

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 alternative minimum tax. 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.



\$8,540,000
CITY OF SACRAMENTO
MCKINLEY VILLAGE COMMUNITY FACILITIES DISTRICT NO. 2015-04
(IMPROVEMENTS) SPECIAL TAX BONDS, SERIES 2020

Dated: Delivery Date

Due: September 1, as shown on the inside cover page

This Official Statement describes bonds that are being issued by the City of Sacramento (the "City") with respect to the City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) (the "District"). The City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds, Series 2020 (the "Bonds") are being issued by the City to (a) refund the outstanding City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds, Series 2016; (b) pay the cost and expense of the acquisition and construction of certain public facilities required in connection with the development in the District; (c) purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the Bonds; (d) purchase a debt service reserve insurance policy for deposit in the reserve fund securing the Bonds; and (e) pay costs of issuance of the Bonds.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California), and pursuant to a Master Indenture, dated as of July 1, 2020 as supplemented by a First Supplemental Indenture dated as of July 1, 2020, each by and between the City and U.S. Bank National Association, as trustee (the "Trustee") (collectively, the "Indenture").

The Bonds are special limited obligations of the City and are payable solely from the proceeds of the Special Tax (as defined in this Official Statement) levied on taxable parcels within the District and from certain other funds pledged under the Indenture, all as further described in this Official Statement. The Special Tax will be levied according to the rate and method of apportionment approved by the City Council of the City and the qualified electors within the District. See "SOURCES OF PAYMENT FOR THE BONDS."

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in integral multiples of \$5,000 and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable semiannually on each March 1 and September 1, commencing March 1, 2021. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described in this Official Statement. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS — General Provisions" and APPENDIX F — "BOOK-ENTRY ONLY SYSTEM."

The scheduled payment of the principal of and interest on the Bonds, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE."



NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAX, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX LEVIED ON TAXABLE PARCELS IN THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

The Bonds are subject to optional redemption, extraordinary redemption from Special Tax prepayments and mandatory sinking fund redemption prior to maturity as set forth in this Official Statement. See "THE BONDS — Redemption."

INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT RISKS THAT ARE NOT APPROPRIATE FOR CERTAIN INVESTORS. CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE CITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

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

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the City with respect to the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, for the Underwriter by Jones Hall, A Professional Law Corporation, as counsel to the Underwriter, for BAM by its counsel and for the Trustee by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about July 1, 2020.

STIFEL

\$8,540,000
CITY OF SACRAMENTO
MCKINLEY VILLAGE COMMUNITY FACILITIES DISTRICT NO. 2015-04
(IMPROVEMENTS) SPECIAL TAX BONDS, SERIES 2020

MATURITY SCHEDULE

Base CUSIP No.†: 786071

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>
2021	\$ 40,000	3.000%	0.680%	102.690	PS3
2022	105,000	3.000	0.750	104.826	PT1
2023	115,000	3.000	0.810	106.832	PU8
2024	130,000	4.000	0.910	112.604	PV6
2025	145,000	4.000	1.050	114.796	PW4
2026	160,000	4.000	1.210	116.529	PX2
2027	175,000	4.000	1.350	118.042	PY0
2028	190,000	4.000	1.470	119.400	PZ7
2029	210,000	4.000	1.550	120.858	QA1
2030	225,000	4.000	1.630	122.119	QB9
2031	245,000	3.500	1.770	116.030 ^c	QC7
2032	265,000	4.000	1.860	119.738 ^c	QD5
2033	285,000	4.000	1.970	118.618 ^c	QE3
2034	310,000	4.000	2.030	118.012 ^c	QF0
2035	335,000	4.000	2.100	117.310 ^c	QG8

Term Bonds

\$2,065,000 4.000% Term Bonds due September 1, 2040, Yield: 2.310% Price: 115.232^c CUSIP No.† QH6

\$3,540,000 4.000% Term Bonds due September 1, 2046, Yield: 2.470% Price: 113.678^c CUSIP No.† QJ2

^c Priced to the first optional redemption date of September 1, 2030 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 © 2020 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. 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

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

ADMINISTRATIVE OFFICES

Howard Chan, City Manager
Michael Jasso, Assistant City Manager
Chris Conlin, Assistant City Manager
Hector Barron, Assistant City Manager
Leyne Milstein, Assistant City Manager
John Colville, City Treasurer
Susana Alcala Wood, City Attorney
Mindy Cuppy, MMC, City Clerk
Jorge Oseguera, City Auditor

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Disclosure Counsel

Stradling Yocca Carlson & Rauth, A Professional Corporation

Municipal Advisor

Montague DeRose and Associates, LLC
Westlake Village, California

Trustee and Escrow Agent

U.S. Bank National Association
San Francisco, California

Special Tax Consultant

Goodwin Consulting Group, Inc.
Sacramento, California

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City. No dealer, broker, salesperson or other person has been authorized by the City, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the Trustee or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org.

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the City. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is made by this Official Statement to such documents on file with the City for further information. While the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or 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. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

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 a 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.

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," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE COMMUNITY FACILITIES DISTRICT" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

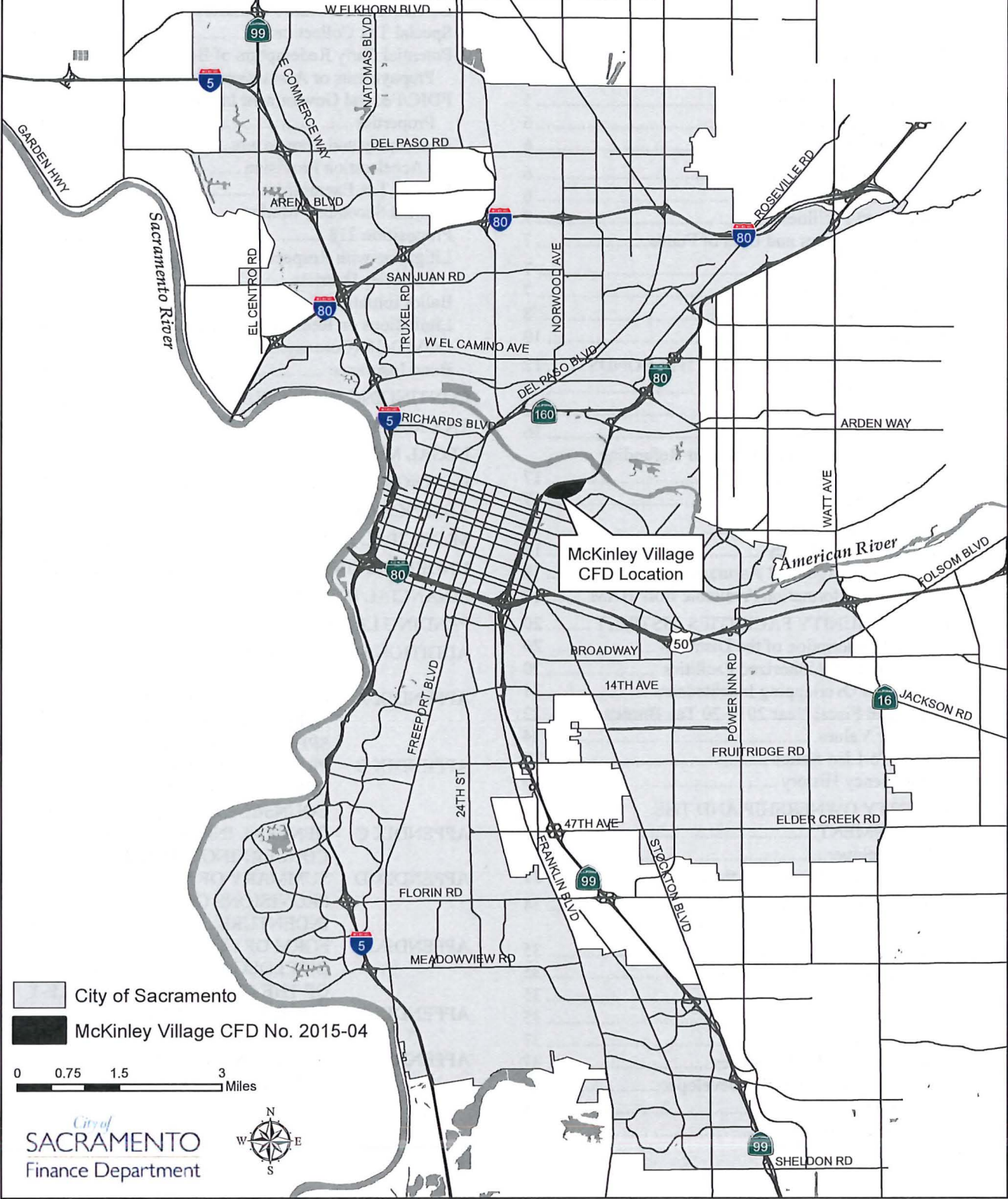
THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM supplied by BAM and presented under the heading "BOND INSURANCE" and Appendix G — "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

TABLE OF CONTENTS

INTRODUCTION.....	1	Payment of the Special Tax is not a Personal Obligation of the Property Owners.....	39
Changes Since the Date of the Preliminary Official Statement.....	1	Property Values.....	39
The District.....	2	Parity Taxes and Special Assessments.....	40
Forward Looking Statements.....	3	Disclosures to Future Purchasers.....	40
Sources of Payment for the Bonds.....	3	Special Tax Collections.....	41
Description of the Bonds.....	5	Potential Early Redemption of Bonds from Prepayments or Assessment Bond Proceeds.....	41
Professionals Involved in the Offering.....	5	FDIC/Federal Government Interests in Properties.....	41
Continuing Disclosure.....	5	Bankruptcy and Foreclosure.....	42
Bond Owners' Risks.....	6	No Acceleration Provision.....	43
Other Information.....	6	Loss of Tax Exemption.....	43
THE FINANCING PLAN.....	6	Limited Secondary Market.....	44
The Refunding Plan.....	6	Proposition 218.....	44
Authorized Facilities.....	7	Litigation with Respect to Community Facilities Districts.....	45
Estimated Sources and Uses of Funds.....	7	Ballot Initiatives.....	46
THE BONDS.....	7	Limitations on Remedies.....	46
General Provisions.....	7	COVID-19 (Coronavirus) Pandemic.....	46
Redemption.....	8	Bond Insurance.....	48
Debt Service Schedule.....	10	CONTINUING DISCLOSURE.....	48
SOURCES OF PAYMENT FOR THE BONDS.....	12	TAX MATTERS.....	49
Limited Obligations.....	12	LEGAL MATTERS.....	50
Special Tax.....	12	RATINGS.....	50
Bond Reserve Fund.....	16	ABSENCE OF LITIGATION.....	51
Issuance of Refunding Bonds for Refunding Purposes Only.....	17	MUNICIPAL ADVISOR.....	51
Teeter Plan.....	17	UNDERWRITING.....	51
BOND INSURANCE.....	18	FINANCIAL INTERESTS.....	51
Bond Insurance Policy.....	18	PENDING LEGISLATION.....	52
Build America Mutual Assurance Company.....	18	ADDITIONAL INFORMATION.....	52
Additional Information Available from BAM.....	19	APPENDIX A RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.....	A-1
THE COMMUNITY FACILITIES DISTRICT.....	20	APPENDIX B PROPOSED FORM OF OPINION OF BOND COUNSEL.....	B-1
General Description of the District.....	20	APPENDIX C GENERAL INFORMATION CONCERNING THE REGION... ..	C-1
Description of Authorized Facilities.....	20	APPENDIX D SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.....	D-1
Direct and Overlapping Indebtedness.....	21	APPENDIX E FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY.....	E-1
Estimated Fiscal Year 2019-20 Tax Burden.....	22	APPENDIX F BOOK-ENTRY ONLY SYSTEM.....	F-1
Property Values.....	24	APPENDIX G SPECIMEN MUNICIPAL BOND INSURANCE POLICY	G-1
Value-To-Lien Ratios.....	25		
Delinquency History.....	29		
PROPERTY OWNERSHIP AND THE DEVELOPMENT.....	30		
The Developer.....	30		
Development Plan Within the District.....	31		
SPECIAL RISK FACTORS.....	34		
Risks of Real Estate Secured Investments Generally.....	35		
Concentration of Ownership.....	35		
Limited Obligations.....	35		
Insufficiency of Special Tax.....	35		
Teeter Plan Termination.....	37		
Failure to Develop Properties.....	37		
No Representation as the Developer.....	38		
Natural Disasters.....	38		
Hazardous Substances.....	38		

*City of Sacramento
McKinley Village
CFD No. 2015-04*



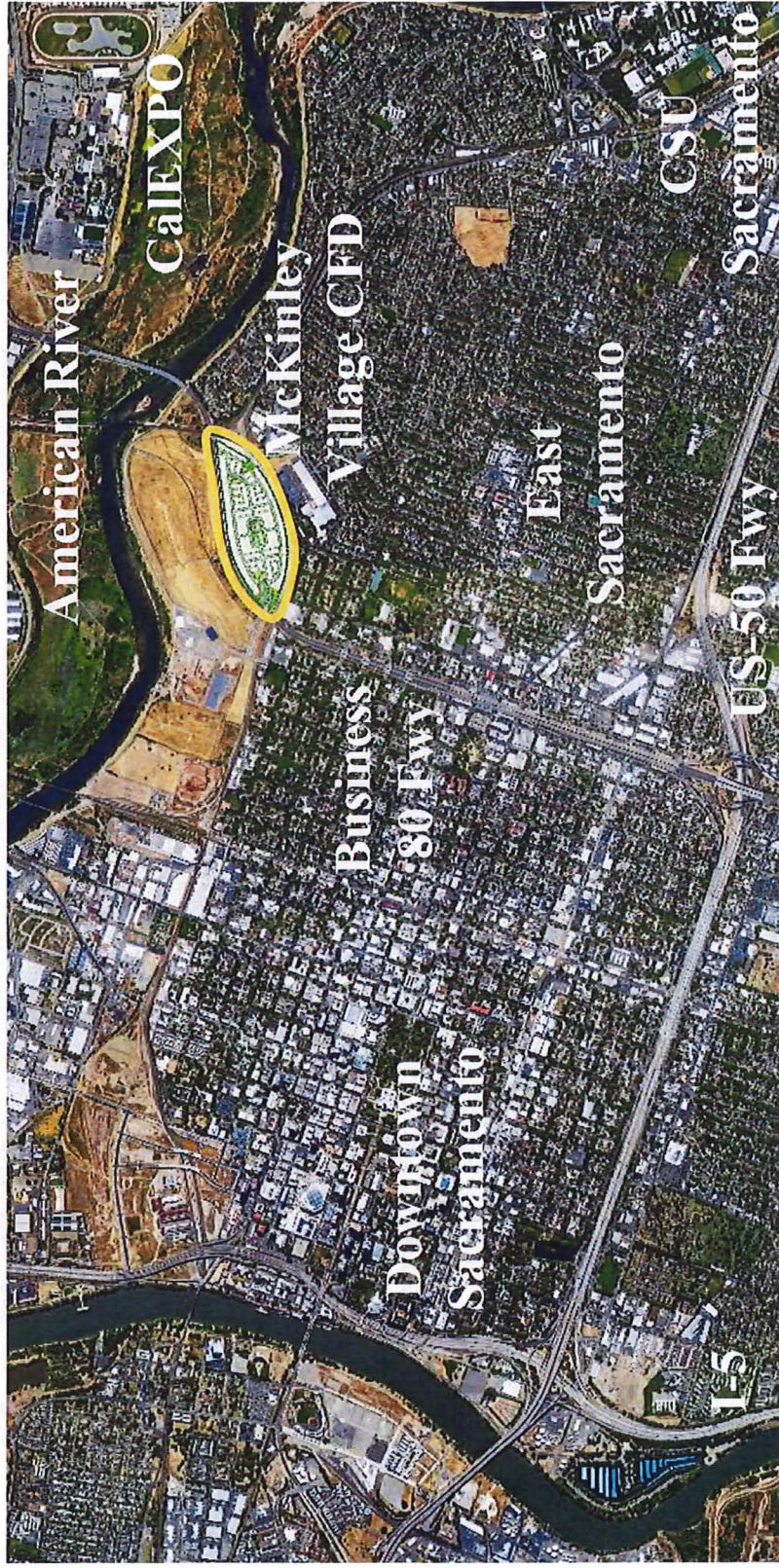
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McKinley Village CFD No. 2015-04

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City of
SACRAMENTO
Finance Department



McKinley Village Community Facilities District 2015-04



McKinley Village Community Facilities District 2015-04



\$8,540,000
CITY OF SACRAMENTO
MCKINLEY VILLAGE COMMUNITY FACILITIES DISTRICT NO. 2015-04 (IMPROVEMENTS)
SPECIAL TAX BONDS, SERIES 2020

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by the City of Sacramento (the “City”) of its City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds, Series 2020 (the “Bonds”) in the aggregate principal amount of \$8,540,000. The proceeds of the Bonds will be used to (a) refund the outstanding City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds, Series 2016 (the “Prior Bonds”); (b) pay the cost and expense of the acquisition and construction of certain public facilities required in connection with the development in the District (as defined below); (c) purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the Bonds; (d) purchase a debt service reserve insurance policy (the “Reserve Surety Policy”) for deposit in the reserve fund securing the Bonds; and (e) pay costs of issuance of the Bonds. See “THE FINANCING PLAN.”

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and pursuant to a Master Indenture, dated as of July 1, 2020 (the “Master Indenture”), as supplemented by a First Supplemental Indenture dated as of July 1, 2020, each by and between the City and U.S. Bank National Association, as trustee (the “Trustee”) (collectively, the “Indenture”).

The Bonds are secured under the Indenture by a pledge of and lien upon the Special Tax (as defined in this Official Statement) levied on taxable parcels within City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) (the “District”), and all amounts held in the Special Tax Fund, the Bond Redemption Fund, and the Bond Reserve Fund as provided in the Indenture. See “SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds are being issued and delivered pursuant to the provisions of the Act and the Indenture. The Bonds are being sold pursuant to a Bond Purchase Contract between the Underwriter and the City. See “THE BONDS — General Provisions.”

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in APPENDIX D — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions.”

Changes Since the Date of the Preliminary Official Statement

Changes have been made in this Official Statement since the Preliminary Official Statement dated June 10, 2020 to update the Special Tax delinquency information in Table 7 for Fiscal Year 2020 through June 22, 2020.

The District

General. The District consists of approximately 49 gross acres and is located approximately 1.4 miles east of downtown Sacramento. The District is located along the south side of the Interstate Business 80 highway and north of the Union Pacific Railroad. The District is bordered to the south, southwest and east by existing developed neighborhoods.

The development within the District has been marketed as “McKinley Village” and consists of a master planned residential community planned for 352 residential units at buildout. All backbone infrastructure (sewer and water utilities, detention basin, storm drains, dry utilities and roads) necessary to complete the planned residential development within the District has been completed. All in-tract infrastructure, which consists primarily of streets and alleys for individual lot access and associated curbs, gutters, and sidewalks within the District, has been completed. Substantially all landscaping improvements, including four City parks, a community garden, public artworks, and multiple common areas have been completed, with only the landscaping for the homes under construction and one 0.7-acre park, including one public artwork, still to be completed (with completion expected in July 2020).

The McKinley Village community also includes a completed community clubhouse complex, with a 4,508 square foot community clubhouse building containing a community room and gym, a 25 yard-6 lane pool, a children’s wading pool, a spa, and an outdoor fireplace/barbeque/event space.

As of May 15, 2020, within the District, there were 326 completed homes owned by individual homeowners. As of such date, the Developer owned 24 homes which were under construction and in escrow and two unsold homes, both of which are completed, furnished model homes. The Developer expects all remaining homes within the District to be completed, sold, and closed by the third quarter of 2020.

The property in the District was acquired in 2014 by Encore McKinley Village LLC (the “Developer”), a single purpose entity created in connection with developing the project within the District. The homes, infrastructure, and common area improvements (e.g. parks, landscaping, clubhouse) within the District have been constructed under the supervision of TNHC Realty and Construction, Inc. (“TNHC”) as the general contractor. TNHC is an affiliate of The New Home Company, Inc., a publicly traded homebuilder (the “New Home Company”) and is also an affiliate of one of the members of the Developer. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” below.

Formation Proceedings. The District was formed by the City pursuant to the Act. The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, on June 23, 2015, the City Council adopted Resolution No. 2015-0197 (the “Resolution of Intention”), stating its intention to form the District and to authorize the levy of a special tax on the taxable property within the District. On June 23, 2015, the City Council also adopted Resolution No. 2015-0198 stating its intention to incur bonded indebtedness for the District for the purpose of financing the acquisition, construction, expansion, improvement, or rehabilitation of certain public facilities to serve the area within the District. See “THE COMMUNITY FACILITIES DISTRICT — Description of Authorized Facilities.”

Subsequent to a noticed public hearing, the City Council adopted Resolution Nos. 2015-0242 and 2015-0243 on July 28, 2015 (the “Resolution of Formation” and the “Resolution to Incur Debt,” respectively) which established the District, authorized the levy of a special tax within the District, determined the necessity

to incur bonded indebtedness within the District, and called an election within the District on the proposition of incurring bonded indebtedness, levying a special tax and setting an appropriations limit within the District.

On July 29, 2015, an election was held within the District at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not-to-exceed \$10,000,000. A Notice of Special Tax Lien was recorded in the office of the Clerk Recorder's office of the County of Sacramento (the "County") on August 12, 2015 in Book No. 20150812 on Page No. 0232. On August 18, 2015, the City Council adopted Ordinance No. 2015-0025 (the "Ordinance") which authorizes the levy of a special tax pursuant to the Rate and Method of Apportionment of Special Tax within the District approved at the July 29, 2015 election (the "Rate and Method"), a copy of which is attached hereto as APPENDIX A.

Forward Looking Statements

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 a "plan," "expect," "estimate," "project," "budget" or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions "THE COMMUNITY FACILITIES DISTRICT," "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

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

Sources of Payment for the Bonds

General. The Bonds and any bonds issued and secured by and payable from the proceeds of the Special Tax on a parity with the Bonds, which may only be issued to refund the Bonds (the "Refunding Bonds"), are limited obligations of the City, and the interest on and principal of and redemption premiums, if any, on the Bonds and any Refunding Bonds are payable solely from the Special Tax to be levied annually against the taxable property in the District, or, to the extent necessary and subject to the conditions set forth in the Indenture, from the monies on deposit in the Bond Reserve Fund. As described in this Official Statement, the Special Tax will be collected along with *ad valorem* property taxes on the tax bills mailed by the County. Although the Special Tax constitutes a lien on the property subject to taxation in the District, it does not constitute a personal indebtedness of the owners of such property. There is no assurance that such owners will be financially able to pay the annual Special Tax or that they will pay such taxes even if they are financially able to do so.

Limited Obligations. Except for the Special Tax, no other taxes are pledged to the payment of the Bonds and any Refunding Bonds. The Bonds and any Refunding Bonds are not general or special obligations of the City but are special limited obligations of the City payable solely from the Special Tax and amounts held under the Indenture as more fully described herein.

Special Tax. As used in this Official Statement, the term "Special Tax" means the taxes which have been authorized pursuant to the Act to be levied against Taxable Land (as defined in the Indenture) within the District under and pursuant to the Act and in accordance with the Rate and Method. See "SOURCES OF

PAYMENT FOR THE BONDS — Special Tax” and APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Under the Indenture, the City will pledge to repay the Bonds and any Refunding Bonds from the proceeds of the Special Tax on deposit in the Special Tax Fund established under the Indenture.

The Special Tax is the primary security for the repayment of the Bonds and any Refunding Bonds. In the event that the Special Tax is not paid when due, the only sources of funds available to pay the debt service on the Bonds and any Refunding Bonds are amounts held by the Treasurer in the Special Tax Fund and the amounts held by the Trustee in the Bond Reserve Fund and the Bond Redemption Fund under the Indenture. See “SOURCES OF PAYMENT FOR THE BONDS.”

Foreclosure Covenant. The City will covenant in the Indenture to, annually on or before October 1 of each year, review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by \$3,500 or more in order to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and (b) on the further basis of such review, if the City determines that the total amount so collected is less than 95% of the total amount of the Special Tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels 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 in accordance with the Act.

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). The District is included in the County’s Teeter Plan (as defined below). See “SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan” and “SPECIAL RISK FACTORS — Teeter Plan Termination.”

See “SOURCES OF PAYMENT FOR THE BONDS — Special Tax —*Foreclosure Covenant*” herein and APPENDIX D — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens.” There is no assurance that the property within the District can be sold for the assessed values described in this Official Statement, or for a price sufficient to provide monies to pay the principal of and interest on the Bonds in the event of a default in payment of the Special Tax by current or future landowners within the District. See “SPECIAL RISK FACTORS — Property Values.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAX, NO OTHER REVENUES NOR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

Bond Insurance. Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds. See the caption “BOND INSURANCE.” A specimen of the Policy is set forth in Appendix G.

Additional Bonds for Refunding Only; Liens. Under the terms of the Indenture, the City may issue additional bonds secured by the proceeds of the Special Tax on a parity with the Bonds if certain conditions are

met, but only for the purpose of refunding the Bonds and any Refunding Bonds. See “SOURCES OF PAYMENT FOR THE BONDS — Issuance of Refunding Bonds for Refunding Purposes Only.” Refunding Bonds may be issued by means of a supplemental indenture and without any requirement for the consent of any Holders. See APPENDIX D — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Conditions for the Issuance of Bonds.” Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Tax have been levied and may also be levied in the future on the property within the District, which could adversely affect the ability and willingness of the landowners to pay the Special Tax when due. See “SPECIAL RISK FACTORS — Parity Taxes and Special Assessments.”

Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in integral multiples of \$5,000, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in Appendix F. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See APPENDIX F — “BOOK-ENTRY ONLY SYSTEM.”

Principal of, premium, if any, and interest on the Bonds are payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Trustee, all as provided in the Indenture.

The Bonds are subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described herein. See “THE BONDS — Redemption.” For a more complete description of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see “THE BONDS” and APPENDIX D — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Professionals Involved in the Offering

U.S. Bank National Association, San Francisco, California, will act as Trustee under the Indenture. Stifel, Nicolaus & Company, Incorporated is the underwriter (the “Underwriter”) of the Bonds. 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. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the City with respect to the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, for the Underwriter by Jones Hall, A Professional Law Corporation, as counsel to the Underwriter, for BAM by its counsel and for the Trustee by its counsel. Other professional services have been performed by Montague DeRose and Associates, LLC, Westlake Village, California as Municipal Advisor to the City and Goodwin Consulting Group, Inc., Sacramento, California, as Special Tax Consultant.

For information concerning respects in which certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see “FINANCIAL INTERESTS” herein.

Continuing Disclosure

The City has agreed to provide, or cause to be provided, pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission (the “Rule”) certain financial information and operating data on an annual basis (the “City Reports”). The City has further agreed to provide, in a timely manner, notice of certain

events with respect to the Bonds (the “Listed Events”). These covenants have been made in order to assist the Underwriter in complying with the Rule. The City Reports will be filed with the Electronic Municipal Market Access System (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”) available on the Internet at <http://emma.msrb.org>. Notices of Listed Events will also be filed with the MSRB. Within the last five years, the City has failed to comply in certain respects with prior continuing disclosure undertakings.

See “CONTINUING DISCLOSURE” and APPENDIX E for a description of the specific nature of the foregoing prior continuing disclosure undertakings, Reports to be filed by the City and notices of Listed Events and a copy of the continuing disclosure undertakings pursuant to which such Reports are to be made.

Bond Owners’ Risks

Certain events could affect the ability of the City to collect the Special Tax in an amount sufficient to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The purchase of the Bonds involves significant risks, and the Bonds may not be appropriate investments for certain investors. See “SPECIAL RISK FACTORS.”

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bonds and the constitution and laws of the State as well as the proceedings of the City Council, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

Copies of the Indenture and other documents and information are available for inspection and (upon request and payment to the City of a charge for copying, mailing and handling) for delivery from the City Treasurer’s office at 915 I Street, Historic City Hall, 3rd Floor, Sacramento, California 95814.

THE FINANCING PLAN

The Refunding Plan

A portion of the proceeds from the sale of the Bonds will be used, together with certain amounts held in the funds established for the Prior Bonds, to defease and redeem the Prior Bonds in the outstanding principal amount of \$6,335,000. The City will enter into an Escrow Agreement with regard to the Prior Bonds (the “Escrow Agreement”), dated as of July 1, 2020, 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 July 20, 2020 (the “Redemption Date”), the Prior Bonds maturing on and after September 1, 2020 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 Prior Bonds and will be applied to redeem the Prior Bonds on the Redemption Date. Upon deposit of the amounts into the Escrow Fund as described above, the Prior Bonds will be discharged under the Indenture dated as of June 1, 2016, as supplemented by the First Supplemental Indenture, dated as of June 1, 2016, each by and between the City and U.S. Bank National

Association, under which such Prior Bonds were issued, and the owners of the Prior Bonds will have no rights thereunder except to be paid the Redemption Price from amounts in the Escrow Fund.

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

Authorized Facilities

A portion of the proceeds of the Bonds will be applied to finance the costs of the acquisition and construction of certain facilities authorized under the Act, which facilities include, without limitation, roadway, traffic, water, wastewater, storm drain and detention basin improvements. See “THE COMMUNITY FACILITIES DISTRICT—Description of Authorized Facilities.”

Estimated Sources and Uses of Funds

The following table sets forth the expected sources and uses of Bond proceeds and certain funds held with respect to the Prior Bonds.

Sources of Funds:

Principal Amount of Bonds	\$ 8,540,000.00
Plus Original Issue Premium	1,297,497.15
Prior Funds ⁽¹⁾	<u>933,047.55</u>
Total Sources	<u>\$ 10,770,544.70</u>

Uses of Funds:

Escrow Fund	\$ 6,473,199.78
Acquisition and Construction Fund	3,691,058.02
Community Facilities Fund	83,568.02
Costs of Issuance ⁽²⁾	<u>522,718.88</u>
Total Uses	<u>\$ 10,770,544.70</u>

⁽¹⁾ Reflects amounts on deposit in the reserve fund established in connection with the Refunded Bonds and a portion of the Special Tax levied and collected in fiscal year 2019-20.

⁽²⁾ Includes Underwriter’s Discount, Bond Counsel fees, Disclosure Counsel fees, Special Tax Consultant fees, Municipal Advisor fees, Trustee fees, premiums on the Policy and Reserve Surety Policy, printing costs and other issuance costs.

Source: The Underwriter.

THE BONDS

General Provisions

The Bonds will be dated as of their date of delivery and will bear interest at the rates per annum, payable semiannually on each March 1 and September 1, commencing on March 1, 2021 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates, all as set forth on the inside cover page of this Official Statement.

Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless it is authenticated on a day during the period from the 16th day of the month next preceding an Interest Payment Date to such Interest Payment Date, both dates inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on a day on or before the 15th day of the month next preceding the first Interest Payment Date, in which event it shall bear interest from its date; provided, that if at the time of authentication of any Bond interest is then in default on any Outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to the Indenture as the registered owner thereof at the close of business as of the Record Date, meaning the 15th day of the month next preceding any Interest Payment Date. Such interest will be paid by check of the Trustee mailed by first class mail to such registered owner at his address as it appears on such books, except that in the case of a Holder of \$1,000,000 or more in aggregate principal amount of Outstanding Bonds, payment shall be made at such Holder's option by federal wire transfer of immediately available funds according to written instructions provided by such Holder to the Trustee at least 15 days before such Interest Payment Date to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the United States of America.

Payment of the principal of and redemption premiums, if any, on the Bonds shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to the Indenture as the registered owner thereof, such principal of and redemption premiums, if any, to be paid only on the surrender of the Bonds at the principal corporate trust office of the Trustee at maturity or on redemption prior to maturity.

The Bonds will be issued as fully registered bonds without coupons and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal of and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC's procedures and the procedures of DTC's Participants. See APPENDIX F — "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Bonds maturing on or after September 1, 2031, are subject to optional redemption by the City before their respective stated maturity dates, as a whole or in part on any date on or after September 1, 2030, from any source of available funds other than prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium.

Extraordinary Redemption from Special Tax Prepayments. The Bonds are subject to extraordinary redemption by the City before their respective stated maturity dates, as a whole or in part on any Interest Payment Date, solely from prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at the following redemption prices (expressed as a percentage of the principal amount of Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Price</i>
Any Interest Payment Date starting March 1, 2021 through March 1, 2028	103%
September 1, 2028 and March 1, 2029	102
September 1, 2029 and March 1, 2030	101
September 1, 2030 and any Interest Payment Date thereafter	100

See the caption "SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments or Assessment Bond Proceeds" for a discussion of the potential for a lower than expected yield on the Bonds as a result of a special mandatory redemption from prepayment of Special Tax.

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2040, are subject to mandatory redemption by the City before their stated maturity date in part on each September 1, as set forth in the schedule below, solely from 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, together with accrued interest to the date of redemption, without premium, as follows:

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Fund Payments</i>
2036	\$ 360,000
2037	385,000
2038	410,000
2039	440,000
2040 (maturity)	470,000

The Bonds maturing on September 1, 2046, are subject to mandatory redemption by the City before their stated maturity date in part on each September 1, as set forth in the schedule below, solely from 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, together with accrued interest to the date of redemption, without premium, as follows:

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Fund Payments</i>
2041	\$ 500,000
2042	535,000
2043	570,000
2044	605,000
2045	645,000
2046 (maturity)	685,000

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

Notice of Redemption. When Bonds are to be redeemed under the Indenture the Trustee shall give notice of the redemption of such Bonds. The notice of redemption must state the date of the notice, the Bonds to be redeemed, the date of issue of the Bonds, the redemption date, the redemption price, the place of redemption (being the address of the principal corporate trust office of the Trustee), the CUSIP number (if any) of the maturity or maturities and, if less than all of any such maturity, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. The notice must further state that 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 Holders of all Bonds selected for redemption at their addresses appearing on the register maintained by the Trustee in accordance with the Indenture, (b) to 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 contained in the Indenture, with respect to any notice of optional or extraordinary redemption of Bonds, unless, upon the giving of such notice, such Bonds are deemed

to have been paid within the meaning of the Indenture, such notice will state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such amounts are not received the notice will be of no force and effect and the City will not be required to redeem such Bonds. In the event that any such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the same manner, and to the same parties, as the notice of redemption was given. Such failure to redeem such Bonds shall not constitute an event of default under the Indenture.

Notwithstanding anything to the contrary contained 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 no later than five Business Days prior to the date specified for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of such 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 and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the principal or such portions thereof and the redemption premiums, if any, thereon and the interest accrued thereon to the redemption date.

Debt Service Schedule

The following table presents the semi-annual debt service on the Bonds (including sinking fund redemption), assuming there are no optional or extraordinary redemptions. See "SOURCES OF PAYMENT FOR THE BONDS" and "THE BONDS — Redemption."

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<i>Date</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
3/1/2021	--	\$225,183.34	\$225,183.34
9/1/2021	\$ 40,000	168,887.50	208,887.50
3/1/2022	--	168,287.50	168,287.50
9/1/2022	105,000	168,287.50	273,287.50
3/1/2023	--	166,712.50	166,712.50
9/1/2023	115,000	166,712.50	281,712.50
3/1/2024	--	164,987.50	164,987.50
9/1/2024	130,000	164,987.50	294,987.50
3/1/2025	--	162,387.50	162,387.50
9/1/2025	145,000	162,387.50	307,387.50
3/1/2026	--	159,487.50	159,487.50
9/1/2026	160,000	159,487.50	319,487.50
3/1/2027	--	156,287.50	156,287.50
9/1/2027	175,000	156,287.50	331,287.50
3/1/2028	--	152,787.50	152,787.50
9/1/2028	190,000	152,787.50	342,787.50
3/1/2029	--	148,987.50	148,987.50
9/1/2029	210,000	148,987.50	358,987.50
3/1/2030	--	144,787.50	144,787.50
9/1/2030	225,000	144,787.50	369,787.50
3/1/2031	--	140,287.50	140,287.50
9/1/2031	245,000	140,287.50	385,287.50
3/1/2032	--	136,000.00	136,000.00
9/1/2032	265,000	136,000.00	401,000.00
3/1/2033	--	130,700.00	130,700.00
9/1/2033	285,000	130,700.00	415,700.00
3/1/2034	--	125,000.00	125,000.00
9/1/2034	310,000	125,000.00	435,000.00
3/1/2035	--	118,800.00	118,800.00
9/1/2035	335,000	118,800.00	453,800.00
3/1/2036	--	112,100.00	112,100.00
9/1/2036	360,000	112,100.00	472,100.00
3/1/2037	--	104,900.00	104,900.00
9/1/2037	385,000	104,900.00	489,900.00
3/1/2038	--	97,200.00	97,200.00
9/1/2038	410,000	97,200.00	507,200.00
3/1/2039	--	89,000.00	89,000.00
9/1/2039	440,000	89,000.00	529,000.00
3/1/2040	--	80,200.00	80,200.00
9/1/2040	470,000	80,200.00	550,200.00
3/1/2041	--	70,800.00	70,800.00
9/1/2041	500,000	70,800.00	570,800.00
3/1/2042	--	60,800.00	60,800.00
9/1/2042	535,000	60,800.00	595,800.00
3/1/2043	--	50,100.00	50,100.00
9/1/2043	570,000	50,100.00	620,100.00
3/1/2044	--	38,700.00	38,700.00
9/1/2044	605,000	38,700.00	643,700.00
3/1/2045	--	26,600.00	26,600.00
9/1/2045	645,000	26,600.00	671,600.00
3/1/2046	--	13,700.00	13,700.00
9/1/2046	685,000	13,700.00	698,700.00
Total	<u>\$8,540,000</u>	<u>\$6,033,270.84</u>	<u>\$14,573,270.84</u>

Source: The Underwriter.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are payable from and secured by the proceeds of the Special Tax and by amounts on deposit in the Special Tax Fund, the Bond Redemption Fund and the Bond Reserve Fund. The Bonds are not secured by monies on deposit in the Expense Fund, the Rebate Fund or the Acquisition and Construction Fund established by the Indenture.

The Indenture defines the term “Special Tax” to mean the special tax authorized to be levied and collected annually on all Taxable Land in the District under and pursuant to the Act at the special election held in the District on July 29, 2015. See APPENDIX D — “SUMMARY OF CERTAIN PROVISIONS OF THE 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. See “SOURCES OF PAYMENT FOR THE BONDS — Special Tax” and “SPECIAL RISK FACTORS — Proposition 218” below. The Rate and Method apportions the total amount of the Special Tax to be collected among the Taxable Property in the District. See “—Special Tax” and APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Although the Special Tax will be levied against Taxable Property within the 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 Special Tax or that they will pay it even if able to do so. See “SPECIAL RISK FACTORS” herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAX, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

Special Tax

Authorization and Pledge. In accordance with the provisions of the Act, the City established the District on July 28, 2015 for the purpose of financing the various public improvements required in connection with the proposed development within the District. On July 29, 2015, an election was held within the District at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not to exceed \$10,000,000, secured by special taxes levied on property within the District to finance the Facilities and Fees. The landowners within the District also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness of the District, including the Bonds.

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

replenish the Bond Reserve Fund and to pay all current Expenses as they become due and payable in accordance with the provisions and terms of the Indenture.

The Special Tax is collected in the same manner as *ad valorem* property taxes for the County are collected and, except as otherwise provided in the Indenture or by the Act, are 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. See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Under the Indenture, except as described below, all proceeds of the Special Tax are to be deposited in the Special Tax Fund, which is continued 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 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 Bond Redemption Fund to pay debt service payments on all outstanding Bonds and any Refunding 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 Expenses, and
- (4) to the Community Facilities Fund.

On or 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 Bond Redemption Fund an amount equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds and Refunding Bonds on that March 1 and September 1. On or 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 Bond 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 Sinking Fund Account Payments required by the Indenture to be made on that September 1 into the Sinking Fund Account.

All of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that the money in the Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds and Refunding Bonds on such date, or in the event that the money in the Bond Redemption Fund on any September 1 is not equal to the amount of principal of the Bonds and Refunding Bonds becoming due on such date plus the amount of the Sinking Fund Account Payments becoming due on such date, as the case may be, then such money shall be applied pro rata in such proportion as such interest and principal and Sinking Fund Account Payments bear to each other.

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

Notwithstanding anything to the contrary in the Indenture, as soon as practicable after the receipt by the City of any prepayment of the Special Tax, the Treasurer shall (i) deposit any component thereof representing the “Remaining Facilities Amount” (as defined in the Rate and Method) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing the “Administrative Fees and Expenses” (as defined in the Rate and Method) in the Expense Fund, and (iii) transfer to the Trustee for deposit in the Bond Redemption Fund, any remaining amounts, for the extraordinary redemption of Bonds or Refunding Bonds pursuant to the terms of any Supplemental Indenture.

The Special Tax levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption “*Limitation on Special Tax Levy*” below and “SPECIAL RISK FACTORS — Insufficiency of Special Tax” herein.

Rate and Method of Apportionment of Special Tax. The City is legally authorized and will covenant to cause the levy of the Special Tax in an amount determined according to a methodology, i.e., the Rate and Method which the City Council and the electors within the District have approved. The Rate and Method apportions the total amount of the Special Tax to be collected among the parcels of Taxable Property in the District as more particularly described below.

The following is a synopsis of the provisions of the Rate and Method for the District, which should be read in conjunction with the complete text of the Rate and Method which is attached as APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The definitions of the capitalized terms used under the captions “—*Rate and Method of Apportionment of Special Tax,*” “—*Prepayment of Annual Special Tax*” and “—*Limitation on Special Tax Levy*” are as set forth in APPENDIX A. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX A.

Classification of Parcels. Each Fiscal Year, the City shall determine for each Assessor’s Parcel, (1) the current Assessor’s Parcel Number for the Assessor’s Parcel; (2) the Tax Zone in which it is located; and (3) whether it is Developed Property, Final Map Property, or Undeveloped Property.

Exemptions. No Special Tax shall be levied on; (1) property that is owned by the City, the County, the State of California, the federal government, or other public agency, except that any property leased by a public agency to a private entity and subject to taxation under the Act; (2) property owned by the Homeowners Association that was designated on the Tentative Map for any use other than Residential Property, such as open space, park, and recreation center; (3) Assessor’s Parcels that are owned by a public utility and developed with an unoccupied facility; (4) Assessor’s Parcels that are subject to an easement or other instrument that precludes any use other than the use set forth in the easement; (5) Assessor’s Parcels in the large-lot parcel map that are designated as a park site, school site, or other site that will ultimately be owned by a public agency; or (6) any property for which the Special Tax obligation has been prepaid in accordance with the Rate and Method.

Maximum Special Tax. The Maximum Special Tax for Fiscal Year 2020-21 ranges from \$994 to \$1,987 per parcel of Developed Property depending on the Tax Zone that the parcel is located in within the District.

Each Fiscal Year, the City will compute the Special Tax Requirement for the District which means the amount necessary in such Fiscal Year (1) to pay principal and interest on Bonds due in the calendar year that begins in the Fiscal Year; (2) to create or replenish reserve funds to the extent replenishment has not been included in the computation of Special Tax Requirement in a previous Fiscal Year; (3) to cure any delinquencies in the payment of principal or interest on Bonds that has occurred in the prior Fiscal Year; (4) to pay Administrative Expenses; and (5) to pay the costs of Authorized Facilities not funded by Bonds, as allowed by an acquisition-and-shortfall agreement with the City. The Special Tax Requirement may include reductions in the calculation in any Fiscal Year by interest earnings on, or surplus balances in, funds and accounts for the Bonds to the extent that the earnings or balances are available to apply against debt service in accordance with the Indenture or other relevant document; by proceeds from the collection of penalties associated with delinquent Special Taxes; and by any other revenues available to pay debt service on the Bonds, as determined by the City. See the Rate and Method attached as APPENDIX A.

Annual Increases. On each July 1, the Maximum Special Tax rates will be increased by an amount equal to 2% of the amount in effect for the previous Fiscal Year.

Prepayment of Annual Special Tax. The Special Tax obligation for an Assessor's Parcel may be prepaid in full provided that the terms set forth under the Rate and Method are satisfied. The Prepayment Amount is calculated based on the Bond Redemption Amount, the Remaining Facilities Amount, the Redemption Premium, the Defeasance Requirement, the Administrative Fees and Expenses and less a credit for the resulting reduction in the Required Bond Reserve for the Bonds (if any).

The Special Tax on an Assessor's Parcel or Buildable Lot for which a certificate of occupancy has not yet been issued or a final inspection has not been conducted may be partially prepaid in part, however, such partial Prepayment must be made in an amount equal to 25% or 50% of the amount of the full Prepayment Amount calculated in accordance with the Rate and Method. See "THE COMMUNITY FACILITIES DISTRICT—Partial Prepayment of Special Taxes on Certain Lots" below.

See Section G of the "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX attached as APPENDIX A.

Limitation on Special Tax Levy. Pursuant to Section 53321(d) of the Government Code, the special tax levied against any Assessor's Parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the City may not be able to increase the tax levy to the Maximum Special Tax in all years.

Collection of Special Tax. The Special Tax is levied and collected by the Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes. The City may, however, collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations with respect to the District.

Although the Special Tax constitutes a lien on taxable parcels within the District, it does not constitute a personal indebtedness of the owners of property within the District. In addition to the obligation to pay the Special Tax, properties in the District are subject to other assessments and special taxes as set forth under Tables 1 and 2 below. These other special taxes and assessments are on parity with the lien for the Special Tax. Moreover, other liens for taxes and assessments could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in the District. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments." There is no assurance that property owners will be financially able to pay the Special Tax or that they will pay such taxes even if financially able to do so. See "SPECIAL RISK FACTORS" below.

Foreclosure Covenant. The proceeds of delinquent amounts of the Special Tax received following a judicial foreclosure sale of parcels within the District resulting from a landowner's failure to pay the Special Tax when due, up to the amount of the delinquent Special Tax lien, are included within the Special Tax revenues pledged to the payment of principal and interest on the Bonds under the Indenture, except any payment of the Special Tax on tax-defaulted parcels, including all delinquent and redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, so long as the County has paid to the City the Special Tax levied for a tax-defaulted parcel pursuant to the Teeter Plan established by the County. See "— Teeter Plan" below.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the City of the Special Tax in an amount which is less than the Special Tax levied, the City Council of the City may order that the Special Tax be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a

judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory.

However, the City will covenant in the Indenture to, annually on or before October 1 of each year, review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by \$3,500 or more in order to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and (b) on the further basis of such review, if the City determines that the total amount so collected is less than 95% of the total amount of the Special Tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels 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 in accordance with the Act.

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 APPENDIX D — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens.”

If foreclosure is necessary and other funds (including amounts in the Bond Reserve Fund) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City. See “SPECIAL RISK FACTORS — Bankruptcy and Foreclosure” herein. Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See “SPECIAL RISK FACTORS — Property Values” herein. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

Bond Reserve Fund

In order to secure the payment of principal of and interest on the Bonds, the City is required, upon delivery of the Bonds, to deposit in the Bond Reserve Fund an amount equal to the Required Bond Reserve and thereafter to maintain in the Bond Reserve Fund an amount equal to the Required Bond Reserve. The Indenture provides that the amount to be maintained in the Bond Reserve Fund as the Required Bond Reserve shall, as of any date of calculation, equal the least of (a) 10% of the principal amount of the Outstanding Bonds and Refunding Bonds, or (b) Maximum Annual Debt Service, or (c) 125% of the average Debt Service payable under the Indenture in the current and in all future Bond Years, all as determined by the City under the Code and specified in writing to the Trustee; provided, that 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 at least one rating at the time of issuance of such policy or surety bond or letter of credit equal to “A” or higher assigned by Fitch or “A” or higher assigned by Moody’s or “A” or higher assigned by S&P, in each case without regard to any numerical modifier or plus or minus sign; and provided further, that the amount of the Required Bond Reserve shall not increase at any time except

upon the issuance of a new Series of Refunding Bonds; and, provided further, that, with respect to the issuance of any issue of Refunding Bonds, if the amount on deposit in the Bond Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such issue of Refunding Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such issue of Refunding Bonds) then the Required Bond Reserve shall be such lesser amount as is determined by a deposit of such 10%.

BAM has made a commitment to issue, simultaneously with the initial issuance of the Bonds, the Reserve Surety Policy in the amount equal to the Required Bond Reserve for deposit in the Bond Reserve Fund, effective as of the date of issuance of the Bonds. Under the terms of the Reserve Surety Policy, BAM will unconditionally and irrevocably guarantee to pay that portion of the scheduled payments of principal of and interest on the Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the City, up to the amount then available under the Reserve Surety Policy.

Subject to the limits on the Maximum Special Tax which may be levied within the District in accordance with the Rate and Method set forth in APPENDIX A, the City will covenant to levy the Special Tax in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Bond Reserve Fund at the Required Bond Reserve. Amounts in the Bond Reserve Fund are to be applied to (i) pay debt service on the Bonds and any Refunding Bonds, to the extent other monies in the Bond Redemption Fund are insufficient therefor; (ii) reinstate the amount available under any municipal bond insurance policy, surety bond, or letter of credit which may be issued and held in satisfaction of all or a portion of the Required Bond Reserve; and (iii) retire Bonds and any Refunding Bonds in whole or in part, to the extent that the amount on deposit in the Bond Reserve Fund exceeds the Required Bond Reserve due to a redemption or defeasance of Bonds or Refunding Bonds. See APPENDIX D — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Allocation of Money in the Special Tax Fund.”

Issuance of Refunding Bonds for Refunding Purposes Only

The City may issue Refunding Bonds (each a “Series”) which shall be secured by a lien on the Special Tax and funds pledged for the payment of the Bonds under the Master Indenture on a parity with the Outstanding Bonds. The Refunding Bonds shall be issued by means of a Supplemental Indenture and without the consent of any Holders, upon compliance with the provisions of the Master Indenture, which include, among others, the following specific conditions:

(a) No Event of Default under the Master Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing; and

(b) Either (i) none of the Bonds or Refunding Bonds theretofore issued thereunder will be Outstanding after the issuance and delivery of such Series or (ii) the Debt Service in each Bond Year that begins after the issuance of such Series is not increased by reason of the issuance of such Series.

See APPENDIX D — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Conditions for the Issuance of Bonds.”

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.

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 an individual parcel that had previously been included in the plan. The District is currently included in the County's Teeter Plan. The County has the discretion to determine which delinquent special taxes will be paid through the Teeter Plan on a case-by-case basis. See "SPECIAL RISK FACTORS — Teeter Plan Termination."

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (previously defined as "BAM") will issue its Municipal Bond Insurance Policy for the Bonds (previously defined as the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

BAM. BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM. BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted

by the New York State Department of Financial Services were \$459.6 million, \$126.1 million and \$333.5 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

THE COMMUNITY FACILITIES DISTRICT

General Description of the District

The District was formed in 2015 by the City Council under the Act to provide for the financing of public improvements to meet the needs of new development. The Developer, as the qualified elector of the District, authorized the City to incur bonded indebtedness with respect to the District to finance certain public facilities to meet the needs of new development within the District and approved the Rate and Method for the District and authorized the levy of the Special Tax.

The District consists of approximately 49 gross acres and is located approximately 1.4 miles east of downtown Sacramento. The District is located along the south side of the Interstate Business 80 highway and north of the Union Pacific Railroad. The District is bordered to the south, southwest and east by existing developed neighborhoods.

The development within the District has been marketed as “McKinley Village” and consists of a master planned residential community planned for 352 homes at buildout. All backbone infrastructure (sewer and water utilities, detention basin, storm drains, dry utilities and roads) necessary to complete the planned residential development within the District has been completed. All in-tract infrastructure, which consists primarily of streets and alleys for individual lot access and associated curbs, gutters, and sidewalks within the District, has been completed. Substantially all landscaping improvements, including four City parks, a community garden, public artworks, and multiple common areas have been completed, with only the landscaping for the homes under construction and one 0.7-acre park, including one public artwork, still be to completed (with completion expected in July 2020).

The McKinley Village community also includes a completed community clubhouse complex, with a 4,508 square foot community clubhouse building containing a community room and gym, a 25 yard-6 lane pool, a children’s wading pool, a spa, and an outdoor fireplace/barbeque/event space.

As of May 15, 2020, within the District, there were 326 completed homes owned by individual homeowners. As of such date, the Developer owned 24 homes which were under construction and in escrow and two unsold homes, both of which are completed, furnished model homes. The Developer expects all remaining homes within the District to be completed, sold, and closed by the third quarter of 2020.

The property within the District which is not subject to the Special Tax levy consists primarily of the community clubhouse and common areas which are owned and maintained by the homeowners’ association, parks and other public rights of way. All discretionary entitlements to develop the 352 planned homes within the District have been obtained. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

Water and sewer service to the property is provided by the City. Electricity is supplied by the Sacramento Municipal Utility District and natural gas is supplied by Pacific Gas & Electric.

Description of Authorized Facilities

Facilities. A portion of the proceeds from the sale of the Bonds will be deposited in the Acquisition and Construction Fund under the Indenture and used to pay for the costs of the facilities in accordance with the terms of the Indenture. The facilities to be financed with the proceeds of the Bonds consist of certain roadway, traffic, water, wastewater, storm drain and detention basin improvements. See “ESTIMATED SOURCES AND USES OF FUNDS.”

Direct and Overlapping Indebtedness

The ability of an owner of land within the District to pay the Special Tax could be affected by the existence of other taxes and assessments imposed upon the property. The land-secured taxes and assessments consist of the direct and overlapping debt in the District as of May 1, 2020 (including the Bonds) and are set forth in Table 1 below. Tax and revenue anticipation notes, revenue, general obligation bonds, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations are excluded from Table 1. Table 1 below does not include any authorized but unissued debt of any other taxing jurisdictions within the District. The information in Table 1 has been furnished by California Municipal Statistics, Inc. Neither the City nor the Underwriter has independently verified the information in Table 1 and does not guarantee its accuracy.

**TABLE 1
CITY OF SACRAMENTO
MCKINLEY VILLAGE COMMUNITY FACILITIES DISTRICT NO. 2015-04
OVERLAPPING DEBT SUMMARY**

<i>Overlapping District</i>	<i>Percent Applicable</i>	<i>Total Outstanding Bonded Debt⁽²⁾</i>
Sacramento Area Flood Control District Consolidated Capital Assessment District Bonds	0.161%	\$ 525,553
City of Sacramento CFD No. 2015-04 McKinley Village Special Tax Bonds	100.000	<u>8,540,000</u>
Total		\$9,065,553
Total Fiscal Year 2019-20 Assessed Value⁽¹⁾: \$149,060,635		
Value-to-Lien Ratio		16.44:1

⁽¹⁾ Based on Fiscal Year 2019-20 assessed value as of the January 1, 2019 lien date. See Table 4B below for a description of estimated property value within the District reflecting sales activity since January 1, 2019.

⁽²⁾ Overlapping debt information is as of May 1, 2020. Excludes authorized but unissued debt and overlapping general obligation bonds, certificates of participation and pension obligation bonds.

Source: California Municipal Statistics, Inc.

Partial Prepayment of Special Taxes on Certain Lots

Initially, the Developer’s plans for development within the District included five product lines. The location of the five product lines corresponded with the five Tax Zones (as defined in the Rate and Method) as set forth in the Rate and Method. See “Special Tax—Rate and Method of Apportionment of Special Tax” above and APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” As development progressed, 24 lots were re-mapped into 40 lots in connection with the Developer’s decision to include a sixth product line (the “Cedar” product line) within the District. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT—Development Plan Within the District.”

As a result of the re-mapping, 32 of the 40 new lots for the Cedar product line were included in Tax Zone 2 and eight were included in Tax Zone 3, which has a lower Maximum Special Tax rate than Tax Zone 2. To reduce the Maximum Special Tax rate on the 32 Cedar lots in Tax Zone 2 to be more in line with the eight Cedar lots in Tax Zone 3, the Developer prepaid 25% of the Special Tax obligation on the 32 Cedar lots in Tax Zone 2 in April 2019. In addition, the partial prepayment was intended to cause the Maximum Special Tax rates on the 40 Cedar lots to be more in line with the Maximum Special Tax rates on the five other product types in the District, based on the anticipated price points for the respective homes. The sizing of the Bonds and the estimated Fiscal Year 2020-21 Special Tax levy described in this Official Statement reflect the effect of the forgoing prepayment.

Estimated Fiscal Year 2019-20 Tax Burden

The following table sets forth sample property tax bills for single family detached homes for Fiscal Year 2019-20 within each Tax Zone of the District, based on the average sales prices of the homes within the District. See “— Partial Prepayment of Special Taxes on Certain Lots” above.

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**TABLE 2
CITY OF SACRAMENTO
MCKINLEY VILLAGE COMMUNITY FACILITIES DISTRICT NO. 2015-04
SAMPLE PROPERTY TAX BILLS**

<i>Assumptions</i>		<i>Tax Zone 1</i>	<i>Tax Zone 2</i>	<i>Tax Zone 3</i>	<i>Tax Zone 4</i>	<i>Tax Zone 5</i>
Average Sales Price ⁽¹⁾⁽²⁾		\$ 751,263	\$ 883,470	\$ 730,358	\$ 582,383	\$ 557,603
Homeowner's Exemption		<u>(7,000)</u>	<u>(7,000)</u>	<u>(7,000)</u>	<u>(7,000)</u>	<u>(7,000)</u>
Net Property Value		\$ 744,263	\$ 876,470	\$ 723,358	\$ 575,383	\$ 550,603
 <i>Ad Valorem Tax Rate</i> ⁽³⁾						
County General	1.0000%	\$ 7,443	\$ 8,765	\$ 7,234	\$ 5,754	\$ 5,506
Los Rios Community College General Obligation Bonds	0.0232	173	203	168	133	128
Sacramento City Unified School District General Obligation Bonds	<u>0.1139</u>	<u>848</u>	<u>998</u>	<u>824</u>	<u>655</u>	<u>627</u>
Total Ad Valorem Taxes	1.1371%	\$ 8,463	\$ 9,966	\$ 8,225	\$ 6,543	\$ 6,261
 <i>Direct Charges</i>						
SAFCA Consolidated Cap Asmt #2		\$ 145	\$ 164	\$ 157	\$ 149	\$ 157
Sacramento Additional Library Services Tax		27	35	35	35	35
Sacramento Area Flood Control		6	14	10	9	7
Sacramento Core Library Serv. Tax		10	14	14	14	14
Citywide L&L Assessment		60	87	87	87	87
American River Flood Zone C		16	8	8	8	8
Sacramento McKinley Village CFD 2015-04 ⁽⁴⁾		<u>1,353</u>	<u>1,948</u>	<u>1,515</u>	<u>1,137</u>	<u>974</u>
Total Direct Charges ⁽⁵⁾		\$ 1,618	\$ 2,270	\$ 1,827	\$ 1,438	\$ 1,283
Total Taxes and Direct Charges ⁽⁶⁾		\$ 10,081	\$ 12,237	\$ 10,052	\$ 7,981	\$ 7,544
Percentage of Average Property Value		1.34%	1.39%	1.38%	1.37%	1.35%

⁽¹⁾ Represents the mean sales price for homes sold to individual homeowners as of May 15, 2020.

⁽²⁾ The Average Sales Price for Tax Zone 2 only reflects homes sold in the Cottonwood product type. Tax Zone 2 also includes homes sold in the Cedar product type which had an average sales price of \$625,191. The Fiscal Year 2019-20 Maximum Special Tax rate for the Cedar product type in Tax Zone 2 is \$1,461, which, inclusive of ad valorem and other direct charges, results in a total tax and charges amount that is 1.43% of the average sales price.

⁽³⁾ Based on the Fiscal Year 2019-20 ad valorem tax rates for tax rate areas within the District. Ad valorem tax rates are subject to change in future years. Excludes all charges for debt which has been authorized but not yet issued.

⁽⁴⁾ Reflects the Fiscal Year 2019-20 Maximum Special Tax rates on lots for which no partial prepayment was made by the Developer in connection with the addition of a sixth product line within the District. See "— Partial Prepayment of Special Taxes on Certain Lots."

⁽⁵⁾ All other direct charges are based on the Fiscal Year 2019-20 charges identified on the County-issued property tax bills. Charges subject to change in future years. Excludes all charges for debt which has been authorized but not yet issued.

⁽⁶⁾ Totals not sum due to rounding.

Source: Sacramento County Tax Collector's Office; Sacramento County Assessor's Office; Goodwin Consulting Group, Inc.; and Developer for sales price information.

Property Values

Assessed Value. The City has not engaged an independent appraiser to provide an opinion concerning the values of the parcels of Taxable Property within the District. The aggregate assessed value of the parcels of Taxable Property within the District as shown on the Fiscal Year 2019-20 County Assessor's roll is \$149,060,635 (based on a January 1, 2019 lien date).

The value of the property within the 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.

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. There can be no assurance that the assessed valuations of the properties within the District accurately reflect their respective market values, and the future fair market values of those properties may be lower than their current assessed valuations.

Assessed values for the District for Fiscal Year 2019-20 set forth in this Official Statement were determined as of January 1, 2019 and do not reflect any improvement value resulting from home construction activities after that date, or increases in land value due to transfers after that date.

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.

The table below sets forth historical assessed values of the property within the District for Fiscal Years 2016-17 through 2019-20. Assessed values prior to Fiscal Year 2016-17 have not been provided as such values do not reflect any improvement value resulting from the development activity within the District and are not representative of the current assessed values within the District.

**TABLE 3
CITY OF SACRAMENTO
MCKINLEY VILLAGE COMMUNITY FACILITIES DISTRICT NO. 2015-04
HISTORICAL ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Land Value</i>	<i>Improvement Value</i>	<i>Total Assessed Value</i>	<i>Percentage Change</i>
2016-17	\$ 8,407,381	\$ 0	\$ 8,407,381	--
2017-18	9,024,001	8,805,355	17,829,356	112%
2018-19	29,787,364	47,475,056	77,262,420	333
2019-20	47,034,708	102,025,927	149,060,635	93

Source: City of Sacramento; Sacramento County Assessor's Office; Goodwin Consulting Group, Inc.

Value-To-Lien Ratios

Table 4A below sets forth the estimated assessed value-to-lien ratio for the Taxable Property in the District. The share of Bonds set forth in Table 4A below is allocated based on each property's share of the projected Fiscal Year 2020-21 Special Tax levy. As indicated above, the aggregate assessed value of the parcels of Taxable Property within the District as shown on the 2019-20 County Assessor's roll is \$149,060,635. The ratio of that value to the \$8,540,000 total principal amount of the Bonds is approximately 17.5 to 1. This ratio does not include other overlapping debt within the District. See "— Direct and Overlapping Indebtedness" above. Taking that direct and overlapping debt into account, the ratio of the aggregate assessed value of the parcels of Taxable Property within the District to the total principal amount of all direct and overlapping special tax and assessment bonds for the District (\$9,065,553, inclusive of the Bonds) is approximately 16.4 to 1. See Table 1 above.

Table 4B below sets forth the estimated assessed value-to-lien ratio for the Taxable Property in the District: (i) with respect to the 191 homes which had closed to individual homeowners as of January 1, 2019, Fiscal Year 2019-20 assessed value based on a January 1, 2019 lien date; (ii) with respect to the 135 homes which closed to individual homeowners between January 2, 2019 and May 15, 2020 (inclusive), actual sales prices provided by the Developer; and (iii) with respect to completed homes and homes under construction owned by the Developer as of May 15, 2020, Fiscal Year 2019-20 assessed value based on a January 1, 2019 lien date. As set forth in Table 4B, the total estimated value of the Taxable Property within the District based on the foregoing amounts is \$218,231,549. The ratio of that value to the \$8,540,000 total principal amount of the Bonds is approximately 25.6 to 1. This ratio does not include other overlapping debt within the District. See "— Direct and Overlapping Indebtedness" above. Taking that direct and overlapping debt into account, the ratio of the aggregate assessed value and actual sales prices of the parcels of Taxable Property within the District to the total principal amount of all direct and overlapping special tax and assessment bonds for the District (\$9,065,553, inclusive of the Bonds) is approximately 24.1 to 1. See Table 1 above.

The sales prices of the 135 homes which closed to individual homeowners between January 2, 2019 and May 15, 2020 (inclusive) set forth in Table 4B have been provided by the Developer and the City makes no representation as to the accuracy of such sales prices.

Each of the value-to-lien ratios described in Tables 4A and 4B is for the entire District; however, the ratios of the value of individual lots within the 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 homes.

As shown in Tables 4A and 4B below, based on ownership status as of May 15, 2020, the Developer is expected to be responsible for approximately 8.4% of the estimated Fiscal Year 2020-21 Special Tax levy.

**TABLE 4A
CITY OF SACRAMENTO
MCKINLEY VILLAGE COMMUNITY FACILITIES DISTRICT NO. 2015-04
(IMPROVEMENTS)**

ESTIMATED FISCAL YEAR 2020-21 SPECIAL TAX LEVY AND VALUE-TO-LIEN RATIOS BY PROPERTY OWNERSHIP

<i>Property Ownership⁽¹⁾</i>	<i>Residential Units⁽¹⁾</i>	<i>Fiscal Year 2019-20 Assessed Value⁽²⁾</i>	<i>Estimated Fiscal Year 2020-21 Special Tax Levy⁽³⁾</i>	<i>Percent of Estimated Fiscal Year 2020-21 Special Tax Levy</i>	<i>Allocated 2020 Bond Debt⁽⁴⁾</i>	<i>Value-to- Lien Ratio⁽²⁾</i>
Individual Homeowners	326	\$146,645,206	\$ 438,265	91.6%	\$ 7,825,377	18.74:1
Developer	<u>26</u>	<u>2,415,429</u>	<u>40,023</u>	<u>8.4</u>	<u>714,623</u>	<u>3.38:1</u>
Total	352	\$149,060,635	\$ 478,288	100.0%	\$ 8,540,000	17.45:1

⁽¹⁾ Ownership information as of May 15, 2020.

⁽²⁾ Based on Fiscal Year 2019-20 assessed value as of the January 1, 2019 lien date.

⁽³⁾ Estimated Special Tax levy reflects the partial prepayment of the Special Tax obligation on certain lots made by the Developer in connection with the addition of a sixth product line within the District. See “— Partial Prepayment of Special Taxes on Certain Lots.”

⁽⁴⁾ Allocated based on the share of the estimated Fiscal Year 2020-21 Special Tax levy.

Source: City of Sacramento; Sacramento County Assessor’s Office, Goodwin Consulting Group, Inc. and Developer for ownership information.

**TABLE 4B
CITY OF SACRAMENTO
MCKINLEY VILLAGE COMMUNITY FACILITIES DISTRICT NO. 2015-04
(IMPROVEMENTS)
ESTIMATED FISCAL YEAR 2020-21 SPECIAL TAX LEVY AND VALUE-TO-LIEN RATIOS BY PROPERTY OWNERSHIP**

<i>Property Ownership⁽¹⁾</i>	<i>Residential Units</i>	<i>Fiscal Year 2019-20 Assessed Value⁽²⁾</i>	<i>Sales Price⁽³⁾</i>	<i>Composite Value</i>	<i>Estimated Fiscal Year 2020-21 Special Tax Levy⁽⁴⁾</i>	<i>Percent of Estimated Fiscal Year 2020-21 Special Tax Levy</i>	<i>Allocated 2020 Bond Debt⁽⁵⁾</i>	<i>Value-to-Lien Ratio⁽²⁾</i>
Individual Homeowners								
As of January 1, 2019	191	\$ 122,613,792	\$ 0	\$ 122,613,792	\$ 246,431	51.5%	\$ 4,400,113	27.87:1
Closed January 2, 2019 to January 1, 2020	110	0	76,383,665	76,383,665	153,909	32.2	2,748,098	27.80:1
Closed January 2, 2020 to May 15, 2020	<u>25</u>	<u>0</u>	<u>16,818,663</u>	<u>16,818,663</u>	<u>37,925</u>	<u>7.9</u>	<u>677,166</u>	<u>24.84:1</u>
Subtotal	326	\$ 122,613,792	\$ 93,202,328	\$ 215,816,120	\$ 438,265	91.6%	\$ 7,825,377	27.58:1
Developer-Owned								
Homes with Contract of Sale ⁽⁶⁾	24	\$ 1,431,877	\$ 0	\$ 1,431,877	\$ 36,931	7.7%	\$ 659,424	2.17:1
Homes without Contract of Sale ⁽⁷⁾	<u>2</u>	<u>983,552</u>	<u>0</u>	<u>983,552</u>	<u>3,091</u>	<u>0.6</u>	<u>55,199</u>	<u>17.82:1</u>
Subtotal	26	\$ 2,415,429	\$ 0	\$ 2,415,429	\$ 40,023	8.4	\$ 714,623	3.38:1
Total	352	\$ 125,029,221	\$ 93,202,328	\$ 218,231,549	\$ 478,288	100.00%	\$ 8,540,000	25.55:1

(1) Ownership information as of May 15, 2020.

(2) Based on Fiscal Year 2019-20 assessed value as of the January 1, 2019 lien date. With respect to homes which closed to individual homeowners after January 1, 2019, the sales price and not the assessed value is shown.

(3) Sales prices provided by the Developer based on actual prices of homes closed. Sales prices are shown for homes which closed to individual homeowners after the January 1, 2019 lien date.

(4) Estimated Special Tax levy reflects the partial prepayment of the Special Tax obligation on certain lots made by the Developer in connection with the addition of a sixth product line within the District. See "— Partial Prepayment of Special Taxes on Certain Lots."

(5) Allocated based on the share of the estimated Fiscal Year 2020-21 Special Tax levy.

(6) Consists of 24 homes under construction and in escrow for sale to individual homeowners. Only one parcel (APN 001-0250-023-0000) has both improvement and land values on the Fiscal Year 2019-20 assessor's tax roll. The assessed value for the remaining 23 parcels represents only land value.

(7) Consists of two completed model homes.

Source: City of Sacramento; Sacramento County Assessor's Office, Goodwin Consulting Group, Inc. and Developer for ownership and sales price information.

Table 5 below sets forth the estimated assessed value-to-lien ratios for Taxable Property within the District by various ranges based upon the Fiscal Year 2019-20 assessed values as of the January 1, 2019 lien date, and the principal amount of the Bonds.

TABLE 5
CITY OF SACRAMENTO
MCKINLEY VILLAGE COMMUNITY FACILITIES DISTRICT NO. 2015-04
SUMMARY OF VALUE-TO-LIEN RATIOS

<i>Value to Lien</i>	<i>Taxable Parcels</i>	<i>Estimated Fiscal Year 2020-21 Special Tax Levy⁽¹⁾</i>	<i>Fiscal Year 2019-20 Assessed Value⁽²⁾</i>	<i>Allocated 2020 Bond Debt⁽³⁾</i>	<i>Average Value-to-Lien Ratio⁽²⁾</i>
Greater than 30:1	65	\$ 74,581	\$ 45,214,937	\$ 1,331,667	33.95:1
20:1 to 30:1	128	174,114	79,666,023	3,108,859	25.63:1
10:1 to 19.99:1	45	61,884	15,553,699	1,104,957	14.08:1
3:1 to 9.99:1	24	35,055	4,723,683	625,912	7.55:1
2:1 to 2.99:1	33	45,378	1,809,399	810,236	2.23:1
Less than 2:1	<u>57</u>	<u>87,277</u>	<u>2,092,894</u>	<u>1,558,369</u>	<u>1.34:1</u>
Total	352	\$ 478,288	\$ 149,060,635	\$ 8,540,000	17.45:1

⁽¹⁾ Estimated Special Tax levy reflects the partial prepayment of the Special Tax obligation on certain lots made by the Developer in connection with the addition of a sixth product line within the District. See “— Partial Prepayment of Special Taxes on Certain Lots.”

⁽²⁾ Based on Fiscal Year 2019-20 assessed value as of the January 1, 2019 lien date.

⁽³⁾ Allocated based on the share of the estimated Fiscal Year 2020-21 Special Tax levy.

Source: County of Sacramento; Sacramento County Assessor’s Office; Goodwin Consulting Group, Inc.

Table 6 below sets forth the top ten taxpayers within the District based on the estimated Fiscal Year 2020-21 Special Tax levy and ownership information as of May 15, 2020.

**TABLE 6
CITY OF SACRAMENTO
MCKINLEY VILLAGE COMMUNITY FACILITIES DISTRICT NO. 2015-04
TOP TEN TAXPAYERS**

<i>Property Owners⁽¹⁾</i>	<i>Residential Units</i>	<i>Fiscal Year 2019-20 Assessed Value⁽²⁾</i>	<i>Estimated Fiscal Year 2020-21 Special Tax Levy⁽³⁾</i>	<i>Percent of Estimated Fiscal Year 2020-21 Tax Levy</i>	<i>Allocated 2020 Bond Debt⁽⁴⁾</i>	<i>Value-to- Lien Ratio</i>
Developer	26	\$2,415,429	\$40,023	8.4%	\$714,623	3.38:1
Individual Homeowner	2	856,270	2,539	0.5	45,342	18.88:1
Individual Homeowner	1	954,737	1,987	0.4	35,485	26.91:1
Individual Homeowner	1	931,905	1,987	0.4	35,485	26.26:1
Individual Homeowner	1	801,264	1,987	0.4	35,485	22.58:1
Individual Homeowner	1	995,755	1,987	0.4	35,485	28.06:1
Individual Homeowner	1	1,106,500	1,987	0.4	35,485	31.18:1
Individual Homeowner	1	818,026	1,987	0.4	35,485	23.05:1
Individual Homeowner	1	1,032,401	1,987	0.4	35,485	29.09:1
Individual Homeowner	1	927,010	1,987	0.4	35,485	26.12:1

⁽¹⁾ Ownership information as of May 15, 2020.

⁽²⁾ Based on Fiscal Year 2019-20 assessed value as of the January 1, 2019 lien date.

⁽³⁾ Estimated Special Tax levy reflects the partial prepayment of the Special Tax obligation on certain lots made by the Developer in connection with the addition of a sixth product line within the District. See “— Partial Prepayment of Special Taxes on Certain Lots.”

⁽⁴⁾ Allocated based on the share of the estimated Fiscal Year 2020-21 Special Tax levy.

Source: City of Sacramento; Sacramento County Assessor’s Office, Goodwin Consulting Group, Inc. and Developer for ownership information.

Delinquency History

The following table is a summary of Special Tax levies, collections and delinquency rates in the District for Fiscal Year 2016-17 through Fiscal Year 2019-20.

The District is currently included in the County’s Teeter Plan and, as a result, the City receives 100% of the Special Tax levy with respect to the District, 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
MCKINLEY VILLAGE COMMUNITY FACILITIES DISTRICT NO. 2015-04
(IMPROVEMENTS)
SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES
FISCAL YEARS 2016-17 THROUGH 2019-20

Fiscal Year	Amount Levied	Parcels Levied	Delinquencies as of June 30 of Fiscal Year in which Special Taxes Were Levied			Delinquencies as of June 22, 2020			Special Tax Collected
			Parcels Delinquent	Amount Delinquent ⁽¹⁾	Percent Delinquent	Parcels Delinquent	Amount Delinquent	Percent Delinquent	
2016-17	\$456,045	174	0	\$ 0	0.0%	0	\$ 0	0.0%	\$ 456,045
2017-18	458,409	191	0	0	0.0	0	0	0.0	458,409
2018-19	450,851	341	4	5,757	1.3	0	0	0.0	450,851
2019-20 ⁽²⁾	468,906	352	N/A	N/A	N/A	2	1,163	0.2	467,743

⁽¹⁾ Delinquent amount does not include penalties, interests, or fees.

⁽²⁾ Reflects delinquencies as of June 22, 2020.

Source: City of Sacramento; Sacramento County Tax Collection Division.

PROPERTY OWNERSHIP AND THE DEVELOPMENT

The information provided in this section has been included because it may be considered relevant to an informed evaluation and analysis of the Bonds. No assurance can be given, however, that the proposed development of the property within the District will be completed in the timeframe described herein, or that the Developer (as defined below) or any affiliate thereof or any other property owner will or will not retain ownership of its respective property within the District. Neither the Bonds nor any of the Special Tax are personal obligations of the Developer, or its affiliates or any other property owner within the District and, in the event that a property owner defaults in the payment of its Special Tax, the City may proceed with judicial foreclosure but has no direct recourse to the assets of such property owner or any affiliate thereof. The Bonds are secured solely by the Special Tax and amounts on deposit in certain of the funds and accounts maintained under the Indenture. There can be no assurance that the Developer's remaining development described in this Official Statement will be completed. Additionally, there can be no assurance of the absorption rate of the homes remaining to be built and sold. See "SPECIAL RISK FACTORS" for a discussion of certain of the risk factors that should be considered in evaluating the investment quality of the Bonds.

The Developer

General. As previously defined in this Official Statement, the "Developer" refers to Encore McKinley Village, LLC, a Delaware limited liability company. The Developer is a single purpose entity formed pursuant to a Limited Liability Company Agreement (the "Operating Agreement") entered into by and between McKinley Village, LLC, a Delaware limited liability company ("MKV"), and Encore McKinley Associates, LLC, a Delaware limited liability company ("Encore"). The members of MKV are RCI-McKinley Village, LLC, a Delaware limited liability company and The New Home Company Northern California, LLC, a Delaware limited liability company. Encore is an affiliate of Encore Capital Management and is comprised of a single member, Encore Housing Opportunity Fund II, LP. Encore Housing Opportunity Fund II, LP is composed of Encore Housing Opportunity Fund General Partner, LLC and multiple investors.

Under the terms of the Operating Agreement as amended, Encore has an 80% ownership in the Developer and MKV has a 20% ownership in the Developer, with MKV being responsible for the management of the project pursuant to the terms of the Operating Agreement. The New Home Company Northern California, LLC and RCI-McKinley Village LLC each have a 50% ownership interest in MKV.

The New Home Company Northern California, LLC is an affiliated entity of The New Home Company, Inc. The New Home Company, Inc. designs, constructs and sells homes in major metropolitan areas in California and Arizona, including coastal Southern California, the San Francisco Bay area, metro Sacramento and the greater Phoenix area. The New Home Company, Inc. is publicly traded on the New York Stock Exchange and its SEC filings are available to the public at the SEC's website at www.sec.gov. *The foregoing internet address is included for reference only and the information on such internet sites are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such internet sites.*

RCI-McKinley Village, LLC is an affiliated entity of Riverview Capital Investments, Inc. ("Riverview Capital"), a Sacramento-based real estate investment firm principally owned by Phil Angelides, former Treasurer of the State of California. Riverview Capital and Mr. Angelides' former company, River West Investments have been involved in the planning and development of a number of master planned communities and urban redevelopment projects in the greater Sacramento region.

Development Plan Within the District

General. The development within the District has been marketed as "McKinley Village" and consists of a master planned residential community planned for 352 homes at buildout. Of the 352 homes planned within the District, 24 are condominiums and 328 are single family detached homes

As of May 15, 2020, within the District, there were 326 completed homes owned by individual homeowners. As of such date, the Developer owned 24 homes which were under construction and in escrow and two unsold homes, both of which are completed, furnished model homes. The Developer expects all remaining homes within the District to be completed, sold, and closed by the third quarter of 2020.

Pursuant to the Operating Agreement, TNHC, an affiliate of the New Home Company, has undertaken the site development work and home construction within the District. All backbone infrastructure (sewer and water utilities, detention basin, storm drains, dry utilities and roads) necessary to complete the planned residential development within the District has been completed. All in-tract infrastructure, which consists primarily of streets and alleys for individual lot access and associated curbs, gutters, and sidewalks within the District, has been completed. Substantially all landscaping improvements, including four City parks, a community garden, public artworks, and multiple common areas have been completed, with only the landscaping for the homes under construction and one 0.7-acre park, including one public artwork, still to be completed (with completion expected in July 2020).

The McKinley Village community includes, among other things, a completed community clubhouse complex (with a 4,508 square foot community clubhouse building containing a community room and gym, a 25 yard-6 lane pool, a children's wading pool, a spa, and an outdoor fireplace/barbeque/event space), five urban City parks (four of which have been completed), a community garden, and four common greens. The clubhouse complex, common greens, and community garden, as well as other common areas, are owned and maintained by the McKinley Village Community Association ("HOA"). The HOA also maintains the City parks, landscaped planter strips between the curbs and sidewalks, front yard landscaping, and the detention basin landscaping. The community clubhouse complex, City parks, common areas and common greens are not subject to the Special Tax.

No discretionary approvals remain to be obtained to complete the planned development within the District.

The development in the District includes six home product lines as further described below. Five of the home product lines are single family detached homes, with the sixth being condominiums. With respect to the single family detached homes, there are 27 different floor plans and 86 different elevations, not counting

variations in materials and colors. Sales prices below reflect actual closing prices for homes inclusive of base prices, concessions, lot premiums, and upgrades. Sales prices for fully furnished models are not reflected in the sales prices below. For each phase of the product lines, the sales prices described below include different mixes of floor plans and elevations. As indicated below, sales prices within the product lines have generally increased over the course of project development and sales.

Alder. The Alder product line includes 24 condominium units located in four buildings. Each building contains six units/floor plans ranging from 1,573 square feet to 2,536 square feet. All 24 units within the Alder product line have closed to individual home owners. Sales prices ranged from \$539,800 to \$975,538. Sales prices in the first building ranged from \$539,800 to \$803,274 (exclusive of two model units). Sales prices in the final building ranged from \$571,353 to \$975,538.

Mulberry. The Mulberry product line includes 82 single family detached homes, with five floor plans and 17 elevations, ranging from 1,298 square feet to 2,007 square feet. All 82 homes within the Mulberry product line have closed to individual home owners with sales prices on closed homes ranging from \$375,244 to \$691,849. Sales prices in the first sales phase ranged from \$375,244 to \$567,116. Sales prices in the final sales phase ranged from \$553,817 to \$691,491.

Magnolia. The Magnolia product line includes 84 single family detached homes, with 6 floor plans and 18 elevations, ranging from 1,540 square feet to 2,258 square feet. All 84 homes within the Magnolia product line have closed to individual home owners, with sales prices on closed homes ranging from \$432,878 to \$734,469. Sales prices in the first sales phase ranged from \$432,878 to \$594,250. Sales prices in the final sales phase ranged from \$560,241 to \$618,735.

Cottonwood. The Cottonwood product line includes 40 single family detached homes with 8 floor plans and 24 elevations, ranging from 2,072 square feet to 3,172 square feet. As of May 15, 2020, 39 of the 40 homes within the Cottonwood product line have closed to individual home owners with sales prices on closed homes ranging from \$745,662 to \$1,126,708. Sales prices in the first sales phase ranged from \$823,490 to \$865,776. Sales prices in the last fully closed out sales phase ranged from \$804,580 to \$958,953. The final home is under construction and in escrow, which is expected to close in June 2020.

Birch. The Birch product line includes 82 single family detached homes with 5 floor plans and 18 elevations, ranging from 1,711 square feet to 2,363 square feet, with certain units including an optional 418 square foot carriage unit. As of May 15, 2020, 71 of the 82 homes within the Birch product line have closed to individual home owners with sales prices on closed homes ranging from \$571,134 to \$985,114. Sales prices in the first sales phase ranged from \$614,990 to \$689,000. Sales prices in the last fully closed out sales phase ranged from \$784,714 to \$837,901. As of such date, within the Birch product line, there were nine homes under construction and in escrow and two completed, furnished model homes owned by the Developer which were unsold.

Cedar. The Cedar product line includes 40 single family detached homes with three floor plans and nine elevations, ranging from 1,589 square feet to 2,082 square feet. As of May 15, 2020, 26 of the 40 homes within the Cedar product line have closed to individual home owners with sales prices on closed homes ranging from \$556,372 to \$747,342. Sales prices in the first sales phase ranged from \$556,372 to \$643,574. Sales prices in the last fully closed out sales phase ranged from \$567,223 to \$669,911. As of such date, within the Cedar product line, there were 14 homes under construction and in escrow.

Since the Stay Home Order (as defined below) went into effect, the Developer has not experienced any delay in construction or slowdown of home sales in the District that the Developer attributes to such order or the economic impact of the COVID-19 outbreak generally. The Developer reports that one unit sold within the District fell out of escrow in April 2020 for reasons related to the COVID-19 pandemic, but that home was subsequently sold to another purchaser. Because housing construction is currently considered an essential function, the Developer has continued its construction activities in the District during the Stay Home Order

period. Notwithstanding the foregoing, the plans for the remaining development within the District, including the anticipated date for buildout, are subject to delays caused by the COVID-19 pandemic. The Developer cannot predict the ultimate effects of the COVID-19 outbreak or whether any such effects would have a material adverse effect on the ability to complete the remaining development within the District as planned. See “SPECIAL RISK FACTORS—COVID-19 (Coronavirus) Pandemic.”

Developer Financing Plan. As of April 30, 2020, the Developer estimates that it has spent approximately \$228.2 million in property acquisition, site development, home construction and other soft and carrying costs for the project within the District. Such costs include approximately \$53.6 million on site improvements and common facilities/areas (including approximately \$4.8 million on the community clubhouse). As of such date the Developer has spent approximately \$94.4 million on direct costs for home construction and house lot costs. The Developer has financed such costs from a combination of internal sources (including capital contributions from its members), home sales revenues and a revolving construction loan, as further described below, as well as proceeds of the Refunded Bonds and pay-as-you-go proceeds from the Special Tax for the acquisition of public improvements. The Developer estimates that it will expend approximately an additional \$7.1 million to complete the remaining home construction and site improvements in the District and to fund the remaining marketing and other administrative costs through full closeout of the project. The Developer expects to fund such remaining costs from available cash on hand, revenues from home sales, and a revolving construction loan.

The Developer is a party to a \$25 million secured revolving construction loan with Banner Bank (the “Revolving Loan”), which has been extended from time to time and currently matures in January 2021. The maximum allowable amount under the Revolving Loan is to be reduced to \$20 million on July 1, 2020. The Revolving Loan is secured by a deed of trust recorded against the property owned by the Developer within the District. As homes close to individual homeowners, a portion of the Revolving Loan is repaid to release the deed of trust securing the construction loan on the related lot. In connection with the delivery of the Revolving Loan, The New Home Company, Inc. executed an agreement to provide a guaranty of the completion of the planned residential units within the District. Other than the deeds of trust securing the Revolving Loan, there are no other deeds of trust securing loans on any of the property owned by the Developer in the District. As of April 30, 2020, the outstanding balance under the Revolving Loan was approximately \$6.3 million. The Developer anticipates paying off the outstanding balance under the Revolving Loan in August 2020.

As of April 30, 2020, the Developer had approximately \$5.1 million cash on hand and was projecting approximately \$22.0 million in revenues from home sales through project completion, a portion of which is planned for be made available to fund the remaining costs of the development within the District.

While Developer has sufficient cash on hand to complete the development in the District as currently planned, neither Developer nor any affiliate thereof has any legal obligation of any kind to make any such funds available or to obtain loans. Any contributions by Developer or its members to fund the costs of such development and home construction are entirely voluntary. If and to the extent that internal financing, home sales revenues and borrowings under the Revolving Loan are not made available to pay the costs to complete the Developer’s planned development within the District and other financing by Developer is not put into place, there could be a shortfall in the funds required to complete the proposed development by Developer and portions of the project may not be developed.

History of Property Tax Payments; Loan Defaults; Litigation; Bankruptcy. The Developer has represented to the District as follows (capitalized terms used in the following summary but not previously defined have the meanings given them below):

1. Except as disclosed in this Official Statement, no proceedings are pending (based upon service of process upon the Developer having been accomplished) or, to the Actual Knowledge of the Developer, are threatened in writing in which the Developer or any of its members may be adjudicated as

bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay their respective debts or a reorganization or readjustment of their respective debts.

2. No action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, regulatory agency, public board or public body, that in any way seeks to restrain or to enjoin the development by the Developer of the Property, is either pending against the Developer (based upon service of process upon the Developer having been accomplished) or, to the Actual Knowledge of the Developer, threatened in writing in any way.

3. None of the Property owned by the Developer is currently delinquent in the payment of any ad valorem property taxes, special taxes, including the Special Taxes, or assessments.

4. To the Actual Knowledge of the Developer, except for any licenses, certificates, approvals, variances, and permits that may be necessary for the construction and operation of the Developer's development project within the District as described in this Official Statement, there is no consent, approval, authorization, or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the Developer, other than those that have been obtained and are in full force and effect, that is required for the consummation by the Developer of the actions to be consummated by the Developer with respect to the development within the District as described in this Official Statement.

5. To the Actual Knowledge of the Developer, the Developer is not in violation of any provision of, or in default under, its limited-liability-company agreement or any other relevant and material agreement, lease, or contract to which the Developer is a party or is otherwise subject, the violation of or default under which could reasonably be expected to materially and adversely affect the Developer's ability to own and develop the Property as described in this Official Statement or to pay the Special Tax due with respect to the Property and for which the Developer is responsible prior to delinquency.

As used in the above representations of the Developer, the following defined terms and phrases have the following meanings:

"Actual Knowledge of the Developer" shall mean the actual (as opposed to constructive) knowledge of the authorized officer or representative of the Developer (the "Authorized Officer") signing the certificate containing the above representations (the "Developer Certificate") has as of the date of the Developer Certificate or has obtained through either or both of the following: (1) interviews with such current officers and responsible employees of the Developer as the Authorized Officer has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in the Developer Certificate; and (2) a review of such documents that were reasonably available to the Authorized Officer and that the Authorized Officer has reasonably deemed necessary to obtain knowledge of the matters set forth in the Developer Certificate. The Authorized Officer has not conducted any extraordinary inspection or inquiry other than the inspections or inquiries that are prudent and customary in connection with the ordinary course of the Developer's current business and operations. The Authorized Officer has not contacted any individuals who are no longer employed by, or associated with, the Developer.

"Property" means the real property in the District held in the name of the Developer.

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks that are not appropriate investments for certain investors. The following is a discussion of certain risk factors which 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 which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed below could adversely affect the ability or willingness of property owners in the District to pay their

Special Tax when due. Such failures to pay the Special Tax 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 below could adversely affect the value of the property in the District. See “—Property Values” and “— Limited Secondary Market.”

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, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses.

No assurance can be given that any current or future homeowners within the District will pay the Special Tax in the future or that they will be able to pay the Special Tax on a timely basis. See “— Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the City’s ability to pursue judicial proceedings with respect to delinquent parcels.

Concentration of Ownership

Based on the ownership status of the property within the District as of May 15, 2020, assuming no additional transfer of property within the District, approximately 8.4% of the projected Fiscal Year 2020-21 Special Tax levy would be payable by the Developer. As of the May 15, 2020, the Developer owned 24 homes which were under construction and in escrow and two unsold model homes. No assurances can be made that any of the homes will close to individual homeowners.

Failure of the Developer or any of its successor(s), to pay the annual Special Tax when due could result in a draw on the Bond Reserve Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due. No assurance can be given that the Developer or its successors will complete the remaining intended construction and development in the District. See “— Failure to Develop Properties.”

No assurance can be given that the Developer or its successors will pay the Special Tax or that they will be able to pay such Special Tax on a timely basis. See “— Bankruptcy and Foreclosure” for a discussion of certain limitations on the City’s ability to pursue judicial proceedings with respect to delinquent parcels.

Limited Obligations

The Bonds are not payable from the general funds of the City. Except with respect to the Special Tax, neither the faith and credit nor the taxing power of the City is pledged for the payment of the Bonds or related interest, and, except as provided in the Indenture, no owner of the Bonds may compel the exercise of any taxing power by the City or force the forfeiture of any City property. The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City’s property or upon any of the City’s income, receipts or revenues, except the Special Tax and other amounts pledged under the Indenture.

Insufficiency of Special Tax

Under the Rate and Method, the annual amount of Special Tax to be levied on parcels of Taxable Property in the District will generally be based on the Tax Zone in which the parcel is located. See

APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and “SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Rate and Method of Apportionment of Special Tax.*”

In order to pay debt service on the Bonds, it is necessary that the Special Tax be paid in a timely manner. The City will establish upon the issuance of the Bonds a Bond Reserve Fund and deposit therein the Reserve Surety Policy 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 “SOURCES OF PAYMENT FOR THE BONDS — Bond Reserve Fund.” The City will covenant to maintain in the Bond Reserve Fund an amount equal to the Required Bond Reserve, subject, however, to the limitation that the City may not levy the Special Tax in the District in any fiscal year at a rate in excess of the maximum amounts permitted under the Rate and Method. In addition, pursuant to the Act, under no circumstances will the Special Tax levied in any Fiscal Year against property within the District for which an occupancy permit for private residential use has been issued be increased as a consequence of delinquency or default by the owner of any other property within the 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, if a significant number of delinquencies occur, the City could be unable to replenish the Bond Reserve Fund of the Special Tax Fund to the Required Bond Reserve due to the limitations on the maximum Special Tax. 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 City will covenant in the Indenture that, under certain conditions, it will institute foreclosure proceedings to sell any property with a delinquent Special Tax 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 “SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Foreclosure Covenant*” for provisions which apply in the event of such foreclosure and which the City is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are instituted, there could be a delay in payments to owners of the Bonds (if the Bond Reserve Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City of the proceeds of sale. The City may adjust the future Special Tax levied on parcels of Taxable Property in the District, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, 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 parcels of Taxable Property in the 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. See “—Bankruptcy and Foreclosure” for a discussion of potential delays in foreclosure actions.

The Rate and Method governing the levy of the Special Tax provides that no Special Tax shall be levied on Exempt Property (as defined in the Rate and Method). Certain privately owned parcels are exempt from the levy of the Special Tax, including common areas owned by homeowner’s associations or property-owner associations. See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Act provides that, if any property within the 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 be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within the District was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

Teeter Plan Termination

The County has implemented its Teeter Plan as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. Pursuant to its Teeter Plan, the County has elected to provide local agencies and taxing areas, including the 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 Holders 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 District would eliminate such protection from delinquencies in the payment of the Special Tax. See "SOURCES OF PAYMENT FOR THE BONDS – Teeter Plan."

Failure to Develop Properties

The remaining development of property within the District may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the Developer, or any future property owner to pay the Special Tax when due. No assurance can be given that the remaining proposed development will be fully completed; and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should not assume that the remaining homes planned within the District will be completed.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bondowners should it be necessary for the City to foreclose on the property due to the nonpayment of the Special Tax. The failure to complete development in the District as planned, or substantial delays in the completion of the development due to litigation or other causes may reduce the value of the property within the District and increase the length of time during which the Special Tax will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within the District to pay the Special Tax when due.

There can be no assurance that land development operations within the District will not be adversely affected by future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Tax. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Bondowners should assume that any event that significantly impacts the ability to complete development of the property in the District would cause the property values within the District to decrease and could affect the willingness and ability of the owners of land within the District to pay the Special Tax when due.

No Representation as the Developer

No representation is made by the City as to the experience, abilities or financial resources of the Developer or the likelihood that the Developer will be successful in developing the properties within the District beyond the current stage of development. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.” The description of expected development by the Developer in this Official Statement is based on information provided to the City by the Developer. In making an investment decision, purchasers of the Bonds should not assume that the Developer will develop such properties beyond the current stage of development reached by the Developer.

Natural Disasters

The market value of the property within the 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 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 Federal Emergency Management Agency’s Flood Insurance Rate Map for Sacramento designates much of the City, including the District, as Zone X (shaded)—i.e., an area of “moderate flood hazard.” This means that the area is protected by levees and that the annual risk of flooding ranges between 1% (a 100-year flood) and 0.2% (a 500-year flood). Flood insurance is not required for the homes within an area, like the District, that is designated as Zone X (shaded).

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the

costs of remedying the condition, because the purchaser, upon becoming the owner, will become obligated to remedy the condition just as is the seller.

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

The value of the taxable property within the District, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The Developer has represented to the City that it is not aware of any substance located on or within the property in the District currently classified as hazardous by the Federal government or State of California. The City has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within the District has such a current liability with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the City is not aware of them.

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

An owner of a Taxable Parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is 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 the Special Tax, the District has no recourse against the property owner.

Property Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of the Special Tax, the City's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Tax. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Tax. See "THE COMMUNITY FACILITIES DISTRICT—Value-to-Lien Ratios."

The Fiscal Year 2019-20 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 if acquired by its current owner prior to January 1, 2019. Assessed values may increase or decrease 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 District that secure the Bonds. See "THE COMMUNITY FACILITIES DISTRICT—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 4A, 4B or 5 will be maintained over time. As discussed herein, many factors beyond the City's control could adversely affect the property values within the 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 District or an increase in the indebtedness secured by taxes and amounts with parity liens on property in the District, or both, could result in a lowering of the value-to-lien ratio of the property in the 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. See APPENDIX D — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens.”

Parity Taxes and Special Assessments

Property within the District is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within the District. See “THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Indebtedness.”

The Special Tax and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Tax has priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See “— Bankruptcy and Foreclosure.”

The City has no control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes and *ad valorem* taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Tax and could reduce the estimated value-to-lien ratios for the property within the District described herein. See “SOURCES OF PAYMENT FOR THE BONDS” and “THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Indebtedness” and “— Value to Lien Ratios.”

Disclosures to Future Purchasers

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

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a special tax under the Act 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.

Special Tax Collections

Under provisions of the Act, the Special Tax, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within the District on the regular *ad valorem* property tax bills sent to owners of such properties by the County Tax Collector. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See APPENDIX D — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Indenture, in the event of delinquencies in the payment of the Special Tax. See “— Bankruptcy and Foreclosure” for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the District’s ability to foreclosure on the lien of the Special Tax in certain circumstances.

Potential Early Redemption of Bonds from Prepayments or Assessment Bond Proceeds

Property owners within the District, including the Developer and any individual property owner, are permitted to prepay the Special Tax obligation on their property at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. Such prepayments will result in a redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of the prepayment. The resulting redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption “THE BONDS—Redemption— *Extraordinary Redemption from Special Tax Prepayments.*”

FDIC/Federal Government Interests in Properties

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

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

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to the Special Tax within the District but does not pay taxes and assessments levied on the parcel (including the Special Tax), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquencies in the payment of the Special Tax, 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 Tax and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“FNMA”) 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 FNMA constitutes an exercise of state power over property of the United States.

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Tax within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. If any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid amounts of the Special Tax may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from special taxes under the Act.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of the Special Tax on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Tax to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Bond Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds. The payment of property owners' taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS—Special Tax—*Proceeds of Foreclosure Sales.*" In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Although a bankruptcy proceeding would not cause the Special Tax to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by

the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be “administrative expenses” of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the “Bankruptcy Reform Act”) included a provision which excepts from the Bankruptcy Code’s automatic stay provisions, “the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state if such tax comes due after the date of the filing of the petition [by a debtor in bankruptcy court].” This amendment effectively makes the *Glasply* holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the *Glasply* ruling could still result in the treatment of post-petition special taxes as “administrative expenses,” rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court’s ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current *ad valorem* taxes.

The Act provides that the Special Tax is secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for the Special Tax levied after the filing of a petition in bankruptcy court. *Glasply* is controlling precedent on bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Tax, the amount of the Special Tax received from parcels whose owners declare bankruptcy could be reduced.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

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 or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture, an owner is given the right for the equal benefit and protection of all owners of the Bonds similarly situated to pursue certain remedies described in APPENDIX D — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Events of Default and Remedies.”

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result

of future acts or omissions of the City in violation of its covenants in the Indenture with respect to compliance with certain provisions of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

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 statutorily required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. See "CONTINUING DISCLOSURE." Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds 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.

Proposition 218

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative as they may relate to community facilities district are subject to interpretation by the courts. The Initiative could potentially impact the Special Tax available to the District to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIII C 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 which 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 such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

"Section 3 of Article XIII C of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution."

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Tax if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the City Council to reduce the Special Tax in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of the Special Tax that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Tax in amounts greater than the amount necessary for the

timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of the Special Tax for Expenses.

The interpretation and application of Article XIII C and Article XIII D 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. See “SPECIAL RISK FACTORS — Limitations on Remedies.”

Litigation with Respect to Community Facilities Districts

Shapiro. The California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin 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 (“San Diego”). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in 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. Such 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 thereof and Article XIII C, Section 2 thereof require that the electors in such an election be the registered voters within the district.

Horizon. The Sacramento County Superior Court had issued a tentative ruling in *Horizon Capital Investments, LLC v. City of Sacramento et al.* (Case No. 34-2017-80002661). That ruling subsequently became the court’s final order. As described below, this case involved an election to approve the levy of a special tax within a community facilities district (“CFD”) formed under the Act.

In 2017, the City initiated proceedings to form a CFD to finance certain costs to operate and maintain a streetcar line. As permitted by the Act, the proposed district included non-contiguous parcels of non-residential property. Because there were fewer than 12 registered voters residing within the territory of the proposed CFD, the City Council submitted the special tax proposed to be levied within the proposed CFD to the owners of land within the proposed CFD, as required by the Act. The proposed special tax received the requisite two-thirds vote in the landowner election.

Petitioners Horizon Capital Investments, LLC et al. filed a writ of mandate and complaint for reverse validation and declaratory relief. Petitioners argued, and the superior court agreed in its final ruling, that under section 4(a) of article XIII A of the California Constitution (which provides that “Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district [sic], may impose special taxes on such district...”) the phrase “qualified electors” means the registered voters of the entire City and not just the owners of the property within the boundaries of the proposed CFD. Citing the San Diego Decision, the tentative ruling states that the phrase “qualified electors of the district” refers to the registered voters of the entity imposing the special tax, which in this case was the City. Because the vote within the proposed CFD was by landowners only and not by all registered voters in the City, the final ruling states that the special tax is invalid.

The superior court’s final ruling is not binding upon other courts within the State and does not directly apply to the District, the Special Tax, or the Bonds. Although the City disagrees with the final ruling on a number of grounds, the City decided not to appeal.

The Special Tax Election in the District. With respect to the San Diego Decision, the facts of such case show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in the District had less than 12 registered voters at the time of the election 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 pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the court's holding in the San Diego Decision does not apply to the Special Tax election in the 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 pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. The petitioners in *Horizon* filed the writ of mandate within 30 days of the landowner election. Landowners in the District approved the Special Tax and the issuance of bonds on July 29, 2015. 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 may now be brought. In connection with the issuance of the Bonds, Bond Counsel expects to deliver its opinion in the proposed form attached hereto as Appendix B.

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations or on the ability of the Developer to complete the remaining proposed development within the District.

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 and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The Bonds are not subject to acceleration. 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.

COVID-19 (Coronavirus) Pandemic

The spread of the novel strain of coronavirus called COVID-19 is having significant negative impacts throughout the world, including in the State, County and the City. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the County, State and the United States. The purposes behind these declarations are to coordinate and formalize emergency actions across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus. There have been confirmed cases of COVID-19 in the County, and confirmed cases of

COVID-19 are growing throughout the State and health officials are expecting the number of confirmed cases to continue to grow.

In response to the outbreak of COVID-19, the California State Public Health Officer and Director of the California Department of Public Health ordered all individuals living in the State to stay home or at their place of residence (“Stay Home Order”), except as needed to maintain continuity of operation of the critical infrastructure sectors, critical government services, schools, and construction, including housing construction. Because housing construction has been considered an essential function during the Stay Home Order period, the Developer has continued its construction activities in the District. The impact of COVID-19 and the Stay Home Order is likely to continue to evolve over time, which could adversely impact the completion of the development in the District, including, but not limited to, one or more of the following ways: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation, and other services and activities associated with real estate development; (iii) delays in construction where one or more members of the workforce becomes infected with COVID-19; (iv) fluctuations in financial markets and contraction in available liquidity; (v) extensive job losses and declines in business activity across important sectors of the economy; (vi) declines in business and consumer confidence that negatively impact economic conditions or cause an economic recession; (vii) the failure of government measures such as fiscal stimulus to counteract the economic impact of the pandemic; or (viii) delays in sales, or cancellations, due to mortgage lending issues or other financial impacts to home purchasers. Neither the City nor the Developer can predict the ultimate effects of the COVID-19 outbreak or whether any such effects would have a material adverse effect on the ability to complete the remaining development in the District as planned. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

The City has closed certain non-essential functions of the City and is considering certain additional actions in response to the coronavirus concerns, which may or may not include limiting or eliminating services required to complete the development within the District as described in this Official Statement. Furthermore, other public agencies serving the property and residents within the District may take similar actions, which may or may not include reviewing new building permit applications or property inspections for certificates of occupancy for an indeterminate period of time. Such actions may affect the Developer’s ability to complete its planned development in the time period and within the cost estimates described in this Official Statement under the caption “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

On May 6, 2020, Governor Newsom issued Executive Order N-61-20 (the “Executive Order”), waiving penalties and interest on taxes on property on the secured or unsecured roll through May 6, 2021 under certain conditions, including: (i) the property is a residential property occupied by the taxpayer or the property is used for a small business, (ii) the taxes owed were not delinquent as of March 4, 2020, (iii) the taxpayer files for relief in a form prescribed by the applicable county tax collector, and (iv) the taxpayer demonstrates economic hardship to the satisfaction of the county tax collector. The Executive Order may have an effect on the collection of penalties and interest on delinquent amounts of the Special Tax and may otherwise affect a property owner’s willingness to pay the Special Tax when due. However, pursuant to the County’s Teeter Plan, the County currently provides local agencies and taxing areas, including the 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. See “SECURITY FOR THE BONDS—Teeter Plan” and “SPECIAL RISK FACTORS—Teeter Plan Termination.”

Certain northern California counties temporarily halted most construction, including residential construction which is not affordable housing, to combat the spread of the coronavirus. Such restrictions have since been lifted. The County did not impose a similar restriction on construction activity. In the event of an escalation of the COVID-19 outbreak, the County could impose similar temporary residential construction restrictions and such restrictions could have a material adverse effect on the ability of the Developer to

complete its project within the District on the timeframe and budget described in this Official Statement under the caption “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate adverse impact of COVID-19 on the City, the District and the Developer’s operations and finances, homebuyers’ willingness and ability to pay Special Tax when due, and the real estate market in general is unknown.

Bond Insurance

In the event of default of the payment of the scheduled principal of or interest on the Bonds when all or some becomes due, the Trustee on behalf of any owner of the Bonds shall have a claim under the Policy for such payments. BAM may direct and must consent to any remedies with respect to the Bonds and BAM’s consent may be required in connection with amendments to any applicable documents relating to the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of BAM and its claims paying ability. BAM’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of BAM and the ratings on the Bonds will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See “RATINGS” below.

The obligations of BAM are unsecured contractual obligations and in an event of default by BAM, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the City nor the Underwriter has made independent investigation into the claims paying ability of BAM and no assurance or representation regarding the financial strength or projected financial strength of BAM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to make the payments on the Bonds from the Special Tax revenues and the claims paying ability of BAM, particularly over the life of the investment. See “BOND INSURANCE” herein for further information regarding BAM and the Policy, which includes further instructions for obtaining current financial information concerning BAM.

CONTINUING DISCLOSURE

The City will execute a continuing disclosure certificate (the “Continuing Disclosure Certificate”) for the benefit of the Holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District and to provide notices of the occurrence of certain Listed Events. The City, as the initial dissemination agent under the Continuing Disclosure Certificate, will file the City Reports and notices of Listed Events with EMMA. The specific nature of the information to be included in the City Reports and the notices of Listed Events is set forth in APPENDIX E — “FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY.” The City will sign and deliver to the Underwriter the Continuing Disclosure Certificate to assist the Underwriter in complying with the Rule. The City will file the City 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 on March 31, 2021.

The City has previously entered into a number of continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with those undertakings. Certain continuing disclosure filings during the past five years were made after the required filing date, such as the City’s annual reports for one of the past five fiscal years with respect to a certain prior issue, and certain required information supplementing the City’s annual reports for certain prior issues (including the actuarial valuation reports for the Sacramento City Employees’

Retirement System and the City's Public Employees' Retirement System plans for two prior issues). The City did not file notices of late filings in the past five years. On two occasions, the City filed annual reports with tables determined later not to be entirely accurate. The City subsequently filed corrected tables.

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 City 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 "SOURCES OF PAYMENT 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.

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 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 alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX B hereto.

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The 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. 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 the Beneficial Owners to incur significant expense.

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 this 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 to the City.

RATINGS

It is expected that S&P will assign its municipal bond rating of "AA" to the Bonds based upon the delivery of the Policy by BAM at the time of issuance of the Bonds (see "BOND INSURANCE" herein). S&P has assigned an underlying rating of "A-" to the Bonds without regard to whether the Policy is delivered for the Bonds. Such credit ratings reflect only the views of S&P and any desired explanation of the significance of such credit ratings, and any outlook associated with such ratings, should be obtained from S&P.

The City furnished to S&P certain information, including information that may not be included herein. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any

given period of time or that the rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. The City undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the rating obtained, or other actions by S&P relating to its rating, may have an adverse effect on the market price and marketability of the Bonds.

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 public 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 Tax or to restrain or enjoin the collection of the Special Tax; (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.

MUNICIPAL ADVISOR

The City has retained Montague DeRose and Associates, LLC (the "Municipal Advisor"), as municipal advisor in connection with the issuance and sale of the Bonds. Although the Municipal Advisor has assisted in the preparation of this Official Statement, the Municipal Advisor 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 this Official Statement or any of the other legal documents, and further the Municipal Advisor 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.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated. The Underwriter has agreed to purchase the Bonds at a price of \$9,743,557.15, being \$8,540,000.00 aggregate principal amount thereof, plus original issue premium of \$1,297,497.15 and less Underwriter's discount of \$93,940.00). The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions.

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

FINANCIAL INTERESTS

The fees being paid to Bond Counsel, Disclosure Counsel, the Underwriter, the Trustee and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds. The fees being paid to the Municipal Advisor and the Special Tax Consultant are not contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel and Disclosure Counsel may represent the Underwriter on matters unrelated to the Bonds and Underwriter's Counsel represents the City on matters unrelated to the Bonds.

PENDING LEGISLATION

The District is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the District to pay the principal of and interest on the Bonds when due.

ADDITIONAL INFORMATION

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

By: /s/ John P. Colville Jr.
City Treasurer

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The following sets forth the Rate and Method of Apportionment for the levy and collection of the Special Tax of McKinley Village Community Facilities District No. 2015-04 (Improvements), City of Sacramento, County of Sacramento (the "District"). A Special Tax shall be levied on and collected in the District each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property in the District, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 and applicable to each Assessor's Parcel in the City of Sacramento McKinley Village Community Facilities District No 2015-04 (Improvements) will be levied and collected according to the tax liability the City determines through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in the CFD, unless exempted by law or by Section F below, will be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

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

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, set forth at California Government Code §§ 53311 through 53368.3.

"Administrative Expenses" means the actual or reasonably estimated costs related to administration of the CFD, including but not limited to the following:

- Costs of computing the Special Tax and preparing the annual Special Tax collection schedules (whether by the City or its designee or both).
- Costs of collecting, auditing, dispersing, and accounting for the Special Tax (whether by the County, the City, or otherwise).
- Costs of remitting the Special Tax to the Trustee.
- Costs of the Trustee (including its legal counsel) in discharging its duties under the Indenture.
- Costs to the City or its designee of complying with arbitrage-rebate requirements relating to the CFD.
- Costs to the City or its designee of complying with its or any obligated person's disclosure requirements relating to the CFD.
- Costs associated with preparing disclosure statements relating to the CFD.
- Costs incurred in responding to public inquiries regarding the Special Tax.
- Costs to the City or its designee related to any appeal of the Special Taxes.

- Costs associated with the release of funds from any escrow account relating to the CFD.
- Costs to the City of issuing bonds through the CFD if not recovered from proceeds of the Bonds.
- Amounts estimated to be advanced for any other administrative purposes, including but not limited to attorney’s fees and other costs related to collection of the Special Tax or to commencing and pursuing to completion any foreclosure.

“**Administrator**” means the City official responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Tax, or that official’s designee.

“**Airspace Parcel**” means a parcel with an assigned Assessor’s Parcel Number that constitutes vertical space of the underlying land.

“**Assessor’s Parcel**” means a lot or parcel (including an Airspace Parcel) that is shown in an Assessor’s Parcel Map and has an assigned Assessor’s Parcel Number.

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

“**Assessor’s Parcel Number**” means the number assigned to an Assessor’s Parcel by the County Assessor for purposes of identification.

“**Authorized Facilities**” means the facilities and fees authorized to be funded through the CFD.

“**Bonds**” means any debt (as defined in the Act) that is related to Authorized Facilities and is issued, insured, or assumed through the CFD, whether in one or more series.

“**Buildable Lot**” means an individual lot of Taxable Property shown on a Final Map for which a Building Permit may be issued to develop one or more Residential Units without further subdivision of the lot. For single-family attached units that will ultimately be Airspace Parcels, “Buildable Lot” means each Airspace Parcel that is expected on the underlying lot, determined by reference to the condominium plan or other similar plan for the building to be constructed on the lot. A lot that is designated as Non-Residential Property is not a Buildable Lot and thus will be taxed as Undeveloped Property until it becomes Developed Property.

“**Building Permit**” means a single permit or set of permits required to construct a residential or non-residential structure. If a permit is issued for a foundation, parking, landscaping, or other similar facility or amenity but a building permit has not yet been issued for the structure to be served by the facility or amenity, then the permit for the facility or amenity will not be considered a “Building Permit” for purposes of levying the Special Tax.

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

“**CFD**” means the City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements).

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

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

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

“Developed Property” means, in any Fiscal Year, all Taxable Property for which a Building Permit for new construction was issued before June 1 of the preceding Fiscal Year.

“Development Class” means, individually, Developed Property, Final Map Property, and Undeveloped Property.

“Exempt Property” means any of the following:

- Public Property, except as otherwise authorized by §§ 53317.3 or 53317.5 of the Act.
- Property owned by the Homeowners Association that was designated on the Tentative Map for any use other than Residential Property, such as open space, park, and recreation center.
- Assessor’s Parcels that are owned by a public utility and developed with an unoccupied facility.
- Assessor’s Parcels that are subject to an easement or other instrument that precludes any use other than the use set forth in the easement.
- Assessor’s Parcels in the large-lot parcel map that are designated as a park site, school site, or other site that will ultimately be owned by a public agency.

“Expected Residential Unit Count” means 24 Residential Units in Tax Zone 1, 56 Residential Units in Tax Zone 2, 90 Residential Units in Tax Zone 3, 84 Residential Units in Tax Zone 4, and 82 Residential Units in Tax Zone 5. Alternatively, as determined by the Administrator, “Expected Residential Unit Count” means the number of allowed Residential Units in the applicable Tax Zone based on the Tentative Map as updated by subsequent Final Maps.

“Final Map” means a final map or portion of a final map, approved by the City under the Subdivision Map Act (California Government Code § 66410 *et seq.*), that creates Buildable Lots. “Final Map” does not include (1) any large-lot subdivision map, Assessor’s Parcel Map, or subdivision map, or any portion of such a map, that does not create Buildable Lots; and (2) Assessor’s Parcels designated as Remainder Parcels.

“Final Map Property” means, in any Fiscal Year, all Assessor’s Parcels within the CFD (a) for which a Final Map was recorded before June 1 of the preceding Fiscal Year and (b) that have not yet become Developed Property.

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

“Homeowners Association” means the homeowners association (including any master or sub-association) that provides services to, and collects dues, fees, or charges from owners of property within the CFD.

“Indenture” means the bond indenture, fiscal-agent agreement, trust agreement, resolution, or other instrument under which Bonds are issued, as amended or supplemented from time to time, and any instrument replacing; amending, or supplementing the same.

“Maximum Special Tax” means the Maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor’s Parcel.

“Maximum Special Tax Revenues” means the aggregate Maximum Special Tax that can be levied on all Taxable Property in any given Fiscal Year.

“Non-Residential Property” means Developed Property that is not Residential Property.

“Prepayment Parcel” means an Assessor’s Parcel or a Buildable Lot for which the Prepayment Amount determined under Section G below has been partially or fully prepaid.

“Proportionately” means the following:

- For Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Developed Property.
- For Final Map Property, that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Final Map Property.
- For Undeveloped Property, that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Undeveloped Property.

“Public Property” means any property within the CFD that is owned by the City, the County, the State of California, the federal government, or other public agency, except that any property leased by a public agency to a private entity and subject to taxation under § 53340.1 of the Act will be taxed and classified in accordance with its use. Privately owned property will be considered Public Property if its development is otherwise constrained by public use and necessity through an easement, a lease, or a license.

“Remainder Parcel” means an Assessor’s Parcel that is created by the recordation of a Final Map but has not been mapped for final development approval. A Remainder Parcel may contain taxable or tax-exempt uses.

“Required Coverage” means the amount by which the Maximum Special Tax Revenues must exceed debt service for the Bonds and required Administrative, Expenses as set forth in the Indenture, Certificate of Special Tax Consultant, or other CFO formation document or bond document that identifies the minimum required debt-service coverage.

“Residential Property” means all Taxable Property for Which a Building Permit has been or may be issued for constructing one or more Residential Units.

“Residential Unit” means a single-family-detached unit or an attached individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work structure, or apartment structure. A second unit (granny flat) that shares an Assessor’s Parcel with a single-family-detached unit is not a Residential Unit for purposes of levying the Special Tax.

“RMA” means this Rate and Method of Apportionment of Special Tax.

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

“Special Tax Requirement” means the amount, necessary in any Fiscal Year (1) to pay principal and interest on Bonds due in the calendar year that begins in the Fiscal Year; (2) to create or replenish reserve funds to the extent replenishment has not been included in the computation of Special Tax Requirement in a previous Fiscal Year; (3) to cure any delinquencies in the payment of principal or interest on Bonds that has occurred in the prior Fiscal Year; (4) to pay Administrative Expenses; and (5) to pay the costs of Authorized Facilities not funded by Bonds, as allowed by an acquisition-and-shortfall agreement with the City. The Special Tax Requirement may include reductions in the calculation in any Fiscal Year by interest earnings on, or surplus balances in, funds and accounts for the Bonds to the extent that the earnings or balances are available to apply against debt service in accordance with the Indenture or other relevant document; by proceeds from the collection of penalties associated with delinquent Special Taxes; and by any other revenues available to pay debt service on the Bonds, as determined by the Administrator.

“**Tax Zone**” means an area within which particular Special Tax rates may be levied under this RMA. Attachment 1 identifies the Tax Zones in the CFD.

“**Tax Zone 1**” means the area within the CFD that is identified in Attachment 1 as Tax Zone 1.

“**Tax Zone 2**” means the area within the CFD that is identified in Attachment 1 as Tax Zone 2.

“**Tax Zone 3**” means the area within the CFD that is identified in Attachment 1 as Tax Zone 3.

“**Tax Zone 4**” means the area within the CFD that is identified in Attachment 1 as Tax Zone 4.

“**Tax Zone 5**” means the area within the CFD that is identified in Attachment 1 as Tax Zone 5.

“**Taxable Property**” means all property within the CFD that is not Exempt Property.

“**Tentative Map**” means the tentative map for McKinley Village that was approved by the City Council on April 29, 2014, including any adjustments or amendments to that map that were approved before CFD formation.

“**Trustee**” means the trustee under the Indenture.

“**Undeveloped Property**” means, for each Fiscal Year, all Taxable Property not classified as Developed Property or Final Map Property.

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify the Special Tax Requirement for the Fiscal Year. The Administrator shall also determine the following for each Assessor’s Parcel: (1) the current Assessor’s Parcel Number for the Assessor’s Parcel; (2) the Tax Zone in which it is located; and (3) whether it is Developed Property, Final Map Property, or Undeveloped Property.

In any Fiscal Year, if the Administrator determines—

- that a Final Map or other map for an Assessor’s Parcel within the CFD was recorded after January 1 of the prior Fiscal Year (or on any other date after which the County Assessor will not incorporate the newly created parcels into the then-current tax roll);
- that because of the date the map was recorded, the County Assessor does not yet recognize the new parcels created by the map; and
- that one or more of the newly created parcels is in a different Development Class from other parcels created by the map.

then the Administrator shall calculate the Special Tax for the property affected by recordation of the map by determining the Special Tax that applies separately to the property within each Development Class and then applying the sum of the individual Special Taxes to the Assessor’s Parcel that was subdivided by recordation of the map.

C. MAXIMUM SPECIAL TAX

1. Developed Property

The following Maximum Special Tax rates apply to all Developed Property for each Fiscal Year in which the Special Tax is collected:

**DEVELOPED PROPERTY
MAXIMUM SPECIAL TAX**

Land Use	Maximum Special Tax Developed Property (Fiscal Year 2015-16)*
<i>Tax Zone 1</i>	
Residential Property	\$1,250 per Residential Unit
Non-Residential Property	\$18,750 per Acre
<i>Tax Zone 2</i>	
Residential Property	\$1,800 per Residential Unit
Non-Residential Property	\$17,380 per Acre
<i>Tax Zone 3</i>	
Residential Property	\$1,400 per Residential Unit
Non-Residential Property	\$16,160 per Acre
<i>Tax Zone 4</i>	
Residential Property	\$1,050 per Residential Unit
Non-Residential Property	\$15,210 per Acre
<i>Tax Zone 5</i>	
Residential Property	\$900 per Residential Unit
Non-Residential Property	\$13,180 per Acre

*** On July 1, 2016, and on each July 1 thereafter, the Maximum Special Tax rates shown above will be increased by 2% of the amount in effect in the previous Fiscal Year.**

2. Final Map Property/Mandatory Prepayment

The following Maximum Special Tax rates apply to all Final Map Property for each Fiscal Year in which the Special Tax is collected:

**FINAL MAP PROPERTY
MAXIMUM SPECIAL TAX**

Tax Zone	Maximum Special Tax Final Map Property (Fiscal Year 2015-16)*
Tax Zone 1	\$1,250 times the number of Residential Units from the Expected Residential Unit Count for the zone that is anticipated on the Parcel
Tax Zone 2	\$1,800 times the number of Residential Units from the Expected Residential Unit Count for the zone that is anticipated on the Parcel
Tax Zone 3	\$1,400 times the number of Residential Units from the Expected Residential Unit Count for the zone that is anticipated on the Parcel
Tax Zone 4	\$1,050 times the number of Residential Units from the Expected Residential Unit Count for the zone that is anticipated on the Parcel
Tax Zone 5	\$900 times the number of Residential Units from the Expected Residential Unit Count for the zone that is anticipated on the Parcel

*** On July 1, 2016, and on each July 1 thereafter, the Maximum Special Tax rates shown above will be increased by 2% of the amount in effect in the previous Fiscal Year.**

If, in any Fiscal Year after the City has issued Bonds, a Final Map is proposed that results in a reduction in the Expected Residential Unit Count in the area affected by the Final Map, then the Administrator shall apply the following steps:

- Step 1.** The Administrator shall calculate the Maximum Special Tax Revenues based on the Expected Residential Unit Count before the proposed reduction.
- Step 2.** The Administrator shall calculate the Maximum Special Tax Revenues assuming approval of the Final Map that reduces the Expected Residential Unit Count.
- Step 3.** If the Maximum Special Tax Revenues calculated in Step 2 are less than those calculated in Step 1 and are not sufficient to maintain Required Coverage, then the owner of the property affected by the Final Map must prepay an amount sufficient to retire a portion of the Bonds and maintain Required Coverage. The required prepayment must be determined using the formula set forth in Section G below. If the City does not receive the mandatory prepayment before the issuance of the first Building Permit for property within the Final Map that resulted in the reduction in the Expected Residential Unit Count, then the Administrator shall levy the amount of the mandatory prepayment on any of the landowner's Final Map Property or Undeveloped Property, and, if this amount exceeds the Maximum Special Tax, it will nonetheless be authorized and will not be deemed to exceed the "maximum special tax" as that term is used in the Act.

No mandatory prepayment will be required (a) if the Maximum Special Tax Revenues calculated in Step 2 are less than those calculated in Step 1 and the revenues calculated in Step 2 are sufficient to maintain Required Coverage; or (b) if the amount calculated in Step 2 is higher than that calculated in Step 1.

3. Undeveloped Property

The Maximum Special Tax rates for Undeveloped Property in Fiscal Year 2015-16 are \$18,750 per Acre for Tax Zone 1, \$17,380 per Acre for Tax Zone 2, \$16,160 per Acre for Tax Zone 3, \$15,210 per Acre for Tax Zone 4, and \$13,180 per Acre for Tax Zone 5. On July 1, 2016, and on each July 1 thereafter, the Maximum

Special Tax rates for Undeveloped Property will be increased by 2% of the amount in effect in the previous Fiscal Year.

D. METHOD OF LEVY OF SPECIAL TAXES

Each Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year. The City shall then levy the Special Tax according to the following steps:

- Step 1.** The Special Tax will be levied Proportionately on Developed Property up to 100% of the Maximum Special Tax for each Assessor's Parcel until the amount levied is equal to the Special Tax Requirement before applying Capitalized Interest that is available under the Indenture.
- Step 2.** If additional revenue is needed after Step 1 to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax will be levied Proportionately on all Final Map Property up to 100% of the Maximum Special Tax for Final Map Property.
- Step 3.** If additional revenue is needed after Step 2 to meet the Special Tax Requirement, the Special Tax will be levied Proportionately on all Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property.
- Step 4.** If additional revenue is needed after Step 3 to meet the Special Tax Requirement, the Special Tax will be levied Proportionately on all Public Property, exclusive of property exempt from the Special Tax under Section F below, up to 100% of the Maximum Special Tax for Undeveloped Property within the Tax Zone in which the Public Property is located.

Notwithstanding the above, under no circumstances will the Special Tax levied on any Residential Property for which a Building Permit has been issued be increased by more than 10% as a consequence of delinquency or default by the owner of any other property in the CFD.

E. MANNER OF COLLECTION OF SPECIAL TAXES

Special Taxes will be collected in the same manner and at the same time as ordinary ad valorem property taxes, except that (1) prepayments are permitted as set forth in Section G below; and (2) the City may directly bill the Special Taxes, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods. The Special Tax will, be levied and collected until principal and interest on all Bonds have been repaid and the Authorized Facilities to be constructed directly from Special Tax proceeds have been completed. But in no event will the Special Tax be levied after Fiscal Year 2055-56.

F. EXEMPTIONS

Notwithstanding any other provision of this RMA, the Special Taxes will not be levied in any Fiscal Year on Exempt Property or on Prepayment Parcels that have fully prepaid the Special Tax obligation.

G. PREPAYMENTS

- 1. Definitions.** The following definitions apply only to this Section G:

“Construction Fund” means the account (regardless of its name) identified in the Indenture to hold funds that are currently available to acquire or construct Authorized Facilities.

“Optional Prepayment” means a prepayment of the Special Tax, other than a mandatory prepayment under Section C.2, that is calculated using the formula in this Section G.

“Outstanding Bonds” means all Previously Issued Bonds that remain outstanding, with the following exception: if a Special Tax has been levied against, or has already been paid for, an Assessor’s Parcel for which a prepayment is to be made, and if a portion of the Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), then the next principal payment will be subtracted from the total principal of Bonds that remains outstanding, and the difference will be used as the amount of Outstanding Bonds for purposes of calculating the Prepayment Amount.

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

“Public Facilities Requirement” means either (a) \$7.5 million in 2015 dollars, increased 2% annually on each July 1 beginning July 1, 2016; or (b) such other number as the City determines in its sole discretion to be sufficient both to fund the Authorized Facilities and to treat all owners of Taxable Property within the CFD fairly and equitably.

“Remaining Facilities Costs” means the Public Facilities Requirement minus public-facility costs funded by Previously Issued Bonds or by Special Taxes.

2. Full Prepayment

The Special Tax obligation applicable to an Assessor’s Parcel may be prepaid and the obligation of the Assessor’s Parcel for the Special Tax permanently satisfied as described in this Section G.2, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to the Assessor’s Parcel at the time of prepayment. An owner of a Assessor’s Parcel intending to prepay the Special Tax obligation must provide the City with written notice of intent to prepay. Within 30 days after receipt of a written notice of intent to prepay, the City or its designee shall notify the owner of the amount required to fully prepay the Special Tax obligation for the Assessor’s Parcel (the **“Prepayment Amount”**). Prepayment must be made not less than 75 days before any redemption date for Bonds to be redeemed with the proceeds of the prepaid Special Taxes. Under no circumstance will a prepayment be allowed that would reduce debt-service coverage below the Required Coverage. The Prepayment Amount will be calculated as follows (capitalized terms as defined above or below):

The Bond Redemption Amount

- *plus* the Remaining Facilities Amount
 - *plus* the Redemption Premium (if applicable)
 - *plus* the Defeasance Requirement
 - *plus* the Administrative Fees and Expenses
 - *less* the Proportionate Reserve Fund Credit
- equals* the Prepayment Amount

As of the proposed date of prepayment, the Administrator shall calculate, the Prepayment Amount by applying the following steps:

- Step 1.** Calculate the Maximum Special Tax to be prepaid for the Assessor’s Parcel based on the Expected Residential Unit Count for the Assessor’s Parcel. If this Section G is being applied to calculate a prepayment under Section C.2 above, then use, for purposes of this Step 1, the amount by which the Maximum Special Tax Revenues have been reduced below the amount needed to maintain Required Coverage due to the change in land use that necessitated the prepayment.

- Step 2.** Divide the Maximum Special Tax calculated under Step 1 by the Maximum Special Tax Revenues that could be generated at buildout of property in the CFD based on the Expected Residential Unit Count at the time the prepayment is calculated.
- Step 3.** Multiply the quotient calculated under Step 2 by the principal amount of the Outstanding Bonds to calculate the amount of Outstanding Bonds to be retired and prepaid (the “**Bond Redemption Amount**”).
- Step 4.** Calculate the current Remaining Facilities Costs (if any).
- Step 5.** Multiply the quotient calculated under Step 2 by the amount calculated under Step 4 to calculate the amount of Remaining Facilities Costs to be prepaid (the “**Remaining Facilities Amount**”).
- Step 6.** Multiply the Bond Redemption Amount calculated under Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the “**Redemption Premium**”).
- Step 7.** Calculate the amount needed to pay interest on the Bond Redemption Amount starting with the last Bond interest-payment date on which interest has been or will be paid by Special Taxes already levied until the earliest redemption date for the Outstanding Bonds. If Bonds are callable at or before the last Bond interest-payment date on which interest has been or will be paid by Special Taxes already levied, then Steps 7, 8, and 9 of this prepayment formula will not apply.
- Step 8.** Calculate the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest-payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 9.** Subtract the amount calculated under Step 8 from the amount calculated under Step 7 the “**Defeasance Requirement**”).
- Step 10.** Calculate the Administrative Expenses associated with the prepayment, including the costs of determining the prepayment, redeeming Bonds, and recording any notices to evidence the prepayment and the redemption (the “**Administrative Fees and Expenses**”).
- Step 11.** If, when the prepayment is determined, the reserve fund is greater than or equal to the reserve requirement, then, to the extent so provided in the Indenture, calculate a proportionate reserve-fund credit as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed with the prepayment (the “**Proportionate Reserve Fund Credit**”).
- Step 12.** The Prepayment Amount is equal to the sum of the amounts calculated under Steps 3, 5, 6, 9, and 10 minus the amount calculated under Step 11.
- Step 13.** From the Prepayment Amount, the amounts calculated under Steps 3, 6, and 9 will be deposited into the appropriate Rind as established under the Indenture and will be used to retire Outstanding Bonds or Make debt-service payments. The amount calculated under Step 5 will be deposited into the Construction Fund. The amount calculated under Step 10 will be retained in the account or fund that is established to pay Administrative Expenses.

Once a full prepayment has been received, a Notice of Cancellation of Special Tax Lien will be recorded against the affected Assessor’s Parcel, except that a Notice of Cancellation of Special Tax Lien will not be recorded until all Special Taxes levied on the affected Assessor’s Parcel in the current or prior Fiscal Years have been collected.

3. Partial Prepayment

The Special Tax on an Assessor's Parcel or Buildable Lot for which a certificate of occupancy has not yet been issued or a final inspection has not been conducted may be partially prepaid (a "**Partial Prepayment**"). However, a Partial Prepayment must be made in an amount equal to 25% or 50% of the amount of the full Prepayment Amount calculated under Section G.2 above. In calculating a Partial Prepayment, the Administrator shall round up the amount required for the Partial Prepayment in order to redeem whole bonds, including any redemption premium.

Only one Partial Prepayment is permitted for each Assessor's Parcel or Buildable Lot, and a Partial Prepayment will not be accepted for an Assessor's Parcel or Buildable Lot after a certificate of occupancy has been issued, or a final inspection completed for that Assessor's Parcel or Buildable Lot.

The owner of an Assessor's Parcel or Buildable Lot who desires to make a Partial Prepayment must notify the Administrator of the percentage of the Special Tax to be prepaid. The Administrator shall provide the owner with a statement of the amount required for the Partial Prepayment within 30 days after receiving the request and may charge a fee for providing this service. With respect to any Special Tax that is partially prepaid on an Assessor's Parcel or Buildable Lot, the Administrator shall (a) distribute the remitted prepayment funds according to Section G.2 above and (b) indicate in the records of the CFD that there has been a Partial Prepayment of the Special Tax and that a portion of the Special Tax with respect to the Assessor's Parcel or Buildable Lot, equal to the non-prepaid percentage of the Maximum Special Tax, will continue to be levied on the Assessor's Parcel or Buildable Lot according to Section D.

Once a Partial Prepayment has been received, an Amendment to Special Tax Lien will be recorded against the affected Assessor's Parcel or Buildable Lot. However, an Amendment to Special Tax Lien will not be recorded until all Special Taxes levied on the affected Assessor's Parcel or Buildable Lot in the current or prior Fiscal Years have been collected.

4. Prepayment Restrictions

Optional Prepayment of the Special Tax in accordance with this Section G is not permitted if it would reduce debt-service coverage below the Required Coverage.

H. RECORDS MAINTAINED FOR THE CFD

As development occurs in the CFD, the Administrator shall maintain a file containing records of the following information for each Assessor's Parcel:

- The current Assessor's Parcel Number
- The current Final Map status for the Assessor's Parcel
- The current Building Permit status for the Assessor's Parcel
- The designated and existing uses for the Assessor's Parcel
- The total number of Residential Units assigned to the Assessor's Parcel
- The Maximum Special Tax assigned to the Assessor's Parcel
- Prepayments, including prepayments for Assessor's Parcels that have fully or partially the Special Tax

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City Council may, by resolution, interpret this RMA for purposes of clarifying any vagueness or ambiguity in the Special Tax rates, method of apportionment, classification of properties, and definitions applicable to the CFD. The City Council's interpretation will be conclusive.

J. APPEALS

A taxpayer who believes that the amount of the Special Tax assigned to the taxpayer's Assessor's Parcel is in error may file a notice with the Administrator, who will then promptly review the appeal and, if necessary, meet with the taxpayer. If the Administrator determines that the Special Tax should be modified, then the Special Tax levy will be corrected and, if applicable, a credit or refund will be granted. The Administrator may do the following without the City Council's approval:

- (1) Interpret this RMA for purposes of clarifying matters as they relate to the Special Tax rate, the method of apportionment, the classification of properties, or the definitions applicable to the CFD.
- (2) Make minor, non-substantive administrative and technical changes to this RMA for purposes of administrative efficiency or convenience or to comply with new applicable federal, state, or local law, but only if the changes do not materially affect the rate, method of apportionment, and manner of collection of the Special Tax.

ATTACHMENT 1

**CITY OF SACRAMENTO
MCKINLEY VILLAGE COMMUNITY FACILITIES DISTRICT NO. 2015-04
(IMPROVEMENTS)**

IDENTIFICATION OF TAX ZONES

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Issuance]

City Council
City of Sacramento
Sacramento, California

City of Sacramento
McKinley Village Community Facilities District No. 2015-04
(Improvements) Special Tax Bonds, Series 2020
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sacramento (the "City") in connection with issuance of \$8,540,000 aggregate principal amount of City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds, Series 2020 (the "Bonds"). The Bonds are being issued pursuant to a Master Indenture, dated as of July 1, 2020 (the "Master Indenture"), as supplemented by a First Supplemental Indenture, dated as of July 1, 2020 (the "First Supplemental Indenture" and, together with the Master Indenture as so supplemented, the "Indenture"), each between the City and U.S. Bank National Association, as trustee (the "Trustee"). 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 original delivery of the Bonds on 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 original delivery of the Bonds on 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 or having the effect of 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 Master Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City.

3. The First Supplemental Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City.

4. 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 alternative minimum tax. 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

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.

Certain information relating to employment, income and taxable transactions to be released for the first and second quarters of 2020 can be expected to be materially different from the historical figures set forth in this Appendix C. See "SPECIAL RISK FACTORS—COVID-19 (Coronavirus) Pandemic" in the Official Statement.

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>
2015	483,303	1,484,379	38,952,462
2016	486,154	1,498,127	39,214,803
2017	493,771	1,515,015	39,504,609
2018	500,724	1,530,242	39,740,508
2019	508,172	1,546,174	39,927,315

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 3.6% in 2019, down from the 2018 estimate of 3.8%. This compares with an unadjusted unemployment rate of 4.0% for California and 3.5% for the nation during the same period. The unemployment rate was 3.5% in El Dorado County, 3.1% in Placer County, 3.7% in Sacramento County and 4.1% in Yolo County.

The table below provides information about employment rates and employment by industry type for the Sacramento MSA for calendar years 2015 through 2019. Preliminary figures from the California Employment Development Department for April 2020 show the State’s unemployment rate at 16.1% and the Sacramento MSA’s unemployment rate at 14.2%. Such unemployment figures may continue to increase as a result of the economic impact of the COVID-19 outbreak. See “SPECIAL RISK FACTORS—COVID-19 (Coronavirus) Pandemic” in the Official Statement.

SACRAMENTO MSA Civilian Labor Force, Employment and Unemployment Calendar Years 2015 through 2019 Annual Averages

	2015	2016	2017	2018	2019
Civilian Labor Force ⁽¹⁾	1,052,800	1,068,300	1,075,300	1,089,600	1,101,000
Employment	991,200	1,012,000	1,026,400	1,048,200	1,061,400
Unemployment	61,700	56,400	48,900	41,400	39,600
Unemployment Rate	5.9%	5.3%	4.5%	3.8%	3.6%
<u>Wage and Salary Employment ⁽²⁾</u>					
Agriculture	9,400	9,700	9,800	9,100	8,800
Natural Resources and Mining	400	400	500	500	500
Construction	50,300	55,000	58,700	64,500	68,400
Manufacturing	36,400	36,200	35,700	36,000	36,500
Wholesale Trade	24,400	25,500	26,500	28,400	28,700
Retail Trade	98,000	100,500	101,400	102,000	100,600
Transportation, Warehousing and Utilities	24,600	26,000	26,700	29,600	32,300
Information	14,200	13,800	12,600	12,400	11,900
Finance and Insurance	37,100	37,300	37,200	36,600	35,200
Real Estate and Rental and Leasing	13,800	14,500	15,200	16,800	17,400
Professional and Business Services	120,100	127,800	130,000	133,500	134,900
Educational and Health Services	140,900	146,500	153,600	159,800	166,400
Leisure and Hospitality	95,400	99,800	103,300	106,200	109,200
Other Services	30,900	31,700	33,000	34,200	35,100
Federal Government	13,700	14,000	14,200	14,100	14,200
State Government	115,300	116,600	118,400	120,400	122,500
Local Government	<u>102,900</u>	<u>104,000</u>	<u>102,600</u>	<u>103,500</u>	<u>104,800</u>
Total, All Industries	927,700	959,300	979,200	1,007,400	1,027,300

⁽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, March 2019 Benchmark.

Major Employers

The largest manufacturing and non-manufacturing employers as of May 1, 2019 in the community area are shown below.

SACRAMENTO COUNTY MAJOR EMPLOYERS (As of May 1, 2019)

<i>Employer Name</i>	<i>Location</i>	<i>Industry</i>
Aerojet Rocketdyne Inc	Rancho Cordova	Aerospace Industries (Manufacturers)
Agreeya Solutions	Folsom	Information Technology Services
American River College	Sacramento	Junior-Community College-Tech Institutes
AMPAC Fine Chemicals LLC	Rancho Cordova	Electronic Equipment & Supplies-Manufacturers
Apple Distribution Center	Elk Grove	Distribution Centers (Wholesale)
California Department-Corrections	Sacramento	Insurance Agents Brokers & Service
California Prison Industry Authority	Folsom	Government Offices-State
California State University Sacramento	Sacramento	Schools-Universities & Colleges Academic
Corrections Department	Sacramento	State Government-Correctional Institutions
Department of Transportation	Sacramento	Government Offices-State
Disabled American Veterans	Sacramento	Veterans' & Military Organizations
Division of Fiscal Services	Sacramento	Services- NEC
Employment Development Department	Sacramento	Government Offices-State
Environmental Protection Agency	Sacramento	State Government-Environmental Programs
Intel Corp	Folsom	Semiconductor Devices (Manufacturers)
Kaiser Permanente South	Sacramento	Hospitals
LA Care Health Plan	Sacramento	Health Plans
Mercy General Hospital	Sacramento	Hospitals
Mercy San Juan Medical Center	Carmichael	Hospitals
Sacramento Municipal Utility	Sacramento	Electric Contractors
Securitas Security Service USA	Sacramento	Security Guard & Patrol Service
SMUD Customer Service Center	Sacramento	Electric Companies
State Compensation Insurance Fund	Sacramento	Insurance
Sutter Memorial Hospital	Sacramento	Hospitals
Water Resource Department	Sacramento	Government Offices-State

Source: State of California Employment Development Department. America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

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 2014 through 2018.

COUNTY OF SACRAMENTO Personal Income 2014 through 2018

<i>Year</i>	<i>Sacramento County</i>	<i>California</i>	<i>United States</i>
2014	\$66,479,473	\$2,021,038,469	\$14,982,715,000
2015	71,505,804	2,171,947,376	15,709,242,000
2016	74,011,474	2,263,889,847	16,111,636,000
2017	77,065,668	2,370,112,356	16,870,106,000
2018	80,969,087	2,514,129,262	17,813,035,000

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 2014-2018. 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 2014-2018

<i>Year</i>	<i>Sacramento County</i>	<i>California</i>	<i>United States</i>
2014	\$45,187	\$52,324	\$47,058
2015	47,853	55,758	48,978
2016	48,965	57,739	49,870
2017	50,445	60,156	51,885
2018	52,544	63,557	54,446

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

Commercial Activity

A summary of historic taxable sales within the City for 2015-2019 is shown in the following table.

**CITY OF SACRAMENTO
Taxable Transactions
(dollars in thousands)**

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2015	8,935	\$4,250,197	13,341	\$6,183,425
2016	9,334	4,484,221	14,068	6,482,930
2017	9,422	4,679,960	14,258	6,792,196
2018	9,839	4,904,554	15,421	7,157,368
2019	10,006	4,981,350	15,970	7,427,032

Source: Taxable Sales in California, California Department of Tax and Fee Administration.

A summary of historic taxable sales within the County for 2015-2019 is shown in the following table.

**COUNTY OF SACRAMENTO
Taxable Transactions
(dollars in thousands)**

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2015	23,999	\$15,221,223	36,121	\$22,043,195
2016	24,289	16,200,530	36,800	23,368,174
2017	24,501	16,934,871	37,317	24,610,616
2018	24,853	17,593,374	39,066	25,443,669
2019	25,530	18,156,992	40,858	26,717,621

Source: Taxable Sales in California, California Department of Tax and Fee Administration.

Building and Construction

Provided below are the building permits and valuations for the City and the County for calendar years 2014 through 2018.

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

	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
<u>Permit Valuation</u>					
New Single-family	\$ 58,116.6	\$ 106,772.4	\$ 288,236.6	\$ 432,659.7	\$ 406,973.1
New Multi-family	21,874.1	108,079.3	81,997.4	158,324.1	106,149.3
Res. Alterations/Additions	<u>89,488.5</u>	<u>92,380.4</u>	<u>99,166.2</u>	<u>113,843.3</u>	<u>97,761.2</u>
Total Residential	169,479.2	307,232.1	469,400.2	704,821.1	610,883.6
New Commercial	30,460.2	26,629.2	111,156.6	143,368.7	135,902.0
New Industrial	2,178.5	0.0	150.0	0	2,489.1
New Other	29,484.9	39,614.62	3,878.0	17,182.2	19,309.8
Com. Alterations/Additions	<u>153,927.1</u>	<u>222,068.0</u>	<u>238,524.1</u>	<u>120,410.0</u>	<u>242,928.7</u>
Total Nonresidential	216,050.7	288,311.82	353,708.7	280,960.9	400,629.6
<u>New Dwelling Units</u>					
Single Family	257	435	995	1,723	1,608
Multiple Family	<u>160</u>	<u>813</u>	<u>601</u>	<u>1,076</u>	<u>813</u>
TOTAL	417	1,248	1,596	2,799	2,421

Source: Construction Industry Research Board, Building Permit Summary.

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

	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
<u>Permit Valuation</u>					
New Single-family	\$ 361,339.3	\$ 547,340.7	\$ 611,073.5	\$ 744,006.2	\$ 1,069,568.3
New Multi-family	30,113.7	108,510.6	83,282.9	242,222.7	158,638.0
Res. Alterations/Additions	<u>179,206.9</u>	<u>241,507.7</u>	<u>255,821.8</u>	<u>244,028.3</u>	<u>276,723.6</u>
Total Residential	570,659.9	897,359.0	950,178.3	1,200,257.1	1,504,929.9
New Commercial	114,813.2	155,624.2	482,772.0	270,736.7	294,719.9
New Industrial	2,178.5	0.0	150.0	3,026.0	14,151.1
New Other	145,465.8	101,500.5	85,354.4	140,367.2	137,414.6
Com. Alterations/Additions	<u>261,776.1</u>	<u>394,304.5</u>	<u>418,862.1</u>	<u>265,276.7</u>	<u>518,663.2</u>
Total Nonresidential	524,233.6	651,429.2	987,138.5	679,406.6	964,950.8
<u>New Dwelling Units</u>					
Single Family	1,547	2,358	2,676	3,174	3,589
Multiple Family	<u>226</u>	<u>815</u>	<u>609</u>	<u>1,761</u>	<u>1,272</u>
TOTAL	1,773	3,173	3,285	4,935	4,861

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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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

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:

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

“Acquisition and Construction Fund” means the City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds Acquisition and Construction Fund continued pursuant to the Master Indenture (to be maintained by the Treasurer).

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

“Bond Redemption Fund” means the City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds Bond Redemption Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

“Bond Reserve Fund” means the City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds Bond Reserve Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

“Bond Year” means the twelve-month period ending on September 1 of each year; provided, that the first Bond Year shall commence on the date of the execution, authentication and initial delivery of the first Series issued under the Master Indenture.

“Bonds” means the City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds at any time Outstanding under the Master Indenture that are executed, authenticated and delivered in accordance with the provisions of the Master Indenture. “Serial Bonds” means Bonds for which no Sinking Fund Account Payments are established. “Term Bonds” means Bonds which are redeemable or payable on or before their specified maturity date or dates from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity date or dates.

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

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

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

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

“Community Facilities District” means the City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements), a community facilities district duly organized and existing in the City under and by virtue of the Act.

“Community Facilities Fund” means the City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds Community Facilities Fund maintained pursuant to the Master Indenture (to be maintained by the Treasurer).

“Costs of Issuance Fund” means the City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds Costs of Issuance Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

“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 Sinking Fund Account Payments (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), plus (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, plus (3) the Sinking Fund Account Payments required to be deposited in the Sinking Fund Account in such Bond Year.

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

“Expense Fund” means the City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds Expense Fund continued pursuant to the Master Indenture (to be maintained by the Treasurer).

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

“Facilities” means the public facilities authorized to be acquired and constructed in and for the Community Facilities District under and pursuant to the Act at the special election held in the Community Facilities District on July 29, 2015.

“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 full faith

and credit of the United States of America: (1) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (2) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act and bonds of any federal home loan bank established under such act, and (3) stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and 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 percent (102%) of the amount invested in the repurchase agreement, (2) are in the possession of the Trustee or a third party acting solely as custodian for the Trustee who holds a perfected first lien therein, and (3) are free from all third party claims.

“Fees” means the governmental fees authorized to be financed with the proceeds of the Bonds at the special election held in the Community Facilities District on July 29, 2015.

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

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

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

“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 Master Indenture.

“Independent Certified Public Accountant” means any nationally recognized certified public accountant or firm of such accountants, 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.

“Master Indenture” means the Master Indenture, dated as of July 1, 2020, between the City and the Trustee, entered into under and pursuant to the Act and as may be amended and supplemented pursuant to its terms.

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

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Master 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 Master Indenture; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the City and authenticated and delivered by the Trustee pursuant to the Master Indenture.

“Principal Corporate Trust Office” means the corporate trust office of the Trustee in San Francisco, California, at which at any particular time its corporate trust business is being administered, except that with respect to presentation of Bonds for registration, payment, redemption, transfer or exchange, such term shall mean the corporate trust operations office of the Trustee 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 McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds Rebate Fund continued pursuant to the Master Indenture (to be maintained by the Treasurer).

“Required Bond Reserve” means, as of any date of calculation, the least of (a) ten percent (10%) of the principal amount of the Outstanding Bonds, or (b) Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the average Debt Service payable under the Master Indenture in the current and in all future Bond Years, all as determined by the City under the Code and specified in writing to the Trustee; provided, that 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 at least one rating at the time of issuance of such policy or surety bond or letter of credit equal to “A” or higher assigned by Fitch or “A” or higher assigned by Moody’s or “A” or higher assigned by Standard & Poor’s, in each case without regard to any numerical modifier or plus or minus sign; and provided

further, that the amount of the Required Bond Reserve shall not increase at any time except upon the issuance of a new Series of Bonds; and provided further, that, with respect to the issuance of any issue of Bonds, if the amount on deposit in the Bond Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of such issue of Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such issue of Bonds) then the Required Bond Reserve shall be such lesser amount as is determined by a deposit of such 10%.

“Series” means any series of the Bonds authorized, executed and authenticated pursuant to the Master Indenture and pursuant to one or more Supplemental Indentures as constituting a single series and delivered on initial issuance in a simultaneous transaction pursuant to the Master Indenture, and any Bonds thereafter executed, authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Master Indenture.

“Series 2020 Bond Insurer” means Build America Mutual Assurance Company, or any successor thereto.

“Series 2020 Bonds” means the City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds, Series 2020.

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

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

“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 Act at the special election held in the Community Facilities District on July 29, 2015.

“Special Tax Formula” means the Rate and Method of Apportionment of Special Tax approved at the election held in the Community Facilities District on July 29, 2015.

“Special Tax Fund” means the City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds Special Tax Fund continued pursuant to the Master Indenture (to be maintained by the Treasurer).

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

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

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

“Treasurer” means the City Treasurer of the City.

“Trustee” means U.S. Bank, 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 Master Indenture, at its Principal Corporate Trust Office, and its successors or assigns, or any other bank or trust company having a corporate trust office in San Francisco, California which may at any time be substituted in its place as provided in the Master Indenture.

Conditions for the Issuance of Bonds

The City may at any time issue a Series payable from the proceeds of the Special Tax as provided in the Master Indenture on a parity with all other Series theretofore issued under the Master Indenture, but only subject to the following conditions, which are made conditions precedent to the issuance of any such Series other than the Series 2020 Bonds:

(a) The issuance of such Series shall have been authorized pursuant to the Act and pursuant to the Master Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following:

(1) The purpose for which such Series is to be issued;

(2) The principal amount and designation of such Series and the denomination or denominations of the Bonds of such Series;

(3) The date, the maturity date or dates, the interest payment dates and the dates on which Sinking Fund Account Payments are due, if any, for such Series; provided, that (i) the Serial Bonds of such Series shall be payable as to principal on September 1 of each year in which principal of such Series falls due, and the Term Bonds of such Series shall be subject to mandatory redemption on September 1 of each year in which Sinking Fund Account Payments for such Series are due; (ii) the Bonds of such Series shall be payable as to interest semiannually on March 1 and September 1 of each year, except that the first installment of interest may be payable on either March 1 or September 1 and shall be for a period of not longer than twelve (12) months and the interest shall be payable thereafter semiannually on March 1 and September 1, (iii) all the Bonds of such Series of like maturity shall be identical in all respects, except as to number or denomination, and (iv) serial maturities of Serial Bonds of such Series or Sinking Fund Account Payments for Term Bonds of such Series, or any combination thereof, shall be established to provide for the redemption or payment of the Bonds of such Series on or before their respective maturity dates;

(4) The redemption premiums and redemption terms, if any, for such Series;

- (5) The form of the Bonds of such Series;
 - (6) The amount, if any, to be deposited from the proceeds of sale of such Series in the Bond Redemption Fund, and its use to pay interest on the Bonds of such Series;
 - (7) The amount, if any, to be deposited from the proceeds of sale of such Series in the Bond Reserve Fund; provided, that the Required Bond Reserve shall be satisfied at the time that such Series becomes Outstanding;
 - (8) The amount, if any, to be deposited from the proceeds of sale of such Series in the separate account for such Series to be maintained in the Costs of Issuance Fund; and
 - (9) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Master Indenture;
- (b) No Event of Default under the Master Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing; and
 - (c) Either (i) none of the Bonds theretofore issued under the Master Indenture will be Outstanding after the issuance and delivery of such Series or (ii) the Debt Service in each Bond Year that begins after the issuance of such Series is not increased by reason of the issuance of such Series.

Deposit of Proceeds of the Special Tax in the Special Tax Fund

The City agrees and covenants that all proceeds of the Special Tax, when and as received, will be received and held by it in trust under the Master Indenture, and will be deposited as and when received in the “City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds Special Tax Fund,” which fund has been established and is continued in the treasury of the City and which fund the City agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding under the Master Indenture, and all such money in the Special Tax Fund shall be accounted for separately and apart from all other accounts, funds, money or other resources of the City, and shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Master Indenture. Subject only to the provisions of the Master 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 Master 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 Bond Redemption Fund and the Bond Reserve Fund. Such pledge constitutes a lien on and security interest in such assets and will attach, be perfected, and be valid and binding without any physical delivery or further act.

Notwithstanding anything to the contrary in the Master Indenture, as soon as practicable after the receipt by the City of any prepayment of the Special Tax, the Treasurer shall (i) deposit any component thereof representing the “Remaining Facilities Amount” (as defined in the Special Tax Formula) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing the “Administrative Fees and Expenses” (as defined in the Special Tax Formula) in the Expense Fund, and (iii) transfer to the Trustee for deposit in the Bond Redemption Fund, any

remaining amounts, for the extraordinary redemption of Bonds pursuant to the terms of any Supplemental Indenture. The respective amounts of the deposits and transfers described in clauses (i), (ii) and (iii) will be determined by the Treasurer.

Allocation of Money in the Special Tax Fund

All money in the Special Tax Fund shall be set aside by the Treasurer in the following respective funds and accounts (each of which funds and accounts the City agrees and covenants to maintain with the Treasurer or the Trustee, as the case may be, so long as any Bonds are Outstanding under the Master Indenture) in the following order of priority, and all money in each of such funds and accounts shall be applied, used and withdrawn only for the purposes authorized in the Master Indenture, namely:

(1) City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds Bond Redemption Fund (maintained by the Trustee). On or before the first (1st) day in each March and September, the Treasurer shall, from the money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such March 1 or September 1, as the case may be, and on or before the first (1st) day in September 1 in each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on such September 1 plus the Sinking Fund Account Payments required to be made on such September 1 into the Sinking Fund Account; provided, that all of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that the money in the Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds on such date, or in the event that the money in the Bond Redemption Fund on any September 1 is not equal to the amount of principal of the Bonds becoming due on such date plus the amount of the Sinking Fund Account Payments becoming due on such date, as the case may be, then such money shall be applied pro rata in such proportion as such interest and principal and Sinking Fund Account Payments bear to each other; and provided further, that no deposit need be made into the Bond Redemption Fund if the amount of money contained therein is at least equal to the amount required by the terms of the Master Indenture as summarized by this paragraph to be deposited therein at the times and in the amounts provided in the Master Indenture.

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

(2) City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds Bond Reserve Fund (maintained by the Trustee). On or before the first (1st) day in September in 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 such amount of money as shall be required to restore the Bond Reserve Fund to an amount equal to the Required Bond Reserve; and for this purpose all investments in the Bond Reserve Fund shall be valued on or before September 1 of each year at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the holder at his or her option, if so redeemable, or if not so redeemable, at the lesser of (i) the par value of such investments, or (ii) the market value of such investments; provided, that no deposit need be made into the Bond Reserve Fund if the amount contained therein is at least equal to the Required Bond Reserve. In making any valuations under the Master Indenture, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system and rely thereon.

All money in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the interest on or principal of the Bonds in the event there is insufficient money in the Bond Redemption Fund available for this purpose; (ii) reinstating the amount available under any municipal bond insurance policy, surety bond, or letter of credit held in satisfaction of all or a portion of the Required Bond Reserve; or (iii) retiring Bonds, in whole or in part, to the extent that the amount on deposit in the Bond Reserve Fund exceeds the Required Bond Reserve due to a redemption or defeasance of Bonds; provided, that if as a result of any of the valuations required by the paragraph immediately above it is determined that the amount of money in the Bond Reserve Fund exceeds the Required Bond Reserve, the Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such amount of money in the Bond Redemption Fund.

(3) City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds Expense Fund (maintained by the Treasurer). On September 1 in 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 twelve-month period beginning on such date, or to reimburse the City for the payment of unbudgeted Expenses during the prior twelve-month period. All money in the Expense Fund shall be used and withdrawn by the Treasurer only for transfer to or for the account of the City to pay budgeted Expenses as provided in the Master Indenture, or to reimburse the City for the payment of unbudgeted Expenses as provided in the Master Indenture, or to pay interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money is available therefor.

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 Master Indenture, shall be withdrawn from the Special Tax Fund by the Treasurer for and deposited in the "City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds Community Facilities Fund," which fund the City agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding under the Master Indenture, and all money in the Community Facilities Fund shall be used and withdrawn by the City solely for the benefit of the Community Facilities District in accordance with the Act; provided, that the Treasurer shall not make any such withdrawal of money in the Special Tax Fund if and when (to the

Treasurer's actual knowledge) an Event of Default is then existing under the Master Indenture.

Covenants of the City

Punctual Payment and Performance. The City will punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond issued under the Master Indenture in strict conformity with the terms of the Act and of the Master Indenture and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Indenture and in all Supplemental Indentures 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 Master 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 Master 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 Master Indenture.

Against Federal Income Taxation.

(a) The City will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the City will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the City or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the City, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code; provided, that if the City shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under the Master Indenture as described in 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 Master Indenture. In the event that at any time the City is of the opinion that for purposes of the Master Indenture described in this section it is necessary to restrict or limit the yield on the investment of any money held by the Treasurer under the Master Indenture or otherwise the City shall so instruct the Treasurer in writing, and the Treasurer shall take such action as may be necessary in accordance with such instructions.

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

continued in the treasury of the City a fund to be known as the "City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds Rebate Fund" to be held in trust and administered by the Treasurer. The City will comply with the provisions of each Tax Certificate with respect to making deposits in the Rebate Fund, and all money held in the Rebate Fund is pledged to provide payments to the United States of America as provided in the Master Indenture and in each Tax Certificate and no other person shall have claim to such money except as provided in each Tax Certificate.

(c) In connection with the issuance of a Series of Bonds, the City may exclude the application of the covenants contained in the Master Indenture as described under this caption to such Series of 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.

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.

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

Foreclosure of Special Tax Liens. 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 Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by three thousand five hundred dollars (\$3,500) 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 ninety-five percent (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 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 one hundred percent (100%) of the amount of such installment from the County of Sacramento pursuant to the so-called "Teeter Plan."

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

Amendment of or Supplement to the Master Indenture

Procedure for Amendment of or Supplement to the Master Indenture.

(a) Amendment or Supplement With Consent of Holders. The Master 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 a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Master Indenture, shall have been filed with the Trustee; provided, that no such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the City to pay the interest on or principal of or 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 Master 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 on a parity with the Bonds other than as provided in the Master 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. The written consent of the Holders of a Series of Bonds may be effected (a) through a consent by the underwriter of such Series of Bonds at the time of the issuance of such Series of Bonds and (b) through a provision of a Supplemental Indenture that deems any Holder purchasing such Series of Bonds to consent for purposes of the provisions of the Master Indenture described in this paragraph by virtue of its purchase of such Series of Bonds.

(b) Amendment or Supplement Without Consent of Holders. The Master 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 for any one or more of the following purposes –

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

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

(iii) To authorize the issuance under the Act and under the Master Indenture of a Series and to provide the conditions and terms under which such Series may be issued, subject to and in accordance with the provisions of the Master Indenture;

(iv) To authorize the issuance under and subject to the Act of any refunding bonds for any of the Bonds and to provide the conditions and terms under which such refunding bonds may be issued, subject to and in accordance with the provisions of the Master Indenture;

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

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

(vii) To permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by that act or similar federal statute and which shall not (in the opinion of the City) materially adversely affect the interests of the Holders; and

(viii) For any other purpose that does not (in the opinion of the City) materially adversely affect the interests of the Holders.

Disqualified Bonds. Bonds owned or held for the account of the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in the Master Indenture, and shall not be entitled to consent to or take any other action provided therein.

Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as provided in the Master Indenture, the City may determine that the Bonds may bear a notation by endorsement in form approved by it as to such action, and in that

case upon demand of the Holder of any Bond Outstanding on such effective date and presentation of his Bond for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the City shall so determine, new Bonds so modified as, in the opinion of the City, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Bond Outstanding on such effective date such new Bonds shall, upon surrender of such Outstanding Bonds, be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Holder, for Bonds then Outstanding.

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

Events of Default and Remedies

Events of Default and Remedies of Holders. If one or more of the following events (herein "Events of Default") shall happen, that is to say --

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

(b) if default shall be made by the City in the observance or performance of any of the other agreements or covenants contained in the Master Indenture required to be observed or performed by it, and such default shall have continued for a period of thirty (30) days after the City shall have been given notice in writing of such default by the Trustee; or

(c) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then in each and every such case during the continuance of such Event of Default the Trustee may take the following remedial steps --

(a) by mandamus or other suit or proceeding at law or in equity to compel the City Council or the City or any of the officers or employees of the City to perform each and every term, provision and covenant contained in the Master Indenture and in the Bonds and carry out their duties under the Act and the agreements and covenants with the Holders contained in the Master Indenture;

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

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

Application of Proceeds of Special Tax After Default. If an Event of Default shall occur and be continuing, all proceeds of the Special Tax thereafter received by the City shall be immediately transferred to the Trustee and the Trustee shall apply all proceeds of the Special Tax and any other funds thereafter received by the Trustee under any of the provisions of the Master Indenture as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, including the costs and expenses of the Trustee and the Holders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Master Indenture.

(b) To the payment of the principal of and interest and premium, if any, then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Master Indenture, as follows:

First: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the persons entitled thereto of the unpaid principal (including Sinking Fund Account Payments) of and redemption premium, if any, on the Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal of and premium, if any, due on such date to the persons entitled thereto, without any discrimination or preference.

(c) Any remaining amounts shall be transferred by the Trustee to the City for deposit in the Special Tax Fund.

Trustee to Represent Holders. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Master Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Holders, the Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders

by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Master Indenture, or in aid of the execution of any power granted in the Master Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Master Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the proceeds of the Special Tax and other amounts and assets pledged under the Master Indenture, pending such proceedings. All rights of action under the Master Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Master Indenture.

Holders' Direction of Proceedings. Anything in the Master Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnifying the Trustee to its satisfaction therefor, to direct the method of conducting all remedial proceedings taken by the Trustee under the Master Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Master Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction.

Limitation on Holders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Master Indenture, the Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Master Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Master Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by such Holder's or Holders' action to affect, disturb or prejudice the security of the Master Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Master Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Master Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Master Indenture.

Absolute Obligation of the City. Nothing in the Master Indenture, or in the Bonds, contained shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and redemption premium, if any, and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Master Indenture, but only out of the proceeds of the Special Tax and other assets pledged in the Master Indenture therefor, and not otherwise, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Holders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Holders, then in every such case the City, the Trustee and the Holders, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Master Indenture, severally and respectively, and all rights, remedies, powers and duties of the City, the Trustee and the Holders shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred in the Master Indenture upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Master Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Master Indenture to the Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Defeasance

Discharge of the Bonds.

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

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

(c) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, notice of redemption shall have been given as provided in the Master Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, (2) there shall have been deposited with an escrow agent or the Trustee either (x) money in an amount which shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of 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 or (y) Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with such escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of 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 an Accountant's Report on file with the City and the Trustee in the case of a deposit pursuant to the Master Indenture as described in clause (y) of this paragraph, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have instructed the Trustee to mail pursuant to the Master Indenture a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with such escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with the provisions of the Master Indenture described in this section and stating the maturity dates or redemption dates, as the case may be, upon which money will be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Certain Provisions Relating to the Series 2020 Bond Insurer

Notwithstanding anything to the contrary contained in the Master Indenture, the following provisions will control for so long as any of the Series 2020 Bonds are Outstanding.

(a) Any amendment, supplement, modification to, or waiver of, the Master Indenture that requires the consent of Holders of the Series 2020 Bonds or adversely affects the rights or interests of the Series 2020 Bond Insurer shall be subject to the prior written consent of the Series 2020 Bond Insurer.

(b) Any reorganization or liquidation plan with respect to the City must be acceptable to the Series 2020 Bond Insurer. The Trustee and each owner of the Series 2020 Bonds appoint the Series 2020 Bond Insurer as their agent and attorney-in-fact with respect to the Series 2020 Bonds and agree that the Series 2020 Bond Insurer may at any time during the continuation of any proceeding by or against the City under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to a Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each owner of the Series 2020 Bonds delegate and assign to the Series 2020 Bond Insurer, to the fullest extent permitted by

law, the rights of the Trustee and each owner of the Series 2020 Bonds with respect to the Series 2020 Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(c) Anything in the Master Indenture to the contrary notwithstanding, upon the occurrence and continuance of a default or an Event of Default, the Series 2020 Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Series 2020 Bonds or the Trustee for the benefit of the Holders of the Series 2020 Bonds under the Master Indenture. No default or Event of Default may be waived without the Series 2020 Bond Insurer's written consent.

(d) Upon the occurrence and continuance of a default or an Event of Default, the Series 2020 Bond Insurer shall be deemed to be the sole owner of the Series 2020 Bonds for all purposes under the Master Indenture, including, without limitations, for purposes of exercising remedies and approving amendments.

(e) The Series 2020 Bond Insurer's prior written consent is required as a condition precedent to, and in all instances of, acceleration of the Series 2020 Bonds. No grace period shall be permitted for payment defaults on the Series 2020 Bonds. No grace period for a covenant default shall exceed 30 days without the prior written consent of the Series 2020 Bond Insurer.

(f) The Series 2020 Bond Insurer is recognized as and shall be deemed to be a third party beneficiary of the Master Indenture and may enforce the provisions of the Master Indenture as if it were a party thereto.

(g) To the extent the Series 2020 Bond Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Series 2020 Bonds, the Series 2020 Bond Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the City, with interest thereon, as provided and solely from the sources stated in the Master Indenture and the Series 2020 Bonds.

(h) No contract shall be entered into or any action taken by which the rights of the Series 2020 Bond Insurer or security for or source of payment of the Series 2020 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Series 2020 Bond Insurer.

(i) If an event of default occurs under any agreement pursuant to which any Obligation of the City has been incurred or issued and that permits the holder of such Obligation or trustee to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the Holders of the Series 2020 Bonds or the Series 2020 Bond Insurer, as the Series 2020 Bond Insurer may determine in its sole discretion, then an event of default shall be deemed to have occurred under the Master Indenture for which the Series 2020 Bond Insurer or the Trustee, at the direction of the Series 2020 Bond Insurer, shall be entitled to exercise all available remedies under the Master Indenture, at law and in equity. For purposes of the foregoing "Obligation" means any bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the Series 2020 Bonds.

Miscellaneous

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

Waiver of Personal Liability. No member of the City Council or officer or employee of the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, but nothing in the Master Indenture shall relieve any member of the City Council or officer or employee of the City from the performance of any official duty provided by the Master Indenture or by the Act or by any other applicable provisions of law.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY

This Continuing Disclosure Certificate dated as of July 1, 2020 (this “**Certificate**”), is executed and delivered by the City of Sacramento, a California municipal corporation and charter city (the “**Issuer**”), in connection with the issuance of the City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements) Special Tax Bonds, Series 2020 (the “**Bonds**”). The Bonds are being issued under Resolution No. 2020-0163 adopted by the Sacramento City Council on June 2, 2020, and a Master Indenture, dated as of July 1, 2020, as supplemented by a First Supplemental Indenture dated as of July 1, 2020 (collectively, the “**Indenture**”), each between the Issuer and U.S. Bank National Association, as trustee.

The Issuer hereby covenants as follows:

1. **Purpose of this Certificate.** This Certificate is being executed and delivered for the benefit of the Holders and Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with the Rule.
2. **Definitions.** In addition to the definitions set forth in the Indenture and the Rate and Method of Apportionment, which apply to any capitalized term used in this Certificate unless the term is otherwise defined in this section 2, the following capitalized terms have the following meanings:
 - “**Annual Report**” means any annual report that meets the criteria in section 4 and is provided by the Issuer under section 3.
 - “**Beneficial Owner**” means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including a person holding Bond through a nominee, depository, or other intermediary); or (b) is treated as the owner of any Bond for federal income-tax purposes.
 - “**Dissemination Agent**” initially means the Issuer, and thereafter it means any successor Dissemination Agent the Issuer designates in writing.
 - “**District**” means the City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements).
 - “**EMMA**” means 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.
 - “**Fiscal Year**” means the Issuer’s fiscal year, which begins on July 1 and ends the following June 30.
 - “**Listed Event**” means any of the events listed in section 5 below.
 - “**MSRB**” means the Municipal Securities Rulemaking Board.
 - “**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 July 28, 2015, and designated as Resolution No. 2015-0242.
- “**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.

3. **Provision of Annual Reports.**

- Beginning with the Fiscal Year ending June 30, 2020, the Issuer shall provide to EMMA, or shall cause the Dissemination Agent to provide to EMMA, in either case not later than March 31 after the end of the Fiscal Year, an Annual Report that is consistent with the requirements of section 4 of this Certificate. 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.
- If the Dissemination Agent is an entity other than the Issuer, then the provisions of this section 3(b) will apply. The Issuer shall provide the Annual Report to the Dissemination Agent, in a form suitable for filing with EMMA, not later than 15 business days before the date specified in section 3(a) for providing the Annual Report to EMMA. If the Dissemination Agent has not received a copy of the Annual Report by the 15th business day before the date for providing the Annual Report, then 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.
- 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), then the Dissemination Agent shall send a notice in a timely manner to EMMA, in the form required by EMMA.
- If the Dissemination Agent is other than the Issuer, then the Dissemination Agent shall—
 - 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
 - file a report with the Issuer, promptly after receipt of the Annual Report, certifying that the Annual Report has been provided to EMMA and the date it was provided.
- Notwithstanding any other provision of this Certificate, all filings must be made in accordance with the EMMA system or in another manner approved under the Rule.

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

- Financial Statements.* The Issuer’s audited financial statements for the 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, then 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.
- Financial and Operating Data.* The Annual Report must contain or incorporate by reference the following information except to the extent the information is included in the Issuer’s audited

financial statements or in a report to the California Debt and Investment Advisory Commission that has been uploaded to EMMA:

- (1) Balances in each of the following funds established under the Indenture as of the close of the prior fiscal year:
 - (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, *i.e.*, the Debt Service due on the following September 1).
 - (B) The Bond Reserve Fund.
- (2) The aggregate land assessed valuation and the aggregate improvement assessed valuation within the District, which may be in a form similar to Table 3 (Historical Assessed Values) in the Official Statement.
- (3) A statement of the debt-service requirements for the Bonds for the prior Fiscal Year.
- (4) An update of the information in Table 4A of the Official Statement based on the assessed valuation of the Taxable Parcels within the District for the current Fiscal Year, except that the information with respect to overlapping land-secured debt need not be included.
- (5) A statement of the actual Special Tax collections for the District for the prior Fiscal Year, which may be in a form similar to Table 7 in the Official Statement
- (6) The following information (to the extent that it is no longer reported in the Issuer's annual filings with the California Debt and Investment Advisory Commission regarding the Bonds):
 - (A) The Required Bond Reserve for the prior Fiscal Year.
 - (B) A statement as to the status of any foreclosure actions with respect to delinquent payments of the Special Tax.
 - (C) 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) 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 through EMMA. The Issuer shall clearly identify each document included by reference.

5. Reporting of Significant Events.

- (a) The Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, not more 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.

Note: For the purposes of the event identified in section 5(a)(8), the event is considered to occur when any of the following occur: if a receiver, fiscal agent, or similar officer is appointed for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer; or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority; or if an order confirming a plan of reorganization, arrangement, or liquidation is entered by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

- (9) Ratings changes.
 - (10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.
- (b) Additionally, the Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, not more than ten business days after the occurrence of any of the following events with respect to the Bonds, if material:
- (1) Unless described in section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds.
 - (2) 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.
 - (3) Appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent.
 - (4) Nonpayment related defaults.
 - (5) Modifications to the rights of Bondholders.
 - (6) Bond calls.
 - (7) Release, substitution, or sale of property securing repayment of the Bonds.
 - (8) Incurrence of a financial obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect Bondholders.

- (c) For purposes of the events identified in section 5(a)(10) or 5(b)(8), “financial obligation” means a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (1) or (2). “Financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.
 - (d) 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 a Listed Event would be reported under this section 5.
 - (e) The undertaking set forth in this Certificate is the Issuer’s responsibility. The Dissemination Agent, if other than the Issuer, is not responsible for determining whether the Issuer’s instructions to the Dissemination Agent under this section 5 comply with the Rule.
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.
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 this 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’ advance written notice to the Issuer, with the resignation effective upon appointment of a new Dissemination Agent.
8. **Amendment.**
- (a) The parties may amend this Certificate by written agreement of the parties without the consent of the Holders, 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.
 - (3) The amendment or waiver either (A) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (B) does not, in the determination of the Issuer, materially impair the interests of the Holders or Beneficial Owners of the Bonds.
 - (b) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided under this Certificate, the first Annual Report provided after the change must include a narrative explanation of the reasons for the amendment and the effect of the change on 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 effect of the change in the accounting principles on the presentation of the financial information.

9. **Additional Information.** This Certificate does not prevent the Issuer (a) from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication; or (b) 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.
10. **Default.** If the Issuer or the Dissemination Agent fails to comply with any provision of this Certificate, then any Holder 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 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.
11. **Duties, Immunities, and Liabilities of Dissemination Agent.**
 - (a) Where an entity other than the Issuer is acting as the Dissemination Agent, the Dissemination Agent will have only the duties expressly 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 losses, expenses, and liabilities that arise out of, or in the exercise or performance of, their powers and duties under this Certificate, including reasonable attorney's fees and other expenses of defending against any claim of liability, but excluding losses, expenses, and liabilities due to the Dissemination Agent's negligence or willful misconduct.
 - (b) Except as provided in section 11(a), the Issuer shall pay any Dissemination Agent (1) compensation for its services provided under this Certificate in accordance with an agreed-upon schedule of fees; and (2) all expenses, legal fees, and advances made or incurred by the Dissemination Agent in the performance of its duties under this Certificate.
 - (c) The Dissemination Agent has 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.
12. **Beneficiaries.** This Certificate inures solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, and Holders and Beneficial Owners from time to time of the Bonds, and it creates no rights in any other person or entity.
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.

14. **Effective Date.** This Certificate is effective as of the date and year set forth above in the preamble.

CITY OF SACRAMENTO

By: _____
John P. Colville Jr., City Treasurer

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District 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 to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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 Bonds 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 prepayments, 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 prepaid, 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 District 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).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District 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 District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District 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.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

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

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

THE PAYING AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



CALIFORNIA
ENDORSEMENT TO
MUNICIPAL BOND
INSURANCE POLICY
NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer



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