Low Density Residential: Village 1	133	\$32,323,460	\$732,060	8.66%	\$1,018,209	31.7:1
Low Density Residential: Village 2	111	52,648,890	1,143,099	13.52	1,424,521	37.0:1
Low Density Residential: Village 3	104	38,225,087	932,519	11.03	1,165,117	32.8:1
Low Density Residential: Village 4A	86	25,447,073	549,710	6.50	693,361	36.7:1
Low Density Residential: Village 4B	184	62,691,712	1,502,826	17.77	1,839,304	34.1:1
Low Density Residential: Village 6	84	25,009,643	618,957	7.32	783,484	31.9:1
Medium Density Residential	509	72,308,771	2,099,328	24.83	2,872,734	25.2:1
Other Residential / Non-Residential	289	49,362,389	876,501	10.37	1,406,523	35.1:1
<b>Total</b>	<b>1,500</b>	<b>\$358,017,025</b>	<b>\$8,455,000</b>	<b>100.00%</b>	<b>\$11,203,254</b>	<b>32.0:1</b>

(1) Based on Sacramento County Assessor Roll for Fiscal Year 2012-13.

(2) Allocated based on the share of the Special Tax levy for Fiscal Year 2012-13. See "THE CFDs IN THE AGGREGATE – Special Tax Revenues and Projected Debt Service Coverage" above.

(3) Includes the lien of Westlake CFD Bonds and other overlapping debt. See "–Direct and Overlapping Governmental Obligations" below.

(4) Actual value-to-lien ratio per parcel may vary.

Source: NBS Government Finance Group, based on information provided by the County assessor. Overlapping debt data provided by California Municipal Statistics.

**Table 17  
Westlake CFD  
Assessed Values by Value-to-Debt Burden Category**

Value-to-Debt Burden Category	Number of Parcels	Percent of Number of Parcels	2012-13 Assessed Valuation (1)	Pro Rata Share of Special Tax Refunding Bonds (2)	Percent of Total Burden
50.00:1 and above	504	33.6%	\$120,982,179	\$1,879,234	22.2%
30.00:1 to 49.99:1	818	54.5	227,517,603	5,540,608	65.5
20.00:1 to 29.99:1	9	0.6	1,959,983	72,442	0.9
19.99:1 and under	169	11.3	7,557,260	962,716	11.4
<b>Total</b>	<b>1,500</b>	<b>100.0%</b>	<b>\$358,017,025</b>	<b>\$8,455,000</b>	<b>100.0%</b>

(1) Based on County Assessor Roll for Fiscal Year 2012-13.

(2) Based on principal amount of the Special Tax Bonds. Allocated based on proportionate share of applicable projected Fiscal Year 2012-13 Special Tax.

Source: NBS Government Finance Group, based on information provided by the County assessor.

## Major Land Owners

**Major Taxable Property Owners.** The table below shows the major owners (owning more than one parcel) of property within the Westlake CFD as of January 1, 2012.

The table below shows the property owners responsible for more than 0.5% of the Annual Special Taxes within the Westlake CFD for Fiscal Year 2012-13.

**Table 18  
Westlake CFD  
Major Property Owners**

Property Owner Name (1)	Number of Parcels	Fiscal Year 2012-13 Annual Special Taxes	Percent of Annual Special Taxes	Value to Burden Ratio (3)
Landsource Holding Co LLC	153	\$67,811	7.2%	4.5:1
Donahue Schriber Rlty Group Limited	2	30,199	3.2	67.7:1
Laguna Hills Allspace	1	16,757	1.8	50.1:1
Winncrest Natomas LLC	1	7,131	0.8	0.7:1
Subtotal	157	121,898	12.9	17.2:1
All Other Owners	1,343	821,327	87.1	46.1:1
Total: (2)	1,500	\$943,226	100.0%	

(1) Ownership information is based on County Assessor Roll for Fiscal Year 2012-13.

(2) Totals may not sum due to rounding.

(3) Based, for each ownership, on Fiscal Year 2012-13 assessed values divided by the share of outstanding Westlake CFD Bonds (but excluding any overlapping bonded debt), allocated based on the share of the Fiscal Year 2012-13 Maximum Special Tax.

Source: NBS Government Finance Group

**Major Owner.** As shown in the table above, property in the Westlake CFD responsible for 7.2% of the Fiscal Year 2012-13 Annual Special Taxes is owned by Landsource Holding Co. LLC. This property consists of 153 parcels classified as Medium Density under the Rate and Method of Apportionment and currently shown on the County Assessor's rolls as vacant (i.e., for which the County Assessor shows an assessed value for land but not for structures).

In June 2008, an affiliate of Landsource, LandSource Communities Development LLC, a Delaware limited liability company, and 20 direct and indirect subsidiaries each filed a voluntary Chapter 11 petition for reorganization in the United States Bankruptcy Court, District of Delaware, and in August 2008 the Court issued an order approving the reorganization plan.

## Delinquencies

The table below shows the collections and delinquencies of the Special Taxes within the Westlake CFD since Fiscal Year 2007-08, with updated delinquency amounts as of October 4, 2012. Unless otherwise noted below, all delinquent Special Taxes shown below have been covered by the Teeter Plan. See "THE SPECIAL TAX BONDS — Covenant to Foreclose, Teeter Plan."

**Table 19**  
**Westlake CFD**  
**Special Tax Collections and Delinquencies**  
**Fiscal Years 2007-08 through 2011-12**

Fiscal Year Ending June 30	Subject Fiscal Year (1)					As of October 4, 2012		
	Aggregate Annual Special Tax	Total Annual Special Taxes Collected	Parcels Delinquent	Fiscal Year Amount Delinquent	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$899,695.24	\$899,549.14	1	\$146.10	0.02%	0	\$ 0.00	0.00%
2009	1,018,397.94	933,313.79	229	85,084.15	8.35	0	0.00	0.00
2010	1,022,590.42	1,001,662.79	46	20,927.63	2.05	0	0.00	0.00
2011	954,756.22	942,953.76	29	11,802.46	1.24	7 (2)	4,452.51	0.47
2012	927,721.52	917,263.20	27	10,458.32	1.13	21 (2)	7,784.26	0.84

- (1) Delinquency information as of June 30 in the Fiscal Year in which the Special Taxes were levied. Does not include any penalties, interest, or fees.  
 (2) Delinquent Special Taxes for one parcel in 2011-12 and two parcels in 2012-13 were stripped from the property tax rolls by the City in order to pursue foreclosure actions and, as a result, those Special Taxes were not covered by the Teeter Plan.

Source: NBS Government Finance Group.

**Enforcement Actions.** The City has taken actions to enforce delinquent Special Taxes within the Westlake CFD in the past (including stripping Special Taxes from the property tax rolls and sending letters to the delinquent property owners). To date, the City has not filed any Superior Court actions for foreclosure.

## Direct and Overlapping Governmental Obligations

The direct and overlapping obligations affecting the property in the Westlake CFD as of November 1, 2012, are shown in the following table. The table was prepared by California Municipal Statistics, Inc., and is included for general information purposes only. The Authority has not reviewed this report for completeness or accuracy and makes no representation in connection with it.

**Table 20**  
**Direct and Overlapping Governmental Obligations**  
**Westlake CFD**

Fiscal Year 2012-13 Assessed Valuation: \$358,017,025 (Land and Improvements)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 11/1/12
Sacramento Area Flood Control District Consolidated Capital Assessment District Bonds	0.6%	\$1,158,654
Sacramento Area Flood Control District Operations and Maintenance Assessment District Bonds	0.3	10,510
City of Sacramento North Natomas CFD No. 97-01 Mello-Roos Act Bonds	5.1	1,579,089
<b>City of Sacramento North Natomas Westlake CFD No. 2000-01 Mello-Roos Act Bonds</b>	<b>100.0%</b>	<b>8,455,000 (1)</b>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$11,203,253

(1) Excludes the Bonds to be sold.

<u>Percentage of 2012-13 Assessed Valuation:</u>	
<b>Direct Debt (\$8,455,000)</b>	<b>2.36%</b>
Total Direct and Overlapping Tax and Assessment Debt	3.13%

Source: California Municipal Statistics.

*Overlapping Bonded Districts.* As shown in the table above, the Westlake CFD, like the Regency Park CFD, is encompassed within three overlapping districts with outstanding bonded debt secured by special taxes and assessments, which are also described above. See "THE REGENCY PARK CFD - Direct and Overlapping Governmental Obligations, Overlapping Bonded Districts."

**Estimated Tax Burden.** The following table sets forth the estimated total tax burden on a representative developed single family detached home in the Westlake CFD, based on actual tax rates for Fiscal Year 2012-13.

**Table 21  
Westlake CFD  
Fiscal Year 2012-13 Tax Rates  
(Developed Single Family Detached Units)**

<b>Assessed Valuations and Property Taxes</b>	<b>Average Single Family Detached Unit</b>	
Assessed Value (1)		\$336,000
Homeowner's Exemption		(7,000)
<hr/>		
Net Assessed Value (2)		\$329,000
<b>Ad Valorem Property Taxes</b>	Percent of Total AV	
General Purposes	1.00%	\$3,290
Los Rios Community College Distr. (GO Bonds)	0.19	635
Natomas Unified School District (GO Bonds)	0.20	649
Total Ad Valorem Property Taxes		\$4,574
<b>Assessments, Special Taxes, and Parcel Charges (3)</b>		
N. Natomas TMA CFD #9901		\$24
N. Natomas Landscaping CFD #3		72
Citywide L & L Assessment District		75
Sacramento Library Services Tax		29
North Natomas Drainage CFD		82
NN Westlake CFD		617
Reclamation District #1000 M & O		25
SAFCA Consolidate Capital Assmt		104
SAFCA O & M Assessment #1		19
Total Assessments, Special Taxes, and Parcel Charges (4)		\$1,046
<b>Total Property Taxes (5)</b>		<b>\$5,620</b>
<hr/>		
Total Effective Tax Rate		1.71%

(1) Fiscal Year 2012-13 assessed valuation for an average single family detached home within the Westlake CFD.  
(2) Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption. Not all residences qualify for the exemption.  
(3) All charges and special assessments are based on a lot size of less than one acre.  
(4) Totals may not sum due to rounding.  
(5) Districts are included in the Overlapping Land-Secured Debt referenced in Table 20 above.  
Source: NBS Government Finance Group, based on information provided by the County assessor. Overlapping debt data provided by California Municipal Statistics.



## BOND OWNERS' RISKS

*The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks that should be considered before making an investment decision. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors that may be considered as risks in evaluating the credit quality of the Bonds.*

### Limited Obligation to Pay Debt Service

**The Bonds.** The Bonds are special, limited obligations of the Authority payable solely from, and secured solely by, the Revenues and funds pledged therefor in the Trust Agreement, consisting primarily of debt service on the Special Tax Bonds. See "SECURITY FOR THE BONDS."

**The Special Tax Bonds.** The City has no obligation to pay principal of, or interest on, the Special Tax Bonds if Special Tax collections are delinquent or insufficient, other than from amounts, if any, derived from the foreclosure and sale of parcels for Special Tax delinquencies. The City is not obligated to advance funds to pay debt service on the Special Tax Bonds.

### Levy and Collection of the Special Taxes

**General.** The principal source of payment of principal of, and interest on, the Special Tax Bonds is the proceeds of the annual levy and collection of the Special Tax against property within each CFD.

**Limitation on Special Tax Rate.** The annual levy of the Special Tax on any parcel is limited to the Maximum Special Tax rates authorized in the applicable Rate and Method of Apportionment. 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 Taxes, together with other available funds, will not be sufficient to pay debt service on the related series of Special Tax Bonds.

**No Relationship Between Property Value and Special Tax Levy.** Because the Special Tax formula set forth in each Rate and Method of Apportionment is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of Taxable Property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Taxable Property and their proportionate share of debt service on the Special Tax Bonds, and certainly not a direct relationship.

**Factors that Could Lead to Special Tax Deficiencies.** The following are some of the factors that might cause the levy of the Special Tax on any particular parcel of Taxable Property to vary from the Special Tax that might otherwise be expected:

**Transfers to Governmental Entities.** The number of parcels of Taxable Property could be reduced through the acquisition of Taxable Property by a governmental entity (by exercise of its rights as mortgage guarantor, or for other reasons) and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.

**Property Tax Delinquencies.** Failure of the owners of Taxable Property to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Taxes. For a summary of Special Tax collections in each CFD, see “THE CFDs IN THE AGGREGATE.”

**Delays Following Delinquencies and Foreclosure Sales.** Each 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 in “THE SPECIAL TAX BONDS” and in the Mello-Roos Act, is subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ordinary ad valorem property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to the Authority, as owner of the Special Tax Bonds, pending such sales or the prosecution of foreclosure proceedings and receipt of the proceeds of sale. See “THE SPECIAL TAX BONDS.”

### **Payment of Special Taxes Is Not a Personal Obligation of the Property Owners**

Property Owners are not personally obligated to pay their Special Taxes. Rather, the Special Taxes are obligations only against the parcels against which they are levied. If, after a default in the payment of the Special Tax and a foreclosure sale, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the parcel, neither the Authority nor the City has personal recourse against the parcel owner.

### **Property Values**

The value of Taxable Property within each CFD is a critical factor in determining the investment quality of the Bonds. If a parcel owner defaults in the payment of the Special Taxes, the City’s only remedy is to foreclose on the delinquent property.

The following is a discussion of specific risk factors that could affect the value of property in each CFD.

**Prolonged Economic Downturn.** Land values in and around the City of Sacramento have been adversely affected by current economic conditions. To the extent that the economic downturn is prolonged, property values could remain flat for an indefinite period, or decrease.

Declines in home values in the CFDs could also result in property owners’ unwillingness or inability to pay mortgage payments, as well as ad valorem property taxes and Special Taxes, when due. Under such circumstances, bankruptcies are likely to increase. Bankruptcy by property owners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings.

**Risks Related to Mortgage Loans.** Although residential projects in which the homes are built and occupied by homeowners are typically viewed as providing bondholders with strong credits, some of the recent home purchasers, especially those during 2004 to 2007, may face challenges in making their mortgage and tax payments on a timely basis because of their

initial high loan-to-value ratios, creative mortgage loan structures, and current negative equity levels.

Recent events in the United States and worldwide capital markets have adversely affected the availability of mortgage loans to homeowners, including potential buyers of homes within the CFDs. Any such unavailability could hinder the ability of the current homeowners to resell their homes, and adversely affect the market prices available to current homeowners.

**Flood Risk.** Land within the Natomas Basin north of downtown Sacramento, including land within the CFDs, has historically been subject to periodic flooding. To mitigate flood risk, a system of levees has been constructed around the basin's perimeter. The City also participates in the National Flood Insurance Program, which is administered by the Federal Emergency Management Agency ("**FEMA**") and makes federally backed flood insurance available to communities that adopt and enforce floodplain-management regulations meeting or exceeding federal requirements. Under this program, the flood-insurance rates and construction restrictions that apply to a community depend on its risk of flooding, as shown by zone designations on a Flood Insurance Rate Map ("**FIRM**"). For communities protected by levees, FEMA's regulations require a professional engineer's certification that the levees meet federal requirements for design, construction, maintenance, and operation, so as to protect against a 100-year flood, i.e., a flood with a 1% chance of occurring in any year. (See the National Flood Insurance Act of 1968, set out in 42 U.S.C. § 4001 et seq.; see also FEMA's implementing regulations, set out in 44 C.F.R. Parts 59.1, 60, and 61.)

In 2006, primarily because of concern about a phenomenon known as "underseepage," the United States Army Corps of Engineers (the "**Corps**") determined that it could no longer certify the Natomas Basin levee system as providing protection from a 100-year flood. In 2008, the Corps completed additional analysis and determined that the levee system may not provide protection from a flood with a 3% chance of occurring in any year.

Based on the Corps's determinations, FEMA concluded in 2008 that the Natomas Basin is a "Special Flood Hazard Area" and designated the basin as Zone AE on the basin's FIRM, indicating a 1% annual risk of flooding and a 26% chance of flooding over the term of a 30-year mortgage. As a result, since December 2008 property owners in the Natomas Basin have been required to carry flood insurance for their homes and businesses, and new development has been severely limited: among other things, with some limited exceptions the lowest floor of new building must be one foot above the "base flood elevation," which is the level to which water could rise during a 100-year flood. In addition, properties that suffer "substantial damage" are currently subject to stringent restrictions on rebuilding: if a structure suffers a catastrophic event and the restoration cost equals or exceeds 50% of the structure's pre-damage value, then in most cases the structure must be brought into compliance with regulations that govern new construction on land designated as Zone AE, including the requirement that the lowest floor be one foot about base flood elevation. Because the base flood elevation in the Natomas Basin is 33 feet, the Zone AE designation has effectively stopped both new construction and the restoration of substantially damaged existing buildings. (See Sacramento City Code, chapter 15.104.)

Working with the Corps and other agencies, SAFCA is currently carrying out the Natomas Levee Improvement Program (the "**NLIP**") to address the deficiencies in the levee system. The immediate goal of the NLIP is to provide the Natomas Basin with protection against 100-year floods as soon as possible; the long-term goal is to achieve protection against 200-year floods, i.e., floods with a 0.5% chance of occurring in any year. According to SAFCA's A99

*Eligibility Summary Report* dated June 20, 2012, work on “all critical features” of the NLIP is at least 50% complete. The remaining work is chiefly the responsibility of the Corps but cannot begin until Congress authorizes it.

In early December 2012, in reliance on SAFCA’s *A99 Eligibility Summary Report*, the City, Sacramento County, and Sutter County requested that FEMA preapprove a revision of the Natomas Basin FIRM from Zone AE to Zone A99, with final approval contingent on congressional authorization of the Corps’s remaining work. Zone A99 is an interim designation that will allow limited construction within the Natomas Basin—including construction within the CFDs—while the improvements needed to provide protection against 100-year floods are under construction. Property owners would still need to maintain flood insurance until FEMA changes the basin’s designation on the FIRM from Zone A99 to Zone X (Shaded). Designation as Zone X (Shaded) will indicate that the Natomas Basin is an area of moderate flood risk where flood insurance is not required and the construction restrictions for a Special Flood Hazard Area do not apply.

Although SAFCA currently expects that improvements needed to achieve protection against 100-year floods will be completed by 2018, completion could be delayed for a variety of reasons, including longer-than-expected construction periods, higher-than-expected construction bids, and delays in receiving state or federal funding. If substantial flooding occurs before the completion of the improvements (or if the improvements are completed but do not provide the expected level of flood protection), then the cost to repair or replace damaged structures could be prohibitive, or the repair or replacement may not occur for other reasons, such as impracticability. Under any of these circumstances, there could be substantial delinquencies in the payment of Special Taxes, and the value of the parcels in the CFDs could depreciate or disappear.

***Other Natural Disasters.*** The value of the Taxable Property in the CFDs can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements, and private improvements and the continued habitability and enjoyment of such private improvements.

The areas in and surrounding the CFDs, like those in much of California, may be subject to unpredictable seismic activity.

Other natural disasters could include, without limitation, landslides, floods, wildfires, droughts, or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail substantial 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 repair or replacement. Under any of these circumstances there could be substantial delinquencies in the payment of Special Taxes, and the value of the parcels in the CFDs may well depreciate or disappear.

***Hazardous Substances.*** One of the most serious risks in terms of the potential reduction in the property values is a claim with regard to a hazardous substance. In general, the owners and operators of 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 in the CFDs 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.

Although the Authority is not aware that the owner or operator of any of the Taxable Property in the CFDs has such a current liability, it is possible that current liabilities do exist. Further, it is possible that liabilities may arise in the future resulting from the current existence on the parcel of a substance that is currently classified as hazardous but has not been released or the release of which is not currently threatened, or liabilities may arise in the future resulting from the current existence on the parcel of a substance that is not currently classified as hazardous but may be so classified in the future. Further, these 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 property values that would otherwise be realized upon a delinquency.

*The Authority has no information as to the existence of any hazardous substances within the CFDs.*

**Other Factors.** Other factors that could adversely affect property values in the CFDs include, among others, relocation of employers out of the area; shortages of water, electricity, natural gas, or other utilities; and destruction of property caused by man-made disasters, including but not limited to natural gas pipeline explosions.

### **No Cross Collateralization**

The Special Tax Bonds are not cross-collateralized. In other words, Special Taxes related to one Special Tax Bond cannot be used to cover any shortfall in Special Taxes related to any other Special Tax Bond. Similarly, amounts held in the Reserve Fund established for one series of Special Tax Bonds cannot be used to pay debt service on any other Special Tax Bond.

### **Other Possible Claims Upon the Property Values**

While the Special Taxes are secured by the Taxable Property in the CFDs, the security only extends to the value of the property that is not subject to priority and parity liens and similar claims.

A table listing of the outstanding governmental obligations affecting each CFD is set forth above under "THE CFDs IN THE AGGREGATE."

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment, or charge for which may become an obligation of one or more of the parcels within a CFD and may be secured by a lien on a parity with the lien of the Special Taxes securing the Special Tax Bonds.

In general, the Special Taxes and all other taxes, assessments, and charges also collected on the tax roll are on parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments, or charges is sought by some other procedure, such as foreclosure and sale. If proceedings are brought to foreclose a delinquency, the Special Taxes



will generally be on parity with the other taxes, assessments, and charges and will share the proceeds of the foreclosure proceedings on a pro-rata basis.

### **Enforcement of Special Taxes on Governmentally Owned Properties**

**General.** The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “**FDIC**”), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Federal courts have held, based on the Supremacy Clause of the United States Constitution, that in the absence of congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government’s interest.

The Supremacy Clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to the Special Taxes but does not pay the Special Taxes, the applicable City cannot foreclose on the parcel to collect the delinquent taxes.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Cir. 1979) 597 F.2d 174, the United States Court of Appeal for the Ninth Circuit held that the Federal National Mortgage Association (“**FNMA**”) is a federal instrumentality for purposes of this doctrine, not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

Neither the City nor the Authority has undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes. No assurance can be given as to the likelihood that the risks described above will materialize while the Special Tax Bonds are outstanding.

**FDIC.** If any financial institution making any loan secured by real property within the CFDs is taken over by the FDIC, and prior thereto or thereafter the loan (or loans) goes into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC’s policy statement regarding the payment of state and local real property taxes (the “**Policy Statement**”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in

the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay or recognize liens for such amounts. 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. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure, or sale without the FDIC's consent. In addition, 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 states that the FDIC generally will not pay non-ad valorem taxes, including special taxes and assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula, which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001, in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The Authority and the City are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the CFDs in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale.

***Exemptions Under Rate and Method of Apportionment and the Mello-Roos Act.*** Certain properties are exempt from the Special Tax in accordance with each Rate and Method of Apportionment and the Mello-Roos Act, which provides that properties or entities of the state, federal, or local government are exempt from the Special Taxes; provided, however, that property within the CFDs acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Taxes, will continue to be subject to the Special Taxes.

In addition, although the Mello-Roos Act provides that if property subject to the Special Taxes is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Taxes with respect to that property 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, meaning that such property could become exempt from the Special Taxes. The Mello-Roos Act further provides that no other properties or entities are exempt from the Special Taxes 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.

### **No Reserve for Bonds; Depletion of Reserve Funds for Special Tax Bonds**

Neither the City nor the Authority will create or maintain a debt service reserve account with respect to the Bonds.

The City will create and maintain a separate Bond Reserve Fund for each series of Special Tax Bonds, which may be used to pay principal of, and interest on, the related series of Special Tax Bonds if insufficient funds are available from Special Tax receipts. See "THE SPECIAL TAX BONDS – Deposit and Allocation of Special Taxes, Allocations, Bond Reserve Funds."



If funds in a Bond Reserve Fund are depleted, the funds can be replenished from the proceeds of the levy and collection of the related Special Tax levied for this purpose. However, no replenishment from the proceeds of a Special Tax levy can occur so long as the proceeds that are collected from the levy of the Special Taxes against property within the CFDs at the maximum Special Tax rates, together with other available funds, remain insufficient to pay all such amounts. Thus, it is possible that either or both Bond Reserve Funds will be depleted and not be replenished by the levy of the related Special Taxes.

### **Bankruptcy Delays**

The payment of the Special Taxes, and the ability of the City to foreclose the lien of delinquent unpaid Special Taxes, may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by State laws relating to judicial foreclosure.

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; by the application of equitable principles; and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Special Tax Bonds.

### **Disclosure to Future Purchasers**

The City has recorded, in the Office of the County Recorder, a notice of the Special Tax lien with respect to each CFD. 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 the obligations represented by the Special Taxes in the purchase of a parcel of land or a home in the CFD, or the lending of money secured by property in the CFD.

### **No Acceleration**

Neither the Bonds nor the Special Tax Bonds contain a provision allowing for acceleration if a payment default or other default occurs under the Trust Agreement or the Indentures.

### **Loss of Tax Exemption**

As discussed under the caption "LEGAL MATTERS – Tax Exemption," 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 Authority in violation of its covenants in the Trust Agreement, or of the City in violation of its covenants in the Indentures.

The Trust Agreement 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 optional or mandatory redemption. See "THE BONDS – Redemption."

In addition, Congress has considered in the past, is currently considering, and may consider in the future legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation.

### **Voter Initiatives**

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, which was approved in the general election held on November 5, 1996, and Proposition 26, which was approved on November 2, 2010.

Any such initiative may affect the collection of fees, taxes, and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Special Tax Bonds.

In 1996, Proposition 218, the “Right to Vote on Taxes Act,” added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments, and property-related fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes (“special taxes”) require a two-thirds vote.

The Special Taxes and the Special Tax Bonds were each authorized by not less than a two-thirds vote of the landowners within each CFD who constituted the qualified electors at the time of the voted authorization. The City believes, therefore, that issuance of the Special Tax Bonds does not require the conduct of further proceedings under the Mello-Roos Act, Proposition 218, or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 have undergone and are likely to undergo further judicial and legislative scrutiny, the outcome of which cannot be predicted.

### **Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

### **THE AUTHORITY**

The Authority is a joint exercise of powers agency organized and existing under the Joint Exercise of Powers Act set out in the California Government Code beginning with Section 6500. The Authority was created by a Joint Exercise of Powers Agreement, dated as of October 1, 1989, between the City and the former Redevelopment Agency, which are the sole members of the Authority. The Authority was created for the purpose, among others, of issuing its bonds to be used to finance and refinance the acquisition, construction, and improvement of certain public capital improvements. The Authority is governed by a nine-member board whose members are the same as those seated on the City Council of the City. The Authority has no employees; all staff work is done by City employees or by consultants.

### **THE CITY**

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

## BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the Bonds, the Bond Insurer, Assured Guaranty Municipal Corp. (also referred to herein as "**AGM**") will issue its Municipal Bond Insurance Policy (the "**Policy**") for the Insured Bonds (the Bonds maturing on September 1, 2017 through September 1, 2023, inclusive). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an Appendix H to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("**Holdings**"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("**AGL**"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("**Moody's**"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

**Current Financial Strength Ratings.** On January 17, 2013, Moody's issued a press release stating that it had downgraded AGM's insurance financial strength rating to "A2" (stable outlook) from "Aa3". AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at [www.moodys.com](http://www.moodys.com), for the complete text of Moody's comments.

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-." At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at [www.standardandpoors.com](http://www.standardandpoors.com), for the complete text of S&P's comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012, its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, and its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012.

**Capitalization of AGM.** At September 30, 2012, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,263,902,433 and its total net unearned premium reserve was approximately \$2,153,794,346, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2011, for the quarterly period ended March 31, 2012, for the quarterly period ended June 30, 2012, and for the quarterly period ended September 30, 2012, which have been filed with the New York State Department of Financial Services and posted on AGL's website at <http://www.assuredguaranty.com>, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

**Incorporation of Certain Documents by Reference.** Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (filed by AGL with the SEC on February 29, 2012);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (filed by AGL with the SEC on May 10, 2012);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012 (filed by AGL with the SEC on August 9, 2012); and
- (vi) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012 (filed by AGL with the SEC on November 9, 2012).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

***Miscellaneous Matters.*** AGM or one of its affiliates may purchase a portion of the Insured Bonds or any uninsured Bonds offered under this Official Statement and such purchases may constitute a significant proportion of the Bonds offered. AGM or such affiliate may hold such Insured Bonds or uninsured Bonds for investment or may sell or otherwise dispose of such Insured Bonds or uninsured Bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE."



## LEGAL MATTERS

### Legal Opinions

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 Authority (“**Bond Counsel**”). A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix G hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Jones Hall, A Professional Law Corporation, San Francisco, California, will pass upon certain legal matters for the Underwriter. The office of the City Attorney will pass upon certain legal matters for the Authority and the City.

### Tax Exemption

In the opinion of 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 G hereto.

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

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes,

the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, 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. The introduction or enactment of any such legislative proposals, 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 advisors regarding any pending or proposed federal or state tax legislation, regulations 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 Authority or the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the City have covenanted, however, to comply with the requirements of the Code.

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

## **No Litigation**

The Authority and the City will certify at the time the Bonds are issued that no litigation is pending or threatened concerning the validity of the Bonds or the Special Tax Bonds and that no action, suit or proceeding is known by the Authority or the City to be pending that would restrain or enjoin the delivery of the Bonds or the Special Tax Bonds, or contest or affect the validity of the Bonds or the Special Tax Bonds, or any proceedings of the Authority or the City taken with respect to the Bonds or the Special Tax Bonds.

## CONTINUING DISCLOSURE

The City, on behalf of itself and the Authority, will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the CFDs (the “**Annual Report**”) by not later than nine months following the end of the City’s Fiscal Year (currently March 31 based on the City’s Fiscal Year ending June 30), commencing March 31, 2013, with the report for the Fiscal Year ending June 30, 2012, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the “**Rule**”). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in a continuing disclosure certificate, the form of which is set forth in “APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

A default under the Continuing Disclosure Certificate will not, by itself, constitute an Event of Default under the Trust Agreement, and the sole remedy under the Continuing Disclosure Certificate in the event of any failure of the City to comply will be an action to compel specific performance.

The City has entered into a number of prior continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations, and has provided annual financial information and event notices in accordance with those undertakings. During the past five years, the City substantially complied with the requirements of its continuing disclosure undertakings, but with certain minor or technical exceptions. For example, in certain continuing disclosure filings the City provided links to the City’s website where documents could be downloaded, instead of submitting the documents as part of the filing itself; with respect to certain Authority bonds involving the Sacramento Housing and Redevelopment Agency (“**SHRA**”), and also with respect to bonds of SHRA itself, the posting of the SHRA’s audited financial statements occurred after the due date; and certain filings related to the Authority’s bonds and SHRA’s bonds did not expressly include all the required information.

The City will make filings to correct all known instances of non-compliance during the last five years, to the extent the relevant information is available, including the filing of documents that had previously been provided by link only. The City believes it has established processes to ensure that in the future it will make its continuing disclosure filings as required.

## RATINGS

Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“**S&P**”), has assigned its municipal bond rating of “BBB+” to the Bonds. S&P is expected to assign a rating of “AA-” to the Insured Bonds with the understanding that upon delivery of the Insured Bonds, the Bond Insurer will issue its Policy with respect to the Insured Bonds only. Absent the Policy, S&P has assigned an underlying rating of “BBB+” to the Insured Bonds.

These ratings reflect only the views of S&P, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from S&P.

Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Authority has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement).

There is no assurance that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revisions or withdrawals of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

## **UNDERWRITING**

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, at a purchase price of \$25,474,528.05 (which represents the aggregate principal amount of the Bonds (\$23,525,000.00) plus an original issue premium of \$2,226,769.25, and less an Underwriter's discount of \$277,241.20).

The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

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



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## APPENDIX A

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

*The following information is included only for the purpose of supplying general information about the City of Sacramento and Sacramento County. This information is provided only for general informational purposes and provides prospective investors limited information about this region and its economic base. The Bonds are not a debt of the City, the County, the State, or any political subdivision of the State, and the City, the County, the State, and the State's political subdivisions are not liable therefor, individually or collectively.*

#### **General Description and Background**

**The City.** The City of Sacramento (the “**City**”) is located at the confluence of the Sacramento and American Rivers in the south-central portion of the Sacramento Valley, a part of the State’s Central Valley. The City was incorporated in 1849, although it had been settled in the 1830s. In 1854, the City became the location of the Capitol of the State of California (the “**State**”). Today, State government employees and governmental-related activities contribute substantially to the City’s economy. The City also serves as the county seat of Sacramento County (the “**County**”).

The City operates under a City Charter, adopted in 1920, that currently provides for a nine member elected City Council including an elected Mayor. There are no other elected City officials. The City Council appoints the City Manager, City Attorney, City Clerk, and City Treasurer to carry out its adopted policies. Members of the City Council serve terms of four years. The Mayor is chairperson of the City Council and is elected in at-large City elections. City Council members are elected by eight individual districts.

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

**The County.** The County was incorporated in 1850 as one of the original 27 counties of the State. The City is the County's largest city. The County is the major component of the Sacramento-Arden Arcade-Roseville Metropolitan Statistical Area (“**MSA**”), which includes Sacramento, El Dorado, Placer, and Yolo Counties.

The County comprises approximately 994 square miles in the middle of the 400-mile-long Central Valley, which is the State’s prime agricultural region. The County is bordered by Contra Costa and San Joaquin Counties on the south, Amador and El Dorado Counties on the east, Placer and Sutter Counties on the north, and Yolo and Solano Counties on the west. The County extends from the low delta lands between the Sacramento and San Joaquin Rivers north to about ten miles beyond the State Capitol and east to the foothills of the Sierra Nevada. The southernmost portion of the County has direct access to the San Francisco Bay.

## Population

The following sets forth population estimates for the City, the County, and the State as of January 1 for the years 2008 to 2012:

### CITY OF SACRAMENTO, SACRAMENTO COUNTY AND STATE OF CALIFORNIA Estimated Population

Year (January 1)	City of Sacramento	Sacramento County	State of California
1990 <sup>(1)</sup>	369,365	1,041,219	29,758,213
2000 <sup>(1)</sup>	407,018	1,223,499	33,873,086
2008	458,965	1,394,510	36,704,375
2009	463,633	1,406,168	36,966,713
2010	466,740	1,417,259	37,223,900
2011	469,477	1,427,961	37,427,946
2012	470,956	1,435,153	37,678,563

(1) As of April 1.

Source: State of California Department of Finance, Demographic Research Unit.

## Commercial Activity

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

A summary of historic taxable sales within the City during the past five years in which data are available is shown in the following table. Total taxable sales during the first two quarters of calendar year 2011 in the City were reported to be \$2,557,082,000, a 7.44% increase over the total taxable sales of \$2,380,039,000 reported during the first two quarters of calendar year 2010.

### CITY OF SACRAMENTO Taxable Transactions (Figures in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2006	5,688	\$4,099,974	12,106	\$6,052,162
2007	5,584	4,037,475	12,012	5,947,753
2008	6,166	3,780,349	12,235	5,704,418
2009 <sup>(1)</sup>	7,485	3,371,643	10,910	4,949,165
2010 <sup>(1)</sup>	7,976	3,456,380	11,491	4,947,448

(1) Not comparable to prior years. Beginning in 2009 the "Retail" category includes "Food Services."

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

A summary of historic taxable sales within the County during the past five years in which data are available is shown in the following table. Total taxable sales during the first two quarters of calendar year 2011 in the County were reported to be \$8,608,749,000, a 6.32% increase over the total taxable sales of \$8,097,179,000 reported during the first two quarters of calendar year 2010.

**COUNTY OF SACRAMENTO**  
**Taxable Transactions**  
**(Figures in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2006	16,218	\$14,813,043	35,406	\$21,140,386
2007	15,724	14,253,867	35,023	20,560,510
2008	17,363	12,973,537	35,547	19,331,847
2009 <sup>(1)</sup>	22,197	11,252,319	31,644	16,563,853
2010 <sup>(1)</sup>	23,158	11,615,687	32,789	16,904,528

(1) Not comparable to prior years. Beginning in 2009 the "Retail" category includes "Food Services."  
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

## Employment and Industry

The unemployment rate in the MSA was 9.7% in September 2012, down from a revised 10.3% in August 2012 and below the year-ago estimate of 11.5%. This compares with an unadjusted unemployment rate of 9.7% for the State and 7.6% for the nation during the same period. The unemployment rate was 10.2% in the County, 9.0% in El Dorado County, 8.8% in Placer County, and 9.0% in Yolo County.

The table below provides information about employment rates and employment by industry type for the MSA for calendar years 2007 through 2011.

### SACRAMENTO-ARDEN ARCADE-ROSEVILLE MSA El Dorado, Placer, Sacramento, Yolo Counties Employment by Industry Annual Averages

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Civilian Labor Force</b> <sup>(1)</sup>	1,037,700	1,046,800	1,051,500	1,048,900	1,039,400
Employment	982,400	973,000	934,800	918,000	916,200
Unemployment	55,300	73,800	116,600	130,900	123,200
Unemployment Rate	5.3%	7.0%	11.1%	12.5%	11.9%
<b>Wage and Salary Employment</b> <sup>(2)</sup>					
Agriculture	7,900	8,200	8,300	8,100	8,300
Mining and Logging	700	700	400	400	400
Construction	66,900	56,200	43,500	38,400	36,200
Manufacturing	40,900	38,700	34,400	32,800	32,800
Wholesale Trade	27,900	26,500	24,100	22,800	23,000
Retail Trade	99,800	95,100	87,600	88,000	88,900
Transportation, Warehousing and Utilities	25,400	25,100	23,200	21,700	20,900
Information	20,100	19,200	18,300	17,200	16,700
Finance and Insurance	45,900	43,100	40,200	36,100	34,800
Real Estate and Rental and Leasing	15,700	14,100	12,700	12,200	11,800
Professional and Business Services	112,100	110,100	101,100	102,200	101,400
Educational and Health Services	97,100	99,700	99,800	99,400	102,700
Leisure and Hospitality	86,600	85,900	81,900	80,200	79,800
Other Services	29,000	29,600	28,800	28,100	28,000
Federal Government	12,400	12,500	13,300	14,600	13,900
State Government	109,600	111,400	111,900	110,900	109,500
Local Government	113,100	114,300	110,200	104,700	101,200
Total, All Industries <sup>(3)</sup>	911,000	890,200	839,800	817,900	810,300

<sup>(1)</sup> Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(2)</sup> Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(3)</sup> Totals may not add due to rounding.

Source: State of California Employment Development Department.

## Major Employers

The major private-sector employers in the City as of June 30, 2011, are shown below.

### CITY OF SACRAMENTO MAJOR EMPLOYERS (As of June 30, 2011)

<u>Employer Name</u>	<u>No. of Employees</u>
State of California	72,120 <sup>(1)</sup>
Sacramento County	11,300
University of California, Davis Health System	8,580
Sutter Health Sacramento Sierra Region	6,958
Mercy/Catholic Healthcare West	6,942
Intel Corporation	6,515
Kaiser Permanente	6,367
Elk Grove Unified School District	5,619
San Juan Unified School District	4,600
Sacramento City Unified School District	4,500
City of Sacramento	4,000

(1) Includes full-time, intermittent, and part-time employees.

Source: City of Sacramento, Comprehensive Annual Financial Report (CAFR), dated June 30, 2011.

The major employers in the County as of October 2012 are shown below.

### COUNTY OF SACRAMENTO MAJOR EMPLOYERS - LISTED ALPHABETICALLY (As of October 2012)

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Aerojet-General Corp	Rancho Cordova	Aerospace Industries (Mfrs)
American River College	Sacramento	Schools-Cooking
AMPAC FINE CHEMICALS LLC	Rancho Cordova	Chemicals-Manufacturers
California Dept of Transport	Sacramento	Government Offices-US
California Prison Ind Auth	Folsom	State Govt-Correctional Institutions
California State University	Sacramento	Schools-Universities & Colleges Academic
Corrections Dept	Sacramento	State Govt-Correctional Institutions
CSUS	Sacramento	Schools-Universities & Colleges Academic
Delta Dental	Rancho Cordova	Insurance
Disabled American Veterans	Sacramento	Veterans' & Military Organizations
Electrical Workers	Sacramento	Labor Organizations
Employment Development Dept	Sacramento	Government-Job Training/Voc Rehab Svcs
Environmental Protection Agcy	Sacramento	State Government-Environmental Programs
Exposition & Fair	Sacramento	Government Offices-State
Gen Corp Inc	Rancho Cordova	Marketing Programs & Services
Mercy Hospitals Regional Rehab	Sacramento	Hospitals
Mercy San Juan Medical Ctr	Carmichael	Medical Centers
Methodist Hospital-Sacramento	Sacramento	Hospitals
Municipal Services Agency	Sacramento	Government Offices-County
Sacramento Bee	Sacramento	Newspapers (Publishers/Mfrs)
Sacramento Kings	Sacramento	Sports Teams
Sacto Regional Transit	Sacramento	Alternative Fuels
Securitas Security Svc USA	Sacramento	Security Guard & Patrol Service
UC Davis Medical Ctr	Sacramento	Clinics
Water Resource Dept	Sacramento	State Government-Environmental Programs

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2013 1st Edition.

## Building and Construction

Provided below are the building permits and valuations for the City for calendar years 2007 through 2011.

### CITY OF SACRAMENTO Total Building Permit Valuations (Valuations in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Permit Valuation</u>					
New Single Family	\$228,761.8	\$165,420.0	\$25,845.2	\$15,543.2	\$11,615.9
New Multi Family	83,840.7	68,035.0	5,898.3	14,384.3	30,285.8
Res. Alterations/Additions	<u>113,668.2</u>	<u>99,934.1</u>	<u>95,547.3</u>	<u>96,241.6</u>	<u>110,787.5</u>
Total Residential	426,270.7	333,389.1	127,290.7	126,169.2	152,689.2
New Commercial	161,927.9	185,320.7	36,498.8	18,290.7	16,197.1
New Industrial	11,535.3	7,168.8	0.0	0.0	3,232.4
New Other	55,318.7	51,656.4	24,834.1	17,387.2	1,324.4
Com. Alterations/Additions	<u>196,913.6</u>	<u>235,977.5</u>	<u>166,964.3</u>	<u>110,195.2</u>	<u>140,159.1</u>
Total Nonresidential	425,695.4	480,123.3	228,297.3	145,873.1	160,913.0
Permits for <u>New Dwelling Units</u>					
Single Family	1,334	921	148	95	65
Multiple Family	<u>765</u>	<u>698</u>	<u>68</u>	<u>96</u>	<u>234</u>
TOTAL	2,099	1,619	216	191	299

Source: Construction Industry Research Board, Building Permit Summary.

Provided below are the building permits and valuations for the County for calendar years 2007 through 2011.

### COUNTY OF SACRAMENTO Total Building Permit Valuations (Valuations in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Permit Valuation</u>					
New Single family	\$695,003.0	\$381,937.3	\$199,795.8	\$199,008.8	\$189,634.5
New Multi family	93,457.2	113,690.7	8,310.0	32,680.9	64,390.8
Res. Alterations/Additions	<u>208,362.1</u>	<u>208,941.5</u>	<u>173,522.6</u>	<u>181,074.7</u>	<u>202,757.1</u>
Total Residential	996,822.2	704,569.5	381,628.4	412,764.5	456,782.4
New Commercial	356,053.5	486,728.2	76,831.2	52,031.6	77,164.9
New Industrial	35,786.2	40,037.4	3,892.4	2,481.3	3,232.4
New Other	125,149.0	124,950.7	57,847.7	56,735.4	3,290.1
Com. Alterations/Additions	<u>371,320.4</u>	<u>513,791.8</u>	<u>369,332.1</u>	<u>242,724.5</u>	<u>287,939.6</u>
Total Nonresidential	\$888,309.1	\$1,165,508.1	\$507,903.4	353,972.8	371,627.0
Permits for <u>New Dwelling Units</u>					
Single Family	3,384	1,933	881	843	727
Multiple Family	<u>839</u>	<u>1,231</u>	<u>92</u>	<u>338</u>	<u>606</u>
TOTAL	4,223	3,164	973	1,181	1,333

Source: Construction Industry Research Board, Building Permit Summary.



## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state, and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2007 through 2011.

### COUNTY OF SACRAMENTO Effective Buying Income 2007 through 2011

Year	Area	Total Effective Buying Income (000s' Omitted)	Median Household Effective Buying Income
2007	City of Sacramento	\$8,836,535	\$40,007
	Sacramento County	29,859,233	46,334
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Sacramento	\$9,180,905	\$40,769
	Sacramento County	30,497,550	46,903
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Sacramento	\$9,390,475	\$41,578
	Sacramento County	31,079,118	47,353
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Sacramento	\$8,865,690	\$39,011
	Sacramento County	28,891,811	44,449
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Sacramento	\$8,673,273	\$38,456
	Sacramento County	28,869,888	44,185
	California	814,578,458	41,062
	United States	6,438,704,664	41,253

*Source: The Nielsen Company (US), Inc.*

## 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 the City 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; it runs from Mexico to Canada. State 99 parallels Interstate 5 through central California and passes through Sacramento.

The Union Pacific Railroad, a transcontinental line, has junctions in Sacramento and is connected to the Burlington Northern and Santa Fe Railway via the Central California Traction Company. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound and the Sacramento Regional Transit District. The Sacramento Regional Transit District also provides light-rail service within the City. The Port of Sacramento, located 79 nautical miles northeast of San Francisco, provides direct ocean freight service to all major United States and world ports. Via a deep water channel, ships can reach the Port of Sacramento from San Francisco in less than eight hours. The major rail links serving the City 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 the City. Sacramento International Airport is about 12 miles northwest of the City's downtown. The airport is served by 13 major carriers and one commuter carrier. Executive Airport, located in the City, is a full-service, 540-acre facility serving general aviation and providing a wide array of facilities and services.

Finally, Mather Airport, also located in the City, currently offers full-service, fixed-base operations, and 24-hour air-traffic control; it serves general aviation and has one of the longest runways in California.

**APPENDIX B**

**RATE AND METHOD OF APPORTIONMENT FOR  
EACH CFD**

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**CITY OF SACRAMENTO  
NORTH NATOMAS REGENCY PARK  
COMMUNITY FACILITIES DISTRICT NO. 2001-03**

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

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A Special Tax applicable to each Assessor's Parcel in the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 (herein "CFD No. 2001-03") shall be levied and collected according to the tax liability determined by the City Council through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 2001-03, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**A. DEFINITIONS**

The terms hereinafter set forth have the following meanings:

**"Acre or Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

**"Act"** means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the Government Code of the State of California.

**"Administrative Expenses"** means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to CFD No. 2001-03 and the Bonds, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to Bonds, costs associated with complying with continuing disclosure requirements under the California Government Code with respect to the Bonds and the Special Tax, and all other costs and expenses of the City in any way related to the establishment or administration of CFD No. 2001-03.

**"Administrator"** shall mean the person or firm designated by the City to administer the Special Tax according to this Rate and Method of Apportionment of Special Tax.

**"Assessor's Parcel" or "Parcel"** means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

**“Assessor’s Parcel Map”** means an official map of the County Assessor designating parcels by Assessor’s Parcel Number.

**“Association Property”** means any property within CFD No. 2001-03 that is owned by a homeowners’ association or property owners’ association. Notwithstanding the foregoing, if a homeowners’ association owns the land area under the pad of a residential structure, the Administrator shall determine the acreage under the pad of the building, and such acreage shall be categorized as Medium Density Residential Property or High Density Residential Property, as appropriate, and shall not be designated as Association Property.

**“Average Lot Size”** means, for all Single Family Residential Property within a particular Final Map, the average size of the Buildable Lots within that Final Map, which shall be calculated pursuant to Section B below.

**“Bonds”** means bonds or other debt (as defined in the Act), whether in one or more series, issued, insured or assumed by CFD No. 2001-03 related to public infrastructure and/or improvements that will serve property included within CFD No. 2001-03.

**“Buildable Lot”** means an individual lot of Single Family Residential Property within a Final Map for which a building permit may be issued without further subdivision of such lot.

**“Capitalized Interest”** means funds in any capitalized interest account available to pay debt service on Bonds.

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

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

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

**“Developed Property”** means, in any Fiscal Year, the following:

- All Parcels of Single Family Residential Property for which a Final Map was recorded prior to January 1 of the preceding Fiscal Year
- All Parcels of Medium Density Residential Property and High Density Residential Property for which a building permit was issued for construction of a residential structure prior to January 1 of the preceding Fiscal Year
- All Parcels of Other Property for which a building permit was issued prior to January 1 of the preceding Fiscal Year for construction of a structure on such Parcel

**“Development Plan”** means the land uses planned for development on property within CFD No. 2001-03 and used in the calculation of the Maximum Special Taxes reflected in Section C below. The Development Plan is summarized in Attachment 1 of this Rate and Method of Apportionment of Special Tax.



**“Final Map”** means a final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq*) that creates Buildable Lots. The term “Final Map” shall not include any large-lot subdivision map, Assessor’s Parcel Map, or subdivision map or portion thereof, that does not create Buildable Lots, including Assessor’s Parcels that are designated as remainder parcels.

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

**“High Density Residential Property”** means any Parcel in CFD No. 2001-03 which is assigned a residential land use classification of High Density Residential (HD) in the North Natomas Community Plan and is not developed as Single Family Residential Property.

**“Maximum Special Tax”** means the maximum Special Tax, determined in accordance with Section C, that can be levied in any Fiscal Year.

**“Medium Density Residential Property”** means any Parcel in CFD No. 2001-03 which is assigned a residential land use classification of Medium Density Residential (MD) in the North Natomas Community Plan and is not developed as Single Family Residential Property.

**“North Natomas Community Plan”** means the North Natomas Community Plan that was adopted by the City Council on May 3, 1994, amended by the City Council on April 16, 1996, and as may be further amended from time to time.

**“Other Property”** means all Parcels of Taxable Property which are not Single Family Residential Property, Medium Density Residential Property or High Density Residential Property, as defined above.

**“Proportionately”** means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax to the Maximum Special Tax is equal for all Assessor’s Parcels of Undeveloped Property.

**“Public Property”** means any property within the boundaries of CFD No. 2001-03 that is owned by the City, federal government, State of California or other local government or public agency.

**“Single Family Residential Property”** means any Parcel on which a single family detached residential unit or duplex is constructed or expected to be constructed as determined by the City.

**“Special Tax”** means a Special Tax levied in any Fiscal Year to pay the Special Tax Requirement.

**“Special Tax Requirement”** means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which are due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds, (iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of

Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected (iv) to pay Administrative Expenses, and (v) to pay the costs of public improvements and public infrastructure authorized to be financed by CFD No. 2001-03. The Special Tax Requirement may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Bond indenture, Bond resolution, or other legal document that set forth these terms, (ii) proceeds from the collection of penalties associated with delinquent Special Taxes, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

**“Taxable Property”** means all of the Assessor’s Parcels within the boundaries of CFD No. 2001-03 which are not exempt from the Special Tax pursuant to law or Section G below.

**“Undeveloped Property”** means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property pursuant to the definition set forth in this Section A.

**B. DATA FOR ANNUAL ADMINISTRATION OF SPECIAL TAX**

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for Taxable Property within the CFD. The Administrator shall also (i) determine whether each Parcel is Developed Property or Undeveloped Property, (ii) for Developed Property, determine whether each Parcel is Single Family Residential Property, Medium Density Residential Property, High Density Residential Property or Other Property, and (iii) calculate the Average Lot Size for Single Family Residential Property for each Final Map that was recorded in the prior Fiscal Year. Individually, for each recorded Final Map, the Average Lot Size shall be calculated pursuant to the following steps:

- Step 1.* Determine how many Buildable Lots are included within the Final Map.
- Step 2.* Add together the square footage of all Buildable Lots within the Final Map.
- Step 3.* Divide the total square footage from Step 2 by the number of Buildable Lots determined in Step 1 to calculate the Average Lot Size for the Final Map.

**C. MAXIMUM SPECIAL TAX**

Table 1 below identifies the Maximum Special Tax for Taxable Property within CFD No. 2001-03:

**TABLE 1**  
**REGENCY PARK CFD No. 2001-03**  
**MAXIMUM SPECIAL TAXES**  
**(FISCAL YEAR 2002-03)**

<i>Type of Property</i>	<i>Average Lot Size</i>	<i>Maximum Special Tax Fiscal Year 2002-03 *</i>
Single Family Residential Property	Greater than or equal to 4,500 square feet	\$649 per Buildable Lot
Single Family Residential Property	Less than 4,500 square feet	\$487 per Buildable Lot
Medium Density Residential Property	N/A	\$3,408 per Acre
High Density Residential Property	N/A	\$4,654 per Acre
Other Property	N/A	\$4,654 per Acre
Undeveloped Property	N/A	\$4,900 per Acre

*\* On July 1, 2003 and on each July 1 thereafter, all figures shown in Table 1 above shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.*

*Pursuant to Section 53321 (d) of the Act, the Special Tax levied against a Parcel used for private residential purposes shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels in the CFD and shall, in no event, exceed the Maximum Special Tax in effect for the Fiscal Year in which the Special Tax is being levied. In no event shall Special Taxes be levied within CFD No. 2001-03 after Fiscal Year 2036-37.*

**D. AMENDMENTS TO THE DEVELOPMENT PLAN**

The Maximum Special Taxes set forth in Table 1 above are calculated based on the number of Buildable Lots, the Average Lot Size of Buildable Lots, and the acreage of Medium Density Residential Property and High Density Residential Property that was anticipated at the time of formation of CFD No. 2001-03. If, in any future year, changes are made to the Development Plan that would result in a reduction in the Maximum Special Tax revenues that can be generated within the CFD, a mandatory prepayment shall be required to maintain debt service coverage covenants set forth in the Bond indenture. Each time a Final Map is submitted for approval to the City, the following steps shall be applied to determine if a mandatory prepayment is required:

- Step 1:** The Administrator shall calculate the Maximum Special Tax revenues that could be collected from the property affected by the proposed revision to the Development Plan (the "Affected Property") prior to the revision being approved assuming, for purposes of the calculation, that the property is fully developed with the land uses anticipated in the Development Plan.

**Step 2:** The Administrator shall calculate the Maximum Special Tax revenues that could be collected from the Affected Property if the revision to the Development Plan is approved and the Affected Property is fully developed with the proposed land uses.

**Step 3:** If the amount determined in Step 2 is higher than that calculated in Step 1, the revision to the Development Plan may be approved without requiring a mandatory prepayment and the Maximum Special Taxes identified in Section C above shall apply to Affected Property. If the amount calculated in Step 2 is less than the amount calculated in Step 1, one of the following must occur:

- (a) The revision to the Development Plan is not approved by the City, or
- (b) The landowner requesting the revision to the Development Plan prepays a portion of the Special Tax obligation that would have applied to the Affected Property prior to approval of the revision in an amount sufficient to retire a portion of the Bonds and maintain required debt service coverage with the reduced Maximum Special Tax revenues that will result after the revision to the Development Plan is approved. The required prepayment must be received prior to approval of Final Map and shall be calculated using the formula set forth in Section H below. If, for any reason, the required prepayment is not received prior to approval of the Final Map, no building permits will be issued for development of any property within the Final Map until the mandatory prepayment is received by the City.

Notwithstanding the foregoing, if a property owner proposes changes to the Development Plan that will cause a reduction of Maximum Special Tax revenues in one area of the CFD and an increase in Maximum Special Tax revenues in another area of the CFD, the City may, in its sole discretion, permit such a change to the Development Plan without a mandatory prepayment. Upon approval of the revision to the Development Plan, Attachment 1 to this Rate and Method of Apportionment of Special Tax shall be revised to reflect the new anticipated land uses within the CFD.

#### **E. METHOD OF LEVY OF THE SPECIAL TAX**

Commencing with Fiscal Year 2002-03 and for each following Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year. A Special Tax shall then be levied according to the following steps:

- Step 1.** The Special Tax shall be levied Proportionately on each Parcel of Developed Property up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year, as determined pursuant to Section C above.
- Step 2.** If additional revenue is needed after Step 1, and after applying Capitalized Interest to the Special Tax Requirement, the Special Tax shall be levied

Proportionately on each Assessor's Parcel of Undeveloped Property, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year, as determined pursuant to Section C above.

**Step 3:** If additional revenue is needed after applying the first two steps, the Special Tax shall be levied Proportionately on each Parcel of Association Property within the CFD, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year, as determined pursuant to Section C above.

**Step 4.** If additional revenue is needed after applying the first three steps, the Special Tax shall be levied Proportionately on each Parcel of Public Property within the CFD that is Taxable Property, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to Section C above.

#### **F. MANNER OF COLLECTION OF SPECIAL TAX**

The Special Taxes for CFD No. 2001-03 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section H below and provided further that the City may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and authorized facilities to be constructed directly from Special Taxes proceeds have been completed. However, in no event shall Special Taxes be levied after Fiscal Year 2036-2037.

#### **G. EXEMPTIONS**

Notwithstanding any other provision of this Rate and Method of Apportionment of Special Tax, no Special Tax shall be levied on Public Property, except as otherwise provided in the Act.

#### **H. PREPAYMENT OF SPECIAL TAX**

The following definitions apply to this Section H:

**“Remaining Facilities Costs”** means the Public Facilities Requirement minus public facility costs funded by Outstanding Bonds, developer equity and/or any other source of funding.

**“Outstanding Bonds”** means all Previously Issued Bonds which remain outstanding, with the following exception: if a Special Tax has been levied against, or already paid by, an Assessor's Parcel making a prepayment, and a portion of the Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined

by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.

**“Previously Issued Bonds”** means all Bonds that have been issued prior to the date of prepayment.

**“Public Facilities Requirements”** means either \$14,600,000 in 2002 dollars, which shall increase on January 1, 2003, and on each January 1 thereafter by the percentage increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News Record or other comparable source if the Engineering News Record is discontinued or otherwise not available, or such lower number as shall be determined by the City as sufficient to fund improvements that are authorized to be funded by CFD No. 2001-03.

The Special Tax obligation applicable to an Assessor’s Parcel in CFD No. 2001-03 may be prepaid and the obligation of the Assessor’s Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Assessor’s Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount shall be calculated as follows: (capitalized terms as defined below):

	Bond Redemption Amount
plus	Remaining Facilities Amount
plus	Redemption Premium
plus	Defeasance Requirement
plus	Administrative Fees and Expenses
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

- Step 1.** Compute the total Maximum Special Tax that could be collected from the Assessor’s Parcel repaying the Special Tax in the Fiscal Year in which prepayment would be received by the City. If this Section H is being applied to effect a mandatory prepayment pursuant to Section D above, use, for purposes of this Step 1, the amount by which the Maximum Special Tax revenues have been reduced due to the change in the Development Plan that required the mandatory prepayment.



- Step 2.** Divide the Maximum Special Tax computed pursuant to Step 1 for such Assessor's Parcel by the lesser of (i) the Maximum Special Tax revenues that could be collected in that Fiscal Year from property in the entire CFD, or (ii) the Maximum Special Tax revenues that could be generated at buildout of property in the CFD based on anticipated land uses at the time the prepayment is calculated.
- Step 3.** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "Bond Redemption Amount"*).
- Step 4.** Compute the current Remaining Facilities Costs (if any).
- Step 5.** Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Remaining Facilities Costs to be prepaid (*the "Remaining Facilities Amount"*).
- Step 6.** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).
- Step 7.** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first Bond interest payment date after which the prepayment will be received until the earliest redemption date for the Outstanding Bonds. However, if Bonds are callable at the first interest payment date after the prepayment has been received, Steps 7, 8 and 9 of this prepayment formula will not apply.
- Step 8:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 9:** Subtract the amount computed pursuant to Step 8 from the amount computed pursuant to Step 7 (*the "Defeasance Requirement"*).
- Step 10.** The administrative fees and expenses associated with the prepayment will be determined by the Administrator and include the costs of computing the prepayment, redeeming Bonds and recording any notices to evidence the prepayment and the redemption (*the "Administrative Fees and Expenses"*).
- Step 11.** If and to the extent so provided in the Bond indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (*the "Reserve Fund Credit"*).

**Step 12.** The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the "*Prepayment Amount*").

**I. INTERPRETATION OF SPECIAL TAX FORMULA**

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

**J. APPEALS**

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

## ATTACHMENT 1

### Regency Park Summary of Development Plan

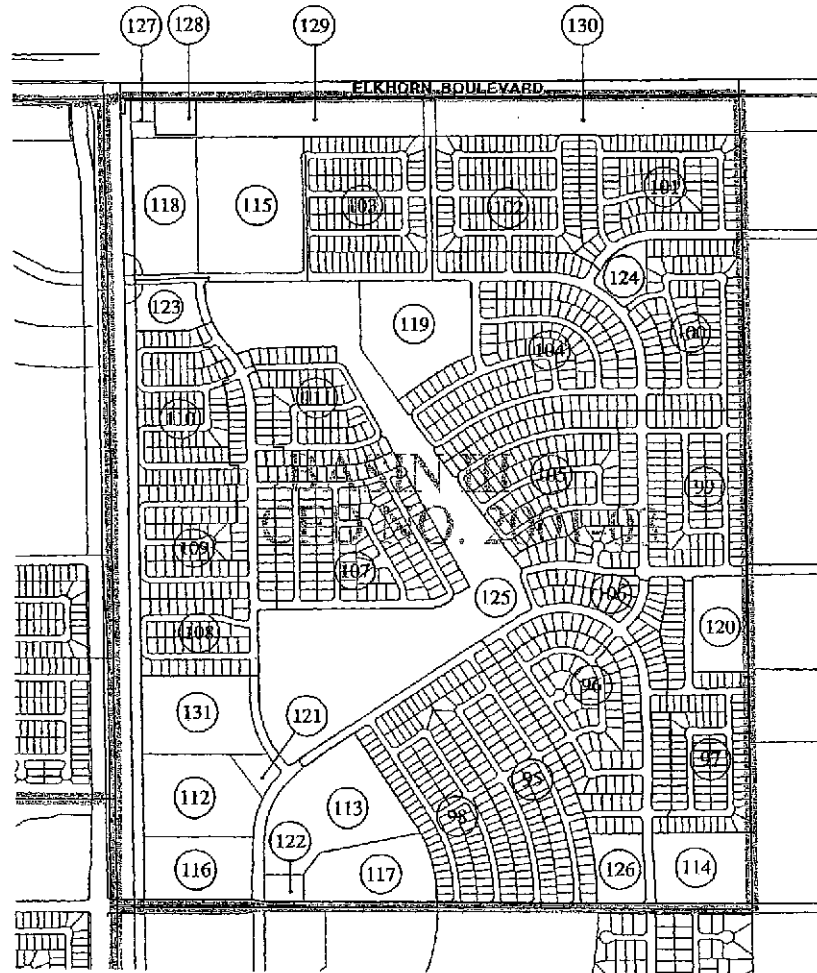
<i>Village/ Key Number *</i>	<i>Expected Land Use **</i>	<i>Average Lot Size</i>	<i>Number of Single Family Residential Units</i>	<i>Net Acres</i>
Vill 20, Key #95	SFR	>= 4,500 sf	107	14.2
Vill 21, Key #96	SFR	>= 4,500 sf	111	17.0
Vill 22, Key #97	SFR	>= 4,500 sf	93	11.2
Vill 23, Key #98	SFR	>= 4,500 sf	117	14.0
Vill 24, Key #99	SFR	>= 4,500 sf	109	14.3
Vill 25, Key #100	SFR	>= 4,500 sf	77	10.3
Vill 26, Key #101	SFR	>= 4,500 sf	111	14.0
Vill 27, Key #102	SFR	>= 4,500 sf	106	13.6
Vill 28, Key #103	SFR	>= 4,500 sf	103	12.2
Vill 29, Key #104	SFR	>= 4,500 sf	163	21.8
Vill 30, Key #105	SFR	>= 4,500 sf	94	13.5
Vill 30A, Key #106	SFR	>= 4,500 sf	61	10.8
Vill 31, Key #107	SFR	>= 4,500 sf	107	17.0
Vill 32, Key #108	SFR	>= 4,500 sf	94	13.3
Vill 33, Key #109	SFR	>= 4,500 sf	60	8.4
Vill 34, Key #110	SFR	>= 4,500 sf	86	10.2
Vill 35, Key #111	SFR	>= 4,500 sf	63	8.4
Key #112	MDR	N/A	N/A	8.1
Key #113	MDR	N/A	N/A	11.3
Key #114	MDR	N/A	N/A	6.5
Key #115	MDR	N/A	N/A	13.5
Key #116	HDR	N/A	N/A	6.4
Key #117	HDR	N/A	N/A	6.9
Key #118	HDR	N/A	N/A	8.2
Key #121	DAYCARE	N/A	N/A	1.04
Key #123	COMM	N/A	N/A	2.78

\* See Page 2 of this Attachment 1 for the geographic area identified by each key number and village designation

\*\* SFD = Single Family Residential, MDR = Medium Density Residential, HDR = High Density Residential,  
Comm = Commercial

Source of Data: Wood Rodgers, Inc., December 2001

**CFD NO. 2001-03  
LAND USE/ACREAGE EXHIBIT  
NORTH NATOMAS COMMUNITY  
OCTOBER 2001  
(REVISED DECEMBER 4, 2001)**



CFD NO. 2001-03						
REGENCY PARK						
KEY NUMBER	NAME	LAND USE	TYPICAL LOT SIZE	UNITS	NET ACRES	GROSS ACRES
95	VILL 20	SF RES	4725/5775	107	14.20	18.00
96	VILL 21	SF RES	4725/5775	111	17.00	22.30
97	VILL 22	SF RES	4725	93	11.20	14.00
98	VILL 23	SF RES	4725/5775	117	14.00	19.10
99	VILL 24	SF RES	5250/5775	109	14.30	18.80
100	VILL 25	SF RES	5250	77	10.30	13.86
101	VILL 26	SF RES	4725/5250	111	14.00	17.80
102	VILL 27	SF RES	4725	106	13.60	16.10
103	VILL 28	SF RES	4725	103	12.20	16.60
104	VILL 29	SF RES	VARIES	163	21.80	30.10
105	VILL 30	SF RES	5775	94	13.50	16.50
106	VILL 30A	SF RES	4725/5775	61	10.80	13.40
107	VILL 31	SF RES	6300	107	17.00	22.30
108	VILL 32	SF RES	VARIES	94	13.30	18.70
109	VILL 33	SF RES	5775	60	8.40	10.40
110	VILL 34	SF RES	4725	88	10.20	12.60
111	VILL 35	SF RES	5250	63	8.40	10.50
112	N/A	MDR	N/A	N/A	8.10	8.30
113	N/A	MDR	N/A	N/A	11.30	12.40
114	N/A	MDR	N/A	N/A	6.50	7.90
115	N/A	MDR	N/A	N/A	13.50	14.30
116	N/A	HDR	N/A	N/A	6.40	7.60
117	N/A	HDR	N/A	N/A	6.90	7.60
118	N/A	HDR	N/A	N/A	8.20	8.40
119	N/A	ES	N/A	N/A	9.83	9.83
120	N/A	ES	N/A	N/A	5.00	5.00
121	N/A	DAYCARE	N/A	N/A	1.04	1.44
122	N/A	I	N/A	N/A	1.06	1.37
123	N/A	COMM	N/A	N/A	2.78	3.45
124	N/A	PARK	N/A	N/A	2.04	2.04
125	N/A	PARK	N/A	N/A	42.14	42.14
126	N/A	PARK	N/A	N/A	3.23	3.23
127	N/A	OS	N/A	N/A	0.47	0.52
128	N/A	OS	N/A	N/A	1.30	1.38
129	N/A	OS	N/A	N/A	8.21	8.85
130	N/A	OS	N/A	N/A	10.34	11.13
131	N/A	DET. BASIN	N/A	N/A	8.04	8.68
132	N/A	OS	N/A	N/A	7.54	7.70
<b>TOTAL FOR REGENCY PARK</b>				<b>1682</b>	<b>388.06</b>	<b>464.32</b>
<b>TOTAL FOR CFD 2001-03</b>				<b>1662</b>	<b>388.06</b>	<b>464.32</b>



**WOOD RODGERS INC.**  
ENGINEERING PLANNING SURVEYING  
 3301 O STREET, BLDG. 100-S SACRAMENTO, CA 95818  
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Exhibit A

City of Sacramento, North Natomas  
Westlake Community Facilities District No. 2000-01  
(Sacramento, California)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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**1. BASIS OF SPECIAL TAX LEVY**

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 (the "Act") applicable to the land in the City of Sacramento (the "City") North Natomas Westlake Community Facilities District No. 2000-01 (the "CFD") shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate, as described below.

**2. DEFINITIONS**

"**Act**" means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 and following of the California Government Code.

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

"**Anticipated Construction Proceeds**" means \$8,800,000 from issuance of bonds.

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

"**Assessor**" means the Assessor of the County of Sacramento.

**“Authorized Facilities”** means those improvements, as listed in the Resolution forming the CFD.

**“Base Year”** means Fiscal Year 2000-2001.

**“Benefit Share”** means the Maximum Annual Special Tax for a Taxable Parcel divided by the Maximum CFD Revenue.

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

**“CFD”** means the City of Sacramento, North Natomas Westlake Community Facilities District No. 2000-01.

**“City”** means City of Sacramento, California.

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

**“County”** means the County of Sacramento, California.

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

**“Development Year”** means the Fiscal Year in which the Parcel changes classification from Master Parcel Map to Final Subdivision Map Parcel.

**“Estimated Net Acreage”** means the actual Net Acreage of a Parcel or an approximation of the Net Acreage by the City based upon the total gross developable acres less an allowance for minor streets of a Parcel as indicated in the North Natomas Community Plan.

**“Final Subdivision Map”** means a recorded map designating the final Parcel splits for individual single-family residential Parcels.

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

**“Individual Lot”** means a buildable area of land created by a final subdivision map for the purpose of building a single-family residential dwelling unit.

**“Low-Density Residential Parcel”** means a Taxable Parcel with an approved land use for a single-family-detached residential dwelling unit that lies within a specific Residential Village as shown on **Map 1**.

**“Master Parcel Map”** means a map that subdivides large tracts of land into smaller Parcels for the purpose of selling or otherwise transferring the Parcels for further subdivision in accordance with City procedures, or for the purpose of securing financing, together with



planning and construction of infrastructure elements, but not for the purpose of creating either individual residential lots for sale to end-user homeowners, and not for the purpose of allowing construction or other improvements on Non-Residential Parcels.

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

**“Maximum Annual Special Tax Rate”** means the amount shown in **Attachment 1** for a given Fiscal Year that is used in calculating the Maximum Annual Special Tax for a Taxable Parcel based on its land use classification.

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

**“Maximum Annual CFD Revenue”** means the sum of the Maximum Annual Special Tax for all of the Taxable Parcels in the CFD.

**“Medium-Density Residential Parcel”** means a single family residential Parcel on Map 1 designated as medium density by the City according the North Natomas Community Plan.

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

**“Non-Participating Parcel”** is a Non-Residential Parcel or Other Residential Parcel which has not received written authorization from the property owner to be taxed, and has not had bonds issued against the property. Any such Parcel shall be a Tax-Exempt Parcel. Any Non-Participating Parcel which subsequently becomes Taxable must be reclassified as a Non-Residential Parcel or Other Residential Parcel. Once the Non-Participating Parcel has been reclassified as a Taxable Parcel, it cannot revert to Non-Participating Parcel status. The property owner may also request that a Non-Participating Parcel be permanently classified Tax-Exempt, provided the property has paid its share of backbone infrastructure privately.

**“Non-Residential Parcel”** means a Taxable Parcel designated for retail, commercial, office, industrial, institutional, or similar use as defined in the North Natomas Community Plan.

**“Other Residential Parcel”** means a Taxable Parcel with an approved land use for other than Low-Density Residential Parcel or Medium Density Residential Parcel, such as three or more attached residential units owned in common. If Low Density or Medium-Density Residential Parcels are created that are not consistent with the village shown in Map 1, these Parcels will be classified as Other Residential Parcels.

**“Outstanding Bonds”** means the total principal amount of bonds that have been issued by the CFD and not retired or defeased.

**"Parcel"** means any Assessor's parcel in the CFD based on the equalized tax rolls of the County as of January 1 of each Fiscal Year.

**"Parcel Number"** means the Assessor's Parcel Number for any Parcel based on the equalized tax rolls of the County as of January 1 of each Fiscal Year.

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

**"Prepayment Parcel"** means a Parcel that has permanently satisfied the entire Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344 and described in Section 6.

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

**"Remaining Facility Cost Share"** means the Total Facility Cost Share for a Parcel less facility costs funded through CFD bonds or on a pay-as-you-go basis.

**"Residential Village"** means a designated geographic area within the Master Parcel Map containing residential development. The village designations are either Village 1, Village 2, Village 3, Village 4A, Village 4B, Village 5, or Village 6, as shown on **Map 1**.

**"Reserve Fund"** means the total amount held in the bond reserve funds by the City for all Outstanding Bonds.

**"Reserve Fund Share"** means the lesser of (i) the reserve requirement on all Outstanding Bonds, or (ii) the Reserve Fund balance on all Outstanding Bonds, multiplied by the Benefit Share for a given Parcel.

**"Special Tax(es)"** mean(s) any tax levy under the Act.

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

**"Taxable Parcel"** means any Parcel that is not a Tax-Exempt Parcel.

**"Tax-Exempt Parcel"** means a Parcel not subject to the Special Tax. Tax-Exempt Parcels include: (i) Public Parcels (subject to the limitations set forth in Section 4, below), (ii) Prepayment Parcels, (iii) Non-Participating Parcels, and (iv) Parcels that are open space, recreation, clubhouse etc, owned by a Condominium or Home Owners Association. Certain non-developable privately owned Parcels may also be exempt from the levy of Special Taxes as determined by the City such as common areas, wetlands, and open space.

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

**"Total Facility Cost Share"** means the Benefit Share for a Parcel multiplied by the Anticipated Construction Proceeds for the CFD.

### **3. TERMINATION OF THE SPECIAL TAX**

The Special Tax will be levied on and collected from Taxable Parcels in the CFD for as long as needed to pay the principal and interest on debt for the Bonds issued to fund Authorized Facilities. However, in no event shall the Special Tax be levied after Fiscal Year 2029-30.

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

### **4. ASSIGNMENT OF MAXIMUM ANNUAL SPECIAL TAX**

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

1. Each Parcel to be classified as a Tax-Exempt Parcel or Taxable Parcel.
2. Each Taxable Parcel to be further classified as a Low-Density Residential Parcel, Medium-Density Residential Parcel, Other Residential Parcel, or Non-Residential Parcel.
3. Each Low-Density Residential Parcel to be identified according to its Residential Village.

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

1. Low-Density Residential Parcels (identified on Map 1)

For Low-Density Residential Parcels, the Maximum Annual Special Tax will be calculated by the following steps:

- a) Prior to Final Subdivision Map - If a Final Subdivision Map has not been recorded showing final Parcel splits for a Residential Village, a Maximum Annual Special Tax will be assigned for the Residential Village by multiplying the number of units shown on **Attachment 2** by the Maximum Annual Special Tax Rate for that Residential Village shown on **Attachment 1**.

If only a portion of a Residential Village has a Final Subdivision Map, assign that portion the Maximum Annual Special Tax as described in 4.B.1.b below. The portion without a Final Subdivision Map shall be assigned a Maximum Annual Special Tax calculated by taking the total units shown for the Residential Village on **Attachment 2** minus the units created by the Final Subdivision Map, multiplied by the Maximum Annual Special Tax Rate for that Residential Village shown on **Attachment 1**.

- b) Following Final Subdivision Map --The Maximum Annual Special Tax Rate for a Low-Density Residential Parcel within a Residential Village is shown on **Attachment 1**.

## 2. Medium-Density Residential Parcels

For Medium-Density Residential Parcels, the Maximum Annual Special Tax will be calculated by the following steps:

- a) Prior to subdivision into Individual Lots--Calculate the Maximum Annual Special Tax Revenue by multiplying the Net Acres for the Medium-Density Residential Parcel by the Maximum Annual Special Tax per acre shown on **Attachment 1**.
- b) Following subdivision into Individual Lots--Divide the Maximum Annual Special Tax from a) above by the total number of Individual Lots created in the Final Subdivision Map or Master Parcel Map to arrive at the Maximum Annual Special Tax per Individual Lot.

## 3. Other Residential and Non-Residential Parcels

Calculate the Maximum Annual Special Tax for Other Residential Parcels, and Non-Residential Parcels by multiplying the Maximum Annual Special Tax per Net Acre, as shown on **Attachment 1**, by the Net Acres for the Parcel. Other Residential Parcels that are created as condominiums or Individual Lots will have the Maximum Annual Special Tax per Parcel calculated according the procedures in 4.a. and 4.b. above.

- C. Conversion of a Public Parcel to a Taxable Parcel. If a Public Parcel is not needed for public use and is converted to a taxable use, it shall become subject to the Special

Tax. The Maximum Annual Special Tax for such a Parcel shall be assigned according to Section 4.A and Section 4.B above.

- D. Taxable Parcels Acquired by a Public Agency – A Taxable Parcel that is acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if a Public Parcel within the CFD is relocated to a Taxable Parcel, the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel, and the Maximum Special Tax from the previously Taxable Parcel is transferred to the newly Taxable Parcel. This trading of Parcels will be permitted to the extent that there is no net loss in Maximum CFD Revenue.
- E. Reclassification of a Non-Participating Parcel from Tax-Exempt status to Taxable status. Once the property owner has given written authorization for the property to be taxed, the Parcel must be reclassified as a Taxable Parcel, either as a Non-Residential Parcel, or as an Other Residential Parcel. The Maximum Annual Special Tax for such a Parcel shall be assigned according to 4.A and 4.B above.

## 5. CALCULATING ANNUAL SPECIAL TAX LEVY

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

- A. Compute the Annual Costs using the definitions in Section 2.
- B. Calculate the Maximum CFD Revenue by taxing each Taxable Parcel at 100% of its Maximum Annual Special Tax (**Attachment 2** shows the estimated maximum special tax revenues at buildout based on the Base Year tax rates). If revenues are greater than the Annual Costs, reduce the tax proportionately until the tax levy is set at an amount sufficient to cover Annual Costs.
- C. Levy on each Taxable Parcel the amount calculated above.
- D. Prepare the Tax Collection Schedule listing the Special Tax levy for each Taxable Parcel and send it to the County Auditor-Controller requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor-Controller for such inclusion.

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

## 6. PREPAYMENT OF SPECIAL TAX OBLIGATION

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

Prepayment is permitted only under the following conditions:

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

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

### CALCULATE PREPAYMENT AMOUNT

#### Part A: Prepayment of Outstanding Bond Share

- Step A.1: Determine the Maximum Special Tax for the Parcel based on the assignment of the Maximum Special Tax described in Section 4 above.
- Step A.2: Determine the Benefit Share by dividing the Maximum Special Tax determined in Step A.1 by the Maximum CFD Revenue for all Parcels in the CFD.
- Step A.3: Determine the Bond Share for the Parcel by multiplying the Benefit Share From Step A.2 by the total amount of Outstanding Bonds issued by the CFD.
- Step A.4: Calculate the Reserve Fund Share associated with the Bond Share determined in Step A.3 and reduce the Bond Share by the amount of the Reserve Fund Share. The Reserve Fund Share is equal to the reserve requirement on all outstanding bonds multiplied by the Benefit Share. At the City's discretion, the Reserve Fund Share may be withheld from the Prepayment calculation and refunded to the Prepaying landowner at the time that bonds are called.
- Step A.5: Determine the Outstanding Bond Share by adding to the amount calculated in Step A.4 any fees, call premiums, amounts necessary to cover negative arbitrage from the date of the prepayment to first call date on the bonds, and expenses incurred by the City in connection with the prepayment calculation or the application of the proceeds of the prepayment.



Part B. Remaining Facility Cost Share

- Step B.1: Determine the Total Facility Cost Share for the Parcel by multiplying the Benefit Share from Part A, Step A.2 above by the Anticipated Construction Proceeds.
- Step B.2: Determine the share of facilities funded by bonds already issued by the CFD for the Parcel by multiplying the Benefit Share by the construction proceeds made available from all such bonds issued by the CFD. These amounts shall be adjusted to the year of Prepayment by using the Engineering News Record Construction Cost Index.
- Step B.3: Determine the share of facilities already funded by Special Tax revenues on a pay-as-you-go basis by multiplying the Benefit Share by the total amount of pay-as-you-go funding used to acquire authorized facilities.
- Step B.4: Determine the Remaining Facility Cost Share for the Parcel by subtracting the results from Steps B.2 and B.3 from the Total Facility Cost Share determined in Step B.1. (Notwithstanding the above, once the City has funded all authorized CFD facilities, the Remaining Facility Cost Share shall be set to zero for purposes of this prepayment calculation.)
- Step B.5 Combine the amount from Part A Step A.5 with the amount from Part B Step B.4 to arrive at the Full Prepayment amount.

## 7. RECORDS MAINTAINED FOR THE CFD

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

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

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

## 8. APPEALS

Any taxpayer who feels that the amount of the Special Tax assigned to a Parcel is in error may file a notice with the City appealing the levy of the Special Tax. The City will then promptly review the appeal, and if necessary, meet with the applicant. If the City verifies

that the tax should be modified or changed, a recommendation at that time will be made to the Council and, as appropriate, the Special Tax levy shall be corrected and, if applicable in any case, a refund shall be granted.

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

**Attachment 1**  
**North Natomas Westlake CFD No. 2000-01**  
**Maximum Special Taxes**

Fiscal Year Ending	Low-Density Residential							Medium-Density	Other Residential
	Village 1	Village 2	Village 3	Village 4A	Village 4B	Village 5	Village 6	Residential	Non-Residential
				<i>Per unit</i>				[1] <i>Per net acre</i>	<i>Per net acre</i>
2001	\$620	\$1,160	\$1,010	\$720	\$920	\$920	\$830	\$3,600	\$3,600
2002	\$632	\$1,183	\$1,030	\$734	\$938	\$938	\$847	\$3,672	\$3,672
2003	\$645	\$1,207	\$1,051	\$749	\$957	\$957	\$864	\$3,745	\$3,745
2004	\$658	\$1,231	\$1,072	\$764	\$976	\$976	\$881	\$3,820	\$3,820
2005	\$671	\$1,256	\$1,093	\$779	\$996	\$996	\$898	\$3,897	\$3,897
2006	\$685	\$1,281	\$1,115	\$795	\$1,016	\$1,016	\$916	\$3,975	\$3,975
2007	\$698	\$1,306	\$1,137	\$811	\$1,036	\$1,036	\$935	\$4,054	\$4,054
2008	\$712	\$1,332	\$1,160	\$827	\$1,057	\$1,057	\$953	\$4,135	\$4,135
2009	\$726	\$1,359	\$1,183	\$844	\$1,078	\$1,078	\$972	\$4,218	\$4,218
2010	\$741	\$1,386	\$1,207	\$860	\$1,099	\$1,099	\$992	\$4,302	\$4,302
2011	\$756	\$1,414	\$1,231	\$878	\$1,121	\$1,121	\$1,012	\$4,388	\$4,388
2012	\$771	\$1,442	\$1,256	\$895	\$1,144	\$1,144	\$1,032	\$4,476	\$4,476
2013	\$786	\$1,471	\$1,281	\$913	\$1,167	\$1,167	\$1,053	\$4,566	\$4,566
2014	\$802	\$1,501	\$1,307	\$931	\$1,190	\$1,190	\$1,074	\$4,657	\$4,657
2015	\$818	\$1,531	\$1,333	\$950	\$1,214	\$1,214	\$1,095	\$4,750	\$4,750
2016	\$834	\$1,561	\$1,359	\$969	\$1,238	\$1,238	\$1,117	\$4,845	\$4,845
2017	\$851	\$1,592	\$1,387	\$988	\$1,263	\$1,263	\$1,139	\$4,942	\$4,942
2018	\$868	\$1,624	\$1,414	\$1,008	\$1,288	\$1,288	\$1,162	\$5,041	\$5,041
2019	\$886	\$1,657	\$1,443	\$1,028	\$1,314	\$1,314	\$1,185	\$5,142	\$5,142
2020	\$903	\$1,690	\$1,471	\$1,049	\$1,340	\$1,340	\$1,209	\$5,245	\$5,245
2021	\$921	\$1,724	\$1,501	\$1,070	\$1,367	\$1,367	\$1,233	\$5,349	\$5,349
2022	\$940	\$1,758	\$1,531	\$1,091	\$1,394	\$1,394	\$1,258	\$5,456	\$5,456
2023	\$959	\$1,793	\$1,561	\$1,113	\$1,422	\$1,422	\$1,283	\$5,566	\$5,566
2024	\$978	\$1,829	\$1,593	\$1,135	\$1,451	\$1,451	\$1,309	\$5,677	\$5,677
2025	\$997	\$1,866	\$1,625	\$1,158	\$1,480	\$1,480	\$1,335	\$5,790	\$5,790
2026	\$1,017	\$1,903	\$1,657	\$1,181	\$1,509	\$1,509	\$1,362	\$5,906	\$5,906
2027	\$1,038	\$1,941	\$1,690	\$1,205	\$1,540	\$1,540	\$1,389	\$6,024	\$6,024
2028	\$1,058	\$1,980	\$1,724	\$1,229	\$1,570	\$1,570	\$1,417	\$6,145	\$6,145
2029	\$1,079	\$2,020	\$1,758	\$1,254	\$1,602	\$1,602	\$1,445	\$6,268	\$6,268
2030	\$1,101	\$2,060	\$1,794	\$1,279	\$1,634	\$1,634	\$1,474	\$6,393	\$6,393

[1] Medium-Density Residential Maximum Annual Special Taxes per unit are determined when a Parcel records a Final Subdivision Map.

Note: Tax Rates are escalated annually at 2%.

**Attachment 2**  
**North Natomas Westlake CFD No. 2000-01**  
**Base Year Estimated Maximum Special Tax Revenue**

Item	Net Acres	Units	Median Lot Size (sq. ft.)	Maximum Special Tax Rate per Unit/Acre (Base Year 2000-01)	Estimated Maximum Special Tax Revenue
<b>Low Density Residential</b>					
Village 1	19.10	133	5,250	\$620 per unit	\$82,460
Village 2	31.60	111	8,800	\$1,160 per unit	\$128,760
Village 3	26.50	104	7,700	\$1,010 per unit	\$105,040
Village 4A	17.62	86	5,775	\$720 per unit	\$61,920
Village 4B	15.58	76	6,825	\$920 per unit	\$69,920
Village 5	25.00	108	6,825	\$920 per unit	\$99,360
Village 6	17.50	84	6,300	\$830 per unit	\$69,720
<b>Subtotal Low Density</b>	<b>152.90</b>	<b>702</b>			<b>\$617,180</b>
<b>Medium Density Residential</b>	<b>30.50</b>			\$3,600 per net acre	<b>\$109,800</b>
<b>Other Residential &amp; Non-Residential</b>	<b>45.50</b>			\$3,600 per net acre	<b>\$163,800</b>
<b>TOTAL</b>	<b>228.90</b>	<b>702</b>			<b>\$890,780</b>

*"special\_tax\_revenue"*

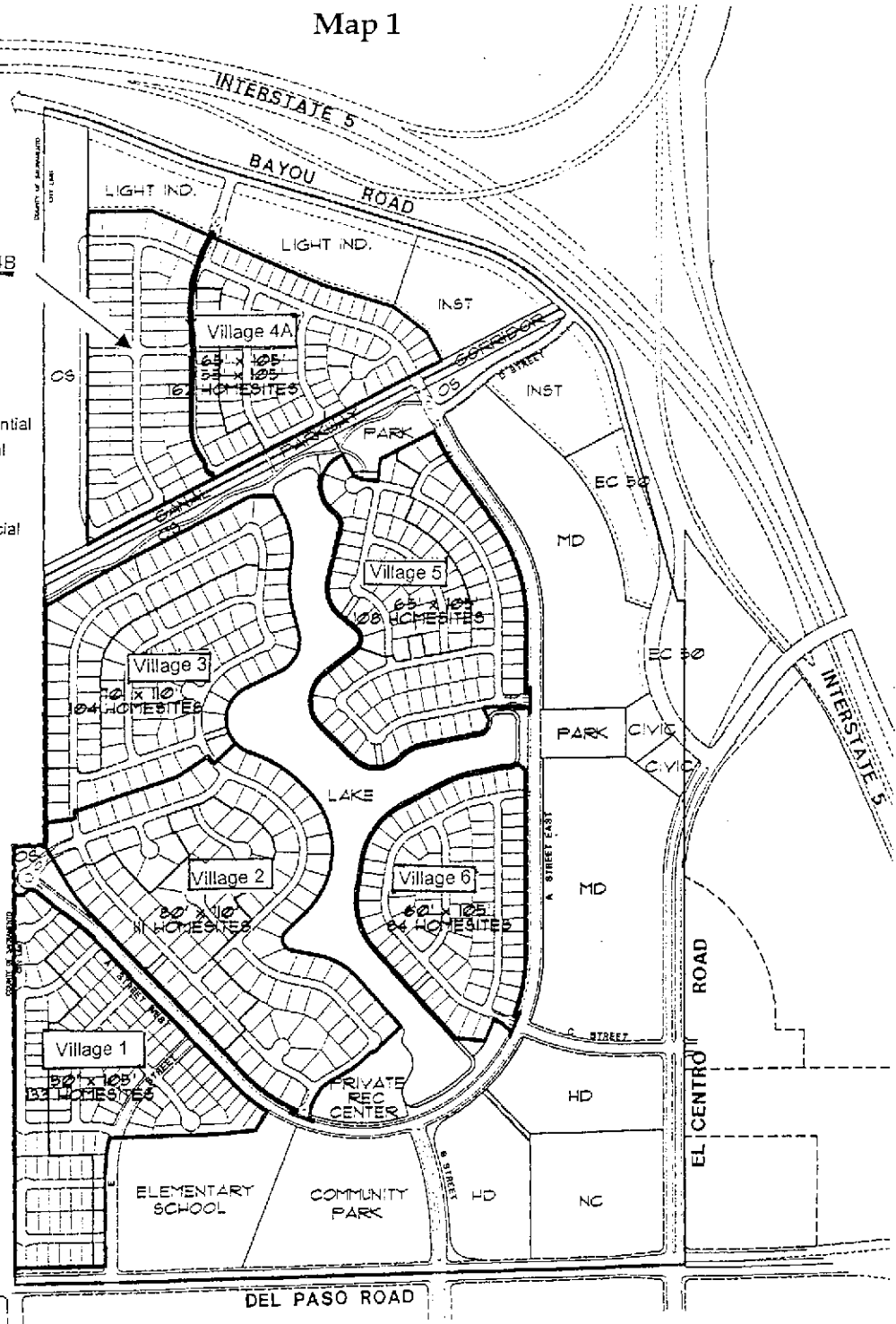
A-12

# Map 1

## Zoning Code

- OS      Open Space
- LIGHT IND   Light industrial
- MD      Medium Density Residential
- HD      High Density Residential
- EC 50    Employment Center  
50 employees per acre
- NC      Neighborhood Commercial
- INST    Institutional

Village 4B



June, 2000

A-13



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## APPENDIX C

### SUMMARY OF TRUST AGREEMENT

*The following is a summary of certain provisions of the Trust Agreement. This summary is supplemental to the summary of other provisions of such document contained elsewhere in this Official Statement and is not intended to be definitive. Reference is directed to the Trust Agreement for the complete text thereof. Copies of the Trust Agreement are available from the City of Sacramento.*

#### **Definitions**

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

“*Authorized Officer*,” when used with reference to the Authority, means the Treasurer or any other person authorized by the Authority in a Written Order of the Authority or a resolution of the Authority’s Board of Directors to perform an act or sign a document on behalf of the Authority for the purposes of the Trust Agreement, and when used with reference to the City, means the City Treasurer or any other person authorized by the City in a Written Order of the City or resolution of the City Council of the City to perform an act or sign a document on behalf of the City for the purposes of the Trust Agreement.

“*Bond*” or “*Bonds*” means any Bond or all of the Bonds, as the case may be, authorized and issued by the Authority and authenticated by the Trustee and delivered under the Trust Agreement, including the Series 2013 Bonds and any additional Series of Bonds authorized to be issued under the Trust Agreement.

“*Bond Counsel*” means Orrick, Herrington & Sutcliffe LLP or another attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions.

“*Bond Register*” means the registration books specified as such in the Trust Agreement.

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

“*Code*” means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

“*Event of Default*” means any event of default defined as such in the Trust Agreement.

“*Fund*” or “*Funds*” means any or all, as the case may be, of the Revenue Fund, the Interest Fund, the Principal Fund, the Redemption Fund, the Proceeds Fund, the Local Obligation Fund, and the Rebate Fund, including all accounts therein.

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

“*Interest Fund*” means the fund by that name established under the Trust Agreement.



“*Interest Payment Date*” means March 1 and September 1 in each year, commencing, with respect to the Series 2013 Bonds, on September 1, 2013.

“*Legal Investments*” means any securities in which funds of the Authority may be legally invested in accordance with the applicable law in effect at the time of the investment and in accordance with the then-current investment policy of the Authority (as established by the Authority), provided that if such an investment policy is not in effect, the then-current investment policy of the City (as established by the City Council) shall apply.

“*Local Obligation Fund*” means the fund by that name established pursuant to the Trust Agreement.

“*Local Obligation Indentures*” means, collectively or individually, as applicable, (a) the Indenture, dated as of January 1, 2013, between the City and The Bank of New York Mellon Trust Company, N.A., as trustee relating to the Westlake Special Tax Bonds; and (b) the Indenture, dated as of January 1, 2013, between the City and The Bank of New York Mellon Trust Company, N.A., as trustee relating to the Regency Park Special Tax Bonds, as each may be amended or supplemented in accordance with their terms and the terms of the Trust Agreement.

“*Local Obligation Prepayments*” means any payment of principal received with respect to a Local Obligation earlier than the time scheduled for payment.

“*Local Obligations*” means, collectively or individually, as applicable, (a) the Westlake Special Tax Bonds and (b) the Regency Park Special Tax Bonds.

“*Minimum Sinking Fund Payments*,” with respect to any additional Series of Bonds, means the payments designated as such and set forth in the Supplemental Trust Agreement providing for the issuance of the Series of Bonds.

“*Opinion of Bond Counsel*” means a legal opinion signed by a Bond Counsel.

“*Outstanding*” means, with respect to the Bonds and as of any date, all Bonds authorized, issued, authenticated, and delivered under the Trust Agreement, except the following:

- (a) Bonds canceled or surrendered to the Trustee for cancellation pursuant to the Trust Agreement.
- (b) Bonds deemed to have been paid under the Trust Agreement; and
- (c) Bonds in lieu of, or in substitution for which, other Bonds have been authenticated and delivered under the Trust Agreement.

“*Owner*” means, as of any date, the Person or Persons in whose name or names a particular Bond is registered on the Bond Register as of such date.

“*Person*” means an individual, a corporation, a partnership, an association, a joint-stock company, a trust, any unincorporated organization, a government, or political subdivision of a government.

“*Principal Fund*” means the fund by that name established pursuant to the Trust Agreement.

“*Principal Installment*” means, with respect to any Principal Payment Date, the principal amount of Outstanding Bonds due on that date as a result of maturing principal or required Minimum Sinking Fund Payments.

“*Principal Payment Date*” means each date on which principal of the Bonds matures or a Minimum Sinking Fund Payment for the Bonds is due.

“*Proceeds Fund*” means the fund by that name established under the Trust Agreement.

“*Rebate Fund*” means the fund by that name established under the Trust Agreement.

“*Rebate Instructions*” means the calculations and directions required to be delivered to the Trustee by the Authority pursuant to the Tax Certificate.

“*Rebate Requirement*,” with respect to any Series of Bonds, means the Rebate Requirement defined in the Tax Certificate for such Series of Bonds.

“*Redemption Fund*” means the fund by that name established under the Trust Agreement.

“*Regency Park Special Tax Bonds*” means the City of Sacramento 2013 North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Refunding Bonds, Series A.

“*Revenue Fund*” means the fund by that name established under the Trust Agreement.

“*Revenues*” means (a) all amounts received by the Trustee as the payment of interest or redemption premium on the Local Obligations (or the equivalent thereof); (b) all amounts received by the Trustee as the payment or return of principal of the Local Obligations (or the equivalent thereof), whether as a result of scheduled payments or Local Obligation Prepayments or remedial proceedings taken in the event of a default thereon; and (c) all investment earnings on any money held in the Funds established under the Trust Agreement, except the Rebate Fund.

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

“*Series 2013 Bonds*” means the Sacramento City Financing Authority 2013 Special Tax Refunding Revenue Bonds (Westlake and Regency Park), Series A authorized and issued by the Authority and authenticated by the Trustee and delivered under the Trust Agreement.

“*Series 2013 Insurance Policy*” means the insurance policy issued by the Series 2013 Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2013 Insured Bonds when due.

“*Series 2013 Insured Bonds*” means the Series 2013 Bonds maturing on September 1, 2017 through September 1, 2023.

“*Series 2013 Insurer*” means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

“*Special Tax*” has the meaning given to it in the applicable Local Obligation Indenture.

“*State*” means the State of California.

“*Supplemental Trust Agreement*” means any trust agreement supplemental to, or amendatory of, the Trust Agreement which is duly executed and delivered in accordance with the Trust Agreement.

“*Tax Certificate*” means, with respect to any Series of Bonds, a certificate that relates to various federal tax requirements (including the requirements of Section 148 of the Code) and is signed by the Authority and the City on the date the Series of Bonds is issued, as the same may be amended or supplemented in accordance with its terms.

“*Treasurer*” means the Treasurer of the Authority.

“*Trust Agreement*” means the Trust Agreement, dated as of January 1, 2013, between the Authority, the City and the Trustee, as amended or supplemented from time to time in accordance with its terms.

“*Trust Estate*” means (a) the proceeds of the Bonds; (b) the Revenues; (c) the money in the Funds established under the Trust Agreement, except the money in the Rebate Fund; and (d) the Local Obligations.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, in its capacity as trustee under the Trust Agreement, and any successor as trustee under the Trust Agreement.

“*Westlake Special Tax Bonds*” means the City of Sacramento 2013 North Natomas Westlake Community Facilities District No. 2000-01 Special Tax Refunding Bonds, Series A.

“*Written Order*,” when used with reference to the Authority, means a written direction of the Authority to the Trustee signed by an Authorized Officer; and when used with reference to the City, means a written direction of the City to the Trustee signed by an Authorized Officer.

### **Provisions for the Issuance of Additional Series of Bonds**

In addition to the Series 2013 Bonds, the Authority may at any time, by a Supplemental Trust Agreement, authorize the issuance of additional Series of Bonds, secured by the Trust Estate and payable from the Revenues as provided herein equally and ratably with any other Outstanding Bonds, including any Outstanding Series 2013 Bonds, but only upon compliance by the Authority with the provisions of the Trust Agreement and any additional requirements set forth in the Supplemental Trust Agreement, and subject to the following specific conditions, which are made conditions precedent to the issuance of any such additional Series of Bonds:

(a) No Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) shall have occurred and then be continuing;

(b) The Supplemental Trust Agreement providing for the issuance of the additional Series of Bonds shall specify the purpose for which such additional Series of Bonds are being issued, which purpose shall be to refund all or part of any other Series of Bonds then Outstanding;

(c) The Authority shall provide a certification, which may be based on computations provided by a consultant, to the effect that after giving effect to the issuance of the additional Series of Bonds the total principal amount of outstanding Local Obligations will be equal to or greater than the total principal amount of the Outstanding Bonds; and

(d) The Authority shall provide a certification, which may be based on computations provided by a consultant, to the effect that after giving effect to the issuance of the additional Series of Bonds the anticipated or scheduled Revenues to be received from the Local Obligations will be sufficient in time and amount (together with funds then held under the Trust Agreement) to pay all remaining scheduled Principal Installments with respect to, and interest on, the Outstanding Bonds.

## **Revenues and Funds for Bonds**

### *Establishment of Funds*

There is established with the Trustee, and the Trustee agrees to maintain, the following special trust funds for the Bonds, which the Trustee shall keep separate and apart from all other funds and moneys held by it: the Revenue Fund, the Interest Fund, the Principal Fund, the Redemption Fund, the Proceeds Fund, the Local Obligation Fund, and the Rebate Fund.

### *Proceeds Fund*

The amounts in the Proceeds Fund shall be applied forthwith by the Trustee to the acquisition of the Local Obligations. If any amount shall remain in the Proceeds Fund following such purchase, such amount shall be returned to the Authority and expended to pay any unpaid costs incidental to the issuance of the Bonds or shall be transferred to the City for use for any lawful purpose.

### *Local Obligation Fund*

The Local Obligations acquired by the Trustee under the Trust Agreement shall be deposited in the Local Obligation Fund, which the Trustee shall establish and maintain.

### *Revenue Fund*

All Revenues received by the Trustee, other than Revenues derived from Local Obligation Prepayments (which shall be deposited in the Redemption Fund in accordance with Trust Agreement), shall be deposited by the Trustee in the Revenue Fund. Not later than each Interest Payment Date and Principal Payment Date, the Trustee shall transfer the Revenues from the Revenue Fund, in the amounts specified in the Trust Agreement, for deposit into the respective Funds specified therein in the order of priority set forth in the Trust Agreement, the requirements of each Fund to be fully satisfied, leaving no deficiencies therein, before any deposit into any Fund later in priority.

### *Interest Fund*

Not later than each Interest Payment Date, the Trustee shall deposit in the Interest Fund an amount of Revenues that, together with any amounts then on deposit in the Interest Fund, is equal to the interest on the Bonds due on such date. On each Interest Payment Date, the Trustee shall pay the interest due and payable on the Bonds on such date from the Interest Fund. All money in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable.

### *Principal Fund*

Not later than each Principal Payment Date, after satisfying the requirements of the Trust Agreement with respect to the Interest Fund, the Trustee shall deposit in the Principal Fund an amount of Revenues sufficient to pay the Principal Installments and Minimum Sinking Fund Payments on the Bonds when due on such Principal Payment Date. The Trustee shall pay the Principal Installments when due upon presentation and surrender of the Bonds.

### *Redemption Fund*

The Authority and the City acknowledge that to maintain a proper matching between debt-service payments on the Local Obligations and debt-service payments on the Bonds, the Trust Agreement requires that amounts received by the City on account of Special Tax prepayments be utilized for the sole purpose of prior redemption of Local Obligations, and not to pay current, scheduled debt-service payments on the Local Obligations. Correspondingly, to maintain a proper matching between debt-service payments on the Local Obligations and debt-service payments on the Bonds, all Revenues received by the Trustee that constitute Local Obligation Prepayments shall be deposited in the Redemption Fund and be utilized by the Trustee to redeem Bonds pursuant to a Written Order of the Authority delivered under the Trust Agreement.

### *Rebate Fund*

The Trustee shall establish and maintain a fund, designated as the Rebate Fund, that is separate from any other fund established and maintained under the Trust Agreement. The Trustee shall deposit in the Rebate Fund, from funds made available by the Authority, the Rebate Requirement, all in accordance with Rebate Instructions received from the Authority. The Trustee shall apply money held in the Rebate Fund as provided in the Trust Agreement and according to instructions provided by the Authority. Subject to the Trust Agreement, all money held in the Rebate Fund is pledged to secure rebate payments to the United States of America, and the Authority and the City and the Owners will have no rights in or claim to such money. The Trustee will invest all money held in the Rebate Fund in Legal Investments as directed in writing by the Authority, and all investment earnings with respect thereto shall be deposited in the Rebate Fund.

Upon receipt of the Rebate Instructions required by the Tax Certificate to be delivered to the Trustee, the Trustee shall remit part or all of the balance held in the Rebate Fund to the United States of America as so directed. In addition, if the Rebate Instructions so direct, the Trustee shall deposit money into or transfer money out of the Rebate Fund from or into such Funds as the Rebate Instructions shall direct. The Trustee will be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority including supplying all necessary information in the manner provided in the Tax Certificate to the extent such information is reasonably available to the Trustee, and shall have no liability or responsibility to monitor or enforce compliance by the Authority with the terms of the Tax Certificate.

The Trustee shall have no obligation to rebate any amounts required to be rebated under the Trust Agreement, other than from money held in the Rebate Fund or from other money provided to it by the Authority. The Trustee shall not be responsible for computing the Rebate Requirement, and computations of the Rebate Requirement shall be furnished to the Trustee or on behalf of the Authority in accordance with the Tax Certificate.

Notwithstanding any other provision of the Trust Agreement, including in particular Article XII pertaining to defeasance, the obligation to remit the rebate amounts to the United States of America and to

comply with all other requirements of the Trust Agreement and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

## **Security for and Investment of Money**

### *Security*

All money required to be deposited with or paid to the Trustee in any of the Funds (other than the Rebate Fund) referred to in any provision of the Trust Agreement shall be held by the Trustee in trust, and except for money held for the payment or redemption of Bonds or the payment of interest on Bonds under the Trust Agreement, shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien and pledge created by the Trust Agreement.

### *Investment of Money*

So long as the Bonds are Outstanding and there is no default under the Trust Agreement, all money on deposit to the credit of the Revenue Fund, the Interest Fund, the Principal Fund, and the Redemption Fund shall, at the request of an Authorized Officer specifying and directing that such investment of such money be made, be invested by the Trustee in Legal Investments having maturities or otherwise providing for availability of money when needed for purposes of the Trust Agreement, and money held in the Rebate Fund shall, at the request of an Authorized Officer specifying and directing that such investment of such money be made, be invested by the Trustee in Government Obligations having maturities or otherwise providing for availability of money when needed for purposes of the Trust Agreement, and the Trustee shall be entitled to rely on such instructions for purposes of the Trust Agreement. The Trustee shall notify the Authority in writing prior to the date money held under the Trust Agreement will be available for investment, requesting that the Authority deliver to the Trustee written instructions specifying the Legal Investments to be acquired by the Trustee with such money, and the Authority, in issuing such written instructions, shall comply with the provisions of the Tax Certificate; provided, that in the absence of written instructions from the Authority regarding investment, the Trustee shall hold such moneys uninvested. The Trustee (or any of its affiliates) may act as principal or agent or as sponsor, advisor, or manager in connection with the making of any investment by the Trustee under the Trust Agreement 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 Trust Agreement.

Notwithstanding anything to the contrary contained in the Trust Agreement, an amount of interest received with respect to any Legal Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Legal Investment shall be credited to the Fund from which such accrued interest was paid. The Trustee shall not be responsible for any losses or consequences of any investment if it follows such instructions in good faith. Notwithstanding anything to the contrary contained in the Trust Agreement, the Trustee shall have no obligation or responsibility to determine whether any investment in a security is a Legal Investment and shall be entitled to assume that any investment it is directed to make is so permitted by the Trust Agreement.

Investments in the Revenue Fund, the Interest Fund, the Principal Fund, and the Redemption Fund may be commingled for purposes of making, holding, and disposing of investments, notwithstanding provisions of the Trust Agreement for transfer to or holding in particular Funds amounts received or held by the Trustee; provided, that the Trustee shall at all times account for such investments strictly in accordance with the Funds to which they are credited and otherwise as provided in the Trust Agreement.

All earnings on the investment of the money on deposit in any Fund shall remain a part of such Fund.

### **Covenants of the Authority and the City**

#### *Payment of Bonds; No Encumbrances*

The Authority shall cause the Trustee to promptly pay, from Revenues and other funds derived from the Trust Estate pledged under the Trust Agreement, the principal of and redemption premium, if any, on and the interest on every Bond issued under and secured by the Trust Agreement at the place, on the dates, and in the manner specified in the Trust Agreement and in such Bonds according to the true intent and meaning thereof. The Authority shall not issue any bonds, notes, or other evidences of indebtedness or incur any obligations payable from or secured by the Trust Estate, other than the Bonds and will not create, or permit the creation of, any pledge, lien, charge, or other encumbrance upon the Trust Estate other than as provided in the Trust Agreement.

#### *Enforcement and Amendment of Local Obligations*

The Authority, the City, and the Trustee shall enforce all of their rights with respect to the Local Obligations to the fullest extent necessary to preserve the rights and protect the security of the Owners under the Trust Agreement.

The Authority, the City, and the Trustee may, without the consent of or notice to the Owners of the Bonds, consent to any amendment, change, or modification of any Local Obligation or Local Obligation Indenture that may be required (a) to conform to the provisions of the Trust Agreement (including any modifications or changes contained in any Supplemental Trust Agreement), (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) to add additional rights acquired in accordance with the provisions of such Local Obligation, (d) in connection with any other change therein which is not to the material prejudice of the Trustee or the Owners of the Bonds pursuant to an Opinion of Bond Counsel, or (e) in the Opinion of Bond Counsel to preserve or assure the exemption of interest on the Local Obligation or the Bonds from federal income taxes or the exemption of such interest from State personal income taxes.

Except for amendments, changes, or modifications provided for in the preceding paragraph, neither the Authority, the City, nor the Trustee shall consent to any amendment, change or modification of any Local Obligation or any Local Obligation Indenture without the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding. Nothing contained in the Trust Agreement shall be construed to prevent the Trustee, with the consent of the Authority and the City, from settling a default under any Local Obligation on such terms as the Trustee may determine to be in the best interests of the Owners.

#### *Tax Covenants*

The Authority and the City shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. The Authority and the City shall not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Authority or take or omit to take any action that would cause the Bonds to be “private activity bonds” within the meaning of Section 141(a) of the Code or obligations that are “federally guaranteed” within the meaning of Section 149(b) of the Code. The Authority shall not allow 10% or more of the proceeds of the Bonds to be used in the trade or



business of any nongovernmental units and shall not lend 5% or more of the proceeds of the Bonds to any nongovernmental units.

The Authority and the City shall not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Authority or take or omit to take any action that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, the Authority and the City shall comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds. If at any time the Authority is of the opinion that it is necessary to restrict or to limit the yield on the investment of any money held by the Trustee under the Trust Agreement, then the Authority will so instruct the Trustee in writing, and the Trustee will take such actions as directed by such instructions.

The Authority shall pay or cause to be paid the Rebate Requirement as provided in the Tax Certificate. The Authority shall cause the Rebate Requirement to be deposited in the Rebate Fund as provided in the Tax Certificate (which is incorporated herein by reference). The Trustee will conclusively be deemed to have complied with the provisions of the Trust Agreement and the provisions of the Tax Certificate if it follows the directions of the Authority set forth in the Tax Certificate and the Rebate Instructions and shall not be required to take any actions under the Trust Agreement in the absence of Rebate Instructions from the Authority.

Notwithstanding any provision of the Trust Agreement, if the Authority shall provide to the Trustee an Opinion of Bond Counsel that any specified action required under the Trust Agreement is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income-tax purposes of interest with respect to the Bonds, the Trustee and the Authority and the City may conclusively rely on such opinion in complying with the requirements of the Trust Agreement, and the covenants under the Trust Agreement shall be deemed to be modified to that extent.

The provisions of the tax covenants in the Trust Agreement shall survive the defeasance or payment of the Bonds.

## **Default and Remedies**

### *Events of Default*

The following shall constitute “Events of Default” under the Trust Agreement:

- (a) if payment of interest on the Bonds shall not be made when due; or
- (b) if payment of any Principal Installment or Minimum Sinking Fund Payment shall not be made when due and payable, whether at maturity, by proceedings for redemption, or otherwise; or
- (c) if the Authority or the City shall fail to observe or perform in any material way any other agreement, condition, covenant, or term contained in the Trust Agreement on its part to be observed or performed, and such failure shall continue for 30 days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Authority or the City, as the case may be, by the Trustee or by the Owners of not less than 25% in aggregate principal amount of the Bonds Outstanding, provided, that if such default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Authority or the City within the applicable period and diligently pursued until the default is corrected.

*Proceedings by Trustee; No Acceleration*

Upon the happening and continuance of any Event of Default the Trustee in its discretion may, or at the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall (but only if indemnified to its satisfaction from any liability, expenses, or costs), do the following:

- (a) enforce by mandamus or other suit, action, or proceeding at law or in equity all rights of the Owners, including the right to receive and collect the Revenues;
- (b) bring suit upon or otherwise enforce any defaulting Local Obligation;
- (c) enjoin by action or suit in equity any acts or things that may be unlawful or in violation of the rights of the Owners;
- (d) as a matter of right, have a receiver or receivers appointed for the Trust Estate and of the earnings, income, issues, products, profits, and revenues thereof pending such proceedings, with such powers as the court making such appointment shall confer; and
- (e) take such action with respect to any and all Local Obligations as the Trustee shall deem necessary and appropriate, subject to the Trust Agreement and the Local Obligations.

The Trustee shall have no right to declare the principal of all of the Bonds then Outstanding, or the interest accrued thereon, to be due and payable immediately.

*Effect of Discontinuance or Abandonment*

In case any proceeding taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Trustee and the Owners shall be restored to their former positions and rights under the Trust Agreement, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

*Rights of Owners*

Anything in the Trust Agreement to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Owners contained in the Trust Agreement, upon the happening and continuance of any Event of Default, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses, and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Trust Agreement.

The Trustee may refuse to follow any direction that conflicts with law or the Trust Agreement or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability without adequate indemnification therefor.

*Restriction on Owner's Action*

In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in the Trust Agreement, no Owner of any of the

Bonds shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of any trust under the Trust Agreement, or any other remedy under the Trust Agreement or on the Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as provided in the Trust Agreement and unless the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding, or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Trust Agreement, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request, and offer of indemnity are declared in every such case to be conditions precedent to the execution of the trusts of the Trust Agreement or for any other remedy under the Trust Agreement, it being understood and intended that no one or more Owners of the Bonds secured by the Trust Agreement shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Trust Agreement, or to enforce any rights under the Trust Agreement or under the Bonds, except in the manner provided in the Trust Agreement, and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner provided in the Trust Agreement, and for the equal benefit of all Owners of Outstanding Bonds; subject, however, to the provisions of the Trust Agreement. Notwithstanding the foregoing provisions of the Trust Agreement or any other provision of the Trust Agreement, the obligation of the Authority shall be absolute and unconditional to pay, but solely from the Trust Estate, the principal of and the redemption premiums, if any, on and the interest on the Bonds to the Owners thereof at the due dates thereof, and nothing in the Trust Agreement shall affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

#### *Power of Trustee to Enforce*

All rights of action under the Trust Agreement or under any of the Bonds secured by the Trust Agreement that are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action, or proceedings instituted by the Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners subject to the provisions of the Trust Agreement.

#### *Remedies Not Exclusive*

No remedy in the Trust Agreement conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the Trust Agreement or now or hereafter existing at law or in equity or by statute.

#### *Waiver of Events of Default; Effect of Waiver*

Upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding Bonds, the Trustee shall waive any Event of Default under the Trust Agreement and its consequences; provided, that the Trustee may waive any Event of Default under the Trust Agreement and its consequences at any time. If any Event of Default shall have been waived as provided in the Trust Agreement, the Trustee shall promptly give written notice of such waiver to the Authority and the City and shall give notice thereof by first-class mail, postage prepaid, to all Owners of Outstanding Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver, rescission,

and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default, or an acquiescence therein; and every power and remedy given by the Trust Agreement to the Trustee and to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

#### *Application of Money*

Any money received by the Trustee pursuant to the Trust Agreement shall, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel incurred in representing the Owners, be applied as follows:

- (a) Unless the principal of all of the Outstanding Bonds shall be due and payable,

FIRST - To the payment of the Owners entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, and if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment of the Owners entitled thereto of the unpaid principal of and redemption premiums, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which money is held pursuant to the provisions of the Trust Agreement) in the order of their due dates, and if the amount available shall not be sufficient to pay in full the principal of and redemption premiums, if any, on such Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the Owners entitled thereto without any discrimination or privilege; and

THIRD - To be held for the payment to the Owners entitled thereto as the same shall become due of the principal of and redemption premiums, if any, on and interest on the Bonds which may thereafter become due, either at maturity or upon call for redemption prior to maturity, and if the amount available shall not be sufficient to pay in full such principal and redemption premiums, if any, due on any particular date, together with interest then due and owing thereon, payment shall be made in accordance with the FIRST and SECOND paragraphs above.

(b) If the principal of all of the Outstanding Bonds shall be due and payable, then to the payment of the principal and redemption premiums, if any, and interest then due and unpaid upon the Outstanding Bonds without preference or priority of any of the principal of or the redemption premium, if any, on any Outstanding Bond over any other Outstanding Bond or of any interest on any Outstanding Bond over any other Outstanding Bond, ratably, according to the amounts due for principal and redemption premiums, if any, and interest, to the Owners entitled thereto without any discrimination or preference except as to any difference in the amounts of interest specified in the Outstanding Bonds.

(c) After having first satisfied all obligations to Owners of Bonds under subsections (a) and (b) described above, then any remaining money received by the Trustee pursuant to the Trust Agreement shall be returned to the Authority.

(d) Whenever money is to be applied pursuant to the provisions of the Trust Agreement, such money shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. The Trustee shall give, by mailing by first-class mail as it may deem appropriate, such notice of the deposit with it of any such money.

## **The Trustee**

### *Removal and Resignation of Trustee*

The Authority (with the concurrence of the City) may, in the absence of an Event of Default, remove the Trustee by giving written notice of such removal to the Trustee. The Authority shall remove the Trustee by giving written notice of such removal to the Trustee under any of the following circumstances: (a) upon receipt of an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing); (b) if at any time the Trustee ceases to be eligible in accordance with the Trust Agreement, or becomes incapable of acting; or (c) if the Trustee commences a case under any bankruptcy, insolvency, or similar law, or if a receiver of the Trustee or of its property is appointed, or if any public officer takes control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation, or liquidation. Upon any removal of the Trustee, the Authority (with the concurrence of the City) shall promptly appoint a successor Trustee by an instrument in writing.

The Trustee may, subject to the following paragraph, resign by giving written notice of such resignation to the Authority and the City and by giving notice of such resignation by mail, first-class postage prepaid, to the Owners at the addresses listed in the Bond Register. Upon receiving such notice of resignation, the Authority (with the concurrence of the City) shall promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of the successor Trustee by the Authority and the City and acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within 30 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the Authority and the City and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed, or conveyance, shall become vested with all the money, estates, properties, rights, powers, trusts, duties, and obligations of the predecessor Trustee, with like effect as if it were originally named Trustee in the Trust Agreement; nevertheless, at the written request of the Authority or the City or the successor Trustee, the predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title, and interest of the predecessor Trustee in and to any property held by it under the Trust Agreement and shall pay over, transfer, assign, and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Trust Agreement. Upon request of the successor Trustee, the Authority and the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such money, estates, properties, rights, powers, trusts, duties, and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall mail a

notice of the succession of such successor Trustee to the trusts under the Trust Agreement by first-class mail, postage prepaid, to the Owners at their addresses listed in the Bond Register.

Any successor Trustee appointed under the provisions of the Trust Agreement shall be a trust company, national banking association or bank having the powers of a trust company, having a corporate trust office in California, and with a combined capital and surplus of at least \$100,000,000 and being subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection, the Trustee shall resign immediately in the manner and with the effect specified in the Trust Agreement.

#### *Liability of Trustee*

The recitals of facts contained in the Trust Agreement and in the Bonds shall be taken as statements of the Authority or the City, and the Trustee does not assume any responsibility for the correctness of the same, and does not make any representations as to the validity or sufficiency of the Trust Agreement or of the Bonds, and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Trust Agreement or in the Bonds assigned to or imposed upon it; provided, that the Trustee shall be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence or willful misconduct. The Trustee (in its individual or any other capacity) may become the Owner of Bonds with the same rights it would have if it were not Trustee under the Trust Agreement, and, to the extent permitted by law, may act as depository for and permit any of its officers, directors, and employees to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in principal amount of the Outstanding Bonds relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement. Whether or not therein expressly so provided, every provision of the Trust Agreement or related documents relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of the Trust Agreement.

#### **Supplemental Trust Agreements**

##### *Supplemental Trust Agreements With Consent of Owners*

Any modification or alteration of the Trust Agreement or of the rights and obligations of the Authority, the City, or the Owners of the Bonds may be made with the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, that no such modification or alteration shall be made which will reduce the percentage of aggregate principal amount of Bonds the consent of the Owners of which is required for any such modification or alteration, or permit the creation by the Authority or the City of any lien prior to or on a parity with the lien upon the Trust Estate or which will affect the times, amounts, and currency of payment of the principal of or the redemption premiums, if any, on or the interest on the Bonds or affect the rights, duties, or obligations of the Trustee without the consent of the party affected thereby. The written consent of the Owners of a

Series of Bonds may be effected (a) through a consent by the underwriter of such Series of Bonds at the time of the issuance of such Series of Bonds or (b) through a provision of a Supplemental Trust Agreement that deems any Owners purchasing such Series of Bonds to consent for purposes of the Trust Agreement by virtue of its purchase of such Series of Bonds.

*Supplemental Trust Agreements Without Consent of Owners*

The Authority and the City may, without the consent of the Owners, enter into a Supplemental Trust Agreement or Supplemental Trust Agreements, which thereafter shall form a part of the Trust Agreement, for any one or more of the following purposes:

(a) to add to the agreements and covenants of the Authority or the City contained in the Trust Agreement other agreements and covenants thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the Authority or the City; provided, that no such agreement, covenant, or surrender shall materially adversely affect the rights of any Owner;

(b) to cure any ambiguity, to supply any omission, or to cure, correct, or supplement any defect or inconsistent provisions contained in the Trust Agreement or in any Supplemental Trust Agreement;

(c) to make any change that does not materially adversely affect the rights of any Owner;

(d) to grant to the Trustee for the benefit of the Owners additional rights, remedies, powers, or authority;

(e) to subject additional collateral or to add other agreements of the Authority or the City;

(f) to modify the Trust Agreement or the Bonds to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States of America;

(g) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion from gross income for federal income-tax purposes under the Code of the interest on the Bonds or the exemption of such interest from State personal income-taxes;

(h) to evidence the succession of a successor Trustee; or

(i) to provide for the issuance of any additional Series of Bonds under the Trust Agreement.

The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment of the Trust Agreement any particular Bond would be affected by any amendment of the Trust Agreement, and any such determination shall be binding and conclusive on the Authority, the City, and all Owners of Bonds.

*Trustee Authorized to Enter into Supplemental Trust Agreements*

The Trustee is authorized to enter into any Supplemental Trust Agreement with the Authority and the City, authorized or permitted by the terms of the Trust Agreement, and to make the further agreements and stipulations that may be therein contained.

### **Defeasance**

If and when the Bonds secured by the Trust Agreement become due and payable in accordance with their terms or through redemption proceedings as provided in the Trust Agreement, or otherwise, and the whole amount of the principal and the redemption premiums, if any, and the interest so due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable under the Trust Agreement by the Authority, including all fees and expenses of the Trustee, then and in that case, the Trust Agreement and the lien created shall be completely discharged and satisfied, and the Authority and the City shall be released from the respective agreements, conditions, covenants, and terms of the Authority and the City contained in the Trust Agreement, and the Trustee shall assign and transfer all property (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances as provided in the Trust Agreement and shall execute such documents as may be reasonably required by the Authority or the City in this regard.

Notwithstanding the satisfaction and discharge of the Trust Agreement, those provisions of the Trust Agreement relating to the maturity of the Bonds; interest payments and dates thereof; exchange and transfer of Bonds; the replacement of mutilated, destroyed, lost, or stolen Bonds; the safekeeping and cancellation of Bonds; nonpresentment of Bonds; and the duties of the Trustee in connection with all of the foregoing shall remain in effect and shall be binding upon the Trustee and the Owners, and the Trustee shall, subject to the Trust Agreement, continue to be obligated to hold in trust any money or investments then held by the Trustee for the payment of the principal of and redemption premiums, if any, on and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payments become due, and those provisions of the Trust Agreement relating to the compensation and indemnification of the Trustee and relating to the tax covenants of the Authority and the City shall remain in effect and shall be binding upon the Trustee, the Authority, and the City.

#### *Bonds Deemed to Have Been Paid*

If money shall have been set aside and held by the Trustee for the payment or redemption of any Bonds and the interest installments therefor at the maturity or redemption date thereof, such Bonds shall be deemed to be paid within the meaning and with the effect provided in the Trust Agreement. Any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Trust Agreement if (a) in case any Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail notice of redemption of such Bonds on such redemption date, such notice to be given in accordance with the provisions of Article IV; (b) there shall have been deposited with the Trustee in escrow either money in an amount that (as stated in a Written Order) shall be sufficient, or noncallable Government Obligations the principal of and the interest on which when due, and without any reinvestment thereof, will provide money that, together with the money, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as stated in a report of an independent certified public accountant) to pay when due the principal of and the redemption premiums, if any, and the interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be; and (c) in the event any of such Bonds are not to be redeemed within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to Article IV, a notice to the Owners of such Bonds that the



deposit required by paragraph (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Trust Agreement, and stating the maturity dates or redemption dates upon which money is to be available for the payment of the principal of and redemption premiums, if any, on and interest on such Bonds.

#### *Effect of Defeasance of Bonds*

Notwithstanding any other provision of the Trust Agreement, if the Bonds are defeased and the obligations under the Trust Agreement are discharged in accordance with the Trust Agreement, then the Trustee shall transfer all property and money held by it (including, without limitation, the Local Obligations) to or upon the order of the Authority.

#### **Series 2013 Insurer Deemed Holder of Series 2013 Insured Bonds**

The Series 2013 Insurer shall be deemed to be the sole holder of the Series 2013 Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2013 Insured Bonds are entitled to take pursuant to the Trust Agreement pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee.

#### **Subrogation of Series 2013 Insurer**

The Series 2013 Insurer shall, to the extent it makes any payment of principal of or interest on the Series 2013 Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2013 Insurance Policy.

#### **Miscellaneous**

##### *Dissolution of Authority*

In the event of the dissolution of the Authority, all the agreements, conditions, covenants, and terms contained in the Trust Agreement by or on behalf of, or for the benefit of, the Authority shall bind or inure to the benefit of the successors of the Authority from time to time and any officer, board, commission, agency, or instrumentality to whom or to which any power or duty of the Authority shall be transferred.

##### *Unclaimed Money*

Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest on, or principal or redemption premiums, if any, of any Bond which remains unclaimed for two years after the date when such amounts have become payable, if such money was held by the Trustee on such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date such amounts have become payable, shall be paid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Authority for the payment of such amounts as provided in the Trust Agreement.

##### *Governing Law*

The Trust Agreement shall be governed as to validity, construction and performance by the laws of the State.

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## APPENDIX D

### SUMMARY OF INDENTURES

*The following is a summary of certain provisions of the Indentures pertaining to the issuance of the City of Sacramento 2013 North Natomas Westlake Community Facilities District No. 2000-01 special Tax Refunding Bonds, Series A and the City of Sacramento 2013 North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Refunding Bonds, Series A. This summary is supplemental to the summary of other provisions of the Indentures contained elsewhere in this Official Statement and is not intended to be definitive. Reference is directed to the Indentures for the complete text thereof. Copies of the Indentures are available from the City of Sacramento.*

***Except where indicated, the Indentures are substantially similar and their terms are collectively summarized in this Appendix. However, the Indentures are entirely separate and each Indenture only governs the terms of, and applies to, the Bonds issued under that Indenture. The Special Taxes levied to pay debt service on Bonds issued under one Indenture are not available to pay debt service on any Bonds issued under the other Indenture and the Bond Reserve Fund held by the Trustee under one Indenture is not available to pay debt service on Bonds issued under the other Indenture.***

#### **Definitions**

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

“*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.

“*Authority Bonds*” means Sacramento City Financing Authority 2013 Special Tax Refunding Revenue Bonds (Westlake and Regency Park), Series A issued pursuant to the Authority Trust Agreement.

“*Authority Trust Agreement*” means that certain Trust Agreement, dated as of January 1, 2013, between the Sacramento City Financing Authority, the City and The Bank of New York Mellon Trust Company, N.A., as trustee, as the same may be amended or supplemented in accordance with its terms.

“*Bond Year*” means the twelve-month period terminating on September 1 of each year, except 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, including the 2013 Refunding Bonds and any additional Series of Bonds. “*Serial Bonds*” means the Bonds for which no Sinking Fund Account Payments are established. “*Term Bonds*” means the Bonds which are redeemable or payable on or before their maturity date from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their maturity date.

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

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

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

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

“*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 North Natomas Westlake Community Facilities District No. 2000-01 or the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03, as applicable.

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

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

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

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

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

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

(c) Any repurchase agreements that are secured by any of the securities or obligations described in subparagraph (a) or (b) of this definition, which securities or obligations also (1) have a fair market value (determined at least daily) at least equal to 102% of the amount invested in the repurchase agreement, (2) are in the possession of the Trustee or a third party acting solely as custodian for the Trustee who holds a perfected first lien therein, and (3) are free from all third-party claims.

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

“*Holder*” 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.

“*Independent Certified Public Accountant*” means any certified public accountant appointed and paid by the City who is duly licensed and entitled to practice under California law and is practicing as such and who—

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

“*Independent Certified Public Accountant*” also means any firm of such accountants.

“*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).

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

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

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

“*Required Bond Reserve*” means, as of any date of calculation, the least of (a) 10% of the initial principal amount of the Bonds, or (b) the maximum Debt Service payable under the Indenture in the current or any future Bond Year, or (c) 125% of the average 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; provided, that with respect to the issuance of any Series of Bonds, if the amount required to be deposited in the Bond Reserve Fund is greater than 10% of the initial principal amount of the Series of Bonds (or 10% the issue price of the Series of Bonds if the issue price of the Series of Bonds includes more than a de minimis amount (2%) of original issue discount) then the Required Bond Reserve shall be such lesser amount as is determined by a deposit of such 10%.

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

“*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 authorized at the special election held in the Community Facilities District to be levied and collected annually on all Taxable Land in the Community Facilities District under and pursuant to the Act.

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

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

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

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

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character set forth in the 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 California which may at any time be substituted in its place as provided in the Indenture.

“*2013 Refunding Bonds*” means the City of Sacramento 2013 North Natomas Westlake Community Facilities District No. 2000-01 Special Tax Refunding Bonds, Series A or the City of Sacramento 2013 North Natomas Regency Park Community Facilities District No. 2001-03 Special Tax Refunding Bonds, Series A, as applicable, at any time Outstanding under the related Indenture that are executed, authenticated and delivered in accordance with the provisions of the related Indenture.

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

### **Provisions for the Issuance of Additional Series of Bonds**

In addition to the 2013 Refunding Bonds, the City may at any time, by a Supplemental Indenture, authorize the issuance of additional Series of Bonds, secured by, and payable from, the Special Tax Revenues as provided in the Indenture equally and ratably with any other Outstanding Bonds, including any Outstanding 2013 Refunding Bonds, but only upon compliance by the City with the provisions of the Indenture and any additional requirements set forth in the Supplemental Indenture, and subject to the

following specific conditions, which are made conditions precedent to the issuance of any such additional Series of Bonds:

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

(b) The Supplemental Indenture providing for the issuance of the additional Series of Bonds shall specify the purpose for which such additional Series of Bonds are being issued, which purpose shall be to refund all or part of any other Series of Bonds then Outstanding.

### **Payment of Bonds**

#### *Deposit of Proceeds of the Special Tax in the Special Tax Fund*

The City agrees and covenants that all Special Tax Revenues, when and as received, will be received and held by it in trust under the Indenture and will be deposited as and when received in the 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 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:

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

(b) *Bond Reserve Fund* (maintained by the Trustee). On or before the first day in September in each year, the City Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Reserve Fund the amount of money that is required to restore the Bond Reserve Fund to an amount equal to the Required Bond Reserve; and for this purpose all investments in the Bond Reserve Fund shall be valued on or before September 1 of each year at the face value thereof if such investments mature within 12 months from the date of valuation or, if such investments mature more than 12 months after the date of valuation, at the 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 either the cost of such investments or the market value of such investments; provided, that no deposit need be made into the Bond Reserve Fund if the amount contained therein is at least equal to the Required Bond Reserve. In making any valuations 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.

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 transfer such funds to the City who shall deposit such amount of money in the Special Tax Fund.

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

(d) *Community Facilities Fund* (maintained by the City Treasurer). All money remaining in the Special Tax Fund on September 1 of each year, 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 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 benefit of the Community Facilities District in accordance with the Act; provided, that the City Treasurer shall not make any such withdrawal of money in the Special Tax Fund if and when (to the City Treasurer's actual knowledge) an Event of Default is then existing under the Indenture.



## **Covenants of the City**

### *Against Indebtedness and Encumbrances*

The City will not issue any evidences of indebtedness payable from the Special Tax Revenues 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 Special Tax Revenues as provided in the Indenture.

### *Against Federal Income Taxation*

The City will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Authority 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 Authority Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code or “private activity bonds” subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are “federally guaranteed” as provided in Section 149(b) of the Code; and to that end the City, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code; provided, that if the City shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Authority 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 for purposes of this section it is necessary to restrict or limit the yield on the investment of any money held by the City Treasurer or the Trustee 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.

### *Payment of Claims*

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

### *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*

So long as any Bonds are Outstanding, the City will annually levy the Special Tax against all Taxable Land 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.

#### *Foreclosure of Special Tax Liens*

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

#### **Amendment of or Supplement to the Indenture**

##### *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 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 the principal of or any Sinking Fund Account Payment for or the redemption premium, if any, on any Bond at the time and place and at the rate and in the currency and from the funds provided 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 Special Tax Revenues 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.

#### *Amendment or Supplement Without Consent of Holders*

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

(1) To add to the agreements and covenants required 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.

(2) 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.

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

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

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

#### **Events of Default And Remedies of Holders**

##### *Events of Default and Remedies of Holders*

If one or more of the following events 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 30 days after the City shall have been given notice in writing of such default by the Trustee; or

(c) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

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

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

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

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

*Non-waiver*

Nothing 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 Special Tax Revenues 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 such subsequent Event of Default or breach of duty or contract. No delay or omission by any Holder to exercise any right or remedy accruing upon any Event of Default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or breach of duty or contract or an acquiescence therein. Every right and remedy conferred upon the Holders by the Act or may be enforced and exercised from time to time and as often as shall be deemed expedient by the Holders.

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

*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 such 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 Bonds*

(a) If the City shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated therein and 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. In such event, the Trustee shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City for deposit in the Community Facilities Fund all money or securities held by it pursuant 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 the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if there shall be on deposit with the Trustee money which is sufficient to pay the interest due on such Bonds on such date and the principal and redemption premiums, if any, due on such Bonds on such date.

(c) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Indenture 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 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 such escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of or redemption prices of such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by an Accountant's Report on file with the City and the Trustee, 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 60 days, the City shall have agreed to mail pursuant to the Indenture a notice to the Holders of such Bonds and to the original purchaser or underwriter of the Bonds that the deposit required by the above paragraph has been made with such 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.

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

### *Benefits of the Indenture Limited to Certain Parties*

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

### *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 nationally chartered bank or trust company, including the Trustee or its affiliates, or in any state or federal savings and loan association, and shall be secured at all times by such obligations as are required by law to the fullest extent required by law; provided, that all money in the Acquisition and Construction Fund, the Special Tax Fund, and the Expense Fund may be invested by the City Treasurer in Legal Investments; and provided further, that for investment purposes the Trustee may commingle the accounts and funds which it invests under the Indenture as long as the Trustee accounts for each such account and fund separately. All money held by

the Trustee in the Bond Redemption Fund shall be invested by the Trustee pursuant to a Written Request of the City received by the Trustee at least two days before making any such investment in those Legal Investments specified in such Written Request of the City that mature not later than the date on which it is estimated that such money will be required to be paid out 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 days before making any such investment in those Federal Securities specified in such Written Request of the City that mature not more than five years from the date of purchase by the Trustee or the final maturity date of any Outstanding Bonds, whichever is earlier, and the Trustee may conclusively rely that any investment specified in such Written Request of the City is a Legal Investment or a Federal Security 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 hold such moneys uninvested. The Trustee (or any of its affiliates) may act as principal or agent or as sponsor, advisor, or manager in connection with the making of any investment by the Trustee 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.

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 (subject to the requirements of the Indenture) 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.

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## APPENDIX E

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds (herein, the “Securities”) to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Securities and other related transactions by and between DTC, the Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the Participants, as the case may be.*

*Neither the issuer of the Securities (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Securities (the “Agent”) takes any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, or that they will so do on a timely basis, or that DTC, Participants or DTC Indirect Participants will act in the manner described in this Appendix. 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 Participants are on file with DTC.*

1. 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 issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated

subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities 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 Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

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

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI 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).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, 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, Agent, or Issuer, 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 Issuer or Agent, 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.

9. 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.

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

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

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## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

#### CONTINUING DISCLOSURE CERTIFICATE

**\$23,525,000**

**SACRAMENTO CITY FINANCING AUTHORITY  
2013 SPECIAL TAX REFUNDING REVENUE BONDS  
(WESTLAKE AND REGENCY PARK)  
SERIES A**

This Continuing Disclosure Certificate (this "**Certificate**") is executed and delivered by the CITY OF SACRAMENTO (the "**City**"), on behalf of itself and the SACRAMENTO CITY FINANCING AUTHORITY (the "**Authority**"), in connection with the Authority's issuance of the bonds captioned above (the "**Bonds**"). The Bonds are being issued under a Trust Agreement, dated as of January 1, 2013 (the "**Trust Agreement**"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"). The City hereby covenants and agrees as follows:

1. *Purpose of the Disclosure Certificate.* The City has executed and delivered this Certificate for the benefit of the holders and beneficial owners of the Bonds and to assist the Participating Underwriter in complying with the Rule.
2. *Definitions.* In addition to the definitions set forth above and in the Trust Agreement, which apply to any capitalized term used in this Certificate unless otherwise defined in this section, the following capitalized terms have the following meanings:
  - (a) "**Annual Report**" means any Annual Report provided by the City in accordance with and as described in Sections 3 and 4.
  - (b) "**Annual Report Date**" means the date that is nine months after the end of the City's fiscal year. As of the date of this Certificate, the City's fiscal year ends on June 30, and the Annual Report Date is March 31.
  - (c) "**CFDs**" means the City of Sacramento North Natomas Westlake Community Facilities District No. 2001-03 and the City of Sacramento North Natomas Regency Park Community Facilities District No. 2000-01.
  - (d) "**Dissemination Agent**" initially means the City. It also means any other person or entity the City may subsequently appoint in writing as Dissemination Agent for the Bonds, but only if the person or entity has delivered to the City a written acceptance of the appointment (in which the person or entity agrees to be subject to this Certificate) and the acceptance has not been withdrawn. The City may discharge any appointed Dissemination Agent with or without appointing a successor Dissemination Agent, and, if the City does not appoint a successor, then "Dissemination Agent" will again mean the City.
  - (e) "**Listed Events**" means any of the events listed in Section 5(a).

- (f) “**MSRB**” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.
- (g) “**Official Statement**” means the final official statement dated January 10, 2013, executed by the Authority in connection with the issuance of the Bonds.
- (h) “**Participating Underwriter**” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.
- (i) “**Rule**” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time (17 C.F.R. § 240.15c2-12).

3. *Provision of Annual Reports.*

- (a) Except as provided in Section 3(b), and until the City’s obligations under this Certificate terminate, the City shall provide to the MSRB, on or before each Annual Report Date, commencing March 31, 2013, an Annual Report that covers the preceding fiscal year. The Annual Report must comply with Section 4 and be in an electronic format as prescribed by the MSRB.
- (b) The City may appoint a Dissemination Agent to provide Annual Reports to the MSRB on or before each Annual Report Date. If the City appoints a Dissemination Agent, then the City shall cause the Dissemination Agent to provide Annual Reports in accordance with the following procedures:
  - (1) Each year, the City shall provide the Annual Report to the Dissemination Agent at least 15 business days before the Annual Report Date. If the Dissemination Agent has not received the Annual Report by the 15th business day before the Annual Report Date, then the Dissemination Agent shall contact the City to determine if and when the City will be able to provide the Annual Report. If the City cannot or does not provide the Annual Report to the Dissemination Agent in sufficient time to allow the Dissemination Agent to file the Annual Report with the MSRB by the Annual Report Date, then the Dissemination Agent shall file with the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.
  - (2) The Dissemination Agent shall also do the following:
    - (A) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing-disclosure reports;
    - (B) file a report with the City and the Participating Underwriter certifying that the Annual Report has been provided as required by this Certificate and stating the date it was provided; and
    - (C) file Event Notices as required by Section 5(b).
- (c) The Annual Report may be submitted as a single document or as separate documents composing a package and may include by reference other information as provided in

Section 4. The City's audited financial statements may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date.

- (d) If the City's fiscal year changes, then the City shall give notice of the change in the same manner that is required under Section 5(b) for notice of a Listed Event.

4. *Content of Annual Reports.* The Annual Report must contain or incorporate by reference the following documents and information:

- (a) The City's audited financial statements for the most recently completed fiscal year, prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, together with the following statement:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES AND EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE AUTHORITY OR THE CITY, OTHER THAN NET SPECIAL TAXES, ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND NEITHER THE AUTHORITY NOR THE CITY IS OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE AUTHORITY OR THE CITY IN EVALUATING WHETHER TO BUY, HOLD, OR SELL THE BONDS.

- (b) To the extent not included in the City's audited financial statements, the following information:

- (1) A copy of the most recent annual information the City is required by the Mello-Roos Community Facilities Act of 1982 to file with the California Debt and Investment Advisory Commission on the Authority's behalf. The information generally relates to outstanding bond amounts, fund balances, assessed values, special tax delinquencies, and foreclosure information.
- (2) An updated table in substantially the form of the table in the Official Statement titled "Table 5 – Westlake CFD and Regency Park CFD Value-to-Burden Ratios," using property valuations based upon the most recent equalized tax roll before the September next preceding the Annual Report Date.
- (3) Any changes to the Rate and Method of Apportionment of Special Tax for either of the CFDs, set forth as an Appendix to the Official Statement.
- (4) The amount of prepayments of the Special Tax with respect to each of the CFDs for the prior fiscal year.

- (c) In addition to the information expressly required to be provided under Section 4(b), the City shall provide any other information that is necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.



- (d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, that are available to the public on the MSRB's web site or are filed with the Securities and Exchange Commission. The City shall clearly identify the documents included by reference.

5. *Reporting of Listed Events.*

- (a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:
  - (1) Principal and interest-payment delinquencies.
  - (2) Non-payment-related defaults, if material.
  - (3) Unscheduled draws on debt-service reserves reflecting financial difficulties.
  - (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
  - (5) Substitution of credit or liquidity providers, or their failure to perform.
  - (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
  - (7) Modifications to rights of security holders, if material.
  - (8) Bond calls, if material, and tender offers.
  - (9) Defeasances.
  - (10) Release, substitution, or sale of property securing repayment of the securities, if material.
  - (11) Rating changes.
  - (12) Bankruptcy, insolvency, receivership, or similar event of the City or the Authority.
  - (13) The consummation of a merger, consolidation, or acquisition involving the City or the Authority or the sale of all or substantially all of the assets of the City or the Authority (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
  - (14) Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.
- (b) Upon the occurrence of a Listed Event, the Dissemination Agent shall file a notice of the occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days (as "business days" is defined for purposes of the Rule) after the occurrence of the Listed Event. But notice of Listed Events described in



Sections 5(a)(8) and 5(a)(9) need not be given under this section any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Trust Agreement.

- (c) The events described in Sections 5(a)(2), 5(a)(7), 5(a)(8) (if a bond call), 5(a)(10), 5(a)(13), and 5(a)(14) contain the qualifier "if material," and Section 5(a)(6) also contains the qualifier "material" with respect to certain notices, determinations, or other events affecting the tax status of the Bonds. The Dissemination Agent shall file a notice in the same manner as is set forth in Section 5(b) for any such Listed Event only to the extent the City determines that the event's occurrence is material under applicable federal securities law. Upon occurrence of any of these Listed Events, the City shall determine, as soon as possible, whether the event would be material under the Rule. If the event is determined to be material, then the Dissemination Agent shall file a notice in the same manner as is required by Section 5(b) for notice of a Listed Event.
  - (d) For purposes of this Certificate, any Listed Event described in Section 5(a)(12) is considered to occur when any of the following occur: (1) the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City or the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority; or (2) the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City or the Authority.
6. *Identifying Information for Filings with the MSRB.* All documents provided to the MSRB under this Certificate must be accompanied by identifying information as prescribed by the MSRB.
7. *Termination of Reporting Obligation.* The City's obligations under this Certificate terminate upon the legal defeasance, prior redemption, or payment in full of all the Bonds. If termination occurs before the final maturity of the Bonds, then the City shall give notice of termination in the same manner as is required by Section 5(b) for notice of a Listed Event.
8. *Amendment and Waiver.*
- (a) The City may amend this Certificate or may waive any provision of this Certificate if the following conditions are satisfied:
    - (1) If the amendment or waiver relates to Sections 3(a), 4, or 5(a), then it may only be made in connection with a change in circumstances that arises from a change in legal requirements; a change in law; a change in the identity, nature, or status of an obligated person with respect to the Bonds; or a change in the type of business such an obligated person conducts.
    - (2) The undertakings in this Certificate, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

- (3) The proposed amendment or waiver either (A) is approved by holders of the Bonds in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders; or (B) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.
  - (b) If the annual financial information or operating data to be provided in the Annual Report is amended under this Section 8, then the first annual financial information filed containing the amended operating data or financial information must explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.
  - (c) If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made must present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison must include a discussion of the differences in the accounting principles and of the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the City's ability to meet its obligations. To the extent reasonably feasible, the comparison must be quantitative. A notice of the change in the accounting principles must be filed in the same manner as is required by Section 5(b) for notice of a Listed Event.
10. *Additional Information.* This Certificate does not prevent the City from disseminating any information, including information in any Annual Report or a notice of a Listed Event, that is in addition to the information required by this Certificate, whether the dissemination is by a means of communication set forth in this Certificate or by any other means. If the City includes any information in any Annual Report or notice of a Listed Event in addition to the information specifically required by this Certificate, then the City will not be obligated under this Certificate to update the information or include it in any future Annual Report or notice of a Listed Event.
11. *Default.* If the City fails to comply with its obligations under this Certificate, then the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations. A default under this Certificate is not an Event of Default under the Trust Agreement, and the sole remedy under this Certificate for the City's failure to comply with this Certificate is an action to compel performance.
12. *Duties, Immunities, and Liabilities of Appointed Dissemination Agent.* If the City appoints a person or entity to act as Dissemination Agent, then the appointed Dissemination Agent will have only the duties specified in this Certificate, and the City shall indemnify and save the appointed Dissemination Agent and its directors, officers, employees, and agents, harmless against any liability, claim, demand, damage, or cost (including reasonable attorneys' fees) that may arise out of the Dissemination Agent's exercise or performance of its powers and duties under this Certificate, except for liabilities, claims, demands, damages, and costs arising from the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent is not obligated to review any information provided to it under this Certificate and is not acting in any fiduciary capacity for the City, the Trustee, the Owners, or any other person in connection with the Bonds.

The City's obligations under this Section 12 will survive resignation or removal of the Dissemination Agent and payment of the Bonds.

13. *Beneficiaries.* This Certificate inures solely to the benefit of the City, the Trustee, any appointed Dissemination Agent, the Participating Underwriter, and holders and beneficial owners from time to time of the Bonds, and it creates no rights in any other person or entity.

Date: January 29, 2013

CITY OF SACRAMENTO

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

ATTEST:  
Sacramento City Clerk

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

APPROVED AS TO FORM:

Sacramento City Attorney

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

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Sacramento City Financing Authority  
Name of Bond Issue: Sacramento City Financing Authority  
2013 Special Tax Refunding Revenue Bonds  
(Westlake and Regency Park)  
Series A  
Date of Issuance: January 29, 2013

NOTICE IS HEREBY GIVEN that the City of Sacramento has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated January 29, 2013. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

DISSEMINATION AGENT:

\_\_\_\_\_

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

## APPENDIX G

### FORM OF OPINION OF BOND COUNSEL

January 29, 2013

Sacramento City Financing Authority  
Sacramento, California

Sacramento City Financing Authority  
2013 Special Tax Refunding Revenue Bonds  
(Westlake and Regency Park), Series A  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Sacramento City Financing Authority (the “Authority”) in connection with the issuance of \$23,525,000 aggregate principal amount of its 2013 Special Tax Refunding Revenue Bonds (Westlake and Regency Park), Series A (the “Bonds”), issued pursuant to a Trust Agreement, dated as of January 1, 2013 (the “Trust Agreement”), between the Authority, the City of Sacramento (the “City”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement; the Tax Certificate, dated the date hereof (the “Tax Certificate”), executed by the Authority and the City; opinions of counsel to the Authority, the City and the Trustee; certificates of the Authority, the City, 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 letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any 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 as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement 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. We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement 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 joint exercise powers agencies and cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. We express no opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the rate and method of apportionment of the Special Tax or the validity of the Special Tax levied upon any individual parcel. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated January 10, 2013, 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 the valid and binding limited obligations of the Authority.
2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City and the Authority, respectively. The Trust Agreement creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Trust Estate, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

Sacramento City Financing Authority  
January 29, 2013  
Page 3

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 when 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

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**APPENDIX H**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud) whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

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



