

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

\$24,325,000

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

Dated: Date of Delivery

Due: September 1, as shown on inside front cover

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

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The Bonds are being issued pursuant to City Resolution No. 2015-0102 adopted on April 23, 2015 and a Fourth Supplemental Indenture dated as of June 1, 2015, by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), which supplements an Indenture, dated as of September 1, 1997, as supplemented by the First Supplemental Indenture dated as of May 1, 2000, the Second Supplemental Indenture dated as of March 1, 2003 and the Third Supplemental Indenture dated as of June 1, 2005 (collectively, the "Indenture"). The Bonds are special obligations of the City issued on behalf of the Community Facilities District and are payable solely from revenues derived from certain annual special taxes to be levied on the taxable parcels within the Community Facilities District (the "Special Taxes") and from certain other funds pledged under the Indenture.

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

Interest on the Bonds will be payable on March 1 and September 1 of each year commencing March 1, 2016. Principal of and interest on the Bonds will be paid by the Trustee to Cede & Co., and such payments are expected to be disbursed to the beneficial owners of the Bonds through their nominees.

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

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

MATURITY SCHEDULE
(See Inside Cover Page)

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

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and to certain other conditions. Certain legal matters will be passed upon for the City by the Office of the City Attorney and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Jones Hall, A Professional Law Corporation and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery to The Depository Trust Company or its agent on or about June 2, 2015.

STIFEL

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

\$20,095,000 Serial Bonds

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP® No.</u> [†]
2016	\$ 680,000	2.00%	0.78%	101.510%	786071JS0
2017	980,000	2.00	1.19	101.790	786071JT8
2018	1,015,000	2.50	1.65	102.675	786071JU5
2019	1,055,000	4.00	1.90	108.527	786071JV3
2020	1,115,000	4.00	2.09	109.442	786071JW1
2021	1,175,000	4.00	2.34	109.593	786071JX9
2022	1,235,000	5.00	2.58	115.899	786071JY7
2023	1,315,000	5.00	2.81	116.017	786071JZ4
2024	1,395,000	5.00	3.02	115.866	786071KA7
2025	1,480,000	5.00	3.12	116.375	786071KB5
2026	1,570,000	5.00	3.31	114.580 ^c	786071KC3
2027	1,650,000	5.00	3.44	113.370 ^c	786071KD1
2028	1,735,000	5.00	3.56	112.268 ^c	786071KE9
2029	1,810,000	5.00	3.64	111.540 ^c	786071KF6
2030	1,885,000	5.00	3.71	110.907 ^c	786071KG4

\$4,230,000 Term Bonds

\$4,230,000 5.00% Term Bonds due September 1, 2035 Yield: 3.95% Price: 108.772%^c CUSIP® No. 786071 KH2[†]

^c Priced to the optional redemption date of September 1, 2025 at par.

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

CITY OF SACRAMENTO

CITY COUNCIL

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

ADMINISTRATIVE OFFICES

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

PROFESSIONAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel

Stradling Yocca Carlson & Rauth, A Professional Corporation

Financial Advisor

First Southwest Company, LLC
Oakland, California

Trustee

U.S. Bank National Association
Los Angeles, California

Special Tax Consultant

NBS Government Finance Group
Temecula, California

Verification Agent

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

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

This Official Statement is not to be construed as a contract with the purchasers of Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

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

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

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

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

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

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

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

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

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City of Sacramento

North Natomas CFD No. 97-01

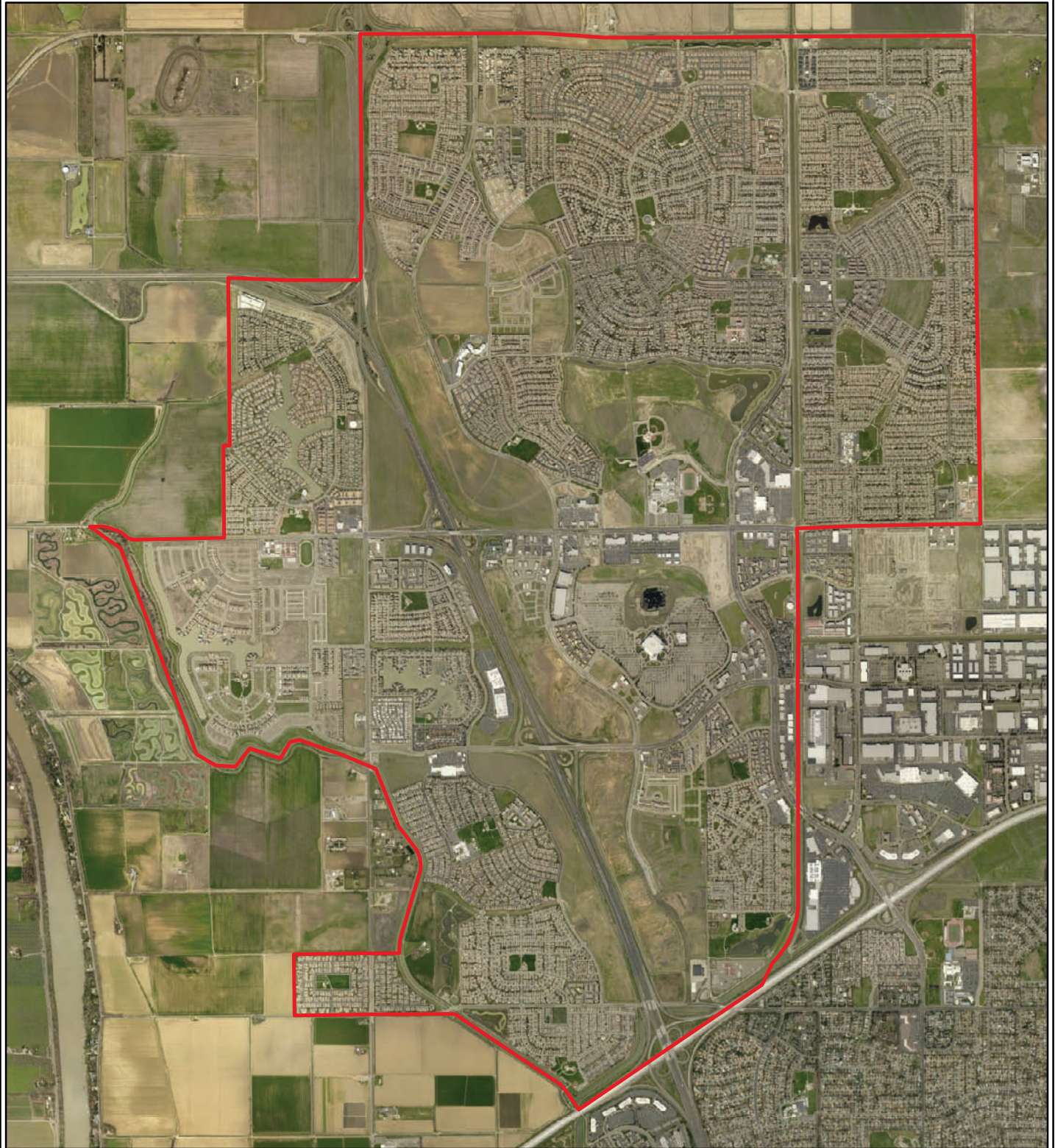
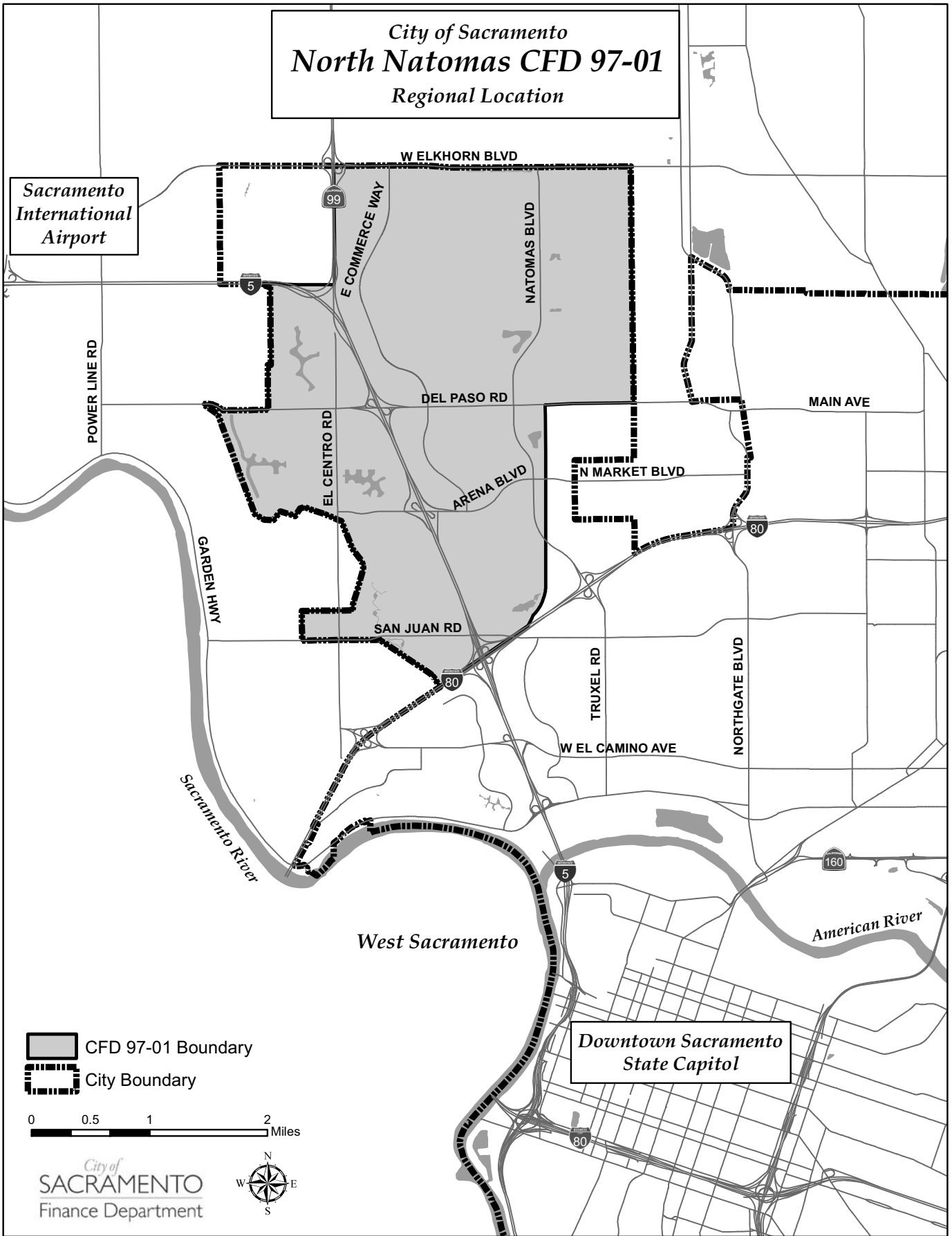




Photo From Spring 2014

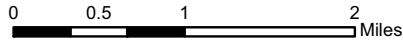


City of Sacramento
North Natomas CFD 97-01
Regional Location

*Sacramento
International
Airport*



-  CFD 97-01 Boundary
-  City Boundary



City of
SACRAMENTO
Finance Department



*Downtown Sacramento
State Capitol*

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\$24,325,000
CITY OF SACRAMENTO
NORTH NATOMAS DRAINAGE
COMMUNITY FACILITIES DISTRICT NO. 97-01
SPECIAL TAX REFUNDING BONDS, SERIES 2015

INTRODUCTION

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

The Bonds are being issued pursuant to Resolution No. 2015-0102 (the “Resolution”) adopted by the City Council (the “City Council”) of the City of Sacramento (the “City”) on April 23, 2015, and a Fourth Supplemental Indenture dated as of June 1, 2015, by and between the City and U.S. Bank National Association, as trustee (the “Trustee”), which supplements an Indenture, dated as of September 1, 1997 (the “Original Indenture”), as supplemented by the First Supplemental Indenture dated as of May 1, 2000, the Second Supplemental Indenture dated as of March 1, 2003, and the Third Supplemental Indenture dated as of June 1, 2005 (collectively, the “Indenture”). The Bonds are payable from Special Taxes (defined below) and from certain other funds pledged under the Indenture. Additional bonds secured on a parity with the Bonds may only be issued to refund outstanding Bonds. See “SECURITY FOR THE BONDS — No Additional Bonds.”

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

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

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

At the June 3, 1997 election within the Community Facilities District, the qualified electors within the Community Facilities District (a) authorized the City to incur bonded indebtedness of up to \$35,000,000 to finance certain public facilities and various costs related thereto, (b) approved a

rate and method of apportionment of special tax for the Community Facilities District (the “Rate and Method of Apportionment”), and (c) approved the levy of a special tax on the taxable parcels within the Community Facilities District (the “Special Tax”) to pay the principal of, and interest on, the Bonds and annual administrative expenses, and to make any replenishments to the reserve fund for the Bonds (the “Bond Reserve Fund”).

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

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

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

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

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

The Community Facilities District is located in and about the City’s North Natomas Financing Plan Area, within the greater Natomas Basin. At build out, the North Natomas Area is projected to have approximately 65,000 residents and approximately 32,000 residential units. See Appendix F — “GENERAL INFORMATION ABOUT THE CITY OF SACRAMENTO AND

SACRAMENTO COUNTY” for certain demographic information regarding the City and the County.

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

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

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

Consent to Certain Amendments of the Indenture

In connection with the issuance of the Bonds, the City will amend certain provisions in the Indenture. These provisions, as amended, are as described in Appendix A – “SUMMARY OF INDENTURE – Definitions -Required Bond Reserve” and “- Covenants of the City – Accounting Records.” The initial holders and subsequent holders of the Bonds will, by their purchase and acceptance of the Bonds, be deemed to have consented to these amendments without further act.

THE REFUNDING PLAN

A portion of the proceeds from the sale of the Bonds will be used along with other funds held by the City relating to the Refunded Bonds to defease and redeem the Refunded Bonds. The City

will enter into an Escrow Agreement with regard to the Refunded Bonds (the “Escrow Agreement”), dated as of June 1, 2015, with the Trustee, as escrow bank (the “Escrow Bank”). An irrevocable escrow fund will be established under the Escrow Agreement (the “Escrow Fund”). The moneys deposited with the Escrow Bank will be sufficient to redeem on a date that is 30 days from the date of delivery of the Bonds (the “Redemption Date”), the Refunded Bonds maturing on and after September 1, 2015 at a redemption price equal to the principal amount to be redeemed plus interest accrued to the Redemption Date, without premium (the “Redemption Price”). Moneys on deposit in the Escrow Fund will be held uninvested as cash. The amounts in the Escrow Fund will be held by the Escrow Bank for the benefit of the owners of the Refunded Bonds and will be applied to redeem the Refunded Bonds on the Redemption Date. Upon deposit of the amounts into the Escrow Fund as described above, the Refunded Bonds will be discharged under the Original Indenture as supplemented by the Third Supplemental Indenture, under which such Refunded Bonds were issued, and the owners of the Refunded Bonds will have no rights thereunder except to be paid the Redemption Price from amounts in the Escrow Fund.

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

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

Estimated Sources and Uses of Funds

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

Sources:	
Principal amount of the Bonds	\$ 24,325,000.00
Plus Original Issue Premium	2,681,461.40
Less Underwriter’s Discount	(229,168.43)
Prior Funds ⁽¹⁾	<u>4,110,237.33</u>
Total	<u>\$ 30,887,530.30</u>
Uses:	
Costs of Issuance Account	\$ 242,424.92
Escrow Fund	28,427,105.38
Bond Reserve Fund ⁽²⁾	<u>2,218,000.00</u>
Total	<u>\$ 30,887,530.30</u>

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

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

THE BONDS

Authority for Issuance

The Community Facilities District was established on March 4, 1997, and bonded indebtedness in an aggregate amount not to exceed \$35,000,000 was authorized to be issued under

the Act. A proposition relating to the incurring of the indebtedness in this amount was submitted to and approved by the qualified electors of the Community Facilities District on June 3, 1997. The Rate and Method of Apportionment and the amount of the Special Tax that can be collected from the land within the Community Facilities District are more fully described in the sections herein entitled “SECURITY FOR THE BONDS — The Special Tax” and “THE COMMUNITY FACILITIES DISTRICT.” See also Appendix C — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

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

General Provisions

The Bonds will be dated as of the date of their initial delivery and bear interest at the rates and mature (subject to prior redemption as described below) on the dates set forth on the inside front cover page of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable on March 1 and September 1 of each year commencing March 1, 2016 (each such date, an “Interest Payment Date”). The Bonds will be issued in fully registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in integral multiples of \$5,000. See the subsection entitled “Book-Entry System.”

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

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

Redemption

Optional Redemption. The Bonds maturing by their terms on or after September 1, 2026, are subject to optional redemption by the City before their respective maturity dates as a whole or in part on any date on or after September 1, 2025, from money derived by the City from any source other than Minimum Sinking Fund Account Payments or prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 2035, are subject to mandatory redemption by the City before their maturity date in part on each September 1, as set forth in the schedule below, solely from Minimum Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the redemption date, without premium, as follows:

TERM BONDS MATURING SEPTEMBER 1, 2035

<i>Redemption Dates (September 1)</i>	<i>Principal Amount</i>
2031	\$930,000
2032	985,000
2033	1,040,000
2034	1,085,000
2035 (maturity)	190,000

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

Special Mandatory Redemption from Prepayments. The Bonds are subject to extraordinary redemption by the City before their maturity date as a whole or in part on any date on or after March 1, 2016, solely from money derived by the City from prepayments of the Special Tax under the Act, upon mailed notice as provided in the Indenture, at the following redemption prices (computed upon the principal amount of the Bonds or portions called for redemption), together with accrued interest to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
March 1, 2016 through and including August 31, 2023	103%
September 1, 2023 through and including August 31, 2024	102
September 1, 2024 through and including August 31, 2025	101
Any date on and after September 1, 2025	100

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

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

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

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

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

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

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

Book-Entry System

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

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

DEBT SERVICE SCHEDULE

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

<i>Period Ending</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Annual Debt Service</i>
3/1/2016	--	\$ 827,642.01	--
9/1/2016	\$ 680,000	553,812.50	\$ 2,061,454.51
3/1/2017	--	547,012.50	--
9/1/2017	980,000	547,012.50	2,074,025.00
3/1/2018	--	537,212.50	--
9/1/2018	1,015,000	537,212.50	2,089,425.00
3/1/2019	--	524,525.00	--
9/1/2019	1,055,000	524,525.00	2,104,050.00
3/1/2020	--	503,425.00	--
9/1/2020	1,115,000	503,425.00	2,121,850.00
3/1/2021	--	481,125.00	--
9/1/2021	1,175,000	481,125.00	2,137,250.00
3/1/2022	--	457,625.00	--
9/1/2022	1,235,000	457,625.00	2,150,250.00
3/1/2023	--	426,750.00	--
9/1/2023	1,315,000	426,750.00	2,168,500.00
3/1/2024	--	393,875.00	--
9/1/2024	1,395,000	393,875.00	2,182,750.00
3/1/2025	--	359,000.00	--
9/1/2025	1,480,000	359,000.00	2,198,000.00
3/1/2026	--	322,000.00	--
9/1/2026	1,570,000	322,000.00	2,214,000.00
3/1/2027	--	282,750.00	--
9/1/2027	1,650,000	282,750.00	2,215,500.00
3/1/2028	--	241,500.00	--
9/1/2028	1,735,000	241,500.00	2,218,000.00
3/1/2029	--	198,125.00	--
9/1/2029	1,810,000	198,125.00	2,206,250.00
3/1/2030	--	152,875.00	--
9/1/2030	1,885,000	152,875.00	2,190,750.00
3/1/2031	--	105,750.00	--
9/1/2031	930,000	105,750.00	1,141,500.00
3/1/2032	--	82,500.00	--
9/1/2032	985,000	82,500.00	1,150,000.00
3/1/2033	--	57,875.00	--
9/1/2033	1,040,000	57,875.00	1,155,750.00
3/1/2034	--	31,875.00	--
9/1/2034	1,085,000	31,875.00	1,148,750.00
3/1/2035	--	4,750.00	--
9/1/2035	190,000	4,750.00	199,500.00
Total	<u>\$ 24,325,000</u>	<u>\$ 12,802,554.51</u>	<u>\$ 37,127,554.51</u>

LIMITATION OF LIABILITY

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

SECURITY FOR THE BONDS

General

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

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

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

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

The Special Tax

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

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

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

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

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

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

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

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

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

Bond Reserve Fund

To further secure the payment of principal of and interest on the Bonds, the City will deposit an amount into the Bond Reserve Fund in an amount sufficient to make the balance on deposit therein equal the Required Bond Reserve. The Required Bond Reserve is defined in the Indenture as the amount, as of any date of calculation, that is equal to the sum of the least of (a) 10% of the original principal amount of the Bonds, (b) Maximum Annual Debt Service on the then Outstanding Bonds, or (b) 125% of Average Annual Debt Service on the then Outstanding Bonds. Immediately following the issuance of the Bonds, the Required Bond Reserve will be \$2,218,000.00. On the date of delivery of the Bonds, the City will deposit \$2,218,000.00, from the proceeds of the Bonds into the Bond Reserve Fund.

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

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

Consent to Certain Amendments of the Indenture

In connection with the issuance of the Bonds, the City will amend certain provisions in the Indenture. These provisions, as amended, are as described in Appendix A — "SUMMARY OF INDENTURE — Definitions -Required Bond Reserve" and "— Covenants of the City — Accounting Records." The initial holders and subsequent holders of the Bonds will, by their purchase and acceptance of the Bonds, be deemed to have consented to these amendments without further act.

Covenant for Superior Court Foreclosure

Pursuant to Section 53356.1 of the Act, the City has covenanted under the Indenture that it will review the County's records in connection with the collection of the Special Tax not later than October 1 of each year to determine the amount of Special Tax collected in the prior Fiscal Year. On the basis of that review, (a) the City will, not later than the succeeding December 1, institute

foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by \$1,000 or more to enforce the lien of all such delinquent installments of such Special Tax, and will diligently pursue the foreclosure proceedings to judgment and sale; and (b) if the City determines that the total amount so collected is less than 95% of the total amount of the Special Tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of all the delinquent installments of such Special Tax and will diligently prosecute and pursue the foreclosure proceedings to judgment and sale.

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

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

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

Teeter Plan

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

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

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

District is included in the County's Teeter Plan. The County has the discretion to determine which delinquent assessments will be paid through the Teeter Plan on a case-by-case basis. See "SPECIAL RISK FACTORS – Teeter Plan Termination."

No Additional Bonds

The City has covenanted in the Indenture that it will not issue any additional bonds under the Indenture. However, refunding bonds secured by Special Taxes on a parity with the Bonds may be issued to repay and redeem all or a portion of the Bonds in advance of their stated maturities if the annual debt service payable with respect to such refunding bonds will be less than the annual debt service payable with respect to the Bonds that are being so redeemed or if none of the Bonds will be Outstanding after the issuance of the refunding bonds.

THE CITY

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

THE COMMUNITY FACILITIES DISTRICT

General Information

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

The Community Facilities District is located within the City's North Natomas Financing Plan Area, part of the greater Natomas Basin in the northwest portion of the City. At build out, the North Natomas area is projected to have approximately 65,000 residents and approximately 32,000 residential units. See Appendix F — "GENERAL INFORMATION ABOUT THE CITY OF SACRAMENTO AND SACRAMENTO COUNTY" for certain demographic information regarding the City and the County.

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

May 1, 2014), of the 18,820 parcels within the Community Facilities District classified as Developed Parcels, 15,932 parcels had improvements completed and 2,888 parcels were unimproved.

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

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

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

Building Moratorium and Flood Hazard

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

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

and limited residential development of up to 1,000 single-family units and 500 multi-family units each calendar year. Dwelling units in excess of those limits will require City Council approval. The Ordinance took effect on April 30, 2015 but will not be operative until the revised map and Zone A99 designation take effect.

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

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

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

Rate and Method of Apportionment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Estimated Special Tax Proceeds and Debt Service Coverage

Table 1 below shows the projected Fiscal Year 2015-16 Special Tax levy. In addition, Table 1 shows the estimated debt service coverage on the Bonds for the Bond Year ending September 1, 2016. If Developed Parcels were levied at the Maximum Special Tax rate, subject to the statutory limitation of a 10% increase on residential parcels to account for potential delinquencies or defaults, then Special Tax revenues (\$2,423,224) would exceed Fiscal Year 2015-16 debt service on the Bonds (\$2,061,455) by approximately 17.6%. If all Taxable Parcels were levied at the Maximum Special Tax rate, subject to the statutory limitation of a 10% increase on residential parcels to account for potential delinquencies or defaults, then Special Tax revenues (\$2,965,360) would exceed Fiscal Year 2015-16 debt service on the Bonds by approximately 43.9%. See “THE BONDS — Debt Service Schedule.” See “THE BONDS — Debt Service Schedule.”

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

<i>Development Status</i>	<i>Applied Special Tax⁽²⁾</i>	<i>Percentage of Projected Fiscal Year 2015-16 Special Tax Levy⁽³⁾⁽⁷⁾</i>	<i>Maximum Special Tax⁽⁴⁾⁽⁶⁾</i>	<i>Percentage of Maximum Special Tax</i>	<i>Bond Debt Service⁽³⁾⁽⁵⁾</i>	<i>Debt Service Coverage⁽⁵⁾</i>
DEVELOPED PARCELS						
Improved ⁽¹⁾	\$1,789,476	84.8%	\$2,050,725	69.2%	\$2,061,455	99.5%
Unimproved	<u>321,978</u>	<u>15.3</u>	<u>372,498</u>	<u>12.6</u>		
Subtotal Developed	\$2,111,455	100.0%	\$2,423,224	81.7%	\$2,061,455	117.6%
UNDEVELOPED PARCELS	<u>--</u>	<u>0.0</u>	<u>542,136</u>	<u>18.3</u>	<u>--</u>	
TOTAL	\$2,111,455	100.0%	\$2,965,360	100.0%	\$2,061,455	143.9%

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

(2) Reflects projected Special Tax levy for Fiscal Year 2015-16 and assumes no delinquencies. Amounts represent the Special Tax levy on Developed Parcels at approximately 77% of the Maximum Special Tax rate under the Rate and Method of Apportionment.

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

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

(5) Represents projected debt service on the Bonds for the bond year ending September 1, 2016. Coverage of 117.6% is based on a Special Tax levy on non-residential parcels at the Maximum Special Tax rate and a Special Tax levy on residential parcels at the projected Fiscal Year 2015-16 rate plus 10% on residential parcels to account for potential delinquencies or defaults. Coverage of 143.9% is based on a Special Tax levy on non-residential Developed Parcels and Undeveloped Parcels at the Maximum Special Tax rate and a Special Tax levy on residential parcels at the projected Fiscal Year 2015-16 rate plus 10% to account for potential delinquencies or defaults. The City does not expect to levy Special Taxes on Undeveloped Parcels in Fiscal Year 2015-16.

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

(7) Totals may not sum due to rounding.

Source: NBS Government Finance Group.

Assessed Value-to-Lien Ratios

The City has not engaged an independent appraiser to provide an opinion concerning the values of the Taxable Parcels within the Community Facilities District. The most recent independent appraisal of property within the Community Facilities District was performed in June 2000 in connection with the issuance of the Community Facilities District's Special Tax Bonds, Series B. The aggregate assessed value of the Taxable Parcels within the Community Facilities District as shown on the Fiscal Year 2014-15 County Assessor's roll is \$5,285,583,384 (based on a January 1, 2014 lien date).

The value of the property within the Community Facilities District is significant to an evaluation of the Bonds because, in the event of a delinquency in the payment of Special Taxes, the City may foreclose only against delinquent parcels. Likewise, the ratio of the value of a parcel to its “share” of the applicable Bonds is important because it provides an indication of the extent of the relative burden imposed on each parcel by the Special Tax. As indicated above, the aggregate assessed value of the Taxable Parcels within the Community Facilities District as shown on the 2014-15 County Assessor’s roll is \$5,285,583,384. The ratio of that value to the \$24,325,000 total principal amount of the Bonds is approximately 217.3 to-1. This ratio does not include other overlapping debt within the Community Facilities District. See “— Direct and Overlapping Debt” below. Taking that direct and overlapping debt into account, the ratio of the aggregate assessed value of the Taxable Parcels within the Community Facilities District to the total principal amount of all direct and overlapping special tax and assessment bonds for the Community Facilities District (\$154,529,857, inclusive of the Bonds) is approximately 34.2 to 1. See Table 3 below.

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

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

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

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

After a roll reduction is granted pursuant to Proposition 8, the property is reviewed on an annual basis to determine its full cash value, and the valuation is adjusted accordingly. This may

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

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

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

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

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

Sources: NBS Government Finance Group; County Assessor.

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

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

<i>Land Uses/ Development Status^(1,2)</i>	<i>Number of Parcels</i>	<i>Assessed Value⁽³⁾</i>	<i>Share of Bonds⁽⁴⁾</i>	<i>Percentage Share of Bonds⁽⁴⁾⁽⁷⁾</i>	<i>Total Overlapping Land-Secured Debt⁽⁵⁾</i>	<i>Estimated Assessed Value-to-Lien Ratio⁽⁶⁾</i>
DEVELOPED PARCELS						
Improved Property						
Detached Residential Unit	14,065	\$ 4,067,152,354	\$ 14,552,375	59.8%	\$ 110,745,205	36.8 to 1
Duplex/Condominium	1,737	260,535,315	1,250,228	5.1	6,938,896	37.6 to 1
Other Residential/Non Residential	130	850,682,121	4,812,983	19.8	22,364,408	38.0 to 1
Improved Property Subtotal	15,932	\$ 5,178,369,790	\$ 20,615,587	84.8%	\$ 140,048,509	37.0 to 1
Unimproved						
Detached Residential Unit	2,470	\$ 46,646,428	\$ 2,353,985	9.7%	\$ 8,063,819	5.8 to 1
Duplex/Condominium	373	2,203,263	283,925	1.2	1,881,586	1.2 to 1
Other Residential/Non Residential	45	15,376,321	1,071,503	4.4	3,742,532	4.1 to 1
Unimproved Property Subtotal	2,888	\$ 64,226,012	\$ 3,709,413	15.3%	\$ 13,687,936	4.7 to 1
UNDEVELOPED PARCELS						
	79	\$ 42,987,582	--	0.0%	\$ 793,412	54.2 to 1
TOTAL	18,899	\$ 5,285,583,384	\$ 24,325,000	100.0%	\$ 154,529,857	34.2 to 1

(1) Based on development status as of May 1, 2014. Pursuant to the Rate and Method of Apportionment, a Developed Parcel is generally a parcel for which has (1) an approved final small lot map for residential uses permitting up to two units per lot, (2) an approved special-use permit for residential use permitting three or more units per lot or (3) an approved special use permit for Non-Residential Development.

(2) Improved property describes Developed Parcels for which structure or improvement value is show on the County Assessor's secured property tax roll for Fiscal Year 2014-15.

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

(4) Responsibility for Bonds is allocated based on the projected Fiscal Year 2015-16 applied Special Tax levy.

(5) Includes outstanding direct and overlapping special tax and assessment bonded debt described in Table 5 below.

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

(7) Total may not sum due to rounding.

Source: NBS Government Finance Group.

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

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

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

Top Taxpayers

Table 4 below lists the largest property taxpayers within the Community Facilities District measured by the percentage of the Fiscal Year 2014-15 Special Tax levy. The City did not levy Special Taxes on Undeveloped Parcels in Fiscal Year 2014-15. Based on ownership status as of January 1, 2014, the 10 largest property owners were responsible for 13.1% of the Fiscal Year 2014-15 Special Tax levy. As of such date, no property owner within the Community Facilities District is expected to be responsible for more than 3.5% of the Special Tax levy.

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

<i>Property Ownership⁽¹⁾</i>	<i>General Use</i>	<i>Number of Parcels⁽¹⁾</i>	<i>Assessed Land Value⁽²⁾</i>	<i>Assessed Improvement Value⁽²⁾</i>	<i>Total Assessed Value⁽²⁾</i>	<i>Percentage Share of Outstanding Bonds⁽³⁾⁽⁷⁾</i>	<i>Share of Outstanding Bonds</i>	<i>Total Overlapping Land-Secured Debt⁽⁴⁾</i>	<i>Value-to-Lien Ratio⁽⁵⁾</i>
Kings Arco Arena LTP ⁽⁶⁾	Arena	4	\$11,985,000	\$20,488,000	\$32,473,000	3.5%	\$ 846,170	\$ 1,367,295	23.8:1
KB Home Sacramento Incorporated ⁽⁸⁾	Residential	277	7,202,000	--	7,202,000	1.3	316,247	2,515,475	2.9:1
Natomas INVS LLC ⁽⁸⁾	Residential	390	9,113,522	--	9,113,522	1.3	311,729	764,277	11.9:1
WBCMT 2005 C21 Retail 4726 LP	Retail Commercial	3	8,238,030	25,369,857	33,607,887	1.2	286,624	2,154,907	15.6:1
Beazer Homes Holdings Corporation ⁽⁸⁾	Residential	246	4,237,842	--	4,237,842	1.2	280,855	290,131	14.6:1
Homecoming at Creekside LLC	Apartments	3	4,219,339	69,477,903	73,697,242	1.0	248,259	2,374,333	31.0:1
Natomas Investors LLC ⁽⁸⁾	Residential	297	3,663,697	--	3,663,697	1.0	237,393	257,074	14.3:1
Alleghany Properties LLC ⁽⁸⁾	Multi-Use Commercial	8	386,585	--	386,585	1.0	230,265	247,824	1.6:1
Carefree Natomas Limited Partnership ⁽⁸⁾	Apartments	2	5,954,958	40,998,463	46,953,421	0.9	219,535	1,847,147	25.4:1
Natomas Gateway West LLC	Office/Retail	8	7,275,320	--	7,275,320	0.9	214,919	231,307	31.5:1
SUBTOTAL – Top Ten Taxpayers		1,238	\$62,276,293	\$ 156,334,223	\$218,610,516	13.1%	\$ 3,191,997	\$ 12,049,768	18.1:1
All Others		<u>17,582</u>	<u>\$1,317,774,967</u>	<u>\$3,706,210,319</u>	<u>\$5,023,985,286</u>	<u>86.9%</u>	<u>\$21,133,003</u>	<u>\$141,686,677</u>	<u>35.5:1</u>
TOTAL		18,820	\$1,380,051,260	\$3,862,544,542	\$5,242,595,802	100.0%	\$24,325,000	\$153,736,445	34.1:1

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

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

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

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

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

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

⁽⁷⁾ Total may not sum due to rounding.

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

Source: NBS Government Finance Group.

Direct and Overlapping Indebtedness

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

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

<i>Overlapping District</i>	<i>Percent Applicable</i>	<i>Total Outstanding Bonded Debt</i>
City of Sacramento North Natomas CFD 97-01	100.00%	\$ 24,325,000
City of Sacramento A.D. No. 2	9.80	106,107
SAFCA Consolidated Capital A.D.	11.07	19,612,951
SAFCA Natomas Basin Local A.D.	46.64	15,911,753
SAFCA O&M ⁽¹⁾	5.56	170,527
City of Sacramento North Natomas CFD No. 2	100.00	1,203,520
City of Sacramento CFD No. 99-04 (Basin 8C) ⁽¹⁾	100.00	4,190,000
City of Sacramento North Natomas Westlake CFD No. 2000-01	100.00	7,340,000
City of Sacramento CFD No. 4 ⁽¹⁾	100.00	68,210,000
City of Sacramento North Natomas Regency Park CFD No. 2001-03	100.00	<u>13,460,000</u>
Total		\$ 154,529,857

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

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

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

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

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

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

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

(3) Totals may not sum due to rounding.

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

Delinquency History

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

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

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies as of June 30 of Fiscal Year in which Special Taxes Were Levied⁽¹⁾</i>			<i>Delinquencies as of May 11, 2015</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$2,474,207	18,615	529	\$59,812	2.42%	-	-	0.00%
2010-11	2,393,142	18,611	342	62,142	2.60	20	\$ 241	0.01
2011-12	2,401,943	18,524	426	35,280	1.47	25	1,154	0.05
2012-13 ⁽²⁾	2,428,021	18,810	186	25,819	1.06	47	5,531	0.23
2013-14	2,393,371	18,820	126	14,032	0.59	64	6,199	0.26
2014-15	2,361,578	18,820	N/A	N/A	N/A	419	33,965	1.44

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

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

Source: NBS Government Finance Group.

Undeveloped Parcel Owners

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

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

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

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

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

Source: NBS Government Finance Group.

SPECIAL RISK FACTORS

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

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

Risks of Real Estate Secured Investments Generally

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

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

Risks Related to Housing Market Conditions

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

Insufficiency of Special Tax Revenues

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

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

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

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

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

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

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

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

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

Uncertainties in Land Development – General

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

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

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

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

Disclosure to Future Purchasers

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

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

Teeter Plan Termination

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

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

Geologic, Topographic and Climatic Conditions

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

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

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

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

Hazardous Substances

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

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

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

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

Foreclosure Delays – Bankruptcy

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

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

FDIC/Federal Government Interests in Parcels

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

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

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

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

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

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

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

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

Direct and Overlapping Indebtedness

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

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

Reductions in Property Values

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

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

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

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

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

Special Tax Delinquencies

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

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

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

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

No Acceleration Provision

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

Ballot Initiatives

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

Proposition 218

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

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

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

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

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

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

Loss of Tax Exemption

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

Limited Secondary Market

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

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

Limitations on Remedies

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

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

TAX MATTERS

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

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

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

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

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

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

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

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

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

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

ABSENCE OF LITIGATION

In connection with the issuance of the Bonds, the Office of the City Attorney will deliver an opinion to the effect that, to its actual knowledge as of the date of delivery of the Bonds, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry or investigation before or by any court, public board or body (a) that contests in any way the completeness or accuracy of this Official Statement; (b) that seeks to contest the validity of the Special Taxes or to restrain or enjoin the collection of the Special Taxes; (c) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the City’s ability to complete the transactions contemplated by the Bonds, the Indenture or this Official Statement; or (d) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the validity or enforceability of the Bonds or the Indenture.

FINANCIAL ADVISOR

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

RATING

Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc. (“Standard & Poor’s”) has assigned its municipal bond rating of “BBB+” to the Bonds. This rating reflects only the views of Standard & Poor’s, and an explanation of the significance of such rating may be obtained from Standard & Poor’s. There is no assurance that the rating will continue for any

given time or that the rating will not be revised downward or withdrawn entirely by Standard & Poor's if in its judgment circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

VERIFICATION OF MATHEMATICAL ACCURACY

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

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

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$26,777,292.97 (\$24,325,000.00 principal amount, plus an original issue premium of \$2,681,461.40 and less an Underwriter's discount of \$229,168.43). The Bond Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter's compensation is contingent upon the successful issuance of the Bonds.

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

CONTINUING DISCLOSURE

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

The City has entered into a number of prior continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with those undertakings. During the past five years, the

City substantially complied with the requirements of its continuing disclosure undertakings with certain minor or technical exceptions. For example, in certain continuing disclosure filings, the City provided links to the City's website where documents could be downloaded, instead of submitting the documents as part of the filing itself; with respect to certain bonds of the Sacramento City Financing Authority ("SCFA") involving the Sacramento Housing and Redevelopment Agency ("SHRA"), and also with respect to bonds of SHRA itself, the posting of the SHRA's audited financial statements occurred after the due date; and certain filings related to the SCFA's bonds and SHRA's bonds did not expressly include all the required information (including in one instance, unaudited financial statements). In addition, certain filings were made after the required filing date. On one occasion, the City inadvertently failed to file a notice of an insurer-related rating change.

The City believes it has established processes to ensure that in the future it will make its continuing disclosure filings as required.

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

CERTAIN LEGAL MATTERS

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

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

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

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as presentations of fact, and actual results may differ substantially from those set forth therein. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the Owners of the Bonds.

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

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

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

CITY OF SACRAMENTO

/s/ Russell T. Fehr
City Treasurer

APPENDIX A

SUMMARY OF INDENTURE

The following is a brief summary of certain provisions of the Indenture. This summary does not purport to be complete or definitive, and is qualified in its entirety by reference to the full terms of the Indenture. In connection with the issuance of the Bonds, the City will amend certain provisions in the Indenture. These provisions, as amended, are as described below in “Definitions -Required Bond Reserve” and “- Covenants of the City – Accounting Records.” The initial holders and subsequent holders of the Bonds will, by their purchase and acceptance of the Bonds, be deemed to have consented to these amendments without further act.

Definitions

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this Summary:

“Annual Debt Service” means, for any Bond Year, the sum of (1) the interest falling due on all Outstanding Bonds in such Bond Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed from Minimum Sinking Fund Account Payments as scheduled, plus (2) the principal amount of all Outstanding Serial Bonds falling due by their terms in such Bond Year, plus (3) the minimum amount of all Outstanding Term Bonds required to be paid or called and redeemed in such Bond Year.

“Average Annual Debt Service” means, as of any date of calculation, the average Annual Debt Service during the period from the date of such calculation through the final maturity date of any Outstanding Bonds.

“Bond Reserve Fund” means the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Bonds Bond Reserve Fund established pursuant to the Indenture and maintained by the Trustee.

“Bonds,” as used in the Indenture, means the thirty-five million dollars (\$35,000,000) principal amount of special tax bonds of the City at any time Outstanding under the Indenture that are executed, issued and delivered in accordance with the provisions of the Indenture and that were authorized at the special election held in the Community Facilities District on June 3, 1997, and any refunding bonds issued under the Law to refund any of such special tax bonds. “Serial Bonds” means the Bonds for which no Minimum Sinking Fund Account Payments are established. “Term Bonds” means the Bonds which are redeemable or payable on or before their specified maturity date or dates from the Minimum Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity date or dates.

“Bond Year” means the twelve-month period terminating on September 1 of each year, except that the first Bond Year for each Series of Bonds shall commence on their respective dates of initial delivery.

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

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

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

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

“Code” means the Internal Revenue Code of 1986 and the regulations issued thereunder from time to time, 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 Drainage Community Facilities District No. 97-01, a community facilities district duly organized and existing in the City under and by virtue of the Law.

“Community Facilities Fund” means the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Community Facilities Fund established pursuant to the Indenture and maintained by the Treasurer.

“Council” means the City Council of the City.

“Debt Service” means, for any Bond Year, the sum of (1) the interest payable during such Bond Year on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid as scheduled at the times of and in amounts equal to the sum of all Minimum Sinking Fund Account Payments, plus (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, plus (3) the aggregate amount of all Minimum Sinking Fund Account Payments required to be deposited in all Sinking Fund Accounts in such Bond Year.

“Expense Fund” means the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Expense Fund established pursuant to the Indenture and maintained by the Treasurer.

“Expenses” means all expenses paid or incurred by the City for the cost of planning and designing the Facilities, including the cost of environmental evaluations of the Facilities and the costs associated with the creation of the Community Facilities District, the issuance of the Bonds, the determination of the amount of the Special Tax, the collection of the Special Tax and the payment of the Special Tax, or costs otherwise incurred in order to carry out the authorized purposes of the Community Facilities District, and any other expenses incidental to the acquisition and construction of the Facilities; all as determined in accordance with Generally Accepted Accounting Principles.

“Facilities” means the public facilities generally described as levees, channel improvements, pumping plants and all necessary appurtenances thereto and rights in real and personal property therefor and the acquisition of land for habitat mitigation authorized to be acquired and constructed in and for the Community Facilities District under and pursuant to the Law at the special election held in the Community Facilities District on June 3, 1997.

“Federal Securities” means (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, and (b) any of the following obligations of federal agencies not guaranteed by 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 of the Federal Home Loan Mortgage Corporation, as and to the extent that such securities or obligations are eligible for the legal investment of City funds, together with any repurchase agreements which are secured by any of such securities or obligations that (1) have a fair market value (determined at least daily) at least equal to one hundred two per cent (102%) of the amount invested in the repurchase agreement, (2) are in the possession of the Trustee or a third party acting solely as agent for the Trustee who holds a perfected first lien therein, and (3) are free from all third party claims.

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

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

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

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

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

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

“Law” 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.

“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 determined by the Council.

“Maximum Annual Debt Service” means the greatest Debt Service in any Bond Year during the period beginning with the then current Bond Year and ending with the Bond Year in which the last Outstanding Bonds mature by their terms.

“Mayor” means the Mayor of the City.

“Minimum Sinking Fund Account Payments” means the payments required by the Indenture and by all Supplemental Indentures to be deposited in all Sinking Fund Accounts established for the payment of all Term Bonds.

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

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

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

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

“Prepayment Fund” means the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Prepayment Fund established pursuant to the Indenture and maintained by the Treasurer.

“Principal Corporate Trust Office” means the corporate trust office of the original Trustee at 550 South Hope Street, Fifth Floor, Los Angeles, California 90071, except that for purposes of the registration, transfer, exchange, payment or surrender of any Bonds, it shall mean the corporate trust office of U.S. Bank National Association (as successor to U.S. Bank Trust National Association, formerly First Trust National Association) in St. Paul, Minnesota; or such other office designated by the Trustee from time to time as its Principal Corporate Trust Office.

“Rebate Fund” means the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Bonds Rebate Fund established pursuant to the Indenture and maintained by the Treasurer.

“Redemption Fund” means the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Bonds Redemption Fund established pursuant to the Indenture and maintained by the Trustee.

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

“Series” means all Bonds authorized to be issued under the Indenture or under a Supplemental Indenture constituting a single series and delivered on original issuance in a simultaneous transaction pursuant to the provisions of the Indenture, and any Bonds thereafter executed, authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

“Sinking Fund Account” means any special account established by the Indenture or by any Supplemental Indenture in the Redemption Fund for the payment of the Term Bonds of any Series.

“Special Tax” means the special tax authorized to be levied and collected annually on all Taxable Land in the Community Facilities District under and pursuant to the Law at the special election held in the Community Facilities District on June 3, 1997.

“Special Tax Fund” means the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 Special Tax Fund established pursuant to the Indenture and maintained by the Treasurer.

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

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

“Taxable Land” means all land within the Community Facilities District taxable under the Law in accordance with the proceedings for the authorization of the issuance of the Bonds and the levy and collection of the Special Tax.

“Tax Certificates” means collectively all certificates delivered in each case upon the issuance of each Series of the Bonds relating to Section 148 of the Code, or any functionally similar replacement certificates.

“Treasurer” means the Treasurer of the City.

“Trustee” means U.S. Bank National Association (as successor to U.S. Bank Trust National Association, formerly First Trust of California, National Association), a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character set forth in the Indenture, at its Principal Corporate Trust Office, or any other bank or trust company having a corporate trust office in Los Angeles or San Francisco, California, which may at any time be substituted in its place as provided in the Indenture.

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

Special Tax Fund

The City agrees and covenants that all proceeds of the Special Tax (including any prepayments thereof), when and as received, shall be deposited in the Special Tax Fund to be maintained by the Treasurer, and all money in the Special Tax Fund shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, there are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture, all of the proceeds of the Special Tax received by or on behalf of the City and any other amounts held in the Special Tax Fund, the Redemption Fund and the Bond Reserve Fund.

Allocation of Money in the Special Tax Fund

All money in the Special Tax Fund will be set aside in the following respective funds in the following order of priority: (1) Redemption Fund; (2) Bond Reserve Fund; (3) Expense Fund; (4) Prepayment Fund; and (5) Community Facilities Fund. All money in each of such funds shall be applied, used and withdrawn only for the purposes authorized in the Indenture.

Redemption Fund. The Redemption Fund shall be maintained by the Trustee. At least three (3) Business Days prior to March 1 and September 1 of each year, the Treasurer shall, from the money in the Special Tax Fund, transfer to the Trustee for deposit in the Redemption Fund an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such dates, and at least three (3) Business Days prior to September 1 of each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Redemption Fund an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on such date plus the aggregate

of the Minimum Sinking Fund Account Payments required by the Indenture and by all Supplemental Indentures to be made on such date into the Sinking Fund Accounts. However, all of the Minimum Sinking Fund Account Payments will be made without priority of the payment of any one Minimum Sinking Fund Account Payment over the payment of any other Minimum Sinking Fund Account Payment, and in the event that money in the Redemption Fund on any September 1 is not equal to the amount of principal to become due and payable on the outstanding Serial Bonds of all Series on such September 1 plus the principal of and redemption premiums, if any, on the outstanding Term Bonds required to be redeemed or paid at maturity on such September 1, then such money shall be applied pro rata in such proportion as such Serial Bonds and such Term Bonds shall bear to each other, after first deducting for such purposes for such Term Bonds any of such Term Bonds as shall have been redeemed or purchased during the 12-month period ending on such September 1 and commencing on the immediately preceding September 2.

All money in the 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 the Bonds as they shall mature or upon the prior redemption thereof, except that any money in any Sinking Fund Account shall be used only to purchase or redeem or retire the Term Bonds for which such Sinking Fund Account was established as provided in the Indenture or in any Supplemental Indenture.

Bond Reserve Fund. The Bond Reserve Fund shall be maintained by the Trustee. On or before March 1 and September 1 of each year, the 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 the Trustee shall determine is required to restore the Bond Reserve Fund to a sum equal to the Required Bond Reserve.

All money in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Bonds in the event there is insufficient money in the Redemption Fund available for this purpose; provided, that if 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 the Bond Reserve Fund and shall deposit such amount of money in the Redemption Fund.

Expense Fund. The Expense Fund shall be maintained by the Treasurer. On or before March 1 and September 1 of each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Expense Fund a sum equal to the amount required by the City for the payment of budgeted Expenses during the six-month period beginning on such date (or required by the City to reimburse it for the payment of unbudgeted Expenses during the prior six-month period).

All money in the Expense Fund shall be used and withdrawn by the Treasurer only 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 be transferred to the Trustee to pay interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money is available therefor.

Prepayment Fund. The Prepayment Fund shall be maintained by the Treasurer. Upon receipt of any prepayments of the Special Tax the Treasurer shall, from the money in the Special Tax Fund constituting such prepayments, deposit in the Prepayment Fund the amount of

money constituting such prepayments, and all money in the Prepayment Fund shall be used and withdrawn by the City solely as provided in the applicable provisions of the formula establishing the Special Tax concerning the use of such prepayments.

Community Facilities Fund. The Community Facilities Fund shall be maintained by the 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 deposited by the Treasurer in the Community Facilities Fund. All money in the Community Facilities Fund shall be used and withdrawn by the Treasurer upon request of the City solely for the payment of costs of the acquisition and construction of the Facilities or otherwise for the benefit of the Community Facilities District in accordance with the Law.

Covenants of the City

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

Against Indebtedness and Encumbrances. The City will not issue any evidences of indebtedness payable from the proceeds of the Special Tax except as provided in the Indenture, and will not create, nor 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 so long as any payments due thereunder shall be subordinate in all respects to the use of the proceeds of the Special Tax as provided in the Indenture.

Against Federal Income Taxation.

(a) The City will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the City will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the City or take or omit to take any action that would cause the Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code or “private activity bonds” subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are “federally guaranteed” as provided in Section 149(b) of the Code; and to that end the City, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect; provided, that if the City shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the City may rely conclusively on such opinion in complying with the provisions 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 Treasurer or the Trustee under the Indenture, the City shall so instruct the Treasurer or

the Trustee in writing, as the case may be, and the Treasurer or the Trustee shall take such action as may be necessary in accordance with such instructions.

(b) Without limiting the generality of the foregoing, the City will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect, which obligation shall survive payment in full or defeasance of the Bonds.

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

Expense Budgets. The City will, on or before the first day of September in each year, adopt a budget setting forth the estimated Expenses for the period from such September 1 through the next succeeding August 31. Any budget adopted in accordance with this section may be amended at any time.

Accounting Records.

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

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.

Levy and Collection of the Special Tax. The City, so long as any Bonds are outstanding, will annually levy the Special Tax against all Taxable 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 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 all Minimum 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

current Expenses as they become due and payable in accordance with the provisions and terms of the Indenture. The Special Tax will be collected in the same manner as ordinary ad valorem property taxes are collected and, except as otherwise provided in the covenant regarding foreclosure of special tax liens, described in the following paragraph, and the Law, 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. The City will annually on or before October 1 of each year 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 Law against all parcels 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 Law against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of all the delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California, and provided further, that the City shall not be obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City shall have received 100% of the amount of such installment from the County of Sacramento pursuant to the "Teeter Plan."

Continuing Disclosure. The City will comply with and carry out all of the provisions of the continuing disclosure certificates executed by the Treasurer and dated the date of the original issuance and delivery of such Series of the Bonds. Failure of the City to comply with such continuing disclosure certificates shall not be considered a default under the Indenture but any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations described in this paragraph.

Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Holders of the rights and benefits provided in the Indenture.

Deposit and Investment of Moneys in Funds

All money held by the Treasurer in any fund established in the Indenture shall be deposited by the Treasurer in time or demand deposits in any state or nationally chartered bank or trust company, including the Trustee, 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 and to the fullest extent required by law; provided, that all money in the Special Tax Fund and in the Expense Fund and in the Prepayment Fund may be invested by the Treasurer in Legal Investments, except that any money in the Special Tax Fund allocated to the payment of the Bonds shall be invested by the Treasurer only

as authorized by Section 53356.03 of the Government Code of the State of California, as currently existing and as it may be amended from time to time. All money held by the Trustee in the Redemption Fund shall be invested by the Trustee pursuant to a Written Request of the City received by the Trustee at least two (2) days before making any such investment in those Legal Investments specified in such Written Request of the City that mature not later than the date on which it is estimated that such money will be required to be paid out hereunder, and all money held by the Trustee in the Bond Reserve Fund shall be invested by the Trustee pursuant to a Written Request of the City received by the Trustee at least two (2) days before making any such investment in those Federal Securities specified in such Written Request of the City that mature not more than five (5) years from the date of purchase by the Trustee, or the final maturity date of any Outstanding Bonds, whichever is earlier; provided, that in the absence of receipt of any such Written Request of the City, the Trustee shall, to the extent practicable, invest such money in units of a taxable government money-market portfolio composed of or secured by Federal Securities.

Amendment of or Supplement to the Indenture

Amendment or Supplement by Consent of Holders. The Indenture and the rights and obligations of the City and of the Holders may be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding when the written consents of the Holders of sixty per cent (60%) or more in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the City to pay the interest on or principal of or Minimum Sinking Fund Account Payment for or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency and from the funds provided in the Indenture without the express written consent of the Holder of such Bond, or (2) permit the issuance by the City of any obligations payable from the proceeds of the Special Tax other than the Bonds as provided in the Indenture, or jeopardize the ability of the City to levy and collect the Special Tax, or (3) reduce the percentage of 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 –

(a) 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;

(b) 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;

(c) To authorize the issuance of a Series of Bonds other than the Series A Bonds, the Series B Bonds and the Series C Bonds and to provide the conditions and terms under which such Series of Bonds may be issued, subject to the conditions and terms set forth in the Indenture and upon compliance with the procedure set forth therein;

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

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

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

Remedies of Holders

Remedies of Holders. Any Holder shall have the right for the equal benefit and protection of all Holders similarly situated –

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

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

(c) by suit in equity upon the nonpayment of the Bonds to require the Council or the City or its officers and employees 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 proceeds of the Special Tax and the other funds 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 default or breach of duty or contract by any Holder shall not affect any subsequent default or breach of duty or contract and shall not impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall

be construed to be a waiver or any such default or breach of duty or contract or an acquiescence therein, and every right and remedy conferred upon the Holders by the Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Holders. If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to any Holder, the City and 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 Law or any other law.

Discharge of the Bonds

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. 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. 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 the case any of such Bonds are to be redeemed on any date prior to their maturity date, the City shall have agreed to mail pursuant to the Indenture a notice of redemption to the respective Holders of all such Outstanding Bonds and to such securities depositories or securities information services selected by it pursuant to the Indenture, (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 or municipal obligations which have been defeased with Federal Securities and which are rated in the highest rating category by either Moody's or Standard & Poor's, 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 and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by a report of an Independent Certified Public Account on file 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 ninety (90) days, the City shall have agreed to mail pursuant to the Indenture a notice to the Holders of such Bonds and to such securities depositories and securities information services selected by it pursuant to the Indenture that the deposit required by the Indenture 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 is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Miscellaneous

Liability of City Limited to Proceeds of the Special Tax. 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 as provided in the Indenture for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are special tax obligations of the City and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax and 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 Council nor the City nor any officer or employee thereof shall be liable for the payment of the interest on or principal of or redemption premium, if any, on the Bonds other than from the proceeds of the Special Tax and the other funds as provided in the Indenture.

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

June 2, 2015

City Council
City of Sacramento
Sacramento, California

City of Sacramento
North Natomas Drainage Community Facilities District No. 97-01
Special Tax Refunding Bonds, Series 2015
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sacramento (the “City”) in connection with the issuance of \$24,325,000 aggregate principal amount of City of Sacramento North Natomas Drainage Community Facilities District No. 97-01, Special Tax Refunding Bonds, Series 2015 (the “Bonds”), issued pursuant to an Indenture, dated as of September 1, 1997 (the “1997 Indenture”), between the City and U.S. Bank National Association, as successor trustee (the “Trustee”), as supplemented and amended, including as supplemented and amended by the Fourth Supplemental Indenture, dated as of May 1, 2015, between the City and the Trustee (the “Fourth Supplemental Indenture” and, together with the 1997 Indenture as supplemented and amended, the “Indenture”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; the Tax Certificate, dated the date hereof (the “Tax Certificate”), executed by the City; opinions of counsel to the City and the Trustee; certificates of the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to 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 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 Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to

assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. We express no opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the rate and method of apportionment of the Special Tax or the validity of the Special Tax levied upon any individual parcel. 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 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 special tax obligations of the City, payable solely from the Special Tax and certain funds held under the Indenture.
2. The Fourth Supplemental Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City.
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 amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX C

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

1. BASIS OF SPECIAL TAX LEVY

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

2. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

“City” means City of Sacramento, California.

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

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

“County” means the County of Sacramento, California.

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

“Developed Parcel” means a Parcel which has:

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

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

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

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

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

“Final Map Parcel” means a Parcel which has:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. TERMINATION OF THE SPECIAL TAX

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

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

4. ASSIGNMENT OF MAXIMUM ANNUAL SPECIAL TAX

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

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

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

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

1. Developed Parcels and Veteran Developed Parcels

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

2. Undeveloped Parcels

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

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

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

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

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

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

5. CALCULATING ANNUAL SPECIAL TAXES

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

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

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

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

6. PREPAYMENT OF SPECIAL TAX OBLIGATION

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

Prepayment is permitted only under the following conditions:

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

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

CALCULATE BASE PREPAYMENT AMOUNT (for Attachment 3)

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

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

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

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

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

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

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

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

DETERMINE TOTAL PREPAYMENT AMOUNT FOR PREPAYING PARCEL

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

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

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

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

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

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

Subsequent to the Initial Sale of Bonds

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

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

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

7. RECORDS MAINTAINED FOR THE CFD

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

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

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

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

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

8. APPEALS

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

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

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

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

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

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

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

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

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

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

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

Notes: Assumes 7.5% reserve fund credit.

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

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

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

Source: Economic and Planning Systems.

APPENDIX D

INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY

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

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

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

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

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

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

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

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

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

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

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

APPENDIX E

CONTINUING DISCLOSURE CERTIFICATE

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

The Issuer hereby covenants as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

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

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

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

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

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

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

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

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

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

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

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

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

(B) the Bond Reserve Fund.

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

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

(4) A table setting forth the annual Special Tax delinquency rate as of June 30 for each fiscal year on which a delinquency exists, listing for each fiscal year the total Special Tax levy, the amount delinquent, and the percent delinquent. The table may be in a form similar to Table 7 in the Official Statement.

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

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

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

SECTION 5. Reporting of Significant Events.

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

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

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

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

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

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

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

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

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

SECTION 8. Amendment.

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

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

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

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

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

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

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

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

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

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

CITY OF SACRAMENTO

By: _____
Russell T. Fehr, City Treasurer

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APPENDIX F

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

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

General

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

Population

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

CITY AND COUNTY OF SACRAMENTO Population Estimates

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

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

Industry and Employment

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

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

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

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

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

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

Source: State of California Employment Development Department.

Major Employers

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

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

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

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

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

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

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

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

Personal Income

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

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

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

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

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

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

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

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

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

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

Commercial Activity

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

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

CITY OF SACRAMENTO
Taxable Transactions
(figures in thousands)

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

Source: State Board of Equalization.

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

COUNTY OF SACRAMENTO
Taxable Transactions
(figures in thousands)

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

Source: State Board of Equalization.

Building and Construction

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

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

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

Source: Construction Industry Research Board, Building Permit Summary.

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

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

Source: Construction Industry Research Board, Building Permit Summary.

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

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

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

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

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