# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
# BOARD OF EDUCATION

Agenda Item# 10.3

**Meeting Date**: May 2, 2013

**Subject**: **Resolution No. 2747: Prescribing the Terms of Sale of Bonds from Authorization Granted by the Voters on November 6, 2012**

- ☐ Information Item Only
- ☐ Approval on Consent Agenda
- ☐ Conference (for discussion only)
- ☒ Conference/First Reading (Action Anticipated: May 16, 2013)
- ☐ Conference/Action
- ☐ Action
- ☐ Public Hearing

**Division**: Administrative Services

**Recommendation**: Consider for approval Resolution No. 2747 authorizing the issuance and sale of Measure Q and Measure R General Obligation bonds and approving forms of documents and actions of officers of the district necessary in connection with the refunding of General Obligation bonds.

**Background/Rationale**: At an election held on November 6, 2012, more than two-thirds of voters approved Measure Q, a bond issuance of $346 million for upgrading classrooms; science labs; computer systems and technology; renovating heating and ventilation systems; improving student safety and security systems; and repairing roofs, restrooms, floors and plumbing. The voters also approved Measure R, a bond issuance of $68 million for the repair of playgrounds and playfields to meet modern safety standards; the improvement of physical education facilities and restrooms; the removal of asbestos and lead paint; and the upgrading of kitchen facilities to improve children's nutrition.

General Obligation bonds are backed by local tax revenues and the obligation of the bond's debt service is separate from the general fund of the district. As authorized by taxpayers, the county director of finance is obligated to levy ad valorem taxes on a property subject to taxation in the district.

The attached documents provide authorization to move forward with the issuance and sale of the bonds. The cost of issuance will be taken into consideration as part of the financing.

**Financial Considerations**: None

**Documents Attached:**

1. Executive Summary
2. Authorizing Resolution
3. Preliminary Official Statement
4. Paying Agent Agreement
5. Official Notice of Sale (Measure Q)
6. Official Notice of Sale (Measure R)
7. Notice of Intention to Sell (Measure Q)
8. Notice of Intention to Sell (Measure R)
9. Continuing Disclosure Certificate
10. Bond Purchase Contract

**Estimated Time**: 15 minutes
**Submitted by**: Ken A. Forrest, Chief Business Officer
**Approved by**: Jonathan P. Raymond, Superintendent

# Board of Education Executive Summary

**Administrative Services**

Resolution No. 2747: Prescribing the Terms of Sale of Bonds from Authorization Granted by the Voters on November 6, 2012

May 2, 2013

## I. Overview/History:

The district received authorization at an election held on November 6, 2012, by more than two-thirds of the votes cast by eligible voters, to issue two General Obligation bonds: Measure Q for $346 million and Measure R for $68 million.

Measure Q, a bond issuance of $346 million, will provide for the upgrading of classrooms; science labs; computer systems and technology; renovating heating and ventilation systems; improving student safety and security systems; and repairing roofs, restrooms, floors and plumbing.

Measure R, a bond issuance of $68 million, will provide for the repair of playgrounds and playfields to meet modern safety standards; the improvement of physical education facilities and restrooms; the removal of asbestos and lead paint; and the upgrading of kitchen facilities to improve children's nutrition.

Since early 2012, the interest rate environment has been very low. This environment allows the district an opportunity to issue bonds at low interest rates.

## II. Driving Governance:

- California Government Code section 53559 states that the county director of finance will continue to administer the tax levy for debt service for the bonds

## III. Budget:

General Obligation bonds are voter-approved debt, which are secured by the legal obligation to levy ad valorem property taxes sufficient to pay annual debt services. General Obligation bonds are independent from the district's general fund. As authorized by the taxpayers, the county director of finance is obligated to levy ad valorem taxes on a property subject to taxation in the district.

## IV. Goals, Objectives and Measures:

Fund and implement the projects approved by the voters.

## V. Major Initiatives:

- Fund approved projects
- No financial impact to the general fund

## VI. Results:

Recognizing its responsibility to taxpayers, the district is developing a long-term plan to fund and implement approved projects while minimizing the impact to our taxpayers.

## VII. Lessons Learned/Next Steps:

- Approval from Sacramento County Office of Education and Sacramento County for General Obligation bonds
- Financial plan for the district continues to protect district assets and financial viability

BOARD OF EDUCATION
OF THE
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COUNTY OF SACRAMENTO, STATE OF CALIFORNIA

RESOLUTION NO. 2747

RESOLUTION PRESCRIBING THE TERMS OF SALE OF BONDS OF SACRAMENTO CITY UNIFIED SCHOOL DISTRICT, REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO TO ISSUE AND SELL NOT TO EXCEED $25,000,000 OF SAID BONDS OF MEASURE Q AND NOT TO EXCEED $60,000,000 OF SAID BONDS OF MEASURE R, APPROVING THE FORMS OF ONE OR MORE OFFICIAL NOTICES OF SALE, NOTICES OF INTENTION TO SELL BONDS, BOND PURCHASE CONTRACTS, PAYING AGENT AGREEMENTS, AND OFFICIAL STATEMENTS, REQUESTING SAID BOARD OF SUPERVISORS TO DELEGATE TO THE COUNTY DIRECTOR OF FINANCE OR HIS DESIGNEE AUTHORIZATION TO AWARD BID FOR SAID BONDS, OR TO SELL SAID BONDS BY NEGOTIATED SALE AND AUTHORIZING CERTAIN ACTIONS AND DOCUMENTS IN CONNECTION THEREWITH.

---

WHEREAS, two elections were duly called and regularly held in the Sacramento City Unified School District, County of Sacramento, California (herein called the "District"), both on November 6, 2012, pursuant to Sections 15100 and 15264 and following of the Education Code of the State of California, at which bond propositions summarized as follows were submitted to the electors of the District (Measure Q and Measure R, respectively):

> "To better prepare students for college and careers by upgrading classrooms, science labs, computer systems and technology; renovating heating and ventilation systems; reducing costs through energy efficiency; improving student safety and security systems; repairing roofs, floors, walkways, bathrooms, electrical, plumbing and sewer systems; shall Sacramento City Unified School District issue $346 million in bonds with independent citizen oversight, no money for administrator salaries, and mandatory annual audits to guarantee funds are spent properly to benefit local children?"

> "To improve the health and safety of children, repair playgrounds and playfields to meet modern safety standards, improve physical education facilities and bathrooms, improve irrigation systems and water drainage to reduce water consumption, remove asbestos, lead paint and other unsafe conditions and to upgrade kitchen facilities to improve nutrition and nutritional education for children, shall the Sacramento City Unified School District issue $68 million of

bonds, with independent Citizen's Oversight and no money for administrator salaries?"

and

WHEREAS, passage of said propositions required a 55% affirmative vote of the votes cast therein, and at least 55% of the votes cast on said propositions were in favor of issuing said bonds; and

WHEREAS, none of said bonds have heretofore been issued and sold; and

WHEREAS, the Superintendent of Schools of the County of Sacramento (the "County") has jurisdiction over the District; and

WHEREAS, this Board of Education of the District deems it necessary and desirable that the Board of Supervisors of the County shall authorize and consummate the sale and issuance of a portion of said bonds in several series in a principal amount and according to the terms and in the manner hereinafter set forth; and

WHEREAS, the District has been allocated $40,000,000 of Qualified School Construction Bond authorization (the "District Allocation"); and

WHEREAS, the Board of Education deems it necessary and desirable to use all or a portion of the District Allocation to issue and sell a portion of its 2013 General Obligation Bonds and if it is determined by the Authorized District Representative (as defined herein) to be in the best interest of the District; and

WHEREAS, Orrick, Herrington & Sutcliffe LLP serves as bond counsel to the District and will serve in such capacity in connection with the bonds authorized hereby; and

WHEREAS, Capitol Public Finance Group, serves as financial advisor to the District and will serve in such capacity in connection with the bonds authorized hereby; and

WHEREAS, this Board of Education further deems it necessary and desirable to authorize the sale of said bonds by a competitive sale to the responsible bidder who makes the lowest interest cost bid, and pursuant to Education Code Section 15146, has found and determined that a competitive sale is more likely to produce lower total borrowing costs; and

WHEREAS, this Board also wishes to authorize the sale of the Bonds by negotiated sale to an underwriter to be chosen by the Authorized District Representative in consultation with the Financial Advisor and the County Director of Finance should the Authorized District Representative in consultation with the County Director of Finance determine such a sale is in the best interests of the District; and

WHEREAS, in accordance with Education Code Section 15146, estimates of the costs associated with the issuance of said bonds are attached hereto as Exhibit A; and

WHEREAS, attached are proposed forms of Continuing Disclosure Certificates, Official Notice of Sale of Bonds, Notice of Intention to Sell Bonds, a Paying Agent Agreement, a Bond Purchase Contract and Preliminary Official Statements, all with respect to the bonds authorized hereby; and

NOW, THEREFORE, THE BOARD OF EDUCATION OF SACRAMENTO CITY UNIFIED SCHOOL DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER, AS FOLLOWS:

Section 1. Recitals: All of the above recitals are true and correct.

Section 2. Request for Sale of Bonds; County Resolution; Certificate of Award: The Board of Supervisors of the County (the "Board of Supervisors") is hereby requested, pursuant to Sections 15140 and following of the Education Code of the State of California, to sell not later than October 8, 2013, by competitive sale to the responsible bidder who makes the lowest interest cost bid, not to exceed $25,000,000 aggregate principal amount of bonds, designated as the "Sacramento City Unified School District General Obligation Bonds (Measure Q) (Election of 2012), Series 2013__" (the "Measure Q Bonds") and $60,000,000 aggregate principal amount of bonds, in one or more series designated as the "Sacramento City Unified School District General Obligation Bonds (Measure R) (Election of 2012), Series 2013__," with appropriate series designation (the "Measure R Bonds" and, together with the Measure Q Bonds, the "Bonds"). This Board of Education expressly approves the sale of said Bonds by such method. The Bonds shall be issued as Current Interest Bonds, as provided in Section 3 hereof.

The Board also authorizes the sale of the Bonds by negotiated sale pursuant to the Bond Purchase Agreement, the form of which is approved in Section 6 hereof, should the Authorized District Representative, in consultation with the County Director of Finance and the Financial Advisor, determine that a negotiated sale would be to the District's financial advantage.

The Board of Supervisors is hereby requested to provide by resolution (the "County Resolution") for the terms of the sale and issuance of the bonds in accordance with the particular terms and manner set forth herein and, with respect to such necessary or desirable terms as are not specified herein, as the Board of Supervisors shall otherwise see fit to determine. With respect to such necessary or desirable terms as are not finally determined by the County Resolution, the Board of Supervisors is hereby requested to provide for an Official Notice of Sale (as defined in Section 5 hereof) describing such terms to be completed and circulated prior to the sale of the Bonds, and a Certificate of Award (the "Certificate of Award") to be completed upon the sale of the Bonds or the execution and delivery of a Bond Purchase Contract, in which any such terms of the Bonds shall be finally determined. The Board of Supervisors, or such officer or officers of the County as shall be authorized by the County Resolution to consummate the transactions contemplated herein, including by completing and executing the Official Notice of Sale and the Certificate of Award or the execution and delivery of a Bond Purchase Contract, is hereby requested to establish said terms of the Bonds upon consultation with the Superintendent of the District, the Chief Business Officer of the District, or such other officer of the District designated for the purpose (each an "Authorized District Representative").

Section 3. Terms of Bonds: (a) Date of Bonds. The Bonds shall be dated the date of their delivery, or such other date as shall be specified in the Certificate of Award or Bond Purchase Contract.

(b) Denominations. The Bonds shall be issued in denominations of $5,000 principal amount or any integral multiple thereof.

(c) Maturity. The Bonds shall mature on the date or dates, in each of the years, in the principal amounts and in the aggregate principal amount as shall be specified in the Certificate of Award. No Bond shall mature prior to August 1, 2013, and no Bond shall mature later than the date which is 25 years from the date of the Bonds, to be determined as provided in subsection (a) of this Section. No Bond shall have principal maturing on more than one principal maturity date.

The Qualified School Construction Bonds shall mature on the date, in each of the years, in the principal amounts and in the aggregate principal amount as shall be set forth in the Certificate of Award. No Qualified School Construction Bond shall mature prior to August 1, 2013, and no Qualified School Construction Bond shall mature later than the date which is 25 years from the date of the Qualified School Construction Bonds, or such earlier date as may be mandated by the U.S. Treasury, to be set forth in the Bond Purchase Contract or Certificate of Award; provided that each Qualified School Construction Bond shall mature or be subject to mandatory redemption not later than the date required under the Internal Revenue Code. No Qualified School Construction Bond shall have principal maturing on more than one principal maturity date. The Bond Purchase Contract may provide that no Qualified School Construction Bonds shall be issued.

The aggregate principal amount of the Measure Q Bonds issued shall not exceed $25,000,000. The aggregate principal amount of the Measure R Bonds shall not exceed $60,000,000.

(d) Interest Payment. The Bonds shall bear interest at an interest rate not to exceed the statutory limit of 8.00% per annum, computed on the basis of a 360-day year of twelve 30-day months, payable on February 1 and August 1 in each year, commencing February 1, 2014 (or on such other initial and semiannual interest payment dates as shall be specified in the Certificate of Award).

Section 4. Redemption Provisions: The Bonds shall be subject to redemption prior to their respective stated maturity dates at the option of the District as shall be specified in the Certificate of Award or Bond Purchase Contract. The Bonds shall also be subject to mandatory sinking fund redemption, as shall be specified in the Certificate of Award or Bond Purchase Contract. The Board of Supervisors may provide that the Bonds shall not be subject to optional or mandatory redemption.

Section 5. Official Notice of Sale: The forms of Official Notice of Sale inviting bids for the Bonds, in substantially the form submitted to this Board, are hereby approved, and the Board of Supervisors is hereby requested to adopt and use said forms as the Official Notice of Sale inviting bids for the Bonds, subject to such corrections, revisions or

additions as deemed necessary by the Authorized District Representative and as may be acceptable to the County. Capitol Public Finance Group (herein called the "Financial Advisor"), is hereby authorized and directed to cause to be mailed to prospective bidders for the Bonds (including by posting to an appropriate Internet website which shall be accessible to interested bidders) copies of said Official Notice of Sale in the forms finally approved by the Authorized District Representative and the County.

Section 6. Sale of Bonds: (a) Advertisement for Bids. The forms of proposed Notice of Intention to Sell Bonds, in substantially the forms attached submitted to this Board, are hereby approved, and the Board of Supervisors is hereby requested to adopt said forms of proposed Notice of Intention to Sell Bonds, subject to such corrections, revisions or additions as deemed necessary by the Authorized District Representative and as may be acceptable to the County, and to cause said Notice of Intention to Sell Bonds to be published once at least 5 days before the date of each sale in a financial publication generally circulated throughout the State of California or which the Financial Advisor advises is expected to be disseminated among prospective bidders for the Bonds.

(b) Award of Bonds. The Board of Supervisors is hereby requested to authorize the Director of Finance of the County (the "Director of Finance"), on behalf of the District and the County, to accept the lowest true interest cost bid for the Bonds, provided that (i) such true interest cost shall be no greater than 8.00%, calculated as specified in the Official Notice of Sale, (ii) the maximum interest rate on the Bonds shall not be in excess of 8.00% per annum; (iii) the price to be paid for the Bonds shall not be less than the principal amount thereof, plus accrued interest, if any, to the date of delivery; (iv) the bidder has agreed to pay specified costs of issuance of the Bonds on behalf of the District, in such type and amount as shall be determined and set forth in the Official Notice of Sale and bid forms; and (v) the Bonds shall otherwise conform to the limitations specified herein. If such true interest cost and price are acceptable to the Director of Finance or his designee, the Director of Finance or his designee, acting at the direction of the Board of Supervisors, is hereby authorized and requested to award the sale of the Bonds to the maker of the best responsive bid; if no bid is acceptable, the Director of Finance is requested to reject all bids and to re-bid the Bonds or, if necessary, to sell the Bonds by negotiated sale as permitted by law, upon terms and conditions consistent with this Resolution.

(d) Negotiated Sale of Bonds; Bond Purchase Contract. The Bond Purchase Contract for the Bonds, in substantially the form submitted to this Board, is hereby approved, and the Authorized District Representative is hereby authorized on behalf of the District to execute and deliver one or more Bond Purchase Contracts providing for the sale by the County and the purchase by the Underwriter of the Bonds at a purchase price to be set forth therein, determining thereby the redemption provisions for the Bonds, the maturity schedule, interest rates, whether taxable or tax-exempt; provided, that (i) the true interest cost for the Bonds shall not be in excess of 8.00% per annum, (ii) the Underwriter's compensation (exclusive of costs of issuance) shall not exceed .75% of the principal amount of the Bonds; and (iii) the Bonds shall otherwise conform to the limitations specified herein; and provided further, that such execution and approval shall constitute conclusive evidence of the approval by the District of any changes or revisions therein from the form of Bond Purchase Contract submitted herewith. The County is hereby requested to cause one or more Bond Purchase Contracts to be executed and approved on

behalf of the County, subject to such changes or revisions therein as may be acceptable to the Authorized District Representative executing the same.

Section 7. Official Statement: The forms of proposed Preliminary Official Statements describing the Bonds, in substantially the forms submitted to this Board, are hereby approved and adopted as the Official Statement describing the Bonds, with such corrections, revisions or additions as deemed necessary or desirable by the Authorized District Representative in consultation with the Financial Advisor. The Authorized District Representative is hereby authorized and directed to certify to the initial purchaser of the Bonds, on behalf of the District, that the preliminary forms of the Official Statements were deemed final as of their respective dates within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said Rule). The Financial Advisor is hereby authorized and directed to cause to be delivered to prospective bidders for the Bonds (including by posting to an appropriate Internet website which shall be accessible to interested bidders) copies of the Preliminary Official Statements in substantially the same forms of Official Statements approved and adopted as the Official Statements describing the Bonds, as so added to, corrected or revised. The Authorized District Representative is hereby authorized and directed to sign said Official Statements as so added to, corrected or revised, and the Financial Advisor is hereby authorized and directed to supply to the accepted bidder for the Bonds copies of the final Official Statements, completed to include the interest rate or rates and final sale information.

Section 8. Investment of Proceeds: Proceeds of the Bonds held by the Director of Finance shall be invested at the Director of Finance's discretion pursuant to law and the investment policy of the County, unless otherwise directed in writing by the District, pursuant to Section 53601 of the California Government Code and Section 41015 of the Education Code.

(i) At the written direction of the District, given by the Authorized District Representative, who is hereby expressly authorized to give such direction, all or any portion of the building fund of the District may also be invested on behalf of the District in the Local Agency Investment Fund in the treasury of the State of California.

(ii) At the written direction of the District, given by the Authorized District Representative, who is hereby expressly authorized to give such direction, all or any portion of the building fund of the District may also be invested on behalf of the District in investment agreements which comply with the requirements of each rating agency then rating the Bonds necessary in order to maintain the then-current rating on the Bonds; provided that the Director of Finance shall approve and be a signatory to any such investment agreement.

Section 9. Continuing Disclosure: The Authorized District Representative of the District, or the designee thereof, is hereby authorized on behalf of the District to execute one or more Continuing Disclosure Certificates in substantially the form submitted to this Board, with such changes thereto as deemed necessary in order to permit the purchaser of the Bonds to comply with the requirements of Securities and Exchange Commission Rule 15c2-12. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificates as finally executed and delivered.

Section 10. Approval of Actions: The President of this Board of Education, the Secretary of this Board of Education, the Superintendent of the District, the Chief Business Officer of the District, and any other officer of the District to whom authority is delegated by one of the named officers for the purposes of the Bonds, are hereby authorized and directed to execute and deliver any and all contracts or agreements, including commitment letters, depository agreements (including for the payment of issuance costs), consultant contracts, printing contracts, and similar contracts relating to issuance of the Bonds, investment of the proceeds, and all certificates and representations, including signature certificates, no-litigation certificates, certificates concerning the contents of the Official Statement, representation letters to The Depository Trust Company, the Tax Certificate, and any other certificates proposed to be distributed in connection with the sale of the Bonds, which any of them deem necessary or desirable to accomplish the transactions authorized herein.

Section 11. Notice to California Debt and Investment Advisory Commission: The Authorized District Representative is hereby authorized and directed to cause notices of the proposed sale and final sale of the Bonds to be filed in a timely manner with the California Debt and Investment Advisory Commission pursuant to California Government Code Section 8855(g).

Section 12. Filing with Board of Supervisors: The Secretary of this Board of Education is hereby authorized and directed to file a certified copy of this Resolution upon the adoption hereof with the Clerk of the Board of Supervisors.

Section 13. Effective Date: This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED this day, May 16, 2013, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED:

_____

President of the Board of Education
of the Sacramento City Unified School District

ATTEST:

_____

Secretary of the Board of Education
of the Sacramento City Unified School District

# EXHIBIT A

## ESTIMATES OF COSTS OF ISSUANCE

$25,000,000*
SACRAMENTO CITY UNIFIED
SCHOOL DISTRICT
(County of Sacramento, State of California)
GENERAL OBLIGATION BONDS
(MEASURE Q) (ELECTION OF 2012),
SERIES 2013Q-A

$40,000,000*
SACRAMENTO CITY UNIFIED
SCHOOL DISTRICT
(County of Sacramento, State of California)
GENERAL OBLIGATION BONDS
(MEASURE R) (ELECTION OF 2012),
SERIES 2013R-A

$20,000,000*
SACRAMENTO CITY UNIFIED
SCHOOL DISTRICT
(County of Sacramento, State of California)
GENERAL OBLIGATION BONDS
(MEASURE R) (ELECTION OF 2012), SERIES 2013R-B
(QUALIFIED SCHOOL CONSTRUCTION BONDS)

| Provider | Service | Fee | Notes |
|---|---|---|---|
| Orrick, Herrington & Sutcliffe LLP | Bond and Disclosure Counsel Fees | | |
| Capitol Public Finance Group | Financial Advisor | | |
| Moody's | Rating Agency | | |
| Standard & Poor's | Rating Agency | | |
| Printer (TBA) | Printing & Mailing of OS | | |
| County of Sacramento | Paying Agent | | |
| **ESTIMATED TOTAL** | | | |

# SECRETARY'S CERTIFICATE

I, Jonathan Raymond, Secretary of the Board of Education of the Sacramento City Unified School District, County of Sacramento, California, hereby certify as follows:

The attached is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of the District duly and regularly held at the regular meeting place thereof on May 16, 2013, and entered in the minutes thereof, of which meeting all of the members of the Board of Education had due notice and at which a quorum thereof was present. The resolution was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

An agenda of the meeting was posted at least 72 hours before said meeting at Serna Center, 5735 47th Avenue, Sacramento, California, a location freely accessible to members of the public, and a brief description of the adopted resolution appeared on the agenda. A copy of the agenda is attached hereto.

I have carefully compared the same with the original minutes of the meeting on file and of record in my office. The resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

WITNESS my hand this _____day of May, 2013.

_____

Secretary of the Board of Education
of the Sacramento City Unified School District

PRELIMINARY OFFICIAL STATEMENT DATED _____ __, 2013

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Moody's: "___"
S&P: "___"
Fitch: "___"

(See "MISCELLANEOUS – Ratings" herein.)

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

Sacramento City Unified School District

# $[PAR AMOUNT]*
# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
## (County of Sacramento, State of California)
## GENERAL OBLIGATION BONDS (MEASURE Q)
## (ELECTION OF 2012), SERIES 2013Q-A

**Dated: Date of Delivery** **Due: August 1, as shown on inside cover.**

*This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

The Sacramento City Unified School District General Obligation Bonds (Measure Q) (Election of 2012), Series 2013Q-A (the "2013Q-A Bonds" or the "Bonds") are being issued by the County of Sacramento (the "County") on behalf of the Sacramento City Unified School District (the "District"). The Bonds are being issued to (i) finance specific construction, acquisition and modernization projects approved by the voters (as described herein), and (ii) pay the costs of issuance of the Bonds. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

The Bonds will be issued as current interest bonds. Interest on the Bonds is payable commencing on _____ 1, 20__, and thereafter on each _____ 1 and _____ 1 to maturity or redemption prior thereto. Principal of the Bonds is payable on _____ 1 in each of the years and in the amounts set forth in the Maturity Schedules on the inside cover hereof. Payments of principal of and interest on the Bonds will be made by the Paying Agent, initially the County (the "Paying Agent"), to the Depository Trust Company, New York, New York ("DTC"), for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS – Payment of Principal and Interest" herein.

The Bonds will be issued in book-entry form only, and initially will be issued and registered in the name of Cede & Co., as nominee of DTC. Purchasers will not receive certificates representing their interests in the Bonds. See "THE BONDS –Form and Registration" herein.

**The Bonds are subject to redemption as more fully described herein. See "THE BONDS – Redemption."**

## [Underwriter's Logo]

*The Bonds will be offered when, as and if issued by the District with County approval and received by the Underwriter, subject to approval of their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by [Underwriter's Counsel], as Underwriter's Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through DTC in New York, New York, on or about July 9, 2013.*

This Official Statement is dated June __, 2013.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction.

* Preliminary, subject to change.

**MATURITY SCHEDULE**[*]

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**
**(County of Sacramento, State of California)**
**GENERAL OBLIGATION BONDS (MEASURE Q)**
**(ELECTION OF 2012), SERIES 2013Q-A**

| Maturity Date (_____ 1) | Principal Amount | Interest Rate | Yield[†] | Price[†] | CUSIP[‡] Number (_____) |
|---|---|---|---|---|---|

**$_____ ___% Term Bond due _____ 1, 20__; Yield[†] ____%; CUSIP[‡] Number _____**

[*] Preliminary, subject to change.
[†] Yields and prices certified by the Underwriter. The District takes no responsibility therefor.
[‡] Copyright 2013, American Bankers Association. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided solely for the convenience of the holders of the Bonds. The District is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated above. The CUSIP numbers are subject to change after the issuance of the Bonds as a result of various subsequent actions.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption under Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinion herein are subject to change without notice and neither 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 District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in 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 District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

The District maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

**In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the preceding pages hereof and said public offering prices may be changed from time to time by the Underwriter.**

**COUNTY OF SACRAMENTO, CALIFORNIA**

**Board of Supervisors**

Susan Peters
*Chair (District 3)*

Jimmie Yee
*Vice Chair (District 2)*

Phil Serna
*Member (District 1)*

Roberta MacGlashan
*Member (District 4)*

Don Nottoli
*Member (District 5)*

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**District Board of Education**

Jeff Cuneo
*President (Area 2)*

Patrick Kennedy
*Vice President (Area 7)*

Darrel Woo
*Second Vice President (Area 6)*

Gustavo Arroyo
*Member (Area 4)*

Jay Hansen
*Member (Area 1)*

Diana Rodriguez
*Member (Area 5)*

Christina Pritchett
*Member (Area 3)*

Katrina Ye
*Student Member*

**District Administration**

Jonathan P. Raymond
*Superintendent and Board Secretary*

Teresa Cummings
*Interim Chief Accountability Officer*

Ken Forrest
*Chief Business Officer*

**PROFESSIONAL SERVICES**

**Bond Counsel**

Orrick, Herrington & Sutcliffe LLP
*San Francisco, California*

**Paying Agent**

Sacramento County
Director of Finance
*Sacramento, California*

**Financial Advisor**

Capitol Public Finance Group
Sacramento, California

## TABLE OF CONTENTS


**Page**

INTRODUCTION ..... 1

The District ..... 1

THE BONDS ..... 2

Authority for Issuance; Purpose ..... 2
Form and Registration ..... 2
Payment of Principal and Interest ..... 3
Redemption of Bonds ..... 3
Defeasance of Bonds ..... 5
Unclaimed Moneys ..... 5
Application and Investment of Bond Proceeds ..... 5

ESTIMATED SOURCES AND USES OF FUNDS ..... 7

SCHEDULED DEBT SERVICE ..... 8

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS ..... 9

General ..... 9
Property Taxation System ..... 9
Assessed Valuation of Property Within the District ..... 9
Tax Rate ..... 14
Tax Collections and Delinquencies ..... 15

TAX MATTERS ..... 18

OTHER LEGAL MATTERS ..... 19

Legal Opinion ..... 19
Legality for Investment in California ..... 19
Continuing Disclosure ..... 19
Absence of Material Litigation ..... 20

MISCELLANEOUS ..... 20

Ratings ..... 20
Professionals Involved in the Offering ..... 20
Underwriting ..... 20
Additional Information ..... 22
Capital Lease ..... 20


## APPENDICES


APPENDIX A: DISTRICT FINANCIAL AND OPERATING INFORMATION ..... A-1

APPENDIX B: FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012 ..... B-1

APPENDIX C: PROPOSED FORMS OF OPINIONS OF BOND COUNSEL ..... C-1

APPENDIX D: FORM OF CONTINUING DISCLOSURE CERTIFICATE ..... D-1

APPENDIX E: COUNTY OF SACRAMENTO INVESTMENT POLICIES AND PRACTICES AND INVESTMENT POOL QUARTERLY REPORT ..... E-1

APPENDIX F: BOOK-ENTRY ONLY SYSTEM ..... F-1

**[PAR AMOUNT]*
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
GENERAL OBLIGATION BONDS (MEASURE Q)
(ELECTION OF 2012), SERIES 2013Q-A**

## INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the Sacramento City Unified School District General Obligation Bonds (Measure Q) (Election of 2012), Series 2013Q-A (the "2013Q-A Bonds" or the "Bonds"), as described more fully herein. The information contained herein is necessarily of a summary nature. Copies of the legal documents referred to herein providing for the issuance of the Bonds and further information regarding the Bonds may be requested from the Sacramento City Unified School District (the "District"). See "MISCELLANEOUS – Additional Information."

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the District, the District has no obligation to update the information in this Official Statement. See "OTHER LEGAL MATTERS – Continuing Disclosure" herein.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the Underwriter or the owners of any of the Bonds.

The District plans to offer for sale $_____ aggregate principal amount of its Sacramento City Unified School District General Obligation Bonds (Measure R) (Election of 2012), Series 2013R-A (the "2013R-A Bonds") and $_____ aggregate principal amount of its Sacramento City Unified School District General Obligation Bonds (Measure R) (Election of 2012), Series 2013R-B (the "2013R-B Bonds") separately, on or about _____ __, 2013, and upon successful sale, the District anticipates that the 2013Q-A Bonds, the 2013R-A Bonds and the 2013R-B Bonds will be issued and available for delivery through the facilities of DTC, New York, New York, on or about June __, 2013.

### The District

The District, located in Sacramento County, California (the "County"), is the 12th largest school district in the State of California (the "State") in terms of student enrollment. The District provides educational services to the residents in and around the City of Sacramento (the "City"), the State capital. The District operates under the jurisdiction of the Superintendent of Schools of Sacramento County, although the District has attained "fiscal accountability" status under the State Education Code. See "THE BONDS – Authority for Issuance" herein. The District's estimated average daily attendance for fiscal year 2012-13 is 41,380 and the District's 2012-13 budgeted general fund expenditures are projected at approximately $393.6 million as of the second interim report for fiscal year 2012-13 (the "Second Interim Report").

The District currently operates 47 elementary schools (grades K-6), seven elementary/middle schools (grades K-8), eight middle schools (grades 7-8), one middle/high school (grades 7-12), seven comprehensive high schools (grades 9-12), one independent study school, four continuation/alternative schools, two adult education centers, four dependent charter schools, two special education centers and 47 children's centers which includes preschools. Nine independent charter schools also operate in the District for a total of thirteen charter schools serving kindergarten through grade 12 ("K-12") with a total estimated enrollment of 4,986 students. As of June 30, 2012, the District employed approximately 4,143 employees which include 2,403 certificated (credentialed teaching) employees, 1,718 classified (noninstructional) employees and 22 supervisory/other personnel.

* Preliminary, subject to change.

The District is governed by a Board of Education (the "Board") consisting of seven members and one student member. The regular members are elected to staggered four-year terms every two years. Beginning in 2008, board member elections are no longer held District-wide, but instead are held among voters who reside in each of seven trustee areas.

The day-to-day operations are managed by a board-appointed Superintendent of Schools. Jonathan Raymond was appointed Superintendent on July 23, 2009 and his term commenced on August 21, 2009. Mr. Raymond previously served as chief accountability officer for Charlotte-Mecklenburg Schools in North Carolina. Patricia Hagemeyer served the District in various capacities for 32 years in a variety of business positions, most recently as Chief Business Officer. Mrs. Hagemeyer retired in 2012. Richard Odegaard served as the Interim Chief Business Officer during the period from December 2012 through March 2013. Mr. Odegaard has over 20 years of experience working as a Chief Financial Officer. Ken Forrest was hired as the Chief Business Officer on April 1, 2013. Mr. Forrest has 35 years of experience as a financial and business officer for K-12 school districts. Mr. Forrest recently was the Chief Business Officer ("CBO") for the Matanuska-Susitna Borough School District in Palmer, Alaska and previously worked for 22 years as the CBO for the Poudre School District in Fort Collins, Colorado, the CBO for the Travis Unified School District in Fairfield, California, and served as the Chief Financial Officer for the Detroit Public Schools. Mr. Forrest has received the Government Finance Officers Association and the Association of School Business Officials Certificate of Excellence in Financial Reporting in multiple districts. For additional information about the District's operations and finances, see "DISTRICT FINANCIAL AND OPERATING INFORMATION" herein.

For additional information about the District's operations and finances, see "DISTRICT FINANCIAL AND OPERATING INFORMATION" herein.

## THE BONDS

### Authority for Issuance; Purpose

The Bonds are issued pursuant to the Constitution and laws of the State of California (the "State"), including the provisions of the Government and Education Codes of the State, a paying agent agreement (the "Paying Agent Agreement") by and between the District and the County as paying agent (the "Paying Agent") and a resolution adopted by the Board of the District on May 16, 2013 (the "District Resolution"). The County approved the financing on May 21, 2013.

The Bonds were authorized to be issued at an election held on November 6, 2012 by more than 55% of the votes cast by eligible voters within the District ("Measure Q"). Measure Q authorizes the District to issue bonds in an aggregate principal amount not to exceed $346,000,000 for purposes summarized as follows: "To better prepare students for college and careers by upgrading classrooms, science labs, computer systems and technology; renovating heating and ventilation systems; reducing costs through energy efficiency; improving student safety and security systems; repairing roofs, floors, walkways, bathrooms, electrical, plumbing and sewer systems." The Bonds are the first series to be issued pursuant to the Measure Q authorization.

As required by the Education Code of the State and the 2012 bond authorization, the District established a Citizens' Oversight Committee to review the District's expenditure of bond proceeds and its progress in completing the projects specified in the measure, and to make periodic reports to the public in order to ensure that bond funds are spent only for authorized purposes.

The Bonds are being issued to (i) finance specific construction, acquisition and modernization projects approved by the voters in the 2012 Election, and (ii) pay costs of issuance of the Bonds. See "Application and Investment of Bond Proceeds" herein.

The District plans to offer for sale its 2013R-A Bonds and 2013R-B Bonds separately, on or about _____ __, 2013, and upon successful sale, the District anticipates that the 2013Q-A Bonds, the 2013R-A Bonds and the 2013R-B Bonds will be issued and available for delivery through the facilities of DTC, New York, New York, on or about April 30, 2013.

**Form and Registration**

The Bonds will be issued in fully registered book-entry form only, as current interest bonds without coupons, in denominations of $5,000 principal amount each or any integral multiple thereof. The Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Registered ownership of the Bonds may not be transferred except as described in APPENDIX F. Purchases of Bonds under the DTC system must be made by or through a DTC participant, and ownership interests in Bonds or any transfer thereof will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Bonds, beneficial owners will not receive physical certificates representing their ownership interests. See APPENDIX F: "BOOK-ENTRY ONLY SYSTEM" herein.

**Payment of Principal and Interest**

The Bonds will be dated the date of their delivery and bear interest at the rates set forth on the inside cover page hereof, payable on _____ 1 and _____ 1 of each year, commencing on _____ 1, 20__ (each, an "Interest Payment Date"), until payment of the principal amount thereof, computed using a year of 360 days consisting of twelve 30-day months. Bonds authenticated and registered on any date prior to the close of business on _____ 15, 20__, will bear interest from the date of their delivery. Bonds authenticated during the period between the 15th day of the calendar month immediately preceding an Interest Payment Date (the "Record Date") and the close of business on that Interest Payment Date will bear interest from that Interest Payment Date. Any other Bond will bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Payment of interest on any Bond on each Interest Payment Date (or on the following business day, if the Interest Payment Date does not fall on a business day) will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof as of the preceding Record Date, such interest to be paid by check or draft mailed to such owner at such owner's address as it appears on such registration books or at such other address as the owner may have filed with the Paying Agent for that purpose on or before the Record Date. The owner of an aggregate principal amount of $1,000,000 or more of Bonds may request in writing to the Paying Agent that such owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the applicable Record Date.

Principal will be payable at maturity, as set forth on the inside cover page, or upon redemption prior to maturity, upon surrender of Bonds at such office of the Paying Agent as the Paying Agent shall designate. The interest, principal and premiums, if any, on the Bonds will be payable in lawful money of the United States of America from moneys on deposit in the interest and sinking fund of the District (the "Interest and Sinking Fund") within the County Treasury, consisting of *ad valorem* property taxes collected and held by the Director of Finance of the County (the "Director of Finance"), together with any net premium and accrued interest received upon issuance of the Bonds.

So long as all outstanding Bonds are held in book-entry form and registered in the name of a securities depository or its nominee, all payments of principal of, premium, if any, and interest on the Bonds and all notices with respect to such Bonds will be made and given, respectively, to such securities depository or its nominee and not to beneficial owners. So long as the Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer.

**Redemption of Bonds**

***Optional Redemption.*** The Bonds maturing on or before _____ 1, 20__ are not subject to redemption prior to their respective stated maturity dates. The Tax-Exempt Bonds maturing on or after _____ 1, 20__, are subject to redemption prior to their stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after _____ 1, 20__, at a redemption price equal to 100% of the

principal amount called for redemption, together with interest accrued thereon to the date of redemption, without premium.

***Mandatory Sinking Fund Redemption.*** The $_____ term Bond maturing on _____ 1, 20__, is also subject to mandatory sinking fund redemption on each mandatory sinking fund redemption date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

| Mandatory Sinking Fund Redemption Date (_____ 1) | Principal Amount to Be Redeemed |
|---|---|

*

* Maturity.

Unless otherwise specified in writing by the District, the principal amount to be redeemed in each year shown in the table above will be reduced proportionately, in integral multiples of $5,000, by the amount of such term Tax-Exempt Bond optionally redeemed prior to the mandatory sinking fund redemption date.

***Selection of Bonds for Redemption.*** If less than all of the Bonds are called for redemption, the Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the Bonds of any given maturity are called for redemption, the portions of the Bonds of a given maturity to be redeemed shall be determined by lot.

***Notice of Redemption.*** Notice of redemption of any Bond is required to be given by the Paying Agent, upon written request of the District, not less than 20 nor more than 45 days prior to the redemption date (i) by first class mail to the respective Owners of any Bond designated for redemption at their addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate. See APPENDIX D: "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption is required to contain the following information: (i) the date of such notice; (ii) the name of the Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity of the Bonds to be redeemed; (vi) if less than all of the then outstanding Bonds are to be called for redemption, the distinctive serial numbers of the Bonds of each maturity to be redeemed; (vii) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (viii) the CUSIP number of each maturity of Bonds to be redeemed; (ix) a statement that such Bonds must be surrendered by the owners at such office of the Paying Agent designated by the Paying Agent; and (x) notice that further interest on such Bonds will not accrue after the designated redemption date. A certificate of the Paying Agent or the District that notice of call and redemption has been given to owners and to the appropriate securities depositories as provided in the Paying Agent Agreement shall be conclusive against all parties. The actual receipt by the owner of any Bond or by any securities depository of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

***Conditional Notice.*** Any notice of optional redemption may be conditioned on any fact or circumstance stated therein, and if such condition will not have been satisfied on or prior to the redemption date stated in such notice, said notice will be of no force and effect on and as of the stated redemption date, the redemption will be cancelled, and the District will not be required to redeem the Bonds that were the subject of the notice. The Paying Agent will give notice of such cancellation and the reason therefor in the same manner in which notice of

redemption was originally given. The actual receipt by the Owner of any Bond of notice of such cancellation will not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice will not affect the validity of the cancellation.

***Effect of Notice of Redemption.*** When notice of redemption has been given substantially as provided for in the Paying Agent Agreement, and when the redemption price of the Bonds called for redemption is set aside for the purpose as described in the Paying Agent Agreement, the Bonds designated for redemption will become due and payable on the specified redemption date and interest will cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The owners of such Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the Interest and Sinking Fund of the District or the escrow fund established for such purpose. All Bonds redeemed will be cancelled forthwith by the Paying Agent and will not be reissued.

***Right to Rescind Notice of Redemption.*** The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

**Defeasance of Bonds**

The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund, be fully sufficient in the opinion of a Certified Public Accountant licensed to practice in the State to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If at any time the District pays or causes to be paid or there is otherwise paid to the Owners of any or all outstanding Bonds all of the principal, interest and premium, if any, represented by Bonds when due, or as described above, or as otherwise provided by law, then such Owners shall cease to be entitled to the obligation of the County to levy and collect taxes to pay the Bonds and such obligation and all agreements and covenants of the District to such Owners under the Paying Agent Agreement shall thereupon be satisfied and discharged and shall terminate, except only that the District will remain liable for payment of all principal, interest and premium, if any, represented by such Bonds, but only out of moneys on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment, provided, that the unclaimed moneys provisions described below will apply in all events.

**Unclaimed Moneys**

Any money held in any fund created pursuant to the Paying Agent Agreement or by the Paying Agent in trust for the payment of the principal of, redemption premium, if any, or interest on the Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the Interest and Sinking Fund for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

**Application and Investment of Bond Proceeds**

The proceeds of sale of the Bonds, exclusive of any premium and accrued interest received, will be deposited in the County treasury to the credit of the Building Fund of the District. Any premium and accrued interest will be deposited upon receipt in the Interest and Sinking Fund of the District within the County treasury.

All funds held by the Director of Finance with respect to the Bonds hereunder or under the Law will be invested at the discretion of the Director of Finance pursuant to law and the investment policy of the County. At the written direction of the District, all or any portion of the building fund of the District may also be invested on behalf of the District in the Local Agency Investment Fund in the treasury of the State, or, with the approval of the Director of Finance, in investment agreements which comply with the requirements of each rating agency then rating the Bonds necessary in order to maintain the then-current rating on the Bonds; provided that the Director of Finance is a signatory to any such investment agreement.

The District will not take any action or inaction, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue, if such action or inaction would adversely affect the exclusion from gross income of the interest payable on the Bonds under Section 103 of the Code.

In the event that at any time the District is of the opinion that it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Director of Finance with respect to the Bonds, or by the Paying Agent under the Paying Agent Agreement, the District will so instruct the Director of Finance or the Paying Agent, as appropriate, in writing, and the Director of Finance and the Paying Agent will take such action as may be necessary in accordance with such instructions.

If the District provides to the Director of Finance or the Paying Agent an opinion of Bond Counsel that any specified action required under the Paying Agent Agreement is no longer required or that some further or different action is required in order to maintain the exclusion from federal income tax of interest on Bonds under Section 103 of the Code, the Director of Finance and the Paying Agent may conclusively rely on such opinion in complying with the requirements of the Paying Agent Agreement, and the covenants thereunder will be deemed to be modified to that extent.

Earnings on the investment of moneys in either fund will be retained in that fund and used only for the purposes to which that fund may lawfully be applied. Moneys in the Building Fund may only be applied for the purposes for which the Bonds were approved. Moneys in the Interest and Sinking Fund may only be applied to make payments of interest, principal, and premium, if any, on bonds of the District. For information on the County's investment policy, see APPENDIX E: "COUNTY OF SACRAMENTO INVESTMENT POLICIES AND PRACTICES AND INVESTMENT POOL QUARTERLY REPORT."

The District plans to offer for sale its 2013R-A Bonds and 2013R-B Bonds separately, on or about _____ __, 2013, and upon successful sale, the District anticipates that the 2013Q-A Bonds, the 2013R-A Bonds and the 2013R-B Bonds will be issued and available for delivery on or about April 30, 2013. The issuance and delivery of the 2013Q-A Bonds is not dependent on the issuance of the 2013R-A Bonds and 2013R-B Bonds. The 2013R-A Bonds and 2013R-B Bonds will be issued with maturities of up to 25 years and the proceeds thereof will be applied to projects authorized to be issued at an election held on November 6, 2012 by more than 55% of the votes cast by eligible voters within the District.

## ESTIMATED SOURCES AND USES OF FUNDS

The net proceeds of the Bonds are expected to be applied as follows:

| | The Bonds |
|---|---|
| **Sources of Funds** | |
| Initial Principal Amount of Bonds | |
| Original Issue Premium/Discount | |
| Total Sources: | |
| **Uses of Funds** | |
| Deposit to Building Fund | |
| Deposit to Interest and Sinking Fund | |
| Underwriter's Discount | |
| Costs of Issuance [1] | |
| Total Uses: | |

[1] Includes Financial Advisor fees, Bond Counsel fees, Disclosure Counsel fees, Underwriter's Counsel fees, rating agency fees, Paying Agent fees, Escrow Agent fees, Escrow Verification Agent fees, printing fees, and other miscellaneous expenses.

## SCHEDULED DEBT SERVICE

The District has previously issued its General Obligation Bonds, Election of 1999, Series A, Series B, Series C, and Series D and its General Obligation Bonds, Election of 2002, Series A, Series 2005 and Series 2007. In addition, refunding bonds were issued in 2001 and 2011, which were used to redeem prior outstanding bonds. See APPENDIX A: "DISTRICT FINANCIAL AND OPERATING INFORMATION – District Debt Structure." Annual debt service obligations for all outstanding bonds of the District (without regard to redemption prior to maturity) will be as follows:

| Period Ending | Principal | Interest | Semi-Annual Debt Service [1] | Total Annual Debt Service |
|---|---|---|---|---|
| Total | | | | |

## SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

### General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District, including the countywide tax of 1% of taxable value. When collected, the tax revenues will be deposited by the County in the District's Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

### Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts levy property taxes for payment of voter-approved bonds. In addition, school districts also receive property taxes from a portion of the 1% general County levy for general operating purposes.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. The Director of Finance of the County performs the duties imposed on the treasurer-tax collector. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

### Assessed Valuation of Property Within the District

Under Proposition 13, an amendment to the California Constitution adopted in 1978, the county assessor's valuation of real property is established as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year, or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold, and may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership. See generally, APPENDIX A: "DISTRICT FINANCIAL AND OPERATING INFORMATION – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Proposition 13 has had the effect of stabilizing assessed valuation such that it does not fluctuate as significantly as the market value of property, but instead gradually changes as longer owned residential properties are transferred and reassessed upon such transfer. Newer residences or those acquired in recent years prior to a downturn in the housing market may upon transfer substantially decrease in assessed value.

State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. State law also exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling provided that the owner files for such exemption. This exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

For assessment and tax collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." State law requires that the assessment roll be finalized by August 20 of each year.

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds. The following table shows recent history of taxable property assessed valuation in the District. In 2012-13, the total assessed valuation of taxable property in the District decreased from the previous year by approximately $49 million, or 1.35%.

**Sacramento City Unified School District**
**Summary of Assessed Valuation**
**Fiscal Years 2006-07 Through 2012-13**

| Fiscal Year | Local Secured | Utility | Unsecured | Total | Percent Change |
|---|---|---|---|---|---|
| 2006-07 | $23,734,542,444 | $49,522,393 | $1,240,099,083 | $25,024,163,920 | – |
| 2007-08 | 25,604,769,732 | 9,832,961 | 1,271,566,642 | 26,886,169,335 | 7.44% |
| 2008-09 | 26,664,260,222 | 6,526,133 | 1,369,019,604 | 28,039,805,959 | 4.29 |
| 2009-10 | 25,300,012,709 | 6,515,367 | 1,436,477,398 | 26,743,005,474 | (4.62) |
| 2010-11 | 24,998,615,578 | 6,555,142 | 1,379,440,206 | 26,384,610,926 | (1.34) |
| 2011-12 | 24,360,833,460 | 6,602,390 | 1,381,399,468 | 25,748,835,318 | (2.41) |
| 2012-13 | 24,081,405,373 | 7,130,520 | 1,312,707,722 | 25,401,243,615 | (1.35) |

*Source:* California Municipal Statistics, Inc.

***Risk of Decline in Property Values.*** Property values could be reduced by factors beyond the District's control, including a depressed real estate market due to general economic conditions in the County, the region and the State.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes) or declines due to market conditions in the housing industry or economy. Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase

***State-Assessed Property.*** Under the State Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how

those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect, generally reducing the assessed value in the District as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

***Appeals of Assessed Valuation.*** State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may request a reduction in assessment directly from the County Assessor (the "Assessor"), who may grant or refuse the request, and may appeal an assessment directly to the County Board of Equalization, which rules on appealed assessments whether or not settled by the Assessor. The Assessor is also authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding bonds) may be paid. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the County Assessor against all taxing agencies who received tax revenues, including the District.

***Bonding Capacity.*** As a unified school district, the District may not issue bonds in excess of 2.5% of the assessed valuation of taxable property within its boundaries, as shown on the final assessment roll as of August 20 of each year. The District's gross bonding capacity is estimated at $___ million, and its net bonding capacity is approximately $___ million, prior to the issuance of the Bonds. In accordance with the law which permitted the Bonds to be approved by a 55% affirmative vote, bonds approved by the District's voters at the 2012 Election may not be issued unless the District projects that repayment of all outstanding bonds approved at the election will require a tax rate no greater than $[30.00] per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Bonds, the District projects that the maximum tax rate required to repay all outstanding bonds approved at the 2012 Election will not exceed $[25.00] per $100,000 of assessed value.

***Assessed Valuation by Land Use.*** The following table gives a distribution of taxable real property located in the District by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**Sacramento City Unified School District**
**Taxable Assessed Valuation and Parcels by Land Use**
**Fiscal Year 2012-13**

| | 2012-13 Assessed Valuation[(1)] | % of Total | No. of Parcels | % of Total |
|---|---|---|---|---|
| Non-Residential: | | | | |
| Commercial | $5,674,634,069 | 23.56% | 3,575 | 3.51% |
| Industrial | 1,424,029,924 | 5.91 | 1,266 | 1.24 |
| Government/Social/Institutional | 194,805,611 | 0.81 | 319 | 0.31 |
| Vacant Commercial | 108,946,734 | 0.45 | 519 | 0.51 |
| Recreational | 50,392,716 | 0.21 | 90 | 0.09 |
| Vacant Industrial | 48,362,795 | 0.20 | 275 | 0.27 |
| Agricultural | 9,361,255 | 0.04 | 18 | 0.02 |
| Miscellaneous | 1,489,477 | 0.01 | 289 | 0.28 |
| Subtotal Non-Residential | $7,512,022,581 | 31.19% | 6,351 | 6.24% |
| Residential: | | | | |
| Single Family Residence | $12,905,393,287 | 53.59% | 82,986 | 81.49% |
| 5+ Residential Units/Apartments | 1,632,988,186 | 6.78 | 1,506 | 1.48 |
| 2-4 Residential Units | 1,153,955,107 | 4.79 | 6,439 | 6.32 |
| Hotel/Motel | 399,424,660 | 1.66 | 54 | 0.05 |
| Condominium/Townhouse | 241,094,337 | 1.00 | 1,792 | 1.76 |
| Vacant Residential | 124,680,586 | 0.52 | 1,285 | 1.26 |
| Miscellaneous Residential | 42,076,343 | 0.17 | 122 | 0.12 |
| Mobile Home Park | 35,325,558 | 0.15 | 33 | 0.03 |
| Mobile Home | 34,444,728 | 0.14 | 1,262 | 1.24 |
| Subtotal Residential | $16,569,382,792 | 68.81% | 95,479 | 93.76% |
| Total | $24,081,405,373 | 100.00% | 101,830 | 100.00% |

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
*Source*: California Municipal Statistics, Inc.

***Assessed Valuation of Single-Family Residential Properties.*** The following table focuses on single-family residential properties only, which comprise approximately ___% of the assessed value of taxable property in the District. The average assessed valuation of a single family home in the District is $_____, and the median assessed valuation of a home in the District is $_____.

**Sacramento City Unified School District**
**Assessed Valuation of Single Family Homes**
**Fiscal Year 2012-13**

[To Come]

_____

(1) Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.
*Source*: California Municipal Statistics, Inc.

***Largest Taxpayers in District.*** The twenty taxpayers in the District with the greatest combined assessed valuation of taxable property on the 2012-13 tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. In 2012-13, no single taxpayer owned more than 0.86% of the total taxable property in the District. Each taxpayer listed is a unique name appearing on the tax rolls; the District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table.

**Sacramento City Unified School District**
**Largest Local Secured Taxpayers**
**Fiscal Year 2012-13**

| | Property Owner | Primary Land Use | 2012-13 Assessed Valuation | % of Total [(1)] |
|---|---|---|---|---|
| 1. | Hines Sacramento Wells Fargo Center | Office Building | $206,543,650 | 0.86% |
| 2. | Campbell Soup Supply Co. LLC | Industrial | 141,205,420 | 0.59 |
| 3. | 621 Capitol Mall LLC | Office Building | 117,393,760 | 0.49 |
| 4. | 300 Capitol Associates NF LP | Office Building | 109,000,000 | 0.45 |
| 5. | CIM & 980 9th Street Sacramento LP | Office Building | 96,601,975 | 0.40 |
| 6. | CIM & J Street Hotel Sacramento LP | Hotel | 89,652,433 | 0.37 |
| 7. | 500 Capitol Mall LLC | Office Building | 77,567,447 | 0.32 |
| 8. | HP Hood LLC | Commercial | 73,711,638 | 0.31 |
| 9. | Capitol Regency LLC | Hotel | 71,823,188 | 0.30 |
| 10. | Hines VAF II Sacramento Properties LP | Office Building | 70,657,693 | 0.29 |
| 11. | GPT Properties Trust | Office Building | 70,327,966 | 0.29 |
| 12. | Procter & Gamble Manufacturing Co. | Industrial | 70,001,164 | 0.29 |
| 13. | 1325 J Street LLC | Office Building | 66,640,923 | 0.28 |
| 14. | McClatchy Newspapers | Newspaper | 66,226,488 | 0.28 |
| 15. | M&H Realty Partners VI LP | Undeveloped | 65,489,651 | 0.27 |
| 16. | 1415 Meridian Plaza LLC / Valley View Investors | Office Building | 65,120,000 | 0.27 |
| 17. | Hines REIT 1515 S. Street LP | Office Building | 62,129,806 | 0.26 |
| 18. | Sacramento Equities REIT | Office Building | 61,000,000 | 0.25 |
| 19. | AREF Sacramento LP | Office Building | 60,797,022 | 0.25 |
| 20. | John A. Forster | Office Building | 57,330,936 | 0.24 |
| | | | $1,699,221,160 | 7.06% |

[(1)] Local secured assessed valuation for fiscal year 2012-13 is $24,081,405,373.
*Source*: California Municipal Statistics, Inc.

**Tax Rate**

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness. Significant changes in assessed value of taxable property in the district could affect the tax rate levied on taxpayers. See, "– Assessed Valuation of Property Within the District – *Risk of Decline in Property Values"* in this section, above.

One factor in the ability of taxpayers to pay additional taxes for school bonds is the cumulative rate of tax. The following table shows *ad valorem* property tax rates for the last several years in a typical tax rate area of the District, TRA 3-005. TRA 3-005 comprises 27.9% of the total assessed value of property in the District.

**Sacramento City Unified School District**
**Summary of *ad valorem* Tax Rates**
**(Dollars per $100 of Assessed Valuation)**
**Typical Total Tax Rate (3-005)**

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13[(1)] |
|---|---|---|---|---|---|
| General | $1.0000 | $1.0000 | $1.0000 | $1.0000 | $1.0000 |
| Los Rios Community College District | .0074 | .0124 | .0090 | .0192 | .0193 |
| Sacramento Unified School District | .0938 | .0911 | .0979 | .0982 | .0999 |
| Total | $1.1012 | $1.1035 | $1.1069 | $1.1174 | $1.1192 |

(1) Total 2012-13 assessed valuation for TRA 3-005 is $7,085,582,897.
*Source:* California Municipal Statistics, Inc.

**Tax Collections and Delinquencies**

A school district's share of the 1% countywide tax is based on the allocation of property tax revenues to each taxing jurisdiction in the county in Fiscal Year 1978-79, as adjusted according to a complex web of statutory modifications enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The County Treasurer-Tax Collector's Office prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches. If taxes remain unpaid by June 30, the tax is deemed to be in default. Penalties then begin to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the Tax Collector.

Annual bills for property taxes on the unsecured roll are generally issued in July, are due in a single payment within 30 days, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll. Unsecured taxes remaining unpaid at 5 p.m. on the last day of the second month after the 10% penalty attaches shall be subject to an additional penalty of 1.5%, attaching on the first day of each succeeding month on the amount of the original tax. To collect unpaid taxes, the Tax Collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the County, and may seize and sell personal property, improvements and possessory interest of the taxpayer. The Tax Collector may also bring a civil suit against tax taxpayer for payment. The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

***Teeter Plan.*** The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including school districts, receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency. The County applies the Teeter Plan to taxes levied for repayment of school district bonds.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the

County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency.

The following table shows a recent history of real property tax collections and delinquencies in the District.

**Sacramento City Unified School District**
**Secured Tax Charges[(1)]**
**Fiscal Years 2005-06 Through 2011-12**

| Fiscal Year | Secured Tax Charge[(1)] | Amount Delinquent as of June 30 | Percent Delinquent as of June 30 |
|---|---|---|---|
| 2005-06 | $23,657,125 | $495,983 | 2.10% |
| 2006-07 | 20,063,598 | 712,321 | 3.55 |
| 2007-08 | 22,499,937 | 899,744 | 4.00 |
| 2008-09 | 24,538,884 | 761,754 | 3.10 |
| 2009-10 | 22,583,246 | 572,615 | 2.54 |
| 2010-11 | 24,021,726 | 601,074 | 2.50 |
| 2011-12 | 24,460,162 | 412,252 | 1.76 |

(1) Debt service levy only.
*Source*: California Municipal Statistics, Inc.

***Direct and Overlapping Debt.*** Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of _____ __, 2013, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The table generally includes long-term obligations sold in the public credit markets by the public agencies listed. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**Sacramento City Unified School District**
**Direct and Overlapping Bonded Debt**

[To Come]

(1) Excludes the Bonds. Includes the 2012A Lease Revenue Bonds to be refunded.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
*Source*: California Municipal Statistics, Inc.

## TAX MATTERS

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

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

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District 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 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 District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District 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 District 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 District 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 District 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 District or the Beneficial Owners to incur significant expense.

## OTHER LEGAL MATTERS

### Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the District. A complete copy of the proposed form of Bond Counsel opinion is set forth in APPENDIX C: "PROPOSED FORM OF OPINION OF BOND COUNSEL." Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

### Legality for Investment in California

Under provisions of the Financial Code of the State, the Bonds are legal investments for commercial banks in the State to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of its depositors. Under provisions of the Government Code of the State, the Bonds are eligible securities for deposits of public moneys in the State.

### Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2012-13 fiscal year (which is due no later than March 31, 2014) and to provide notice of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX D: "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying

with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). In the most recent five-year period covered by the Rule, the District failed to timely file certain information required by the terms of its previous undertakings. The District has hired Capitol Public Finance Group as Dissemination Agent to assist the District in filing all necessary information to make the District current in its continuing disclosure obligations under the Rule and to work with the District in establishing the necessary safeguards to ensure timely filing of required information going forward.

**Absence of Material Litigation**

No litigation is pending or, to the best knowledge of the District, threatened, concerning the validity of the Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Bonds, the political existence of the District, the title to their offices of District or County officials who will sign the Bonds and other certifications relating to the Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the original purchasers at the time of the original delivery of the Bonds.

The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

## MISCELLANEOUS

**Ratings**

The Bonds have been assigned the rating of "__" by Moody's Investors Service ("Moody's), "__" by Fitch Ratings ("Fitch") and "__" by Standard & Poor's Ratings Services ("Standard & Poor's"), a division of Standard & Poor's Financial Services LLC. The rating agencies generally base their ratings on their own investigations, studies, and assumptions. The District has provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement). The ratings reflect only the views of the rating agencies, and any explanation of the significance of such ratings may be obtained only from Moody's at www.moodys.com, Fitch at www.fitchratings.com and Standard & Poor's at www.standardandpoors.com. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agencies, if, in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. The District undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

**Professionals Involved in the Offering**

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and as Disclosure Counsel to the District with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds. Capitol Public Finance Group is acting as Financial Advisor with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds. [Underwriter's Counsel] is acting as Underwriter's Counsel with respect to the Bonds, and will receive compensation contingent upon the sale and delivery of the Bonds.

**Underwriting**

[The Bonds are being purchased for public offering by [Underwriter] (the "Underwriter"). The Underwriter has agreed to purchase the Bonds for an aggregate price of $_____, representing the principal amount of the Bonds of $_____, [plus a premium of $_____,] less an Underwriter's discount of $_____. The Official Notice of Sale, dated _____ __, 2013 (the "Official Notice of Sale") 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 Official Notice of Sale, the approval of certain legal matters by Bond Counsel and certain other conditions. The Underwriter will represent to the District that the Bonds have been reoffered to the public at the price or yield as stated on the cover page hereof.

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

[The Bonds are being purchased by [Underwriter], (the "Underwriter") pursuant to a bond purchase agreement executed by the District, dated _____ __, 2013 (the Purchase Agreement"), at a total purchase price of $_____. The Underwriter's total discount is $_____. The Underwriter will pay certain costs of issuance related to the Bonds. Pursuant to the Purchase Agreement, the Underwriter will purchase all of the Bonds if any are purchased, the obligation of the Underwriter to purchase the Bonds being subject to certain terms and conditions to be satisfied by the District and the County.

The Underwriter has certified the public reoffering prices or yields set forth on the inside cover page hereof. The Underwriter's compensation is computed based on those prices or yields, and the District takes no responsibility for the accuracy of those prices or yields. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.]

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**Additional Information**

Quotations from and summaries and explanations of the Bonds, the resolutions providing for the issuance of the Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof. Copies of documents referred to herein and information concerning the Bonds are available from the District through the Office of the Chief Business Officer, 5735 47th Avenue, Sacramento, CA 95824. The District may impose a charge for copying, mailing and handling.

* * *

All data contained herein have been taken or constructed from the District's records and other sources, as indicated. This Official Statement and its distribution have been duly authorized and approved by the District.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

By:_____
Chief Business Officer

## APPENDIX A

## DISTRICT FINANCIAL AND OPERATING INFORMATION

*The information in this appendix concerning the operations of the District, the District's finances, and State funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District or from State revenues. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the body of this Official Statement.*

### General

The District, located in Sacramento County, California (the "County"), is the 12th largest school district in the State of California (the "State") in terms of student enrollment. The District provides educational services to the residents in and around the City of Sacramento (the "City"), the State capital. The District operates under the jurisdiction of the Superintendent of Schools of Sacramento County, although the District has attained "fiscal accountability" status under the State Education Code. See "THE BONDS – Authority for Issuance" herein. The District's estimated average daily attendance for fiscal year 2012-13 is 41,380.

The District currently operates 47 elementary schools (grades K-6), seven elementary/middle schools (grades K-8), eight middle schools (grades 7-8), one middle/high school (grades 7-12), seven comprehensive high schools (grades 9-12), one independent study school, four continuation/alternative schools, two adult education centers, four dependent charter schools, two special education centers and 47 children's centers which includes preschools. Nine independent charter schools also operate in the District for a total of thirteen charter schools serving kindergarten through grade 12 ("K-12") with a total estimated enrollment of 4,986 students. As of June 30, 2012, the District employed approximately 4,143 employees which include 2,403 certificated (credentialed teaching) employees, 1,718 classified (noninstructional) employees and 22 supervisory/other personnel.

In its Second Interim Report for fiscal year 2012-13 (the "Second Interim Report"), the District has projected general fund expenditures of approximately $393.6 million. Total assessed valuation of taxable property in the District in Fiscal Year 2012-13 is approximately $48 billion.

The District is governed by a Board of Education (the "Board") consisting of seven members and one student member. The regular members are elected to staggered four-year terms every two years. Beginning in 2008, board member elections are no longer held District-wide, but instead are held among voters who reside in each of seven trustee areas.

The day-to-day operations are managed by a board-appointed Superintendent of Schools. Jonathan Raymond was appointed Superintendent on July 23, 2009 and his term commenced on August 21, 2009. Mr. Raymond previously served as chief accountability officer for Charlotte-Mecklenburg Schools in North Carolina. Patricia Hagemeyer served the District in various capacities for 32 years in a variety of business positions, most recently as Chief Business Officer. Mrs. Hagemeyer retired in 2012. Richard Odegaard served as the Interim Chief Business Officer during the period from December 2012 through March 2013. Mr. Odegaard has over 20 years of experience working as a Chief Financial Officer. Ken Forrest was hired as the Chief Business Officer on April 1, 2013. Mr. Forrest has 35 years of experience as a financial and business officer for K-12 school districts. Mr. Forrest recently was the Chief Business Officer (CBO) for the Matanuska-Susitna Borough School District in Palmer, Alaska and previously worked for 22 years as the CBO for the Poudre School District in Fort Collins, Colorado, the CBO for the Travis Unified School District in Fairfield, California, and served as the Chief Financial Officer (CFO) for the Detroit Public Schools. Mr. Forrest has received the Government Finance Officers Association and the Association of School Business Officials Certificate of Excellence in Financial Reporting in multiple districts.

As explained further in this section of APPENDIX A, the District is a revenue limit district. Local property tax revenues account for approximately 25.4% of the District's aggregate revenue limit income, and are projected to be approximately $56.0 million, or 14.5% of total general fund revenue in fiscal year 2012-13.

**State Funding of Education; State Budget Process**

***General.*** As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a locally-generated portion derived from the District's share of the 1% local *ad valorem* property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including for State and federal programs. Because the District's legal minimum funding level is not expected to be met from local property taxes alone, the District budgeted receipt of general operating funds from the State in fiscal year 2012-13. The District projects receipt of about $164.6 million in revenue limit funding from the State in fiscal year 2012-13. The District also projects receipt of approximately $103.7 million in State categorical funding in fiscal year 2012-13. Total State funding accounts for about 69% of the District's overall revenues. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

State funding is guaranteed to a minimum level for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. The funding guarantee is known as "Proposition 98," a constitutional and statutory initiative amendment adopted by the State's voters in 1988, and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution).

Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is at the heart of annual budget negotiations and adjustments.

***Adoption of Annual State Budget.*** According to the State Constitution, the Governor of the State (the "Governor") must propose a budget to the State Legislature no later than January 10 of each year. Under an constitutional amendment initiative approved by the State's voters on November 2, 2010 as "Proposition 25," a final budget must be adopted by a majority vote (rather than a two-third majority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been breached in the past. Any tax increase provision of such final budget shall continue to require approval by a two-thirds majority vote of each house of the State Legislature. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the 2012-13 Budget on June 27, 2012.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: www.sco.ca.gov. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary

funds to cover its annual cash flow deficits, and as a result of the *White* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White* decision to have any long-term effect on its operating budgets.

***Aggregate State Education Funding.*** The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent, and others, sued the State or Governor in 1995, 2005, and 2009, to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2 (which will be paid on July 15, 2013); by suspending Proposition 98, as the State did in 2004-05; and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances. The Governor's proposed 2013-14 budget reverses many of these trends, for example by eliminating certain deferrals. See "– *Proposed 2013-14 State Budget*" below.

***State Cash Management Legislation.*** On March 1, 2010, the Governor signed a bill (and on March 4, 2010, subsequently signed a clean-up bill to clarify certain provisions of such bill) to provide additional cash management flexibility to State fiscal officials (the "Cash Management Bill"). The Cash Management Bill authorized deferral of certain payments during fiscal year 2010-11 for school districts (not to exceed $2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). The Cash Management Bill permitted deferrals of payments to K-12 schools in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but depending on actual cash flow conditions at the time, and allowed the State Controller, Treasurer and Director of Finance to either accelerate or delay the deferrals up to 30 days or reduce the amounts deferred. The Cash Management Bill also permitted the State to move a deferral to the prior month or to a subsequent month upon 30 days written notice by the State Department of Finance to the Legislative Budget Committee, except that the Cash Management Bill provided that the deferral for March 2011 was required to be paid prior to April 30. The Cash Management Bill provided for exceptions to the deferrals for school districts that could demonstrate hardship. The Cash Management Bill made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-11.

Similar legislation was enacted for fiscal year 2011-12. The legislation, however, set forth a specific deferral plan for K-12 education payments.

The State Legislature enacted similar legislation for fiscal year 2012-13 that provides for $1.2 billion of K-12 payments to be deferred in July 2012, $600 million to be deferred in August 2012, $800 million to be deferred in October 2012 and $900 million to be deferred in March 2013. Of such deferred amounts, $700 million of the deferral made in July 2012 was paid in September 2012, the remaining $1.9 billion deferred in July, August and October of 2012 is to be paid in January 2013, and the $900 million deferred in March 2013 is to be repaid in April 2013. The District is authorized to borrow temporary funds to cover its annual cash flow deficits and, as a result of this or similar future legislation, the District might find it necessary to utilize cash flow borrowings or increase the size or frequency of its cash flow borrowings in fiscal year 2012-13 and in future years. In future fiscal years, if the District finds that its other funds are insufficient to cover any cash flow deficits, the District is authorized to borrow funds from the County.

The District cannot predict when, if, and to what extent the State may defer some or all of those payments due to school districts during the 2013-14 fiscal year.

***2012-13 State Budget.*** The Governor signed the fiscal year 2012-13 State budget (the "2012-13 State Budget") on June 27, 2012. The 2012-13 State Budget closes a $15.7 billion budget gap and builds a reserve of nearly $1 billion with (i) $8.1 billion in expenditure reductions, (ii) $6 billion in increased revenues from additional taxes (as further described below) and (iii) $2.5 billion from certain loan and transfer measures. This $15.7 billion budget gap is less than the $26.6 billion budget gap encountered for fiscal year 2011-12.

The 2012-13 State Budget assumed the passage of The Schools and Local Public Safety Protection Act ("Proposition 30") at the November 2012 election. Proposition 30, approved by the voters on November 6, 2012, increases the personal income tax on the State's wealthiest taxpayers by up to 3% for a period of seven years, and increases the sales tax by one-quarter percent for a period of four years. The 2012-13 State Budget projects that Proposition 30 will generate an estimated $8.5 billion in revenues in fiscal year 2012-13. Such additional revenues would increase the State's Proposition 98 obligation by $2.9 billion and provide a net benefit of $5.6 billion to the State's general fund.

With voter approval of Proposition 30, the 2012-13 State Budget provides $53.6 billion in Proposition 98 funding for K-12 schools and community colleges, a $6.7 billion (or 14%) increase from fiscal year 2011-12. Of such increased amount, $6.1 billion is designated for K-12 schools. The 2012-13 State Budget maintains level Proposition 98 programmatic funding for all K-12 schools, pays off $2.2 billion in the amount of payments to K-12 schools and community colleges that are deferred each year, and funds the Quality Education Investment Act program (as described below) within the Proposition 98 guarantee. According to the 2012-13 State Budget, Proposition 30 is expected to increase Proposition 98 funding for K-12 schools and community colleges by an aggregate amount of $17.2 billion (or 37%) over the next four fiscal years when compared to fiscal year 2011-12. This projected increase reverses years of cuts in funding for K-12 schools and community colleges.

K-12 adjustments provided in the 2012-13 State Budget include:

- Proposition 98 Adjustments. A decrease of approximately $630 million due to (i) eliminating the hold-harmless adjustment provided to K-12 schools from the elimination of the sales tax on gasoline in fiscal year 2010-11, and (ii) using a consistent current value methodology to rebench the Proposition 98 minimum guarantee for the exclusion of child care programs, the inclusion of special education mental health services, and new property tax shifts.

- Redevelopment Agency Asset Liquidation. An increase of $1.3 billion in local property taxes for fiscal year 2012-13 to reflect the distribution of cash assets previously held by redevelopment agencies, which increase in local revenues also reduces Proposition 98 general fund by an identical amount.

- Quality Education Investment Act. A decrease of $450 million in funding for fiscal year 2012-13 with respect to the Quality Education Investment Act. The overappropriation in fiscal year 2011-12 will be used to prepay the $450 million required to be provided on top of the Proposition 98 minimum guarantee in fiscal year 2012-13. The program will be funded within the Proposition 98 minimum guarantee to achieve one-time savings of $450 million for fiscal year 2012-13.

- K-12 Deferrals. An increase of $2.1 billion in Proposition 98 funding to reduce K-12 inter-year budgetary deferrals from $9.5 billion to $7.4 billion.

- Mandates Block Grant. An increase of $86.2 million from fiscal year 2011-12 to provide a total of $166.6 million for K-12 mandates through a new voluntary block grant, in which participating school districts and county offices of education would receive $28 per student and participating charter schools would receive $14 per student. School districts and county offices of education that choose not to participate in the block grant program would retain their right to submit claims for reimbursement, subject to audit by the State Controller.

- Charter Schools. An increase of $53.7 million in Proposition 98 funding for charter school categorical programs to fund growth in charter school enrollment. Additionally, the 2012-13 State Budget provides for (i) the expansion of the ability of school districts to convey surplus property to charter schools, (ii) the authorization of county treasurers to provide charter schools with short-term cash loans, and (iii) the authorization of charter schools to participate in the temporary revenue anticipation note financing mechanisms that are currently available to school districts and county offices of education.

- Child Care. Total savings of $294.3 million from (i) the inclusion of part-day center-based services for 3- and 4- year-olds within the State Preschool Program funded through Proposition 98, (ii) the reduction of child care provider contracts, and (iii) not providing the statutory cost-of-living-adjustment for non-CalWORKs programs.

The complete 2012-13 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this interest address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

***Proposed 2013-14 State Budget.*** The Governor released his proposed fiscal year 2013-14 State budget (the "2013-14 Proposed State Budget") on January 10, 2013. The 2013-14 Proposed State Budget projects a balanced budget for fiscal year 2013-14 and proposes a multiyear plan that is balanced, maintains a $1 billion reserve and pays down budgetary debt from past years. In comparison, a $15.7 billion and $26.6 billion budget gap was encountered in fiscal years 2012-13 and 2011-12, respectively. The 2013-14 Proposed State Budget provides that the projected balanced budget is largely the result of the various spending cuts implemented over the previous two fiscal years, and the passage of Proposition 30 at the November 6, 2012 election. The 2013-14 Proposed State Budget acknowledges that Proposition 30 will only provide temporary revenues, with the sales tax increase expiring at the end of 2016 and the income tax increase expiring at the end of 2018. Accordingly, the 2013-14 Proposed State Budget notes the State must begin to plan now to ensure that the budget will remain balanced after such temporary tax increases expire. The 2013-14 Proposed State Budget also notes certain other risks that could return the State to fiscal deficits, including: fiscal challenges of the federal government, deviation from projected economic growth, rising health care costs and federal government and court interference with the State's efforts to reduce spending.

In addition to the revenues projected to be generated by the Proposition 30, additional revenues are also expected due to the passage of Proposition 39 (The California Clean Energy Jobs Act) at the November 6, 2012 election ("Proposition 39"), which establishes a single sales tax for out-of-state corporations. Such tax measures are expected to collectively generate $3.2 billion of State general fund revenue in fiscal year 2012-13 and $5.8 billion of State general fund revenue in fiscal year 2013-14, or 5.9% of total State general fund revenue ($98.5 billion). Of such total State general fund revenue, personal income taxes are expected to contribute $61.7 billion (62.7%), sales and use taxes are expected to contribute $23.3 billion (23.6%) and corporation taxes are expected to contribute $9.1 billion (9.3%).

Absent any changes, the 2013-14 Proposed State Budget projects that the fiscal year 2013-14 budget would be balanced but would lack an adequate reserve. To create a $1 billion reserve, the 2013-14 Proposed State Budget proposes several measures, such as the suspension of certain newly identified mandates, the use of fiscal year 2012-13 funds appropriated above the Proposition 98 minimum guarantee to prepay certain obligations to schools under the Quality Education Investment Act, as described below, and the extension of the hospital quality assurance fee and the gross premiums tax on Medi-Cal managed care plans. The 2013-14 Proposed State Budget dedicates $4.2 billion in fiscal year 2013-14 to pay down the State's budgetary debt (which budgetary debt amounted to $34.7 billion at the end of fiscal year 2010-11 and is currently estimated to be $27.8 billion at the end of fiscal year 2012-13) and estimates that such budgetary debt will be reduced to less than $5 billion by the end of fiscal year 2016-17.

As it relates to K-12 education, the 2013-14 Proposed State Budget provides Proposition 98 funding of $56.2 billion for fiscal year 2013-14, an increase of $2.7 billion from fiscal year 2012-13, which translates to Proposition 98 per-pupil expenditures of $8,304 in fiscal year 2013-14, as compared to $7,967 in fiscal year 2012-13. Total per-pupil expenditures from all sources are projected to be $11,455 in fiscal year 2012-13 and $11,742 in fiscal year 2013-14, including funds provided for prior year "settle-up" obligations. For fiscal year 2012-13, K-12 average daily attendance ("A.D.A.") is estimated to be 5,982,430, an increase of 16,090 from fiscal year 2011-12. The 2013-14 Proposed State Budget estimates that K-12 A.D.A. will increase by an additional 5,967 in fiscal year 2013-14 to 5,988,397.

The 2013-14 Proposed State Budget proposes a new funding formula for school districts and county offices of education, the Local Control Funding Formula, to increase local control and flexibility, reduce State bureaucracy and to ensure that student needs drive the allocation of resources. The Local Control Funding Formula would replace the existing revenue limit funding system and most categorical programs, and would distribute combined resources to school districts through a base revenue limit funding grant ("Base Grant") per unit of A.D.A. with additional supplemental funding allocated to local educational agencies based on their proportion of English language learners and economically disadvantaged students. Every school district would be entitled to a Base Grant adjusted for grade span cost differentials, multiplied by A.D.A. The average Base Grant, when fully implemented, is expected to be equal to the current average undeficited school district revenue limit. School districts would be entitled to supplemental funding increases up to 35% of the Base Grant. When the proportion of English language learners and economically disadvantaged students exceeds 50% of its total student population, a school district would receive an additional concentration grant equal to 35% of the Base Grant for each English language learner and economically disadvantaged student above the 50% threshold. Additional supplemental funding is available for students in grades K-3 and 9-12 at 11.2% and 2.8%, respectively. Under the new formula, "basic aid districts" would be defined as school districts whose local property taxes equal or exceed their district's formula allocation and would continue to retain local property taxes in excess of their new formula allocation.

Additionally, the 2013-14 Proposed State Budget proposes the following permanent changes to further increase local control and flexibility: (i) elimination of the minimum contribution requirement for routine maintenance, (ii) elimination of the required local district set-aside for deferred maintenance contributions, and (iii) ability to use proceeds from the sale of any real and personal surplus property for any one-time general fund purposes. The 2013-14 Proposed State Budget also proposes other program reforms including, but not limited to, reforms relating to charter schools, special education, adult education and technology-based instruction.

Certain workload adjustments for K-12 programs included in the 2013-14 Proposed State Budget include the following:

- K-12 Deferrals. An increase of approximately $1.8 billion Proposition 98 general fund to reduce inter-year budgetary deferrals. Combined with the $2.2 billion provided in fiscal year 2012-13 to retire inter-year deferrals, the total outstanding deferral debt for K-12 is projected to be reduced to $5.6 billion at the end of fiscal year 2013-14, and all remaining K-12 deferrals are projected to be paid off by the end of fiscal year 2016-17.

- New School District Funding Formula. An increase of approximately $1.6 billion in Proposition 98 general fund for school districts and charter schools in fiscal year 2013-14.

- New County Office of Education Funding Formula. An increase of approximately $28.2 million Proposition 98 general fund to support first year implementation of a new funding formula for county offices of education in fiscal year 2013-14.

- Energy Efficiency Investments. An increase of $400.5 million Proposition 98 general fund to support energy efficiency projects in schools consistent with The California Clean Energy Jobs Act.

- Cost-of-Living Adjustment Increases. A 1.65% cost-of-living adjustment ("COLA") for a select group of categorical programs that will remain outside of the new student funding formula, including special education and child nutrition. COLA for school district and county offices of education revenue limits will be provided in the form of new funding allocated for the implementation of the new funding formulas.

- Charter Schools. An increase of $48.5 million Proposition 98 general fund to support projected charter school A.D.A. growth.

- K-12 Mandates Funding. An increase of $100 million to the K-12 portion of the mandates block grant to support costs associated with mandates relating to graduation requirements and behavioral intervention plans.

- Local Property Tax Adjustments. An increase of $526.6 million and $608.6 million Proposition 98 general fund for school district and county office of education revenue limits in fiscal years 2012-13 and 2013-14, respectively, as a result of lower or reduced offsetting property tax revenues.

- A.D.A. An increase of $304.4 million in fiscal year 2012-13 for school district and county office of education revenue limits as a result of an increase in projected A.D.A. from the 2012-13 State Budget. An increase of $2.8 million in fiscal year 2013-14 for school districts and county offices of education as a result of projected growth in A.D.A. in fiscal year 2013-14.

- Proposition 39. The revised Proposition 98 guarantee for fiscal year 2012-13 will be $162.8 million below the level of Proposition 98 General Fund appropriated in fiscal year 2012-13, which excess appropriated amount will be used to retire future funding obligations under the terms of the Quality Education Investment Act (see "*–2012-13 State Budget"* above).

The complete 2013-14 Proposed State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

***LAO Overview of 2013-14 Proposed State Budget.*** The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2013-14 Proposed State Budget entitled "The 2013-14 Budget: Overview of the Governor's Budget" on January 14, 2013 (the "2013-14 Budget Overview"), in which the LAO acknowledges that the State has reached a point where, unlike in recent years, its underlying expenditures and revenues are roughly in balance. The LAO commends the 2013-14 Proposed State Budget emphasis on paying down the State's budgetary debt, especially in light of the risks and pressures that the State still faces (e.g., the uncertainty at the federal level over "fiscal cliff" issues related to the debt limit and sequestration). However, despite the commitment to paying down the State's budgetary debt under the Governor's multiyear plan, the 2013-14 Budget Overview notes that the State would still have no sizeable reserve at the end of fiscal year 2016-17 and further, the State would not have begun addressing significant unfunded liabilities associated with the teachers' retirement system and state retiree health benefits. With respect to the assumption in the 2013-14 Proposed State Budget regarding the continuation of moderate economic growth, the 2013-14 Budget Overview recognizes that a prolonged impasse at the federal level over "fiscal cliff" issues could affect consumer, business and investor confidence and negatively impact the ongoing economic recovery. In addition, the 2013-14 Budget Overview notes that there is uncertainty regarding the projected improvement in the State's housing market and construction industry, which is assumed in the 2013-14 Proposed State Budget, as such projections could be negatively affected by the tax increases under Proposition 30.

With respect to the Proposition 98 budget plan in the 2013-14 Proposed State Budget, the 2013-14 Budget Overview commends the Governor's approach to dedicate $1.9 billion in fiscal year 2013-14 to paying down school and community college deferrals (while using the remainder for programmatic increases) which balanced approach would allow the State to eliminate all school and community college deferrals by fiscal year 2016-17. The LAO, though, notes that the 2013-14 Proposed State Budget does not address an outstanding mandate backlog of $1.9 billion. The 2013-14 Budget Overview also finds many strong components with the Governor's proposed changes to K-12 funding, finding that the new approach, if implemented, would replace a complicated, top-down system with one that is more transparent, better linked with student costs and locally driven. Nonetheless, the LAO believes that the proposed K-12 funding plan can be strengthened with some modifications, such as the inclusion (and not exclusion) of the Targeted Instructional Improvement Grant and Home-to-School Transportation programs in the new formula, and the implementation of procedures to ensure that supplemental funds are used by school districts to benefit disadvantaged children. The LAO also notes some concerns with respect to the Proposition 98 budget plan in the 2013-14 Proposed State Budget, including, but not limited to, concerns about the inclusion of Proposition 39 revenues (including those revenues required to be spent on energy efficiency projects) in the Proposition 98 calculation. The 2013-14 Budget Overview provides that such application of Proposition 39 revenues is a departure from how revenues should be treated for Proposition 98 and contrary to what voters were told regarding Proposition 39. The LAO, accordingly, recommends that the State Legislature exclude all Proposition 39 revenues required to be used on energy efficiency projects ($450 million) from the Proposition 98 calculation.

The 2013-14 Budget Overview is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

***Changes in State Budget.*** The final fiscal year 2013-14 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot predict the impact that the final fiscal year 2013-14 State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2013-14 State budget will be affected by national and State economic conditions and other factors which the District cannot predict.

***Future Budgets and Budgetary Actions.*** The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2012-13 and in future fiscal years. Continued State budget shortfalls in fiscal year 2012-13 and future fiscal years could have a material adverse financial impact on the District. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property within the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

***Prohibitions on Diverting Local Revenues for State Purposes.*** Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools (though this program may now be defunct in light of the dissolution of redevelopment agencies – see "Dissolution of Redevelopment Agencies" below), as in the ERAF program. This intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved. Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

**District Revenues**

Under California Education Code (the "Education Code") Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of A.D.A.

The base revenue limit is calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution.

In its Second Interim Report, the District's total base revenue limit per A.D.A. is projected to be $6,707 for Fiscal Year 2012-13, compared to $6,495 in 2011-12. The District's total projected revenue limit income for Fiscal Year 2012-13 is approximately $220.6 million, or approximately 57% of its total general fund revenues.

The principal component of local revenues is the District's property tax revenues; that is, the District's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. The more local property taxes, the more funding from the Education Protection Account established by Section 36 of Article XII of the State Constitution, and the more funds from redevelopment property tax trust funds a district receives, the less State equalization aid it is entitled to; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts are known colloquially as "basic aid districts." Districts that receive some equalization aid may commonly be referred to as "revenue limit districts."

The District is a revenue limit district. Local property tax revenues account for approximately 25.4% of the District's aggregate revenue limit income, and are projected to be approximately $56 million, or 14.5% of total general fund revenue in fiscal year 2012-13. The County is a "Teeter Plan" county, which means that the District is made whole for any delinquencies in payment of property taxes by local property owners. Property tax levy and collection procedures (including the Teeter Plan) are discussed in the front portion of this Official Statement under "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Tax Collections and Delinquencies." For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" in this APPENDIX A.

***Effect of Changes in Enrollment.*** Changes in local property tax income and student enrollment (or A.D.A.) affect revenue limit districts and basic aid districts differently.

In a revenue limit district, increasing enrollment increases the total revenue limit and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth—and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on revenue limit districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In basic aid districts, the opposite is generally true: Increasing enrollment does increase the revenue limit, but since all revenue limit income (and more) is already generated by local property taxes, there is no increase in State income, other than the $120 per student in basic aid received in the form of categorical aid, as described above. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a basic aid district.

For revenue limit districts, any loss of local property taxes is made up by an increase in State equalization aid, until the base revenue limit is reached. For basic aid districts, the loss of tax revenues is not reimbursed by the State.

The District cannot make any predictions regarding how the current economic environment or changes thereto will affect the State's ability to meet the revenue and spending assumptions in the State's adopted budget, and the effect of these changes on school finance. The District's adopted budget and budgeted A.D.A. are used for planning purposes only, and do not represent a prediction as to the actual financial performance, attendance, or the District's actual funding level for fiscal year 2012-13 or beyond. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

The District's recent A.D.A. history for grades K-12, including special education, is set forth in the table below.

**Sacramento City Unified School District**
**Total Grades K-12 Second Period (P-2)**
**Average Daily Attendance**

| Fiscal Year | Average Daily Attendance |
|---|---|
| 2005-06 | 43,243 |
| 2006-07 | 42,394 |
| 2007-08 | 42,220 |
| 2008-09 | 41,995 |
| 2009-10 | 41,864 |
| 2010-11 | 41,515 |
| 2011-12 | 41,349 |
| 2012-13 | 41,078[(1)] |

[(1)] Projected from Second Interim Report for fiscal year 2012-13.
*Source:* Audited Financial Statements for each year ended June 30, 2006 through 2012.

The District adopted its fiscal year 2012-13 budget on June 21, 2012. The District's adopted budget and budgeted A.D.A. are used for planning purposes only, and do not represent a prediction as to the actual financial performance, attendance, or the District's actual funding level for Fiscal Year 2012-13 or beyond. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

**Other District Revenues**

***Federal Revenues.*** The federal government provides funding for several District programs, including special education programs, programs under The No Child Left Behind Act of 2001 (PL 107-110), specialized programs such as Teacher Quality, Title I/Elementary and Secondary Education Act, immigrant education, and various incentives under the American Recovery and Reinvestment Act. Federal revenues, most of which are restricted, are projected at approximately $54.6 million and comprise approximately 14.1% of the District's general fund budgeted revenues in fiscal year 2012-13.

***Other State Revenues.*** In addition to State apportionments for Proposition 98 funding, the District receives substantial other state revenues. These other state revenues, or categorical funds, are ordinarily restricted to specific programs or items; however, as part of the 2009-10 State Budget, general spending flexibility was given to school districts for most categorical funds through fiscal year 2012-13. State categorical revenues are projected at approximately $103.7 million, including the State lottery fund portion, comprising approximately 26.8% of the District's general fund budgeted revenues in fiscal year 2012-13. Lottery funds may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's total State lottery revenue is projected at approximately $6.8 million, or about 1.8% of general fund revenue in 2012-13.

***Other Local Revenues.*** In addition to *ad valorem* property taxes, the District receives additional local revenues from items such as interest earnings and other local sources. Other local revenues comprised approximately 2.1% of the District's general fund revenues and are projected to be approximately $8.0 million in 2012-13. Other local revenues may include donations, redevelopment pass-through moneys as described below, local voter-approved special taxes, as well as items such as rent, interest, fees and contracts.

***Dissolution of Redevelopment Agencies.*** Under California law, a city or county could, and did, prior to California legislation dissolving redevelopment agencies as described below, create a redevelopment agency in territory within one or more school districts. Upon formation of a "project area" of a redevelopment agency, most property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of general fund tax revenues (relating to the 1% countywide general fund levy) to other local taxing agencies, including school districts, from that time forward. However, special *ad valorem* property taxes (in excess of the 1% general fund levy) collected for payment of debt service on school bonds are based on assessed valuation before reduction for redevelopment increment and such special *ad valorem* property taxes are not affected or diverted by the operation of a redevelopment agency project area.

As to operating revenues, any loss of local property taxes that contribute to the revenue limit target of a revenue limit district is made up by an increase in State equalization aid, until the base revenue limit is reached. "Pass-through" payments of local tax revenues required by law to be paid to the school district by a local redevelopment agency will count toward the revenue limit, except for any portion dedicated to capital facilities or deferred maintenance.

Commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a "redevelopment property tax trust fund" created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in Part 1.85 (commencing with Section 34170) of Division 24 of the State Health and Safety Code (the "Health and Safety Code"). The Health and Safety Code generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller's administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller and State Controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;

- To the former redevelopment agency's successor agency for payments listed on the successor agency's recognized obligation payment schedule for the ensuing six-month period;

- To the former redevelopment agency's successor agency for payment of administrative costs; and

- Any remaining balance to school entities and local taxing agencies.

The District received tax-increment pass-through payments of $583,671 for fiscal year 2011-12, and estimates it will receive $334,681 for fiscal year 2012-13. The District does not anticipate the dissolution of redevelopment agencies to have any significant effect on its total general revenues.

**District Expenditures**

The largest part of each school district's general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

In its Second Interim Report, the District estimates that it will expend approximately $316.3 million in salaries and benefits, or approximately 80% of its general fund expenditures in fiscal year 2012-13. This amount represents a decrease of approximately 5.3% from the $334 million the District expended in fiscal year 2011-12.

***Labor Relations.*** The District currently employs 2,403 full-time-equivalent ("FTE") certificated employees, 1,718 FTE classified employees, and 22 FTE management and supervisory/other employees. Certificated and classified employees are represented for collective bargaining purposes as shown below:

**Sacramento City Unified School District**
**Labor Organizations**

| Labor Organization | Employees Represented | Contract Expiration |
|---|---|---|
| Sacramento City Teachers Association | 2,282 | June 30, 2014 with reopeners |
| Service Employees International Union | 1,663 | June 30, 2013 with reopeners |
| United Professional Educators | 121 | June 30, 2014 with reopeners |
| Teamsters | 55 | June 30, 2014 with reopeners |
| Classified Supervisors Association | 22 | June 30, 2014 with reopeners |
| Total | 4,143 | |

*Source*: The District.

***CalSTRS.*** Contributions to CalSTRS are fixed in statute. Teachers contribute 8% of salary to CalSTRS, while school districts contribute 8.25%. In addition to the teacher and school contributions, the State contributes 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

Because of the downturn in the stock market, an actuarial valuation as of June 30, 2003 showed a $118 million shortfall in the baseline benefits—one-tenth of 1% of accrued liability. Consequently, the surcharge kicked in for the first time in the fiscal year 2004-05 at 0.524% for three quarterly payments, which amounted to an additional $92 million from the State's general fund in fiscal year 2004-05. However, in addition to the small shortfall in pre-enhancement benefits (triggering the surcharge), the June 30, 2003, valuation also showed a substantial $23 billion unfunded liability for the entire system, including enhanced benefits. As indicated above, there is no required contribution from teachers, school districts or the State to fund this unfunded liability.

As of June 30, 2011, an actuarial valuation for the entire system, including enhanced benefits, showed an estimated unfunded actuarial liability of $64.5 billion, an increase of $8.5 billion from the June 30, 2010 valuation. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions.

CalSTRS has developed options to address the shortfall but most would require legislative action. In addition, in the Governor's 2005–06 proposed State budget and the 2005-06 May revise of the 2005-06 proposed State budget, the Governor previously proposed increasing the fixed contribution rate from 8.25% to 10.25% for school districts. Subsequently, the final 2005-06 State budget was adopted with a contribution rate of 8.25%. In addition to such prior proposal by the Governor to increase the fixed contribution rate for school districts, other proposals have been previously suggested that would modify the District's obligation to make contributions to CalSTRS to closely parallel the full cost of the retirement benefits provided by CalSTRS, which proposals would include components for unfunded liability. If such proposals were adopted, the District's annual obligations to CalSTRS would likely increase substantially. Governor Brown, however, has recently signed a pension reform measure that is expected to reduce future pension obligations of public employers like the District. See *"–Governor's Pension Reform"* below.

The District's employer contribution to STRS from the general fund was $14.8 million for fiscal year 2011-12 and is projected at approximately $13.6 million in fiscal year 2012-13.

CalSTRS produces a comprehensive annual financial report which includes financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

***CalPERS.*** All qualifying classified employees of K-12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability.

According to the CalPERS State and Schools Actuarial Valuation as of June 30, 2011, the CalPERS Schools plan had a funded ratio of 78.7% on a market value of assets basis. The funded ratio as of June 30, 2010, June 30, 2009, June 30, 2008 and June 30, 2007 was 69.5%, 65.0%, 93.8% and 107.8%, respectively. In June 2009, the CalPERS Board of Administration adopted a new employer rate smoothing methodology for local governments and school employer rates. It was designed to ease the impact of the investment losses which were then expected in fiscal year 2008-09 on affiliated public employers while strengthening the long-term financial health of the pension fund. Under such methodology, investment losses are amortized and paid off over a fixed and declining 30-year period instead of a rolling 30-year amortization period. In March, 2012, the CalPERS Board of Administration adopted new economic actuarial assumptions to be used with the June 30, 2011 actuarial valuation; in particular, lowering the price inflation assumption from 3.00% to 2.75%. Lowering the price inflation assumption resulted in a reduced discount rate, which is the fund's assumed rate of return calculated based on expected price inflation and the expected real rate of return, from 7.75% to 7.5%. According to CalPERS, this reduction in the discount rate is anticipated to increase State and school district employer contributions for each fiscal year beginning in fiscal year 2012-13 by 1.2% to 1.6% for miscellaneous plans (which includes general office and others) and by 2.2 to 2.4% for safety plans beginning in fiscal year 2012-13.

The District is required to contribute toward CalPERS, at a State-determined percentage of CalPERS-eligible salaries. For fiscal year 2011-12, the contribution percentage was 10.923%. For fiscal year 2012-13, the contribution percentage is 11.417%. The District's total contribution from the general fund was $6.6 million for fiscal year 2011-12 and is projected at approximately $4.9 million in fiscal year 2012-13.

CalPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information set forth therein is not incorporated by reference in this Official Statement.

***Governor's Pension Reform.*** On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that will reform pensions for State and local government employees. AB 340, signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. The District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make (except as already announced). CalSTRS and CalPERS liabilities are more fully described in APPENDIX B: "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012," Note 9.

***GASB 25 and 27.*** On July 8, 2011, the Governmental Accounting Standards Board ("GASB") released its exposure draft of proposed changes in pension accounting and financial reporting standards for state and local governments (GASB 25 and 27), and if implemented, these changes will impact the accounting treatment of pension plans, such as CalSTRS and CalPERS, in which state and local governments, like the District, participate. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Following public comments on the exposure draft in 2011, new standards could be adopted in final form in 2012 and are expected to take effect in fiscal years beginning mid-2013 for most employers. The District cannot predict whether GASB will implement these proposed changes in its accounting standards.

***Post-Employment Benefits.*** In addition to the pension benefits described above, the District provides post-employment health benefits for eligible employees who retire early and certain of their dependents. The amount and length of these benefits depends on a variety of factors, including age at retirement, length of service, and status as a certificated, classified or management employee.

Beginning in fiscal year 2008-09, the District was required to implement Governmental Accounting Standards Board Statement No. 45 ("GASB 45") which directs certain changes in accounting for post-employment healthcare benefits ("OPEB") in order to quantify a government agency's current liability for future benefit payments. GASB 45 is directed at quantifying and disclosing OPEB obligations, and does not impose any requirement on public agencies to fund such obligations. On October 6, 2011, Bickmore Risk Management Services completed an evaluation of the District's obligations as of December 1, 2010.

The report calculates the value of all future benefits already earned by current retirees and current employees, known as the "actuarial accrued liability" ("AAL"). As of December 1, 2010, the most recent actuarial valuation date, the District had an actuarial accrued liability of approximately $566.3 million for 3,206 current retirees and beneficiaries and 4,448 additional future participants. In its Second Interim Report for fiscal year 2012-13, the District estimates that it provides benefits to 3,345 current retirees. As of June 30, 2012, the AAL was $591.6 million. The AAL is an actuarial estimate that depends on a variety of assumptions about future events such as health care costs and beneficiary mortality. Every year, active employees earn additional future benefits, an amount known as the "normal cost," which is added to the AAL. The report estimated the normal cost at $18.1 million for the year beginning December 1, 2010. To the extent that the District has not set aside moneys in an OPEB trust with which to pay these accrued and accruing future liabilities, there is an *unfunded* actuarial accrued liability ("UAAL"). This district currently funds the costs of retiree benefits on a pay-as-you-go basis. In addition, SCTA has agreed to contribute to the liability through payroll contributions.

The annual required contribution ("ARC") is the amount required if the District were to fund each year's normal cost plus an annual amortization of the unfunded actuarial accrued liability, assuming the UAAL will be fully funded over a 30-year period. If the amount budgeted and funded in any year is less than the ARC, the difference reflects the amount by which the UAAL is growing. In December 2010, the ARC was determined to be approximately $43.6 million. In 2011-12, the District funded $22.9 million in pay-as-you-go expenditures. The District's fiscal year 2012-13 projected pay-as-you-go expenditure for post-retirement benefits is $21.8 million.

See also APPENDIX B: "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012," Note 10.

***Accrued Vacation and Other Obligations.*** The long-term portion of accumulated and unpaid employee vacation for the District as of June 30, 2012 was $7.0 million. See APPENDIX B: "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012," Note 1.

**Summary of District Revenues and Expenditures**

The table on the following page summarizes the District's general fund revenue, expenditures and fund balances from Fiscal Years 2008-09 through 2011-12 (audited) and Fiscal Year 2012-13 (projected). See "SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS – District Budget Process and County Review" herein for a general description of the annual budget process for California school districts. The District's audited financial statements for the year ending June 30, 2012, are reproduced in APPENDIX B. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board of Trustees by September 15, and the audit report must be filed with the County of Sacramento Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 2% of its total general fund expenditures, based on total student attendance. For fiscal year 2012-13, the District projects an unrestricted general fund reserve of 2.3%, or approximately $9.0 million. Substantially all funds of the District are required by law to be deposited with and invested by the County Treasurer on behalf of the District, pursuant to law and the investment policy of the County. See APPENDIX D: "COUNTY OF SACRAMENTO INVESTMENT POLICES AND PRACTICES AND INVESTMENT POOL QUARTERLY REPORT."

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**Sacramento City Unified School District**
**General Fund of Revenues, Expenditures and Fund Balances**
**Fiscal Years 2008-09 Through 2012-13**

| | 2008-09 Actual[1] | 2009-10 Actual[1] | 2010-11 Actual[1] | 2011-12 Actual[1] | 2012-13 Budget[2] |
|---|---|---|---|---|---|
| Revenue/Receipts | | | | | |
| Revenue Limit Sources: | | | | | |
| State Aid | $176,744,988 | $154,299,252 | $165,947,805 | $165,358,995 | $164,569,863 |
| Property Taxes | 63,408,608 | 60,544,496 | 56,618,816 | 55,206,471 | 56,002,602 |
| Federal Revenue | 61,239,195 | 57,663,445 | 72,051,245 | 47,367,141 | 54,634,379 |
| Other State Revenue | 93,574,884 | 113,183,976 | 109,156,582 | 108,799,926 | 103,713,847 |
| Other Local Revenue | 10,288,472 | 9,442,044 | 9,136,901 | 13,173,587 | 8,038,531 |
| TOTAL | $405,256,147 | $395,133,213 | $412,911,349 | $389,906,120 | $386,959,223 |
| Expenditures/Disbursements | | | | | |
| Certificated Salaries | $180,615,397 | $172,906,681 | $175,556,153 | $170,919,753 | $162,498,064[3] |
| Classified Salaries | 57,306,438 | 54,043,150 | 52,390,166 | 52,722,192 | 48,202,972 |
| Employee Benefits | 95,823,370 | 95,971,539 | 102,090,242 | 110,321,022 | 105,592,195 |
| Books and Supplies | 13,957,476 | 12,699,281 | 16,484,359 | 12,506,975 | 21,061,684 |
| Services/Other Operating Expenditures | 58,232,043 | 58,552,553 | 56,372,037 | 55,661,409 | 55,095,811 |
| Capital Outlay | 1,508,402 | 645,994 | 2,358,049 | 3,877,564 | 364,891 |
| Other Outgo | 27,720 | 18,318 | 27,684 | 23,414 | 0 |
| Transfers of Indirect/Direct Support Costs | – | – | – | – | (1,375,232)[4] |
| Debt Service | 3,079,680 | 2,328,317 | 576,329 | 1,993,453 | 2,169,460 |
| TOTAL | $410,550,526 | $397,165,833 | $405,855,019 | $408,025,782 | $393,609,846 |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | (5,294,379) | (2,032,620) | 7,056,330 | (18,119,662)[5] | (6,650,623) |
| Other Financing Sources/ (Uses) | | | | | |
| Transfers In/ Other Sources | $7,340,438 | $4,848,912 | $12,364,418 | $4,734,799 | $710,568 |
| Transfers Out/ Other Uses | – | (16,191,057) | (9,397,892) | (17,890) | – |
| Proceeds from capitalized lease obligations | – | 47,411 | 15,977 | 116,824 | – |
| TOTAL | $7,340,438 | $(11,294,734) | $2,982,503 | $4,833,733 | $710,568 |
| NET INCREASE(DECREASE) IN FUND BALANCE | 2,046,059 | (13,327,354) | 10,038,833 | (13,285,929) | (5,940,055) |
| FUND BALANCE, BEGINNING OF YEAR | 35,641,886 | 37,687,945 | 24,360,591 | 34,399,424 | 21,113,495 |
| FUND BALANCE, END OF YEAR | $37,687,945 | $24,360,591 | $34,399,424 | $21,113,495 | $15,173,440 |

(1) District's audited financial statements for fiscal years ending June 30, 2009, 2010, 2011 and 2012.
(2) Second Interim Report for fiscal year 2012-13.
(3) Certificated salaries are projected to decrease by $8.4 million in fiscal year 2012-13 due to budget reductions including reduced staffing and increased class sizes.
(4) The District's projected Indirect Costs for fiscal year 2012-13 are presented under "Expenditures/Disbursements" for reporting purposes; however, these funds are combined with "Transfers Out/Other Sources" for presentation in the audited financial statement as shown in previous years.
(5) In response to an improved ending fund balance and additional federal funding, the District budgeted a larger-than-average deficit of revenues over expenditures. The increased deficit was paid off using the additional funds.

Note: Amounts may not add up due to rounding.

**District Debt Structure**

***Tax and Revenue Anticipation Notes.*** To address predictable annual cash flow deficits resulting from the different timing of revenues and expenditures, the District has issued tax and revenue anticipation notes in each recent year as shown in the table below. The District's notes are a general obligation of the District, payable from the District's general fund and any other lawfully available moneys.

| Issuance Date | Principal Amount | Interest Rate | Yield | Due Date |
|---|---|---|---|---|
| 12/01/05 | $25,000,000 | 4.500% | 3.150% | 12/01/06 |
| 12/14/06 | 24,475,000 | 4.000 | 3.300 | 12/14/07 |
| 11/28/07 | 30,000,000 | 3.750 | 3.270 | 11/28/08 |
| 05/11/11 | 50,000,000 | 2.250 | 1.875 | 11/02/11 |
| 04/05/12 | 75,000,000 | 2.000 | 0.480 | 10/01/12 |

***Special Tax Bonds.*** Special tax bonds outstanding represent the unpaid portion of a bond issuance by voters to finance construction of three school facilities (the "Series 1997 C" Bonds). The Series 1997 C Bonds mature on September 1, 2013. Scheduled payments on Series 1997 C Bonds are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2013 | $635,000 | $49,870 | $686,870 |
| 2014 | 595,000 | 16,363 | 611,363 |
| TOTAL | $1,230,000 | $66,233 | $1,296,233 |

***General Obligation Bonds.*** On October 19, 1999, voters in the District approved a bond measure authorizing the District to issue $195,000,000 in general obligation bonds, colloquially known as "Measure E Bonds." All of the Measure E Bonds have been issued. On June 30, 2011, the District issued $79,585,000 in general obligation refunding bonds to refund a portion of its outstanding General Obligation Bonds (Election of 1999) Series B (the "Series 1999B Bonds"), General Obligation Bonds (Election of 1999) Series C (the "Series 1999C Bonds"), and General Obligation Refunding Bonds, Series 2001 (the 2001 Refunding Bonds"). A portion of the District's General Obligation Bonds (Election of 1999) Series D (the "Series D Bonds") remain outstanding.

On June 14, 2012, the District issued $113,245,000 in general obligation refunding bonds to refund all of its outstanding Series 1999B Bonds, all of its outstanding Series 1999C Bonds, a portion of its General Obligation Bonds (Election of 1999) Series D, a portion of its 2001 Refunding Bonds, and all of its General Obligation Bonds (Election of 2002) Series A.

On November 2, 2002, voters in the Sacramento City Unified School District approved a bond measure authorizing the district to issue $225,000,000 in general obligation bonds, colloquially known as "Measure I" bonds. The District sold $80,000,000 of the Measure I bonds on March 1, 2003, $80,000,000 of the Measure I bonds on July 1, 2005, and $64,997,966 of the Measure I bonds on November 14, 2007. Substantially all of the Measure I Bonds have been issued. A portion of its General Obligation Bonds (Election of 2002) Series 2005 and its General Obligation Bonds (Election of 2002) Series 2007 remain outstanding.

The District's outstanding general obligation bonds are summarized in the table below.

| Issue Name | Issuance Date | Original Principal Amount | Amount Outstanding | Interest Rate | Original Due Dates |
|---|---|---|---|---|---|
| 1999 Series D | 08/01/2004 | $ 55,000,000 | $ 1,345,000 | 2.5-5.25% | 2011-2029 |
| 2002 Series 2005 | 07/01/2005 | 80,000,000 | 72,305,000 | 4.0-5.0 | 2012-2030 |
| 2002 Series 2007 | 11/14/2007 | 64,997,966 | 50,882,966 | 3.5-5.0 | 2012-2032 |
| 2011 Refunding Bonds | 06/30/2011 | 79,585,000 | 75,900,000 | 3.0-5.5 | 2012-2030 |
| 2012 Refunding Bonds | 06/14/2012 | 113,245,000 | 113,245,000 | 2.0-5.25 | 2013-2032 |

Approximately $313,677,966 of the District's general obligation bonds remains outstanding.

***Certificates of Participation.*** On April 18, 2001, Certificates of Participation ("COPs") of $43,580,000 were issued with variable interest rates ranging from 4.1% to 5.0% maturing on March 1, 2031, for the advance refunding of Series 1999C COPs (with remaining obligation of $29,590,000) and to provide additional capital for construction projects. With the payment of $30,000,000 to the Escrow Agent to advance refund and defease the District's 1999C COPs, the 1999C COPs are considered to be defeased, and the obligations have been removed from the District's financial statements.

On July 11, 2002, the District issued $58,000,000 of Variable Rate Certificates of Participation for the advance refunding of 1998 Series A COPs (with remaining obligation of $13,750,000) and 1999 Series D COPs (with remaining obligation of $15,480,000) and to provide additional capital for construction projects. The District advance refunded and defeased its 1998 Series A COPs and the 1999 Series D COPs. The 2002 Variable Rate COPs were remarketed on March 14, 2011 in the aggregate principal amount of $48,020,000, maturing on March 1, 2040. The 2002 Variable Rate COPs are currently in SIFMA Term Floater Rate Mode, which is scheduled to expire March 1, 2014. Unless the District refinances the 2002 Variable Rate COPs, the interest rate borne by the 2002 Variable Rate COPs will increase to 9% and shall stay at such rate until such date as they are refunded. Interest on these Variable Rate COPs is based on the SIFMA Term Floater Rate, determined by the Remarketing Agent as such terms are defined in the remarketing memorandum describing the issue.

Scheduled payments for the COPs are as follows:

| Year Ending June 30, | COPs Payments |
|---|---|
| 2013 | $3,055,895 |
| 2014 | 3,071,175 |
| 2015 | 3,083,075 |
| 2016 | 3,101,495 |
| 2017 | 3,126,100 |
| 2018-2022 | 15,922,975 |
| 2023-2027 | 18,305,750 |
| 2028-2032 | 20,401,250 |
| 2033-2037 | 16,325,000 |
| 2038-2040 | 14,370,000 |
| Total payments | $100,762,715 |
| Less: Interest Portion | (19,207,715) |
| Net Minimum Payments | $81,555,000 |

Voter-approved bonds, and bonds issued to refund such bonds are payable from a special *ad valorem* property tax authorized to be levied by the County as necessary to repay the amounts coming due in each year. Certificates of Participation are not payable from special *ad valorem* taxes, but are payable instead from the District's General Fund. See the table above for a description of principal and interest owed on all bonds outstanding.

**Capital Financing Plan**

The District has completed a Facilities Master Plan to determine district-wide facilities needs and identify funding sources. In 2008, the District issued the last series of bonds from the 2002 authorization to finance rehabilitation of facilities and new construction necessitated by the District's growth in the high school student population. In addition to funds obtained under the 2002 authorization, facilities expenditures are expected to be funded through a combination of State construction programs, local sources and the District's general fund.

**Insurance and Joint Powers Arrangements**

The District is a member of the Schools Insurance Authority (the "SIA"), a Joint Powers Authority (a "JPA") which operates as a common risk management and insurance program for property and liability coverage. The District is also a member with other school districts of the Self-Insured Schools of California, also a JPA, which provides a means of combining the administration of claims and obtains lower insurance rates for the benefit of the District.

**Charter Schools**

Charter schools operate as autonomous public schools, under charter from a school district, county office of education, or the State Board of Education, with minimal supervision by the local school district. Charter schools receive revenues from the State and from the District for each student enrolled. To the extent students enroll in charter schools instead of the District, it reduces the District's overall revenue. However, the moneys transferred to charter schools "in-lieu" of property taxes are backfilled by State equalization aid. The District is also required to accommodate charter school students originating in the District in facilities comparable to those provided to regular District students. Thirteen charter schools currently operate in the District's boundaries, four of which are dependent and nine of which are directly funded. As to the directly-funded schools, the District pays revenue in lieu of property taxes up to the revenue limit for charter students originating within the District. For fiscal year 2012-13, the District expects to make in-lieu payments in an amount equal to approximately $5.8 million.

Total charter school enrollment is projected to be approximately 4,986 for fiscal year 2012-13.

**Capital Lease**

The District leases office equipment, computers and buses under long-term lease purchase agreements, payable from the general fund of the District. In accordance with generally accepted accounting principles, the District capitalizes these lease purchase agreements within the General Long-Term Debt Account Group. As of June 30, 2012, the schedule of lease payments was as follows:

| Year Ending June 30 | Capital Lease Payments |
|---|---|
| 2013 | $43,804 |
| 2014 | 43,804 |
| 2015 | 29,650 |
| Total Payments | $117,258 |
| Less: Interest Portion | (9,499) |
| Net Minimum Lease Payments | $107,759 |

## SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS

**District Budget Process and County Review**

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Sacramento County Superintendent of Schools (the "County Superintendent").

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into

compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's Board of Trustees of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 ("A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the County Superintendent. The District has not received a qualified or negative certification in at least the most recent five fiscal years. Furthermore, the District budget has not been disapproved by the County Superintendent in at least the most recent five fiscal years.

**Accounting Practices**

The accounting policies of the District conform to generally accepted accounting principles in accordance with the definitions, instructions and procedures of the California School Accounting Manual, as required by the State Education Code. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Crowe Horwath LLP, Sacramento, California, serves as independent auditor to the District. The District's audited financial statements for the fiscal year ended June 30, 2012 are attached hereto as APPENDIX B. The District considers its audited financial statements to be public information, and accordingly no consent has been sought or obtained from the auditor in connection with the inclusion of such statements in this Official Statement. The auditor has made no representation in connection with inclusion of the audit herein that there has been no material change in the financial condition of the District since the audit was concluded. The District is required by law to adopt its audited financial statements following a public meeting to be conducted no later than January 31 following the close of each fiscal year.

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

**Limitations on Revenues**

***Article XIIIA of the California Constitution.*** Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the District's general obligation bonds approved at the 2012 election falls within the exception for bonds approved by a 55% vote.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The California courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

***Article XIIIC and Article XIIID of the California Constitution.*** On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIIC also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a duty on the

county treasurer and tax collector to levy a property tax sufficient to pay debt service on school bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the duty of the District and the County with respect to such taxes. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Developer fees imposed by the District are restricted as to use and are neither pledged nor available to pay the Bonds.

The interpretation and application of Proposition 218 continues to be considered and 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.

**Expenditures and Appropriations**

***Article XIIIB of the California Constitution.*** In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual "appropriations limit" or "Gann Limit" imposed by Article XIIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity, each has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Each school district is required to establish an appropriations limit each year. In the event that a school district's revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years. If the State's aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, 50% of the excess is transferred to fund the State's contribution to school and college districts.

In fiscal year 2011-12, the District had an appropriations limit of $244,199,690 and appropriations subject to the limit of $236,612,149. For fiscal year 2012-13, the District's appropriations limit is budgeted at $251,860,242.

***Future Initiatives.*** Articles XIIIA, XIIIB, XIIIC, and XIIID, and Propositions 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

**APPENDIX B**

**FINANCIAL STATEMENTS OF THE DISTRICT**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**APPENDIX C**

**PROPOSED FORM OF OPINIONS OF BOND COUNSEL**

[To Come]

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

[To Come]

**APPENDIX E**

**COUNTY OF SACRAMENTO**
**INVESTMENT POLICIES AND PRACTICES AND INVESTMENT POOL QUARTERLY REPORT**

*The following information provides a general description of the County's investment policy, current portfolio holdings and valuation procedures. The information has been furnished by the County Director of Finance for use as disclosure information on securities issues. The District makes no guaranty as to the accuracy or completeness of this information. Further information may be obtained directly from the Director of Finance. The County of Sacramento maintains up-to-date Investment Reports at the following website: http://www.finance.saccounty.net/investments/.*

**SACRAMENTO COUNTY**

**Annual Investment Policy of the**
**Pooled Investment Fund**

**CALENDAR YEAR 2013**

***APPROVED BY THE***
***SACRAMENTO COUNTY BOARD OF SUPERVISORS***

**APPENDIX F**

**BOOK-ENTRY ONLY SYSTEM**

*The information in this APPENDIX F has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the beneficial owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this appendix, "Securities" means the Bonds, "Issuer" means the District, and "Agent" means the Paying Agent.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each series and maturity of the Securities, each in the principal amount of such series and maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any series and maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such series and maturity.

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

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

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized

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

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

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

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

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

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

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

**OH&S DRAFT**
**04/22/13**

# PAYING AGENT AGREEMENT

between the

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT,
County of Sacramento California

and

COUNTY OF SACRAMENTO, CALIFORNIA,
as Paying Agent

Dated as of _____ 1, 2013

Relating to the

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS (MEASURE Q)
(ELECTION OF 2012), SERIES 2013Q-A,

and

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS (MEASURE R)
(ELECTION OF 2012), SERIES 2013R-A AND
SERIES 2013R-B (QUALIFIED SCHOOL CONSTRUCTION BONDS)

**TABLE OF CONTENTS**

**Page**


ARTICLE I DEFINITIONS ..... 2

SECTION 1.01 Definitions ..... 2

ARTICLE II THE BONDS ..... 7

SECTION 2.01 Authorization and Designation ..... 7

SECTION 2.02 Current Interest Bonds; Terms ..... 7

SECTION 2.03 Form and Registration of Bonds ..... 9

SECTION 2.04 Execution and Authentication of Bonds ..... 9

SECTION 2.05 Book-Entry System ..... 9

SECTION 2.06 Transfer of Bonds upon Termination of Book-Entry System ..... 10

SECTION 2.07 Exchange of Bonds ..... 11

SECTION 2.08 Bond Register ..... 11

ARTICLE III ISSUANCE OF THE BONDS ..... 11

SECTION 3.01 Delivery of Bonds ..... 11

SECTION 3.02 Application of Proceeds of Sale of Bonds ..... 12

SECTION 3.03 Costs of Issuance Account ..... 12

SECTION 3.04 Investment of Funds ..... 12

ARTICLE IV REDEMPTION OF THE BONDS ..... 13

SECTION 4.01 Terms of Redemption ..... 13

SECTION 4.02 Redemption of Taxable Qualified School Construction Bonds ..... 14

SECTION 4.03 Notice of Redemption ..... 15

SECTION 4.04 Defeasance of Bonds ..... 16

ARTICLE V OTHER COVENANTS ..... 17

SECTION 5.01 Payment of Principal and Interest ..... 17

SECTION 5.02 Covenant to File for Refundable Tax Credits ..... 17

SECTION 5.03 Further Assurances ..... 18

SECTION 5.04 Tax Covenants ..... 18

SECTION 5.05 Validity of Bonds ..... 18

ARTICLE VI THE PAYING AGENT ..... 18

SECTION 6.01 Duties and Liabilities of Paying Agent ..... 18

**TABLE OF CONTENTS**
(continued)

**Page**


SECTION 6.02 Merger or Consolidation ..... 20
SECTION 6.03 Liability of Paying Agent ..... 20
SECTION 6.04 Right to Rely on Documents ..... 21
SECTION 6.05 Accounting Records and Reports; Preservation and Inspection of Documents ..... 21
SECTION 6.06 Compensation and Indemnification ..... 22
ARTICLE VII MISCELLANEOUS ..... 22
SECTION 7.01 Counterparts ..... 22
SECTION 7.02 Continuing Disclosure ..... 22
SECTION 7.03 Notices ..... 22

EXHIBIT A FORM OF CURRENT INTEREST BOND
EXHIBIT B FORM OF QUALIFIED SCHOOL CONSTRUCTION BOND

# PAYING AGENT AGREEMENT

This PAYING AGENT AGREEMENT, made and entered into as of _____ 1, 2013, by and between the SACRAMENTO CITY UNIFIED SCHOOL DISTRICT, a school district duly formed and existing under and virtue of the Constitution and Laws of the State of California (the "District"), and the COUNTY OF SACRAMENTO, CALIFORNIA, as paying agent (the "Paying Agent"),

W I T N E S S E T H:

WHEREAS, two elections were duly called and regularly held in the District both on November 6, 2012, pursuant to Sections 15100 and 15264 and following of the Education Code of the State of California (the "State"), at which bond propositions summarized as follows were submitted to the electors of the District (Measure Q and Measure R, respectively):

> *"To better prepare students for college and careers by upgrading classrooms, science labs, computer systems and technology; renovating heating and ventilation systems; reducing costs through energy efficiency; improving student safety and security systems; repairing roofs, floors, walkways, bathrooms, electrical, plumbing and sewer systems; shall Sacramento City Unified School District issue $346 million in bonds with independent citizen oversight, no money for administrator salaries, and mandatory annual audits to guarantee funds are spent properly to benefit local children?"*
>
> *"To improve the health and safety of children, repair playgrounds and playfields to meet modern safety standards, improve physical education facilities and bathrooms, improve irrigation systems and water drainage to reduce water consumption, remove asbestos, lead paint and other unsafe conditions and to upgrade kitchen facilities to improve nutrition and nutritional education for children, shall the Sacramento City Unified School District issue $68 million of bonds, with independent Citizen's Oversight and no money for administrator salaries?"*

and

WHEREAS, passage of said propositions required a 55% affirmative vote of the votes cast therein, and at least 55% of the votes cast on said propositions were in favor of issuing said bonds; and

WHEREAS, none of said bonds have been issued and sold; and

WHEREAS, the Superintendent of Schools of the County has jurisdiction over the District; and

WHEREAS, by its resolution duly adopted on May [16], 2013 (the "District Resolution"), the Board of Education of the District has requested the County to issue on its

behalf a portion of said Measure Q and Measure R bonds in one or more series in an aggregate principal amount not exceeding $25,000,000 of Measure Q Bonds and $60,000,000 of Measure R Bonds, pursuant to Sections 15100 and 15257 of the Education Code of the State (the "Education Code"); and

WHEREAS, pursuant to Section 15140 and following of the Education Code and the District Resolution, the Board of Supervisors of the County approved a resolution (the "County Resolution") authorizing the issuance of the District's General Obligation Bonds (Measure Q) (Election of 2012), Series 2013Q-A and General Obligation Bonds (Measure R) (Election of 2012), Series 2013R-A and Series 2013R-B (Qualified School Construction Bonds); and

WHEREAS, the District has found and determined, and by execution hereof so represents, that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Paying Agent Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Paying Agent Agreement; and

WHEREAS, the District has received an allocation from the United States Secretary of the Treasury through the California Department of Education to issue up to $40 million of "qualified school construction bonds" pursuant to Section 54F of the Internal Revenue Code of 1986, as amended, and wishes to designate a portion of the Bonds issued hereunder as qualified school construction bonds;

NOW, THEREFORE, in order to provide for the payment of the Bonds and the performance and observance by the District of all the covenants, agreements and conditions herein and in the Bonds contained; to secure the acknowledgement and consent of Director of Finance of the County to the payment arrangements provided for herein; and in consideration of the mutual covenants and agreements contained herein, and for other valuable consideration to both parties, the District and the Paying Agent hereby agree as follows:

## ARTICLE I

## DEFINITIONS

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

(a) *General Definitions.*

"Board of Education" shall mean the Board of Education of the District.

"Bondowner" or "Owner" shall mean the person in whose name any Bond shall be registered.

"Bonds" shall mean all of the Sacramento City Unified School District General Obligation Bonds (Measure Q) (Election of 2012), Series 2013Q-A and Sacramento City Unified School District General Obligation Bonds (Measure R) (Election of 2012), Series 2013R-A and Series 2013R-B (Qualified School Construction Bonds) issued hereunder, without regard to subseries name or number, interest payment mechanism, or tax treatment of interest thereon.

"Business Day" shall mean any day of the week other than a Saturday or a Sunday on which the Paying Agent is not required or authorized to remain closed, and on which the New York Stock Exchange is open for business.

"Code" shall mean the Internal Revenue Code of 1986, as the same shall be hereafter amended, and any regulations heretofore issued or which shall be hereafter issued by the United States Department of the Treasury thereunder.

"Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate executed and delivered by the District, dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"County" shall mean the County of Sacramento, State of California.

"Current Interest Bond" shall mean any Bond issued under Section 2.02 hereof, the interest on which is payable on each Interest Payment Date to maturity or redemption prior to maturity.

"Director of Finance" shall mean the Director of Finance of the County. The "Office of the Director of Finance" shall mean the Office of the Director of Finance of the County, in Sacramento, California.

"District" shall mean the Sacramento City Unified School District, located in the County.

"Interest and Sinking Fund" shall mean the Interest and Sinking Fund of the District administered by the Director of Finance, established pursuant to State law.

"Interest Payment Date" shall mean February 1 and August 1 of each year. The first Interest Payment Date shall be [August 1, 2013].

"Law" shall mean Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the Education Code of the State, and other applicable provisions of law.

"Opinion of Counsel" shall mean a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

"Owner." See "Bondowner" defined herein.

"Paying Agent" shall mean the Director of Finance of the County of Sacramento, as initial paying agent, registrar, and transfer agent with respect to the Bonds, its successors and assigns and any other corporation or association which may at any time be substituted in its place as provided in Section 6.02 hereof.

"Paying Agent Agreement" shall mean this agreement, by and between the District and the Paying Agent.

"Record Date" shall mean the 15th day of the month preceding any Interest Payment Date. The first Record Date shall be _____ 15, 20__.

"State" shall mean the State of California.

"Tax Certificate" shall mean any of the several Tax Certificates concerning certain matters pertaining to the use of proceeds of the Bonds, executed and delivered by the District on the date of issuance of the Bonds, including all exhibits attached thereto, as such certificate may from time to time be modified or supplemented in accordance with the terms thereof. Separate tax certificates may be delivered by the District pertaining to Bonds the interest on which is intended to be exempt from federal income tax under the Code, and Taxable Bonds.

"Tax-Exempt Bond" shall mean any of the Bonds the interest on which is intended and expected to be exempt from federal income tax under the Code.

"Taxable Bond" shall mean any of the Bonds the interest on which is intended and expected to be taxable for federal income tax purposes under the Code, including any bonds issued as Qualified School Construction Bonds.

"2013Q-A Bonds" shall mean the Sacramento City Unified School District (Measure Q) (Election of 2012), Series 2013Q-A.

"2013R-A Bonds" shall mean the Sacramento City Unified School District (Measure R) (Election of 2012), Series 2013R-A

"2013R-B Bonds" shall mean the Sacramento City Unified School District (Measure R) (Election of 2012), Series 2013R-B (Qualified School Construction Bonds).

"Written Order of the District" or "Written Request of the District" shall mean an instrument in writing, signed by the Superintendent of the District, the Chief Business Officer/Associate Superintendent, Business Services of the District, or by any other officer of the District authorized in writing for the purpose by either of said officers or by the Board of Education of the District.

(b) *Definitions Related to Qualified School Construction Bonds.*

"Qualified School Construction Bonds" shall mean Bonds issued under Section 2.04 hereunder.

"Comparable Treasury Issue" shall mean the United States Treasury security selected by the Designated Banking Institution as having a maturity comparable to the remaining term to maturity of the Bond being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Bond being redeemed.

"Comparable Treasury Price" shall mean, with respect to any date on which a Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Designated Banking Institution is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Designated Banking Institution, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Designated Banking Institution, at 2:00 p.m. New York City time on a Business Day at least two Business Days but no more than 45 calendar days preceding the applicable date fixed for redemption.

"Comparable Treasury Yield" shall mean the yield appearing in the most recently published statistical release designated "H.15(519) Selected Interest Rates" under the heading "Treasury Constant Maturities," or any successor publication selected by the Designated Banking Institution that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Bond being redeemed. The Comparable Treasury Yield will be determined at least two Business Days but no more than 45 calendar days preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Bond being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward.

If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price as of the date fixed for redemption.

"Designated Banking Institution" shall mean an investment banking institution of national standing which is a primary United States government securities dealer with offices in the City of New York designated by the District (which may be an underwriter of the Bonds).

"Make-Whole Premium" shall mean, with respect to any Bond to be redeemed, an amount calculated by a Designated Banking Institution (as defined herein) equal to the positive difference, if any, between:

(1) The sum of the present values, calculated as of the date fixed for redemption of:

(a) Each interest payment that, but for the redemption, would have been payable on the Bond or portion thereof being redeemed on each regularly scheduled Interest Payment Date occurring after the date fixed for redemption through the maturity date of such Bond (excluding any accrued interest for the period prior to the date fixed for redemption); provided, that if the date fixed for redemption is not a regularly scheduled Interest Payment Date with respect to such Bond, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such Bond to the date fixed for redemption; plus

(b) The principal amount that, but for such redemption, would have been payable on the maturity date of the Bond or portion thereof being redeemed; minus

(2) The principal amount of the Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in (1) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate not less than the Comparable Treasury Yield, plus the Spread.

"Reference Treasury Dealer" shall mean each of the four firms, specified by the District from time to time, that are primary United States Government securities dealers in the City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the District will substitute another Primary Treasury Dealer.

"Spread" shall mean ____%.

"Tax Law Change" shall mean legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which, as reasonably determined by the District, would be to suspend, reduce or terminate the subsidy payment to be made by the U.S. Treasury with respect to the Qualified School Construction Bonds; provided, that such suspension, reduction or termination of subsidy

payments is not due to a failure by the District to comply with the requirements under the Code to receive such subsidy payments.

ARTICLE II

THE BONDS

SECTION 2.01 Authorization and Designation. The Bonds are issued for, and the proceeds of sale thereof shall be used exclusively for, the purposes approved by the voters of the District on November 6, 2012, in the bond measures known locally as "Measure Q" and "Measure R," as authorized by Resolution No. 2715, adopted by the Board of Education of the District on July 19, 2012. The Bonds shall be issued fully registered form, without coupons.

SECTION 2.02 Current Interest Bonds; Terms. The 2013Q-A Bonds in the aggregate principal amount of $_____, the 2013R-A Bonds in the aggregate principal amount of $_____ and the 2013R-B Bonds in the aggregate principal amount of $_____, are issued under this Paying Agent Agreement as current interest Bonds, upon terms further described in this section. The Bonds issued under this section shall be named the "Sacramento City Unified School District General Obligation Bonds (Measure Q) (Election of 2012), Series 2013Q-A," the "Sacramento City Unified School District General Obligation Bonds (Measure R) (Election of 2012), Series 2013R-A," and the "Sacramento City Unified School District General Obligation Bonds (Measure R) (Election of 2012), Series 2013R-B (Qualified School Construction Bonds)," respectively, for the purposes described in section 2.01.

(a) Date of Bonds. The Bonds shall be dated as of the date of issuance thereof, _____, 2013.

(b) Denominations. The Bonds shall be issued in the denomination of $5,000 principal amount or any integral multiple thereof. No Bond shall mature on more than one maturity date.

(c) Payment of Principal. The Bonds shall mature on August 1 in each of the years and principal amounts and bear interest at the annual rates of interest shown below:

**2012Q-A BONDS**

| Maturity (August 1) | Principal Amount | Interest Rate |
|---|---|---|

**2012R-A BONDS**

| Maturity (August 1) | Principal Amount | Interest Rate |
|---|---|---|
| | | |

**2013R-B (QUALIFIED SCHOOL CONSTRUCTION BONDS)**

| Maturity (August) | Principal Amount | Interest Rate |
|---|---|---|
| | | |

The principal and any redemption premium of the Bonds shall be payable in lawful money of the United States of America to the Owner thereof, upon the surrender thereof at the office of the Paying Agent or at such other location as the Paying Agent shall designate, on or after the maturity date thereof or upon redemption prior to maturity as provided in Section 4.02 hereof.

(d) Payment of Interest. The Bonds shall bear interest at the respective rates shown in the table in subdivision (c) above, payable on February 1 and August 1 of each year, commencing [August 1, 2013], until payment of the principal amount thereof. Each Bond authenticated and registered on any date prior to the close of business on the first Record Date shall bear interest from the date of said Bond. Each Bond authenticated during the period between any Record Date and the close of business on its corresponding Interest Payment Date shall bear interest from such Interest Payment Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Bond, interest is in default on 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. Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The interest on the Bonds shall be payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent as the Owner thereof as of the close of business on the applicable Record Date for each Interest Payment Date, whether or not such day is a Business Day. Payment of the interest on any Bond shall be made by check or draft mailed by first class mail on each Interest Payment Date (or on the following Business Day, if the Interest Payment Date does not fall on a Business Day) to such Owner at such Owner's address as it appears on such registration books or at such address as the Owner may have filed with the Paying Agent for that purpose; or upon written request of the Owner of interest-bearing Bonds aggregating not less than $1,000,000 in principal amount, given no later than the Record Date immediately preceding the applicable Interest Payment Date, by wire transfer in

immediately available funds to an account maintained in the United States at such wire address as such Owner shall specify in its written notice. So long as Cede & Co. or its registered assigns shall be the registered owner of any of the Bonds, payment shall be made thereto by wire transfer as provided in Section 2.05(d) hereof.

SECTION 2.03 Form and Registration of Bonds. (a) The Bonds, the Paying Agent's certificate of authentication and registration, and the form of assignment to appear thereon shall be in substantially the forms, respectively, attached hereto as Exhibits A and B, respectively, with necessary or appropriate variations, omissions and insertions as permitted or required by this Paying Agent Agreement (provided that if a portion of the text of any Bond is printed on the reverse of the bond, the following legend shall be printed on the bond: "THE PROVISIONS OF THIS BOND ARE CONTINUED ON THE REVERSE HEREOF AND SUCH CONTINUED PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH AT THIS PLACE.").

(b) The Bonds when issued shall be registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York, and shall be initially issued as one bond for each of the maturities of the Bonds, in the principal amounts set forth in the table in Sections 2.02 and 2.03. The Depository Trust Company is hereby appointed depository for the Bonds and registered ownership of the Bonds may not thereafter be transferred except as provided in Sections 2.05 and 2.06 hereof.

SECTION 2.04 Execution and Authentication of Bonds. The Bonds shall be signed by the manual or facsimile signatures of the Chair of the Board of Supervisors (the "Chair") and of the Director of Finance of the County of Sacramento, and countersigned by the manual or facsimile signature of the Clerk of the Board of Supervisors (the "Clerk") or by a deputy of either of said Clerk or of the Director of Finance. Each Bond shall be authenticated by a manual signature of a duly authorized officer of the Paying Agent. Only such of the Bonds as shall bear thereon a certificate of authentication and registration in the form given in Exhibits A and B hereto, executed by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Paying Agent Agreement, and such certificate of the Paying Agent shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Paying Agent Agreement.

SECTION 2.05 Book-Entry System. (a) The Bonds shall be initially issued and registered as provided in Section 2.03(b) hereof. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(i) To any successor of Cede & Co., as nominee of The Depository Trust Company, or its nominee, or to any substitute depository designated pursuant to clause (ii) of this Section (a "substitute depository"); provided, that any successor of Cede & Co., as nominee of The Depository Trust Company or substitute depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(ii) To any substitute depository not objected to by the Director of Finance, upon (1) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the

Director of Finance to substitute another depository for The Depository Trust Company (or its successor) because The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any person as provided below, upon (1) the resignation of The Depository Trust Company or its successor (or substitute depository or its successor) from its functions as depository, or (2) a determination by the Director of Finance to remove The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) hereof, upon receipt of the outstanding Bonds by the Paying Agent, together with a Written Request of the District, a new Bond for each maturity shall be executed and delivered pursuant to the procedures described in Section 2.04 hereof in the aggregate principal amount of the Bonds then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Written Request of the District. In the case of any transfer pursuant to clause (iii) of subsection (a) hereof, upon receipt of the outstanding Bonds by the Paying Agent together with a Written Request of the District, new Bonds shall be executed and delivered in such denominations numbered in the manner determined by the Paying Agent and registered in the names of such persons as are requested in such Written Request of the District, subject to the limitations of Section 2.02 and the receipt of such a Written Request of the District, and thereafter, the Bonds shall be transferred pursuant to the provisions set forth in Section 2.06 of this Paying Agent Agreement; provided, that the Paying Agent shall not be required to deliver such new Bonds within a period of fewer than 60 days.

(c) The Director of Finance, the District and the Paying Agent shall be entitled to treat the person in whose name any Bond is registered as the Owner thereof, notwithstanding any notice to the contrary received by the Director of Finance, the District or the Paying Agent, and the Director of Finance, the District and the Paying Agent shall have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds. Neither the Director of Finance, the District nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except as the owner of any Bonds.

(d) So long as the outstanding Bonds are registered in the name of Cede & Co. or its registered assigns, the Director of Finance, the District and the Paying Agent shall cooperate with Cede & Co., as sole Owner, or its registered assigns, in effecting payment of the principal of and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available (e.g., by wire transfer) on the date they are due.

SECTION 2.06 Transfer of Bonds upon Termination of Book-Entry System. In the event that at any time the Bonds shall no longer be registered in the name of

Cede & Co. as a result of the operation of Section 2.05 hereof, then the procedures contained in this Section 2.07 shall apply.

Any Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.08 hereof by the person in whose name it is registered, in person or by the duly authorized attorney of such person, upon surrender of such Bond to the Paying Agent for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent.

Whenever any Bond or Bonds shall be surrendered for transfer, the designated County officials shall execute (as provided in Section 2.04 hereof) and the Paying Agent shall authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount and bearing the same rate or rates of interest. The Paying Agent shall require the payment by the Bondowner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No transfer of Bonds shall be required to be made by the Paying Agent during the period from the close of business on the Record Date next preceding any Interest Payment Date or redemption date to and including such Interest Payment Date or redemption date.

SECTION 2.07 Exchange of Bonds. Bonds may be exchanged at the office of the Paying Agent in San Francisco, California, or such other place as the Paying Agent shall designate, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate. The Paying Agent shall require the payment by the Bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No exchange of Bonds shall be required to be made by the Paying Agent during the period from the close of business on the Record Date next preceding any Interest Payment Date or redemption date to and including such Interest Payment Date or redemption date.

SECTION 2.08 Bond Register. (a) The Paying Agent will keep or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Director of Finance and the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

(b) The Paying Agent shall assign each Bond authenticated and registered by it a distinctive letter or number, or letter and number.

## ARTICLE III

## ISSUANCE OF THE BONDS

SECTION 3.01 Delivery of Bonds. The Paying Agent is hereby authorized to authenticate and deliver the Bonds to or upon the Written Request of the District.

SECTION 3.02 Application of Proceeds of Sale of Bonds. Upon the delivery of the Bonds to the initial purchaser thereof, and the payment by the initial purchaser of the purchase price of the Bonds by wire transfer of $_____ to the Paying Agent on behalf of the District, being the purchase price of the Bonds (consisting of the principal amount of the Bonds, $_____, plus net original issue premium of $_____, less the underwriter's discount of $_____, less costs of issuance deposit made with the Paying Agent), the Director of Finance shall deposit the sum received for the balance of the purchase price in the building fund of the District within the County Treasury, and the Paying Agent shall deposit and administer the sum received for costs of issuance in the Costs of Issuance Account created pursuant to Law and Section 3.03 of this Paying Agent Agreement. The Superintendent shall file a written Request of the District executed as of the date of delivery of the Bonds with the Director of Finance of the County requesting that the Director of Finance of the County pay or deposit said amount from the proceeds of sale to the Building Fund of the District; which amount shall be applied to pay authorized costs of issuance of the Bonds.

The District shall cause the Director of Finance to create and maintain any accounts or subaccounts for deposit of the proceeds of the Bonds as the District shall determine is necessary in order to separately monitor the investment and expenditure of such funds in order to comply with the laws applicable to each, and as may be necessary to make any needed calculations of arbitrage and rebate thereon.

The County makes no assurance regarding the application of the proceeds of the Bonds by the District.

SECTION 3.03 Costs of Issuance Account. There is hereby created a Costs of Issuance Account for the Bonds, as authorized by Section 15146(g) of the Education Code of the State, for receipt of the deposit by the Paying Agent in accordance with Section 3.02. The Paying Agent shall hold said account and pay the designated costs of issuance of the Bonds pursuant to that certain Agreement Concerning Costs of Issuance dated as of the date of delivery of the Bonds, by and between the Paying Agent and the District, and further in accordance with that certain Written Order of the District Regarding Costs of Issuance dated the date of delivery of the Bonds. [Q: Do you want a COI Custodian to handle the Costs of Issuance Account.]

SECTION 3.04 Investment of Funds. (a) All funds held by the Director of Finance with respect to the Bonds hereunder or under the Law shall be invested at the Director of Finance's discretion pursuant to law and the investment policy of the County.

(b) At the written direction of the District, all or any portion of the building fund of the District may also be invested on behalf of the District in the Local Agency Investment Fund in the treasury of the State.

(c) At the written direction of the District, and with the approval of the Director of Finance, all or any portion of the building fund of the District may also be invested on behalf of the District in investment agreements which comply with the requirements of each rating agency then rating the Bonds necessary in order to maintain the then-current rating on the Bonds; provided that the Director of Finance is a signatory to any such investment agreement.

ARTICLE IV

REDEMPTION OF THE BONDS

SECTION 4.01 Terms of Redemption. (a) Optional Redemption. The 2013Q-A Bonds and 2013R-A Bonds maturing on August 1, 20__ and August 1, 20__, respectively, are not subject to redemption prior to their respective stated maturity dates. The Series 2013Q-A Bonds and 2013R-A Bonds maturing on August 1, 20__, shall be subject to redemption prior to maturity, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to 100% of the Principal Amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

(b) Mandatory Sinking Fund Redemption. The $_____ Series 2013Q-A Term Bond maturing on August 1, 20__, is also subject to mandatory sinking fund redemption on each Mandatory Sinking Fund Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

| Mandatory Sinking Fund Redemption Date (August 1) | Principal Amount To be Redeemed |
|---|---|

† Maturity.

The principal amount to be redeemed in each year shown in the table above will be reduced proportionately, in integral multiples of $5,000, by the amount of such Term Bond optionally redeemed prior to the mandatory sinking fund redemption date.

(c) Mandatory Sinking Fund Redemption. The $_____ Series 2013R-A Term Bond maturing on August 1, 20__, is also subject to mandatory sinking fund redemption on each Mandatory Sinking Fund Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

| Mandatory Sinking Fund Redemption Date (August 1) | Principal Amount To be Redeemed |
|---|---|

† Maturity.

The principal amount to be redeemed in each year shown in the table above will be reduced proportionately, in integral multiples of $5,000, by the amount of such Term Bond optionally redeemed prior to the mandatory sinking fund redemption date.

(d) Selection of Current Interest Bonds for Redemption. If less than all of the 2013Q-A Bonds and 2013R-A Bonds are called for redemption, such bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. If less than all of the 2013Q-A Bonds and 2013R-A Bonds of any given maturity are called for redemption, the portions of such bonds of a given maturity to be redeemed shall be determined by lot. For purposes of such selection, each 2013Q-A Bond and 2013R-A Bond shall be deemed to consist of individual Bonds of denominations of $5,000 principal amount each, which may be separately redeemed.

SECTION 4.02 Redemption of Taxable Qualified School Construction Bonds.

[Q: We have seen QSCB sell with a 10 year par call, which is obviously more advantageous to the District. How shall we structure the call feature? Do we want a 10 year make-whole?]

(a) Optional Redemption. [The 2013R-B Bonds are not subject to optional redemption prior to their respective stated maturities.]

(b) Mandatory Sinking Fund Redemption. The $_____ 2013R-B Term Bond maturing on August 1, 20__, will be subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedules, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

| Mandatory Sinking Fund Redemption Date (August 1) | Principal Amount To be Redeemed |
|---|---|

† Maturity.

The principal amount to be redeemed in each year shown in the table above will be reduced proportionately, in integral multiples of $5,000, by the amount of such Term Bond optionally redeemed prior to the mandatory sinking fund redemption date.

(c) Extraordinary Mandatory Redemption from Unexpended Proceeds of Qualified School Construction Bonds. The 2013R-B Qualified School Construction Bonds are also subject to extraordinary mandatory redemption, in whole or in part, within 90 days following the third anniversary of the delivery date of the 2013R-B Qualified School Construction Bonds, or 90 days following the date of termination of any period of time negotiated with the IRS that extends the date by which the proceeds of the sale of the 2013R-B Qualified School Construction Bonds must be expended, as evidenced in writing from the IRS, at a redemption price equal to the principal amount of the 2013R-B Qualified School Construction Bonds called for redemption, without premium, plus accrued interest to the redemption date, in a total amount equal to the unexpended proceeds of the sale of the 2013R-B Qualified School Construction Bonds.

(d) Extraordinary Optional Redemption Due to Tax Law Change. The 2013R-B Qualified School Construction Bonds are further subject to redemption prior to maturity at the option of the District upon the occurrence of a Tax Law Change, from any source of available funds, as a whole or in part, on any date, at a redemption price equal to 100% of the principal amount of the 2013R-B Qualified School Construction Bonds to be redeemed plus the Make-Whole Premium, if any, together with accrued interest to the date fixed for redemption.

(e) Selection of Qualified School Construction Bonds for Redemption. If less than all of the Bonds are called for redemption, the portions of the 2013R-B Bonds of a given maturity to be redeemed will be determined by the Paying Agent on a *pro rata* basis in Authorized Denominations; provided that, so long as the 2013R-B Bonds are held in book-entry form, the selection for redemption of such 2013R-B Bonds shall be made in accordance with the operational arrangements of DTC then in effect on the basis of a *pro rata* pass-through distribution of principal and, if the DTC operational arrangements do not allow for redemption on such basis, the 2013R-B Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

SECTION 4.03 Notice of Redemption. (a) Notice of redemption of the Bonds will be mailed postage prepaid not less than 20 nor more than 45 days prior to the redemption date (i) by first class mail to the respective Owners of Bonds at the addresses appearing on the bond registration books of the Paying Agent, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate.

Each notice of redemption shall contain all of the following information: (i) the date of such notice; (ii) the name of the affected Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price, if available; (v) the dates of maturity of the Bonds to be redeemed; (vi) if less than all of the Bonds are to be redeemed, the distinctive numbers of the Bonds of each maturity to be redeemed; (vii) in the case of Bonds redeemed in part only, the respective maturities or portions of the principal amount of the Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Bonds to be redeemed; and (ix) a statement that such Bonds must be surrendered by the Owners at the office of the Paying Agent in Sacramento, California, or at such other place or places designated by the Paying Agent.

The actual receipt by any Owner of any Bond of notice of such redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Bonds.

When notice of redemption has been given, substantially as described above, and when the amount necessary for the payment of the redemption price, if any, is set aside for such purpose, the Bonds designated for redemption will become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor.

(b) Rescission of Notice of Redemption. The District may rescind any redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any extraordinary mandatory redemption and notice thereof will be rescinded if the District has cured the conditions that caused the Bonds to be subject to extraordinary mandatory redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

(c) Conditional Notice. Any notice of optional redemption delivered hereunder may be conditioned on any fact or circumstance stated therein, and if such condition shall not have been satisfied on or prior to the redemption date stated in such notice, said notice shall be of no force and effect on and as of the stated redemption date, the redemption shall be cancelled, and the District shall not be required to redeem the Bonds that were the subject of the notice. The Paying Agent shall give notice of such cancellation and the reason therefor in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such cancellation shall not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice shall not affect the validity of the cancellation.

SECTION 4.04 Defeasance of Bonds. The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund, be fully sufficient in the opinion of a certified public accountant licensed to practice in the State to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates. [Q: Discuss defeasance as it relates to loss of subsidy – effect on Tax Covenants? Carve out?]

If at any time the District pays or causes to be paid or there is otherwise paid to the owners of any or all outstanding Bonds all of the principal, interest and premium, if any, represented by such Bonds when due, or as described above, or as otherwise provided by law, then such Owners shall cease to be entitled to the obligation of the County to levy and collect

taxes to pay the Bonds as described in Section 5.01 hereof, and such obligation and all agreements and covenants of the District to such Owners hereunder shall thereupon be satisfied and discharged and shall terminate, except only that the District will remain liable for payment of all principal, interest and premium, if any, represented by such Bonds, but only out of moneys on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment, provided, that the unclaimed moneys provisions described in Section 6.07 hereof will apply in all events.

## ARTICLE V

## OTHER COVENANTS

SECTION 5.01 Payment of Principal and Interest. On or prior to the date any payment is due in respect of the Bonds, the Director of Finance will deposit with the Paying Agent moneys sufficient to pay the principal and the interest (and premium, if any) to become due in respect of all Bonds outstanding on such Interest Payment Date, but only as required by the Law. When and as paid in full and following surrender thereof to the Paying Agent, all Bonds shall be cancelled by the Paying Agent, and thereafter they shall be destroyed. Moneys for the payment of principal, redemption premium, if any, and interest with respect to the Bonds shall be raised by taxation upon all taxable property in the District and the County shall provide for the levy and collection of such taxes in the manner provided by the Law.

[Q: Does County want to add covenant to levy tax based on subsidy payments received, not expected? Should there be a County covenant to levy the tax?]

SECTION 5.02 Covenant to File for Refundable Tax Credits. (a) The District hereby covenants to file, or cause to be filed, on or before 45 days prior to each Interest Payment Date, Form 8038-CP with the Internal Revenue Service (or such other appropriate form as the Internal Revenue Service shall direct) relating to the refundable tax credit to be received from the U.S. Treasury with respect to the Bonds for such Interest Payment Date.

(b) Insofar as permitted and provided by the Internal Revenue Service and the District, the District and the Director of Finance shall take all reasonably necessary steps to cause the refundable tax credits to be made directly to the Director of Finance for deposit in the Interest and Sinking Fund, including by electronic transfer whenever such means is made available by the Internal Revenue Service.

(c) If the District or the Paying Agent shall ever be in receipt of any refundable tax credit payments with respect to the Bonds, the District and the Paying Agent hereby covenant to immediately transfer such funds to the Director of Finance.

(d) The District and the Director of Finance may engage the services of a filing agent, which may be the Paying Agent, to make or assist in the necessary filings of Form 8038-CP. All such filings shall request payment of the refundable tax credits to the District or the Director of Finance in accordance with subdivision (b). [A Filing Agent should be engaged to handle filing of forms.]

SECTION 5.03 Further Assurances. The District and the County will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Bondowners all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Paying Agent Agreement.

SECTION 5.04 Tax Covenants. [Q: How do these covenants work with defeasance?] (a) The District shall not take any action or inaction, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue, if such action or inaction would (i) adversely affect the exclusion from gross income of the interest payable on Tax-Exempt Bonds under Section 103 of the Code, or (ii) cause the Taxable Bonds to not be 2013R-B Qualified School Construction Bonds under Section 54F of the Code. Without limiting the generality of the forgoing, the District shall comply with the instructions and requirements of each Tax Certificate. This covenant shall survive payment in full of the Bonds.

(b) In the event that at any time the District is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Director of Finance with respect to the Bonds, or by the Paying Agent under this Paying Agent Agreement, the District shall so instruct the Director of Finance or the Paying Agent, as appropriate, in writing, and the Director of Finance and the Paying Agent shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of this Section, if the District shall provide to the Director of Finance or the Paying Agent an opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required in order (i) to maintain the exclusion from federal income tax of interest on Tax-Exempt Bonds under Section 103 of the Code, or (ii) for the Taxable Bonds to be 2013R-B Qualified School Construction Bonds under Section 54F of the Code, the Director of Finance and the Paying Agent may conclusively rely on such opinion in complying with the requirements of this Section, and the covenants hereunder shall be deemed to be modified to that extent.

SECTION 5.05 Validity of Bonds. The recital contained in the Bonds that the same are regularly issued pursuant to the Law and that the total amount of indebtedness of the District, including the amount of the Bonds, is within the limit provided by law, shall be conclusive evidence of their validity and of compliance with the provisions of the Law in their issuance.

## ARTICLE VI

## THE PAYING AGENT

SECTION 6.01 Duties and Liabilities of Paying Agent. (a) The Paying Agent shall be the paying agent, registrar and transfer agent for the Bonds and shall perform such functions

in accordance with the provisions hereof. The Paying Agent shall perform such duties and only such duties as are expressly and specifically set forth in this Paying Agent Agreement.

(b) The District may, by an instrument in writing, remove the Paying Agent initially a party hereto and any successor thereto, and shall remove the Paying Agent initially a party hereto and any successor thereto if at any time (i) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate Principal Amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (ii) the Paying Agent shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Paying Agent or its property shall be appointed, or any public officer shall take control or charge of the Paying Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Paying Agent and thereupon shall appoint a successor Paying Agent by an instrument in writing.

(c) The Paying Agent may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the District, and to the Owners at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the District shall promptly appoint a successor Paying Agent by an instrument in writing.

(d) Any removal or resignation of the Paying Agent and appointment of a successor Paying Agent shall become effective upon acceptance of appointment by the successor Paying Agent; provided, however, that under any circumstances the successor Paying Agent shall be qualified as provided in subsection (e) of this Section. If no qualified successor Paying Agent shall have been appointed and have accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Paying Agent or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Paying Agent, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Paying Agent. Any successor Paying Agent appointed under this Paying Agent Agreement shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Paying Agent a written acceptance thereof, and thereupon such successor Paying Agent, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Paying Agent, with like effect as if originally named Paying Agent herein; but, nevertheless at the written request of the District or the successor Paying Agent, such predecessor Paying Agent shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Paying Agent all the right, title and interest of such predecessor Paying Agent in and to any property held by it under this Paying Agent Agreement and shall pay over, transfer, assign and deliver to the successor Paying Agent any money or other property subject to the conditions herein set forth. Upon acceptance of appointment by a successor Paying Agent as provided in this subsection, the District shall mail or cause the successor Paying Agent to mail, by first class mail postage prepaid, a notice of the succession of such Paying Agent hereunder to the Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within 15 days after acceptance of

appointment by the successor Paying Agent, the successor Paying Agent shall cause such notice to be mailed at the expense of the District.

(e) The Paying Agent, if not the Treasurer, shall be a bank, national banking association or trust company having trust powers incorporated or organized under the laws of the United States of America or any state thereof, having (or if such bank, national banking association or trust company is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least $75,000,000, in good standing and subject to supervision or examination by federal or state agency. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

In case at any time the Paying Agent shall cease to be eligible in accordance with the provisions of this subsection (e), the Paying Agent shall resign immediately in the manner and with the effect specified in this Section.

SECTION 6.02 Merger or Consolidation. Any bank, national banking association or trust company into which a successor Paying Agent may be merged or converted or with which it may be consolidated or any bank, national banking association or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association or trust company to which the Paying Agent may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or trust company shall be eligible under Section 8.01(e) shall be the successor to such Paying Agent, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 6.03 Liability of Paying Agent. (a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the District, and the Paying Agent shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Paying Agent Agreement or of the Bonds or shall incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the Bonds assigned to or imposed upon it. The Paying Agent shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Paying Agent makes no representations as to the validity or sufficiency of this Paying Agent Agreement or of any Bonds, or in respect of the security afforded by this Paying Agent Agreement and the Paying Agent shall incur no responsibility in respect thereof. The Paying Agent shall be under no responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Paying Agent, or (iii) the application of any moneys paid to the District or others in accordance with this Paying Agent Agreement except as the application of any moneys paid to it in its capacity as Paying Agent. The Paying Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Paying Agent shall not be liable for any action

taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Paying Agent Agreement. The Paying Agent and its officers and employees may become the Owner of Bonds with the same rights it would have if it were not Paying Agent, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in aggregate Principal Amount of the Bonds then Outstanding.

(b) The Paying Agent shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Paying Agent was negligent in ascertaining the pertinent facts.

(c) No provision of this Paying Agent Agreement shall require the Paying Agent to risk or expend its own funds in the performance of its rights and duties hereunder.

(d) The immunities and protections extended to the Paying Agent also extend to its directors, officers, employees and agents.

(e) The Paying Agent may execute any of its powers or duties hereunder through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with due care.

SECTION 6.04 Right to Rely on Documents. The Paying Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith; provided, however, the Paying Agent shall in no event delay any payment with respect to the Bonds in anticipation of any such opinion.

Whenever in the administration of the duties imposed upon it by this Paying Agent Agreement the Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the District, and such Written Certificate shall be full warrant to the Paying Agent for any action taken or suffered in good faith under the provisions of this Paying Agent Agreement in reliance upon such Written Certificate, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

SECTION 6.05 Accounting Records and Reports; Preservation and Inspection of Documents. The Paying Agent shall keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of all money on deposit in the accounts and

funds established hereunder, which such books shall be available for inspection by the District at reasonable hours and under reasonable conditions.

All documents received by the Paying Agent under the provisions of this Paying Agent Agreement shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of the District, the Owners and their agents and representatives duly authorized in writing.

SECTION 6.06 Compensation and Indemnification. The District shall pay to the Paying Agent from time to time all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under this Paying Agent Agreement, and also all reasonable expenses, charges, legal and consulting fees pursuant to a pre-approved fee letter and other disbursements pursuant to a pre-approved fee letter and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Paying Agent Agreement. The District further agrees, to the extent permitted by law, to indemnify, defend and save the Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or its willful misconduct. The duty of the District to indemnify and compensate the Paying Agent shall survive the termination and discharge of this Paying Agent Agreement and the resignation or removal of the Paying Agent.

## ARTICLE VII

## MISCELLANEOUS

SECTION 7.01 Counterparts. This Paying Agent Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

SECTION 7.02 Continuing Disclosure. The District hereby covenants and agrees that it shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Paying Agent Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; provided that any Owner or Beneficial Owner (as defined below) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

SECTION 7.03 Notices. Unless otherwise specified herein, all notices, statements, orders, requests or other communications hereunder by any party to another shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered or certified mail, return receipt requested, postage

prepaid, or if given by fax, electronically, or other means of written communication and confirmed by mail:

| | |
|---|---|
| If to the District | Sacramento City Unified School District<br>589 West Fremont Avenue<br>Sunnyvale CA 94087<br>Attn: Chief Business Officer |
| If to the Paying Agent: | County of Sacramento<br>700 H Street, Suite 1710<br>Sacramento, CA 95814<br>Attn: Director of Finance |

IN WITNESS WHEREOF, the parties hereto have caused this Paying Agent Agreement to be duly executed by their officers duly authorized as of the date first written above.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____
Chief Business Officer

COUNTY OF SACRAMENTO, as Paying Agent

By _____
Director of Finance

EXHIBIT A

[FORM OF CURRENT INTEREST BOND]

| Number | UNITED STATES OF AMERICA | Amount |
|---|---|---|
| R-____ | STATE OF CALIFORNIA | $_____ |
| | COUNTY OF SACRAMENTO | |

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS (MEASURE [Q/R])
(ELECTION OF 2012), SERIES 2013[A/B]

CURRENT INTEREST BONDS

| Dated as of | Interest Rate | Maturity Date | CUSIP NO. |
|---|---|---|---|
| _____, 2013 | ____% | August 1, ____ | _____ |

Registered Owner: CEDE & CO.

Principal Sum: _____ DOLLARS

Sacramento City Unified School District, County of Sacramento, State of California (herein called the "District"), acknowledges itself obligated to and promises to cause to be paid to the registered owner identified above or registered assigns, but only from taxes collected by the County of Sacramento (the "County") for such purpose pursuant to Section 15250 of the Education Code of the State of California, on the maturity date set forth above or upon redemption prior thereto, the principal sum specified above in lawful money of the United States of America, and to pay interest thereon in like lawful money at the interest rate per annum stated above, computed on the basis of a 360-day year of twelve 30-day months, payable on February 1 and August 1 in each year, commencing [August 1, 2013], until payment of said principal sum. If this bond is authenticated and registered on any date prior to the close of business on [July 15, 2013], it shall bear interest from the date hereof. If authenticated during the period between any Record Date (defined as the 15th day of the month preceding an interest payment date) and the close of business on its corresponding interest payment date, it shall bear interest from such interest payment date. Otherwise, this bond shall bear interest from the interest payment date immediately preceding the date of its authentication.

The principal hereof is payable to the registered owner hereof upon the surrender hereof at the office of the Director of Finance of the County (herein called the "Paying Agent"), the paying agent/registrar and transfer agent of the District, in Sacramento, California. The interest hereon is payable to the person whose name appears on the bond registration books of the Paying Agent as the registered owner hereof as of the close of business on the Record Date preceding each interest payment date, whether or not such day is a business day, such interest to be paid by check mailed to such registered owner at the owner's address as it appears on such registration books, or at such other address filed with the Paying Agent for that purpose. Upon written request, given no later than the Record Date immediately preceding an interest payment date, of the owner of Bonds (hereinafter defined) aggregating at least $1,000,000 in principal amount, interest will be paid by wire transfer to an account maintained in the United States as

specified by the owner in such request. So long as Cede & Co. or its registered assigns shall be the registered owner of this bond, payment shall be made by wire transfer as provided in the Paying Agent Agreement hereinafter described.

This bond is one of a duly authorized issue of bonds of like tenor (except for such variations, if any, as may be required to designate varying series, numbers, denominations, interest payment modes, interest rates, maturities and redemption provisions), amounting in the aggregate to $_____, and designated as "Sacramento City Unified School District General Obligation Bonds (Measure [Q/R]) (Election of 2012), Series 2013[A/B]" (the "Bonds"). The Bonds were authorized by a vote of at least 55% of the voters voting at an election duly and legally called, held and conducted in the District on November 6, 2012. The Bonds are issued and sold by the Board of Supervisors of the County pursuant to and in strict conformity with the provisions of the Constitution and laws of the State of California, and the Paying Agent Agreement, dated as of _____ 1, 2013 (the "Paying Agent Agreement"), by and between the District and the Paying Agent. Reference is hereby made to the Paying Agent Agreement and any and all amendments thereof for a description of the terms on which the Bonds are issued, for the rights of the Owners of the Bonds, for the provisions for payment of the Bonds, and for the amendment of the Paying Agent Agreement (with or without consent of the Owners of the Bonds); and all the terms of the Paying Agent Agreement are hereby incorporated herein and constitute a contract between the District and the Registered Owner of this Bond, to all the provisions of which the Registered Owner of this Bond, by acceptance hereof, agrees and consents. Capitalized undefined terms used herein have the meanings ascribed thereto in the Paying Agent Agreement.

The current interest Bonds are issuable as fully registered bonds without coupons in the denomination of $5,000 or any integral multiple thereof, provided that no current interest Bond shall have principal maturing on more than one principal maturity date. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Paying Agent Agreement, Bonds may be exchanged for a like aggregate principal amount of Bonds of the same series, maturity, interest payment mode and interest rate of other authorized denominations.

This bond is transferable by the registered owner hereof, in person or by attorney duly authorized in writing, at said designated corporate trust office of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Paying Agent Agreement, and upon surrender and cancellation of this bond. Upon such transfer, a new Bond or Bonds of authorized denomination or denominations for the same series, maturity, interest payment mode and interest rate, and same aggregate principal amount will be issued to the transferee in exchange herefor.

The District and the Paying Agent may treat the registered owner hereof as the absolute owner hereof for all purposes, and the District and the Paying Agent shall not be affected by any notice to the contrary.

The Bonds are subject to optional and mandatory sinking fund redemption on the terms and subject to the conditions specified in the Paying Agent Agreement, and as shown in the attached Redemption Schedule. If this bond is called for redemption and payment is duly

provided therefor, interest shall cease to accrue hereon from and after the date fixed for redemption.

In reliance upon the representations, certifications and declarations of the District, the Board of Supervisors hereby certifies and declares that the total amount of indebtedness of the District, including the amount of this bond, is within the limit provided by law; that all acts, conditions and things required by law to be done or performed precedent to and in the issuance of this bond have been done and performed in strict conformity with the laws authorizing the issuance of this bond; and that this bond is in substantially the form prescribed by order of the Board of Supervisors duly made and entered on its minutes. The Bonds represent an obligation of the District payable out of the interest and sinking fund of the District, and the money for the payment of principal of and interest on this bond shall be raised by taxation upon the taxable property of the District.

This bond shall not be entitled to any benefit under the Paying Agent Agreement, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Paying Agent.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Sacramento has caused this SACRAMENTO CITY UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BOND (MEASURE [Q/R] (ELECTION OF 2012), SERIES 2013[A/B], to be signed by its Chair and by the Director of Finance of the County, and to be countersigned by the Clerk of said Board, as of the date set forth above.

_____

Chair of the Board of Supervisors
of Sacramento County, California

_____

Director of Finance
of the County of Sacramento

Countersigned:

_____

Clerk of the Board of Supervisors

PAYING AGENT'S CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This is one of the current interest SACRAMENTO CITY UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS (MEASURE [Q/R]) (ELECTION OF 2012), SERIES 2013[A/B], described in the within-mentioned Paying Agent Agreement and authenticated and registered on _____, 2013.

COUNTY OF SACRAMENTO, CALIFORNIA, as
Paying Agent/Registrar and Transfer Agent

By _____
Director of Finance

DTC LEGEND

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned Registered Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Paying Agent/Registrar and Transfer Agent with full power of substitution in the premises.

_____
I.D. Number

_____
NOTE: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Registered Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____

Signature Guarantee:_____
Notice: Signature must be guaranteed by an eligible guarantor institution.

REDEMPTION SCHEDULE

EXHIBIT B

[FORM OF FEDERALLY TAXABLE QUALIFIED SCHOOL CONSTRUCTION BONDS]

| Number | UNITED STATES OF AMERICA | Amount |
|---|---|---|
| R-__ | STATE OF CALIFORNIA | $_____ |
| | COUNTY OF SACRAMENTO | |

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS (MEASURE R)
(ELECTION OF 2012), SERIES 2013R-B
(QUALIFIED SCHOOL CONSTRUCTION BONDS)

| Maturity Date | Interest Rate | Dated as of | CUSIP NO. |
|---|---|---|---|
| August 1, 20__ | ____% | _____, 2013 | _____ |

Registered Owner: CEDE & CO.

Principal Sum: _____ DOLLARS

Sacramento City Unified School District, County of Sacramento, State of California (herein called the "District"), acknowledges itself obligated to and promises to cause to be paid to the registered owner identified above or registered assigns, but only from taxes collected by the County of Sacramento (the "County") for such purpose pursuant to Section 15250 of the Education Code of the State of California, on the maturity date set forth above, the principal sum specified above in lawful money of the United States of America, and to pay interest thereon in like lawful money at the interest rate per annum stated above, payable on February 1 and August 1 in each year, commencing [August 1, 2013], until payment of said principal sum. If this bond is authenticated and registered on any date prior to the close of business on [July 15, 2013], it shall bear interest from the date hereof. If authenticated during the period between a Record Date (as defined below) and the close of business on its corresponding interest payment date, it shall bear interest from such interest payment date. Otherwise, this bond shall bear interest from the interest payment date immediately preceding the date of its authentication.

The principal hereof is payable to the registered owner hereof upon the surrender hereof at the office of the Director of Finance of the County (herein called the "Paying Agent"), the paying agent/registrar and transfer agent of the District, in Sacramento, California. The interest hereon is payable to the person whose name appears on the bond registration books of the Paying Agent as the registered owner hereof as of the close of business on the 15th day of the month preceding an interest payment date (the "Record Date"), whether or not such day is a business day, such interest to be paid by check mailed to such registered owner at the owner's address as it appears on such registration books, or at such other address filed with the Paying Agent for that purpose. Upon written request, given no later than the Record Date immediately preceding an interest payment date, of the owner of Bonds (hereinafter defined) aggregating at least $1,000,000 in principal amount, interest will be paid by wire transfer to an account maintained in the United States as specified by the owner in such request. So long as Cede &

Co. or its registered assigns shall be the registered owner of this bond, payment shall be made by wire transfer as provided in the Paying Agent Agreement.

This bond is one of a duly authorized issue of bonds of like tenor (except for such variations, if any, as may be required to designate varying series, numbers, denominations, interest rates, interest payment modes, maturities and redemption provisions), amounting in the aggregate to $_____ and designated as "Sacramento City Unified School District General Obligation Bonds (Measure R) (Election of 2012), Series 2013R-B (Qualified School Construction Bonds)" (the "Bonds"). The Bonds were authorized by a vote of at least 55% of the voters voting at an election duly and legally called, held and conducted in the District on November 6, 2012. The Bonds are issued and sold by the Board of Supervisors of the County, pursuant to and in strict conformity with the provisions of the Constitution and laws of said State and the Paying Agent Agreement, dated as of _____ 1, 2013 (the "Paying Agent Agreement"), by and between the District and the Paying Agent. Reference is hereby made to the Paying Agent Agreement and any and all amendments thereof for a description of the terms on which the Bonds are issued, for the rights of the Owners of the Bonds, for the provisions for payment of the Bonds, and for the amendment of the Paying Agent Agreement (with or without consent of the Owners of the Bonds); and all the terms of the Paying Agent Agreement are hereby incorporated herein and constitute a contract between the District and the Registered Owner of this Bond, to all the provisions of which the Registered Owner of this Bond, by acceptance hereof, agrees and consents. Capitalized undefined terms used herein have the meanings ascribed thereto in the Paying Agent Agreement.

The Bonds are issued as fully registered bonds without coupons in the denomination of $5,000 principal amount or any integral multiple thereof, provided that no Bond shall have principal maturing on more than one principal maturity date. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Paying Agent Agreement, Bonds may be exchanged for a like aggregate principal amount of Bonds of the same series, tenor, interest rate, and maturity of other authorized denominations.

This bond is transferable by the registered owner hereof, in person or by attorney duly authorized in writing, at said office of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Paying Agent Agreement, and upon surrender and cancellation of this bond. Upon such transfer, a new Bond or Bonds of authorized denomination or denominations of the same series, tenor, interest rate, and same aggregate principal amount will be issued to the transferee in exchange herefor.

The District and the Paying Agent may treat the registered owner hereof as the absolute owner hereof for all purposes, and the District and the Paying Agent shall not be affected by any notice to the contrary.

The Bonds are subject to redemption on the dates, at the redemption prices and pursuant to the terms set forth in the Paying Agent Agreement. Notice of redemption of any Bonds or any portions thereof shall be given as set forth in the Paying Agent Agreement. If this bond is called for redemption and payment is duly provided therefor, interest shall cease to accrue hereon from and after the date fixed for redemption.

In reliance upon the representations, certifications and declarations of the District, the Board of Supervisors hereby certifies and declares that the total amount of indebtedness of the District, including the amount of this bond, is within the limit provided by law; that all acts, conditions and things required by law to be done or performed precedent to and in the issuance of this bond have been done and performed in strict conformity with the laws authorizing the issuance of this bond; and that this bond is in substantially the form prescribed by order of the Board of Supervisors duly made and entered on its minutes. The Bonds represent an obligation of the District payable out of the interest and sinking fund of the District, and the money for the payment of principal of and interest on this bond shall be raised by taxation upon the taxable property of the District.

This bond shall not be entitled to any benefit under the Paying Agent Agreement, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Paying Agent.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Sacramento has caused this SACRAMENTO CITY UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BOND (MEASURE R) (ELECTION OF 2012), SERIES 2013R-B (QUALIFIED SCHOOL CONSTRUCTION BONDS), to be signed by its Chair and by the Director of Finance of the County, and to be countersigned by the Clerk of said Board, as of the date set forth above.

_____

Chair of the Board of Supervisors
of Sacramento County, California

_____

Director of Finance
of the County of Sacramento

Countersigned:

_____

Clerk of the Board of Supervisors

PAYING AGENT'S CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This is one of the SACRAMENTO CITY UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS (MEASURE R) (ELECTION OF 2012), SERIES 2013R-B (QUALIFIED SCHOOL CONSTRUCTION BONDS), described in the within-mentioned Paying Agent Agreement and authenticated and registered on _____, 2013.

COUNTY OF SACRAMENTO, CALIFORNIA, as
Paying Agent/Registrar and Transfer Agent

By_____
Director of Finance

DTC LEGEND

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned Registered Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Paying Agent/Registrar and Transfer Agent with full power of substitution in the premises.

_____
I.D. Number

_____
NOTE: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Registered Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____

Signature Guarantee:_____
Notice: Signature must be guaranteed by an eligible guarantor institution.

# OFFICIAL NOTICE OF SALE

$25,000,000*
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
GENERAL OBLIGATION BONDS
(MEASURE Q) (ELECTION OF 2012), SERIES 2013Q-A

NOTICE IS HEREBY GIVEN that proposals will be received on behalf of the Board of Supervisors of the County of Sacramento, State of California (the "County"), for the purchase of the above-referenced bonds of the Sacramento City Unified School District, County of Sacramento (the "District") more particularly described herein, on

**Tuesday, June [18], 2013**
**at 9:30 A.M.**

For the above-named bonds (the "Bonds").

The County, acting on behalf of and in consultation with the District, reserves the right to cancel or reschedule the sale of the Bonds or alter the terms thereof upon notice given through the Thompson Municipal Market Monitor (www.TM3.com) (the "News Service") at any time prior to the time bids are to be received. If no legal bid or bids are received for the Bonds on said date (or such later date as is established as provided herein) at the time specified, bids will be received for the Bonds on such other date and at such other time as shall be designated through the News Service as soon as practicable. As an accommodation to the bidders, telephonic, telecopies or emailed notice of the postponement of the sale date or dates or of a change in the principal payment schedule will be given to any bidder who has requested such notice of the District's Financial Advisor, Capitol Public Finance Group, 1900 Point West Way, Suite 273, Sacramento CA 95815; Attn: Jeff Small (telephone (916) 641-2734; fax (916) 921-2734). Failure of any bidder to receive such telephonic, telecopied or emailed notice shall not affect the legality of the sale.

## TERMS OF THE BONDS

***Important Note:*** **This notice will be submitted to i-Deal Prospectus LLC for posting at i-Deal's website (www.i-dealprospectus.com) and in the Parity bid delivery system. In the event i-Deal's summary of the terms of sale of the Bonds disagrees with this Official Notice in any particulars, the terms of this Official Notice shall control (unless notice of an amendment hereto is given as described above).**

Issue: The terms of issuance, principal and interest repayment, optional redemption, mandatory redemption, security, tax opinion, and all other information regarding the Bonds and the District are given in the Preliminary Official Statement which each bidder must have obtained and reviewed prior to bidding for the Bonds. This notice governs only the terms of sale, bidding and closing procedures.

Principal Payments (*preliminary; subject to change)*:

| Maturity Date (August 1) | Principal Amount | Maturity Date (August 1) | Principal Amount |
|---|---|---|---|

Serial Bonds and/or Term Bonds: The Bonds shall be issued as serial maturities as shown in the table above, unless the bidder requests the creation of one or more term Bonds by combining any two or more consecutive serial maturities. For any term Bond, the amount of principal paid in each year as the mandatory sinking fund payment shall be the amount shown above as maturing in such year.

Term Bonds, if specified, will be subject to redemption, by lot, on August 1 of each year specified prior to their respective stated maturity dates from monies in the interest and sinking fund of the District, upon payment of the principal amount due in such year, without premium, plus accrued interest thereon to the date fixed for redemption.

Optional Redemption: The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their respective stated maturity dates. The Bonds maturing on or after August 1, 20__, are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20__, and on any date thereafter, at a redemption price of 100% of the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

Interest Rates: Interest on the Bonds is payable on February 1 and August 1 of each year, commencing [August 1], 2013. Interest is calculated on the basis of a 30-day month, 360-day year from the date of the Bonds. Each Bond shall bear interest at the specified rate from its date to its stated maturity date, and all Bonds maturing at any one time shall bear the same rate of interest.

Bidders must specify the rate or rates of interest which the Bonds hereby offered for sale shall bear. Bidders will be permitted to specify a single rate of interest for each bond maturity, according to the following:

(i) No interest rate may be more than 3.00% higher than any other interest rate.

(ii) Each interest rate must be greater than zero and no interest rate may exceed 12.00% per annum.

Maturity: No Bond shall mature prior to August 1, 2013, nor later than the date which is 25 years from the date of the Bonds.

Premium: No bid shall be for less than 100% of the aggregate principal amount of the Bonds. No bid shall be for more than 103% of the aggregate principal amount of the Bonds.

Adjustment of Principal Amounts: The principal amounts of each maturity of Bonds set forth above in the table entitled "Principal Payments," reflect certain estimates of the District and its Financial Advisor with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. Following the determination of the successful bidder, the Director of Finance of the County (the "Director of Finance"), acting on behalf of and in consultation with the District, reserves the

right to increase or decrease the principal amount of each maturity of the Bonds in $5,000 increments, and to increase or decrease the aggregate principal amount of the Bonds to be issued, by an amount not to exceed 10% of each such principal payment; provided, however, that the adjusted aggregate principal amount of the Bonds shall not exceed $25,000,000. Such adjustment shall be made within 26 hours of the bid opening and in the sole discretion of the Director of Finance, upon a recommendation of the District. The aggregate price bid by the successful bidder will be adjusted by the Director of Finance proportionate to any increase or decrease in the aggregate principal amount of the Bonds and without consideration for the reoffering price by the successful bidder to the public of any individual maturity of the Bonds. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR ANY INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE STATED PRINCIPAL AMOUNTS.

## TERMS OF SALE

Best Bid: The Bonds will be awarded to the responsible bidder submitting the best responsive bid considering the interest rates or rates specified and the premium offered, if any. The best bid will be the bid which represents the lowest true interest cost ("TIC") to the District. The TIC is the discount rate which, when compounded semiannually and used to discount all debt service payments on the Bonds back to the date of such Bonds, results in an amount equal to the price bid for the Bonds. In the event that two or more bidders offer bids for the Bonds at the same lowest TIC, the Director of Finance will determine by lottery which bidder will be awarded the Bonds. For the purpose of calculating the TIC, the mandatory sinking fund payments, if any (see "TERMS OF THE BONDS—Serial Bonds and/or Term Bonds" above), shall be treated as serial maturities in such years. The determination of the bid representing the lowest TIC will be made without regard to any adjustments made or contemplated to be made after the award by the Director of Finance, as described herein under "TERMS OF THE BONDS—Adjustment of Principal Amounts", even if such adjustments have the effect of raising the TIC of the successful bid to a level higher than the bid containing the next lowest TIC prior to adjustment.

By submission of its bid, a bidder shall be deemed to have made the following representations:

(1) The bidder has received and reviewed the Preliminary Official Statement with respect to the Bonds (the "Preliminary Official Statement") and as a condition to bidding on the Bonds, has determined that it can comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

(2) As of the date of its bid and as of the date of delivery of the Bonds, all members of the bidder's syndicate either participate in DTC or clear through or maintain a custodial relationship with an entity that participates in said depository.

(3) Capitol Public Finance Group is not a participant in the bidding syndicate.

(4) The True Interest Cost on the bonds does not exceed 3.00%.

(5) The underwriter's discount shall not exceed 1.00% of the aggregate principal amount of the Bonds.

Form of Bid; Delivery of Bids: No bid will be accepted for less than all of the Bonds or for a purchase price less than the par amount of the Bonds. All bids must be unconditional. All bids must be received by the County, on behalf of the District, through i-Deal LLC's Parity Electronic Bid Submission System ("Parity") no later than 9:30 a.m., California time, on Tuesday, June [18], 2013, or

such other date and time as may be determined in accordance with this Official Notice of Sale. All bids shall be deemed to incorporate all of the terms of this Official Notice of Sale.

Each bid must state the aggregate purchase price of the Bonds and the interest rate applicable to each maturity thereof. The maximum true interest cost ("TIC") to the District of each bid may not exceed 8.00%, calculated as provided in "TERMS OF SALE-Best Bid" above.

Bids may be delivered by hand, or by electronic transmission via i-Deal/Parity, as follows:

Electronic Transmission*:* Solely as an accommodation to bidders, the District will accept bids in electronic form exclusively through i-Deal LLC's Parity System ("Parity"). Each bidder submitting an electronic bid understands and agrees by doing so that it is solely responsible for all arrangements with Parity, that the District neither endorses nor encourages the use of Parity, and that Parity is not acting as an agent of the District. Instructions and forms for submitting electronic bids must be obtained from Parity. Bidders may contact Parity directly at (212) 849-5021 or at the Parity website: *https://www.newissuehome.i-deal.com*.

***WARNINGS:*** Neither the District nor the County assumes any responsibility for ensuring or verifying bidder compliance with Parity's procedures. The Director of Finance shall be entitled to assume that any bid received via Parity has been made by a duly authorized agent of the bidder. The District, the County, the Financial Advisor and Bond Counsel assume no responsibility for any malfunction of the Parity system, any failure of a bid to be received at the official time, or any error contained in any bid submitted electronically. The official time for receipt of bids will be determined by District's agents at the place of bid opening, and the Director of Finance shall not be required to accept the time kept by Parity as the official time.

**THE DIRECTOR OF FINANCE RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID, WHETHER DELIVERED BY HAND OR ELECTRONIC TRANSMISSION, IS TIMELY, LEGIBLE AND COMPLETE.**

Multiple Bids*:* In the event multiple bids are received from a single bidder by any means or combination thereof, the Director of Finance shall accept the bid representing the lowest true interest cost to the District, and each bidder agrees by submitting any bid to be bound by such best bid.

Statement of True Interest Cost (TIC): Each bidder is requested, but not required, to state in its bid the total percentage TIC, which shall be considered as informative only and not binding on either the bidder or the Director of Finance.

Maximum Underwriter's Discount: The underwriter's discount may not exceed one percent (1.00%) of the aggregate principal amount of the Bonds.

Good Faith Deposit: Upon acceptance of its bid, the successful bidder shall be required to make a good faith deposit (the "Deposit") of $100,000, by wire transfer in immediately available funds not later than 12:00 p.m. on the next business day following the award, payable to the order of the Director of Finance of the County of Sacramento, to secure the District from any loss resulting from the failure of the bidder to comply with the terms of its bid. Wiring instructions will be provided to the successful bidder.

No interest will be paid upon the Deposit made by any bidder. The Deposit of the successful bidder will, immediately upon acceptance of its bid, become the property of the District to be held and invested for the exclusive benefit of the District. The principal amount of such Deposit shall be

applied to the purchase price of the Bonds at the time of delivery thereof. If the purchase price is not paid in full upon tender of the Bonds, the successful bidder shall have no right in or to the Bonds or to the recovery of its Deposit, or to any allowance or credit by reason of such Deposit, unless it shall appear that such Bonds would not be validly issued if delivered to the successful bidder in the form and manner proposed. In the event of nonpayment by the successful bidder, the amount of the Deposit shall be retained by the District as and for liquidated damages for such failure by the successful bidder, and such retention shall constitute a full release and discharge of all claims by the District against the successful bidder arising from such failure. The District's actual damages in such event may be greater or may be less than the amount of the Deposit. Each bidder waives any right to claim that the District's actual damages are less than such amount.

Right of Rejection: The Director of Finance, acting on behalf of and in consultation with the District, reserves the right to reject any and all bids and to waive any irregularity or informality in any bid which does not have a material effect and whose waiver will not change the ranking of the bids received. If the sale of the Bonds is cancelled or postponed, all sealed bids shall be returned unopened.

Prompt Award: The Director of Finance or his designee will take action awarding the Bonds or rejecting all bids not later than 26 hours after the expiration of the time herein prescribed for the receipt of the bids, unless such time of award is waived by the successful bidder. Notice of the award will be given promptly to the successful bidder.

## CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment: Delivery of the Bonds through the facilities of DTC will be made to the successful bidder in New York, New York on or about July 9, 2013. Payment for the Bonds must be made in funds immediately available in San Francisco, California, on the date of delivery. Any expense of providing immediately available funds, whether by transfer of Federal Reserve Bank funds or otherwise, shall be borne by the successful bidder or bidders. The cost of printing the Bonds will be borne by the District.

Right of Cancellation: The successful bidder shall have the right, at its option, to cancel its obligation to purchase the Bonds if the Bonds are not executed and tendered for delivery within 60 days from the date of sale thereof, and in such event the successful bidder shall be entitled to the return of its good faith deposit.

CUSIP Numbers and Other Fees: It is expected that the successful bidder will apply for CUSIP identification numbers for the Bonds, and furnish such numbers to Bond Counsel. It is anticipated that such CUSIP numbers will be printed on the Bonds being delivered to DTC, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms and conditions of its bid. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the District, but the CUSIP Service Bureau charge for the assignment of such numbers shall be paid by the successful bidder. The successful bidder shall also be required to pay all fees required by The Depository Trust Company, New York, New York, the Securities Industry and Financial Markets Association, the Municipal Securities Rulemaking Board, and any other similar entity imposing a fee in connection with the issuance of the Bonds.

California Debt and Investment Advisory Commission Fee: Attention of bidders is directed to California Government Code Section 8856, which provides that the lead underwriter or the purchaser of the Bonds shall be charged any California Debt and Investment Advisory Commission fee payable with respect to the Bonds.

Certification of Reoffering Prices: Upon notification of award of the bid, the successful bidder shall provide initial offering prices for each maturity of the Bonds (see form attached hereto as Exhibit A). Prior to Closing, as a condition to delivery of the Bonds, the successful bidder shall be required to provide to the District initial offering price information in form and substance as Bond Counsel may require, including: (i) certification that as of the date of sale, all of the Bonds were expected to be reoffered in a bona fide public offering at stated initial offering prices; (ii) certification that as of the date of the certification, all of the Bonds had actually been offered to the general public at such prices; and (iii) the maximum initial bona fide offering prices at which at least 10% of each maturity of the Bonds was sold to the general public, and identification of any Bond maturity of which less than 10% was sold to the general public at its initial offering price. The successful bidder may also be asked to clarify any discrepancies between the initial offering prices and publicly available information relating to trades of the Bonds, and to explain the failure to sell at least 10% of each maturity of the Bonds to the public at the initial reoffering prices.

Litigation: There is no litigation pending concerning the validity of the Bonds, the corporate existence of the District or the entitlement to their respective offices of the officers of the County of Sacramento who will execute the Bonds and other documents or certificates, or the power of the County to levy and collect taxes on behalf of the District for payment of, and to pay interest and principal on, the Bonds, and the District will furnish to the successful bidder or bidders a no-litigation certificate or certificates certifying the foregoing as of and at the time of the delivery of the Bonds.

Legal Opinion: The legal opinion of Orrick, Herrington & Sutcliffe LLP approving the validity of the Bonds, addressed to the District, will be furnished to the successful bidder upon delivery of the Bonds. Copies of the opinion will be filed with DTC and with the Paying Agent.

Tax Matters: Orrick, Herrington & Sutcliffe LLP will render to the District its legal opinion with respect to tax-exemption of the interest paid on the Bonds. *See* the discussion of Tax Matters in the Official Statement hereinafter referred to. In the event that prior to the delivery of the Bonds (a) the income received by private holders from obligations of the same type and character shall be declared to be includable in gross income (either at the time of such declaration or at any future date) for purposes of federal income tax laws, either by the terms of such laws or by ruling of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court, or (b) any federal income tax law is adopted which will have a substantial adverse tax effect on holders of the Bonds as such, the successful bidder may, at its option, prior to the tender of the Bonds by the Board, be relieved of its obligation to purchase the Bonds, and in such case the deposit accompanying its bid will be returned. For purposes of the preceding sentence, interest will be treated as excludable from gross income for federal income tax purposes whether or not it is includable as an item of tax preference for calculating alternative minimum taxes or otherwise includable for purposes of calculating certain other tax liabilities.

Official Statement: The District has authorized the adoption of an official statement relating to the Bonds. A copy of the Preliminary Official Statement will be furnished upon request to the District's Financial Advisor. The Preliminary Official Statement is in form "deemed final" by the issuer for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a final Official Statement. The District will furnish to the successful bidder, at no expense to the successful bidder, up to 150 copies of the final Official Statement within seven (7) business days of the award date.

Official Statement Certificate: The District will provide to the successful bidder for the Bonds a certificate, signed by an official of the District, confirming to the successful bidder that, to the best knowledge of such official, at the time of the acceptance of the bid for the Bonds the Preliminary

Official Statement did not, and at the time of delivery of the Bonds, the Official Statement does not. contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading (except that no view will be expressed concerning information regarding DTC and its book-entry only system, information provided by the Director of Finance regarding County investments, information provided by the successful bidder regarding the underwriting, reoffering, and CUSIP identification numbers of the Bonds, and information regarding any municipal bond insurance policy with respect to the Bonds and the provider thereof, as to all of which no view shall be expressed), and that there has been no material adverse change in the financial condition or affairs of the District which would make it unreasonable for the purchaser of the Bonds to rely upon the Official Statement in connection with the resale of the Bonds.

Continuing Disclosure Certificate: In order to assist bidders in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), the District will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Final Official Statement. The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Dated: June [18], 2013.

/s/ Ken A. Forrest
Ken A. Forrest
Chief Business Officer

**EXHIBIT A**

**FORM OF REOFFERING PRICE CERTIFICATE**

_____, has acted as the underwriter (the "Underwriter") with respect to the Sacramento City Unified School District (County of Sacramento, State of California) General Obligation Bonds (Measure Q) (Election of 2012), Series 2013Q-A (the "Bonds"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Tax Certificate to which this Certificate is attached as an exhibit. The Underwriter hereby certifies and represents the following:

1. As of _____, 2013 (the "Sale Date"), the Underwriter (i) reasonably expected to make a bona fide offering of all of the Bonds at the prices set forth on the cover of the Official Statement (the "Initial Offering Prices") to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) and (ii) reasonably expected that the respective Initial Offering Price applicable to each maturity would be the first price at which at least 10% of such maturity of the Bonds would be sold. At the time the Underwriter agreed to purchase the Bonds, based upon then prevailing market conditions, we had no reason to believe any of the Bonds would be initially sold to the general public at initial offering prices greater than (or, in the case of obligations sold on a yield basis, at initial yields lower than) the Initial Offering Prices.

2. The aggregate of the Initial Offering Prices is $_____. The Initial Offering Prices represent fair market prices for the Bonds as of the Sale Date.

3. As of the date of execution of this Certificate, all of the Bonds have actually been offered to the general public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the Initial Offering Prices and the first price at which at least 10% of each maturity of the Bonds has been sold to the general public was the Initial Offering Prices [except for the _____ maturity(ies)].

[4. With respect to the maturity(ies) of the Bonds listed in the immediately preceding section, such Bonds were continuously offered to the general public at the Initial Offering Price(s) for a period of __ hours after the Underwriter was awarded the Bonds (the "Initial Offering Period"), and the Underwriter made reasonable efforts to sell such Bonds to the general public at the Initial Offering Price(s) throughout the Initial Offering Period. During the Initial Offering Period such Bonds were not offered to bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers. Market conditions during the Initial Offering Period prevented a substantial amount of such Bonds from being sold at or above the Initial Offering Price(s).]

Dated: _____

[UNDERWRITER]

By _____
Authorized Representative

# OFFICIAL NOTICE OF SALE

$40,000,000*
SACRAMENTO CITY UNIFIED
SCHOOL DISTRICT
(County of Sacramento, State of California)
GENERAL OBLIGATION BONDS (MEASURE R)
(ELECTION OF 2012), SERIES 2013R-A
(the "2013R-A")

$20,000,000*
SACRAMENTO CITY UNIFIED
SCHOOL DISTRICT
(County of Sacramento, State of California)
GENERAL OBLIGATION BONDS (MEASURE R)
(ELECTION OF 2012), SERIES 2013R-B
(QUALIFIED SCHOOL CONSTRUCTION BONDS)
(the "2013R-B")

NOTICE IS HEREBY GIVEN that proposals will be received on behalf of the Board of Supervisors of the County of Sacramento, State of California (the "County"), for the purchase of the above-referenced bonds of the Sacramento City Unified School District, County of Sacramento (the "District") more particularly described herein, on

**Thursday, May [30], 2013**
**at 9:00 A.M.**

For the above-named bonds (the "Bonds").

The County, acting on behalf of and in consultation with the District, reserves the right to cancel or reschedule the sale of the Bonds or alter the terms thereof upon notice given through the Thompson Municipal Market Monitor (www.TM3.com) (the "News Service") at any time prior to the time bids are to be received. If no legal bid or bids are received for the Bonds on said date (or such later date as is established as provided herein) at the time specified, bids will be received for the Bonds on such other date and at such other time as shall be designated through the News Service as soon as practicable. As an accommodation to the bidders, telephonic, telecopies or emailed notice of the postponement of the sale date or dates or of a change in the principal payment schedule will be given to any bidder who has requested such notice of the District's Financial Advisor, Capitol Public Finance Group, 1900 Point West Way, Suite 273, Sacramento CA 95815; Attn: Jeff Small (telephone (916) 641-2734; fax (916) 921-2734). Failure of any bidder to receive such telephonic, telecopied or emailed notice shall not affect the legality of the sale.

## TERMS OF THE BONDS

***Important Note:*** **This notice will be submitted to i-Deal Prospectus LLC for posting at i-Deal's website (www.i-dealprospectus.com) and in the Parity bid delivery system. In the event i-Deal's summary of the terms of sale of the Bonds disagrees with this Official Notice in any particulars, the terms of this Official Notice shall control (unless notice of an amendment hereto is given as described above).**

Issue: The terms of issuance, principal and interest repayment, optional redemption, mandatory redemption, security, tax opinion, and all other information regarding the Bonds and the District are given in the Preliminary Official Statement which each bidder must have obtained and reviewed prior to bidding for the Bonds. This notice governs only the terms of sale, bidding and closing procedures.

Principal Payments (*preliminary; subject to change)*:

2013R-A

| Maturity Date (August 1) | Principal Amount | Maturity Date (August 1) | Principal Amount |
|---|---|---|---|

2013R-B

| Maturity Date (August 1) | Principal Amount | Maturity Date (August 1) | Principal Amount |
|---|---|---|---|

Serial Bonds and/or Term Bonds: The Bonds shall be issued as serial maturities as shown in the table above, unless the bidder requests the creation of one or more term Bonds by combining any two or more consecutive serial maturities. For any term Bond, the amount of principal paid in each year as the mandatory sinking fund payment shall be the amount shown above as maturing in such year.

Term Bonds, if specified, will be subject to redemption, by lot, on August 1 of each year specified prior to their respective stated maturity dates from monies in the interest and sinking fund of the District, upon payment of the principal amount due in such year, without premium, plus accrued interest thereon to the date fixed for redemption.

Optional Redemption: The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their respective stated maturity dates. The 2013R-A maturing on or after August 1, 20__, are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20__, and on any date thereafter, at a redemption price of 100% of the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

Interest Rates: Interest on the Bonds is payable on February 1 and August 1 of each year, commencing [August 1], 2013. Interest is calculated on the basis of a 30-day month, 360-day year from the date of the Bonds. Each Bond shall bear interest at the specified rate from its date to its stated maturity date, and all Bonds maturing at any one time shall bear the same rate of interest.

Bidders must specify the rate or rates of interest which the Bonds hereby offered for sale shall bear. Bidders will be permitted to specify a single rate of interest for each bond maturity, according to the following:

(i) No interest rate may be more than 8.00% higher than any other interest rate.

(ii) Each interest rate must be greater than zero and no interest rate may exceed 12.00% per annum.

Maturity: No Bond shall mature prior to August 1, 2013, nor later than the date which is 25 years from the date of the Bonds.

Premium: No bid shall be for less than 100% of the aggregate principal amount of the Bonds. No bid shall be for more than 103% of the aggregate principal amount of the Bonds.

Adjustment of Principal Amounts: The principal amounts of each maturity of Bonds set forth above in the table entitled "Principal Payments," reflect certain estimates of the District and its Financial Advisor with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. Following the determination of the successful bidder, the Director of Finance of the County (the "Director of Finance"), acting on behalf of and in consultation with the District, reserves the right to increase or decrease the principal amount of each maturity of the Bonds in $5,000 increments, and to increase or decrease the aggregate principal amount of the Bonds to be issued, by an amount not to exceed 10% of each such principal payment; provided, however, that the adjusted aggregate principal amount of the Bonds shall not exceed $60,000,000. Such adjustment shall be made within 26 hours of the bid opening and in the sole discretion of the Director of Finance, upon a recommendation of the District. The aggregate price bid by the successful bidder will be adjusted by the Director of Finance proportionate to any increase or decrease in the aggregate principal amount of the Bonds and without consideration for the reoffering price by the successful bidder to the public of any individual maturity of the Bonds. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR ANY INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE STATED PRINCIPAL AMOUNTS.

## TERMS OF SALE

Best Bid: The Bonds will be awarded to the responsible bidder submitting the best responsive bid considering the interest rates or rates specified and the premium offered, if any. The best bid will be the bid which represents the lowest true interest cost ("TIC") to the District. The TIC is the discount rate which, when compounded semiannually and used to discount all debt service payments on the Bonds back to the date of such Bonds, results in an amount equal to the price bid for the Bonds. In the event that two or more bidders offer bids for the Bonds at the same lowest TIC, the Director of Finance will determine by lottery which bidder will be awarded the Bonds. For the purpose of calculating the TIC, the mandatory sinking fund payments, if any (see "TERMS OF THE BONDS—Serial Bonds and/or Term Bonds" above), shall be treated as serial maturities in such years. The determination of the bid representing the lowest TIC will be made without regard to any adjustments made or contemplated to be made after the award by the Director of Finance, as described herein under "TERMS OF THE BONDS—Adjustment of Principal Amounts", even if such adjustments have the effect of raising the TIC of the successful bid to a level higher than the bid containing the next lowest TIC prior to adjustment.

By submission of its bid, a bidder shall be deemed to have made the following representations:

(1) The bidder has received and reviewed the Preliminary Official Statement with respect to the Bonds (the "Preliminary Official Statement") and as a condition to bidding on the Bonds, has determined that it can comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

(2) As of the date of its bid and as of the date of delivery of the Bonds, all members of the bidder's syndicate either participate in DTC or clear through or maintain a custodial relationship with an entity that participates in said depository.

(3) Capitol Public Finance Group is not a participant in the bidding syndicate.

(4) The True Interest Cost on the bonds does not exceed 6.00% tax exempt and 8.00% qualified school construction bonds.

(5) The underwriter's discount shall not exceed 1.00% of the aggregate principal amount of the Bonds.

Form of Bid; Delivery of Bids: No bid will be accepted for less than all of the Bonds or for a purchase price less than the par amount of the Bonds. All bids must be unconditional. All bids must be received by the County, on behalf of the District, through i-Deal LLC's Parity Electronic Bid Submission System ("Parity") no later than 9:00 a.m., California time, on Tuesday, May [30], 2013, or such other date and time as may be determined in accordance with this Official Notice of Sale. All bids shall be deemed to incorporate all of the terms of this Official Notice of Sale.

Each bid must state the aggregate purchase price of the Bonds and the interest rate applicable to each maturity thereof. The maximum true interest cost ("TIC") to the District of each bid may not exceed [6.00% tax exempt and 8.00% qualified school construction bonds], calculated as provided in "TERMS OF SALE-Best Bid" above.

Bids may be delivered by hand, or by electronic transmission via i-Deal/Parity, as follows:

Electronic Transmission*:* Solely as an accommodation to bidders, the District will accept bids in electronic form exclusively through i-Deal LLC's Parity System ("Parity"). Each bidder submitting an electronic bid understands and agrees by doing so that it is solely responsible for all arrangements with Parity, that the District neither endorses nor encourages the use of Parity, and that Parity is not acting as an agent of the District. Instructions and forms for submitting electronic bids must be obtained from Parity. Bidders may contact Parity directly at (212) 849-5021 or at the Parity website: *https://www.newissuehome.i-deal.com*.

***WARNINGS:*** Neither the District nor the County assumes any responsibility for ensuring or verifying bidder compliance with Parity's procedures. The Director of Finance shall be entitled to assume that any bid received via Parity has been made by a duly authorized agent of the bidder. The District, the County, the Financial Advisor and Bond Counsel assume no responsibility for any malfunction of the Parity system, any failure of a bid to be received at the official time, or any error contained in any bid submitted electronically. The official time for receipt of bids will be determined by District's agents at the place of bid opening, and the Director of Finance shall not be required to accept the time kept by Parity as the official time.

**THE DIRECTOR OF FINANCE RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID, WHETHER DELIVERED BY HAND OR ELECTRONIC TRANSMISSION, IS TIMELY, LEGIBLE AND COMPLETE.**

Multiple Bids*:* In the event multiple bids are received from a single bidder by any means or combination thereof, the Director of Finance shall accept the bid representing the lowest true interest cost to the District, and each bidder agrees by submitting any bid to be bound by such best bid.

Statement of True Interest Cost (TIC): Each bidder is requested, but not required, to state in its bid the total percentage TIC, which shall be considered as informative only and not binding on either the bidder or the Director of Finance.

Maximum Underwriter's Discount: The underwriter's discount may not exceed one percent (1.00%) of the aggregate principal amount of the Bonds.

Good Faith Deposit: Upon acceptance of its bid, the successful bidder shall be required to make a good faith deposit (the "Deposit") of $100,000, by wire transfer in immediately available funds not later than 12:00 p.m. on the next business day following the award, payable to the order of the Director of Finance of the County of Sacramento, to secure the District from any loss resulting from the failure of the bidder to comply with the terms of its bid. Wiring instructions will be provided to the successful bidder.

No interest will be paid upon the Deposit made by any bidder. The Deposit of the successful bidder will, immediately upon acceptance of its bid, become the property of the District to be held and invested for the exclusive benefit of the District. The principal amount of such Deposit shall be applied to the purchase price of the Bonds at the time of delivery thereof. If the purchase price is not paid in full upon tender of the Bonds, the successful bidder shall have no right in or to the Bonds or to the recovery of its Deposit, or to any allowance or credit by reason of such Deposit, unless it shall appear that such Bonds would not be validly issued if delivered to the successful bidder in the form and manner proposed. In the event of nonpayment by the successful bidder, the amount of the Deposit shall be retained by the District as and for liquidated damages for such failure by the successful bidder, and such retention shall constitute a full release and discharge of all claims by the District against the successful bidder arising from such failure. The District's actual damages in such event may be greater or may be less than the amount of the Deposit. Each bidder waives any right to claim that the District's actual damages are less than such amount.

Right of Rejection: The Director of Finance, acting on behalf of and in consultation with the District, reserves the right to reject any and all bids and to waive any irregularity or informality in any bid which does not have a material effect and whose waiver will not change the ranking of the bids received. If the sale of the Bonds is cancelled or postponed, all sealed bids shall be returned unopened.

Prompt Award: The Director of Finance or his designee will take action awarding the Bonds or rejecting all bids not later than 26 hours after the expiration of the time herein prescribed for the receipt of the bids, unless such time of award is waived by the successful bidder. Notice of the award will be given promptly to the successful bidder.

## CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment: Delivery of the Bonds through the facilities of DTC will be made to the successful bidder in New York, New York on or about July 9, 2013. Payment for the Bonds must be made in funds immediately available in San Francisco, California, on the date of delivery. Any expense of providing immediately available funds, whether by transfer of Federal Reserve Bank funds or otherwise, shall be borne by the successful bidder or bidders. The cost of printing the Bonds will be borne by the District.

Right of Cancellation: The successful bidder shall have the right, at its option, to cancel its obligation to purchase the Bonds if the Bonds are not executed and tendered for delivery within 60 days from the date of sale thereof, and in such event the successful bidder shall be entitled to the return of its good faith deposit.

CUSIP Numbers and Other Fees: It is expected that the successful bidder will apply for CUSIP identification numbers for the Bonds, and furnish such numbers to Bond Counsel. It is anticipated that such CUSIP numbers will be printed on the Bonds being delivered to DTC, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms and conditions of its bid. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the District, but the CUSIP Service Bureau charge for the assignment of such numbers shall be

paid by the successful bidder. The successful bidder shall also be required to pay all fees required by The Depository Trust Company, New York, New York, the Securities Industry and Financial Markets Association, the Municipal Securities Rulemaking Board, and any other similar entity imposing a fee in connection with the issuance of the Bonds.

California Debt and Investment Advisory Commission Fee: Attention of bidders is directed to California Government Code Section 8856, which provides that the lead underwriter or the purchaser of the Bonds shall be charged any California Debt and Investment Advisory Commission fee payable with respect to the Bonds.

Certification of Reoffering Prices: Upon notification of award of the bid, the successful bidder shall provide initial offering prices for each maturity of the Bonds (see form attached hereto as Exhibit A). Prior to Closing, as a condition to delivery of the Bonds, the successful bidder shall be required to provide to the District initial offering price information in form and substance as Bond Counsel may require, including: (i) certification that as of the date of sale, all of the Bonds were expected to be reoffered in a bona fide public offering at stated initial offering prices; (ii) certification that as of the date of the certification, all of the Bonds had actually been offered to the general public at such prices; and (iii) the maximum initial bona fide offering prices at which at least 10% of each maturity of the Bonds was sold to the general public, and identification of any Bond maturity of which less than 10% was sold to the general public at its initial offering price. The successful bidder may also be asked to clarify any discrepancies between the initial offering prices and publicly available information relating to trades of the Bonds, and to explain the failure to sell at least 10% of each maturity of the Bonds to the public at the initial reoffering prices.

Litigation: There is no litigation pending concerning the validity of the Bonds, the corporate existence of the District or the entitlement to their respective offices of the officers of the County of Sacramento who will execute the Bonds and other documents or certificates, or the power of the County to levy and collect taxes on behalf of the District for payment of, and to pay interest and principal on, the Bonds, and the District will furnish to the successful bidder or bidders a no-litigation certificate or certificates certifying the foregoing as of and at the time of the delivery of the Bonds.

Legal Opinion: The legal opinion of Orrick, Herrington & Sutcliffe LLP approving the validity of the Bonds, addressed to the District, will be furnished to the successful bidder upon delivery of the Bonds. Copies of the opinion will be filed with DTC and with the Paying Agent.

Tax Matters: Orrick, Herrington & Sutcliffe LLP will render to the District its legal opinion with respect to tax-exemption of the interest paid on the Bonds. *See* the discussion of Tax Matters in the Official Statement hereinafter referred to. In the event that prior to the delivery of the Bonds (a) the income received by private holders from obligations of the same type and character shall be declared to be includable in gross income (either at the time of such declaration or at any future date) for purposes of federal income tax laws, either by the terms of such laws or by ruling of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court, or (b) any federal income tax law is adopted which will have a substantial adverse tax effect on holders of the Bonds as such, the successful bidder may, at its option, prior to the tender of the Bonds by the Board, be relieved of its obligation to purchase the Bonds, and in such case the deposit accompanying its bid will be returned. For purposes of the preceding sentence, interest will be treated as excludable from gross income for federal income tax purposes whether or not it is includable as an item of tax preference for calculating alternative minimum taxes or otherwise includable for purposes of calculating certain other tax liabilities.

Official Statement: The District has authorized the adoption of an official statement relating to the Bonds. A copy of the Preliminary Official Statement will be furnished upon request to the District's Financial Advisor. The Preliminary Official Statement is in form "deemed final" by the issuer for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a final Official Statement. The District will furnish to the successful bidder, at no expense to the successful bidder, up to 150 copies of the final Official Statement within seven (7) business days of the award date.

Official Statement Certificate: The District will provide to the successful bidder for the Bonds a certificate, signed by an official of the District, confirming to the successful bidder that, to the best knowledge of such official, at the time of the acceptance of the bid for the Bonds the Preliminary Official Statement did not, and at the time of delivery of the Bonds, the Official Statement does not. contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading (except that no view will be expressed concerning information regarding DTC and its book-entry only system, information provided by the Director of Finance regarding County investments, information provided by the successful bidder regarding the underwriting, reoffering, and CUSIP identification numbers of the Bonds, and information regarding any municipal bond insurance policy with respect to the Bonds and the provider thereof, as to all of which no view shall be expressed), and that there has been no material adverse change in the financial condition or affairs of the District which would make it unreasonable for the purchaser of the Bonds to rely upon the Official Statement in connection with the resale of the Bonds.

Continuing Disclosure Certificate: In order to assist bidders in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), the District will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Final Official Statement. The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Dated: May [30], 2013.

/s/ Ken A. Forrest
Ken A. Forrest
Chief Business Officer

**EXHIBIT A**

**FORM OF REOFFERING PRICE CERTIFICATE**

_____, has acted as the underwriter (the "Underwriter") with respect to the Sacramento City Unified School District (County of Sacramento, State of California) General Obligation Bonds (Measure R) (Election of 2012), Series 2013R-A and Series 2013R-B (Qualified School Construction Bonds (the "Bonds"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Tax Certificate to which this Certificate is attached as an exhibit. The Underwriter hereby certifies and represents the following:

1. As of _____, 2013 (the "Sale Date"), the Underwriter (i) reasonably expected to make a bona fide offering of all of the Bonds at the prices set forth on the cover of the Official Statement (the "Initial Offering Prices") to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) and (ii) reasonably expected that the respective Initial Offering Price applicable to each maturity would be the first price at which at least 10% of such maturity of the Bonds would be sold. At the time the Underwriter agreed to purchase the Bonds, based upon then prevailing market conditions, we had no reason to believe any of the Bonds would be initially sold to the general public at initial offering prices greater than (or, in the case of obligations sold on a yield basis, at initial yields lower than) the Initial Offering Prices.

2. The aggregate of the Initial Offering Prices is $_____. The Initial Offering Prices represent fair market prices for the Bonds as of the Sale Date.

3. As of the date of execution of this Certificate, all of the Bonds have actually been offered to the general public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the Initial Offering Prices and the first price at which at least 10% of each maturity of the Bonds has been sold to the general public was the Initial Offering Prices [except for the _____ maturity(ies)].

[4. With respect to the maturity(ies) of the Bonds listed in the immediately preceding section, such Bonds were continuously offered to the general public at the Initial Offering Price(s) for a period of __ hours after the Underwriter was awarded the Bonds (the "Initial Offering Period"), and the Underwriter made reasonable efforts to sell such Bonds to the general public at the Initial Offering Price(s) throughout the Initial Offering Period. During the Initial Offering Period such Bonds were not offered to bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers. Market conditions during the Initial Offering Period prevented a substantial amount of such Bonds from being sold at or above the Initial Offering Price(s).]

Dated: _____

[UNDERWRITER]

By _____
Authorized Representative

**NOTICE OF INTENTION TO SELL**
**Not to Exceed $25,000,000**
**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**
**(County of Sacramento, State of California)**
**GENERAL OBLIGATION BONDS (MEASURE Q)**
**((ELECTION OF 2012), SERIES 2013Q-A**

NOTICE IS HEREBY GIVEN that the above Bonds will be offered for public sale by the Board of Supervisors of the County of Sacramento, State of California, on Tuesday, June 18, 2013, at the hour of 9:30 A.M., California time (or on such other date and time as may be determined by the County as provided in the paragraph below), at the offices of Capitol Public Finance Group, 1900 Point West Way, Suite 273, Sacramento, CA 95815 (telephone (916) 641-2734; fax (916) 921-2734), subject to all of the terms and conditions of the Official Notice of Sale describing the Bonds, copies of which (along with a Preliminary Official Statement relating to the Bonds) will be furnished upon request made to the Financial Advisor to the District, at the address above or are available to authorized users at *www.i-dealprospectus.com*. ***Legal Opinion:*** Orrick, Herrington & Sutcliffe LLP, San Francisco, California.

The date and time of the Bond sale and the terms thereof may be changed at the sole discretion of the County by providing notice thereof through Thomson Municipal News Monitor (TM3) as soon as practicable prior to the then-scheduled sale date of the Bonds.

Dated: June [11], 2013.

**OH&S DRAFT**
**04/23/13**

# NOTICE OF INTENTION TO SELL

**Not to Exceed $20,000,000**
**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**
**(County of Sacramento, State of California)**
**GENERAL OBLIGATION BONDS (MEASURE R) ((ELECTION OF 2012), SERIES 2013R-A**

**Not to Exceed $40,000,000**
**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**
**(County of Sacramento, State of California)**
**GENERAL OBLIGATION BONDS (MEASURE R) ((ELECTION OF 2012), SERIES 2013R-B (QUALIFIED SCHOOL CONSTRUCTION BONDS)**

NOTICE IS HEREBY GIVEN that the above Bonds will be offered for public sale by the Board of Supervisors of the County of Sacramento, State of California, on Tuesday, May 30, 2013, at the hour of 9:30 A.M., California time (or on such other date and time as may be determined by the County as provided in the paragraph below), at the offices of Capitol Public Finance Group, 1900 Point West Way, Suite 273, Sacramento, CA 95815 (telephone (916) 641-2734; fax (916) 921-2734), subject to all of the terms and conditions of the Official Notice of Sale describing the Bonds, copies of which (along with a Preliminary Official Statement relating to the Bonds) will be furnished upon request made to the Financial Advisor to the District, at the address above or are available to authorized users at *www.i-dealprospectus.com*. ***Legal Opinion:*** Orrick, Herrington & Sutcliffe LLP, San Francisco, California.

The date and time of the Bond sale and the terms thereof may be changed at the sole discretion of the County by providing notice thereof through Thomson Municipal News Monitor (TM3) as soon as practicable prior to the then-scheduled sale date of the Bonds.

Dated: May [24], 2013.

# CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Sacramento City Unified School District (the "District") in connection with the issuance of $_____ aggregate principal amount of Sacramento City Unified School District General Obligation Bonds (Election of 2012) (Measure Q), Series 2013Q-A and $_____ aggregate principal amount of Sacramento City Unified School District General Obligation Bonds (Election of 2012) (Measure R), Series 2013R-A and Series 2013R-B (Qualified School Construction Bonds) (collectively, the "Bonds"). The Bonds are being issued pursuant to a resolution (the "Resolution") adopted by the Board of Supervisors of the County of Sacramento (the "County") on May 21, 2013, at the request of the Board of Education of the District by its resolution adopted on May 16, 2013. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Paying Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the Capital Public Finance Group, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at *http://emma.msrb.org*.

"Participating Underwriters" shall mean _____, or the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the District's fiscal year (presently June 30), which date is April 1, commencing with the Annual Report for the fiscal year of the District ending June 30, 2013, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. Neither the Paying Agent nor the Dissemination Agent shall have any duties or responsibilities with respect to the contents of the Annual Report. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent and the Paying Agent (if the Paying Agent is not the Dissemination Agent). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District and the Paying Agent to determine if the District is in compliance with the first sentence of this subsection (b).

(c) If the Annual Report is delivered to the Dissemination Agent for filing, the Dissemination Agent shall file a report with the District and (if the Dissemination Agent is not the Paying Agent) the Paying Agent certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

- * Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:

- * Adopted budget of the District for the current fiscal year, or a summary thereof, and any interim budget reports approved as of the date of filing of the Annual Report.

- * District average daily attendance.

- * District outstanding debt.

- * Information regarding the top ten property tax payers within the District, if and to the extent provided to the District by the County.

- * Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County.

- * Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

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. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person 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 obligated person, 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 the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority

having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. Modifications to rights of Bond holders;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. 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 pursuant to its terms; or

7. Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4, as provided in Section 4(b).

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the District shall determine if such event would be material under applicable federal securities laws.

(e) If the District learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The

Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in Superior Court of the State of California in and for the County of Sacramento or in U.S. District Court in or nearest to the County. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By [draft – not for signature]
Authorized District Representative

**CONTINUING DISCLOSURE EXHIBIT A**

FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

| | |
|---|---|
| Name of District: | SACRAMENTO CITY UNIFIED SCHOOL DISTRICT |
| Name of Bond Issue: | SACRAMENTO CITY UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS (MEASURE Q) (ELECTION OF 2012), SERIES 2013Q-A<br><br>SACRAMENTO CITY UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS (MEASURE R), SERIES 2013R-A AND SERIES 2013R-B (QUALIFIED SCHOOL CONSTRUCTION BONDS) |
| Date of Issuance: | _____ |

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated the Date of Issuance. [The District anticipates that the Annual Report will be filed by _____.]

Dated:_____

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____[to be signed only if filed]_____

BOND PURCHASE CONTRACT

$_____

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS (MEASURE Q)
(ELECTION OF 2012), SERIES 2013Q-A

[June 18, 2013]

Board of Supervisors
County of Sacramento

Board of Education
Sacramento City Unified School District

Ladies and Gentlemen:

The undersigned [Underwriter] (the "Underwriter") hereby offers to enter into this Bond Purchase Contract (the "Purchase Contract") with the County of Sacramento (the "County"), acting through its Director of Finance (the "Director of Finance"), and with the Board of Education of the Sacramento City Unified School District (the "District"), acting through its Authorized District Representative. The offer made hereby is subject to acceptance by the County and the District by execution and delivery of this Purchase Contract to the Underwriter at or prior to 11:59 p.m., California time, on the date hereof, but it shall be irrevocable until such time as it is sooner accepted or rejected by the County and the District. Upon acceptance of this offer by the County and the District in accordance with the terms hereof, this Purchase Contract will be binding upon the County and the District and upon the Underwriter.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, covenants and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the County for offering to the public, and the County hereby agrees, on behalf of the District, to sell to the Underwriter for such purpose, all (but not less than all) of the $_____ aggregate principal amount of the Sacramento City Unified School District General Obligation Bonds (Measure Q) (Election of 2012), Series 2013Q-A (the "2013Q-A Bonds"), at the Purchase Price of $_____, which has been computed as the aggregate principal amount of the 2013Q-A Bonds ($_____) plus [net] original issue premium thereon ($_____), less underwriter's discount ($_____). The true interest cost for the 2013Q-A Bonds is _____%. The Underwriter's discount is __%.

2. The 2013Q-A Bonds. The 2013Q-A Bonds shall be issued pursuant to Section 15100 and following of the Education Code of the State of California, and in accordance with Resolution No. __ of the Board of Education of the District, adopted on May 16, 2013 (the "District Resolution"), and Resolution No. ___ of the Board of Supervisors of the County, adopted on May 21,

2013 (the "Resolution"), and pursuant to the terms of that certain Paying Agent Agreement dated as of _____ 1, 2013, to be entered into by and between the District and the Director of Finance of the County of Sacramento, as paying agent (the "Paying Agent") (the "Paying Agent Agreement") with respect to the 2013Q-A Bonds. The 2013Q-A Bonds shall conform in all respects to the terms and provisions set forth in the Resolution, the Paying Agent Agreement, and in Appendix A to this Purchase Contract.

The 2013Q-A Bonds shall be dated the date of delivery, expected to be _____, 2013, shall mature on August 1 in each of the years, in the principal amounts, and pay interest at the rates shown in Appendix A. Interest on the 2013Q-A Bonds shall be payable on [August 1, 2013], and thereafter on February 1 and August 1 in each year until maturity or prior redemption.

[The 2013Q-A Bonds shall be subject to optional and mandatory sinking fund redemption on the terms and at the times shown in Appendix A.]

The 2013Q-A Bonds shall otherwise be as described in the Official Statement of the District with respect to the 2013Q-A Bonds, dated _____, 2013 (the "Official Statement").

One fully registered certificate for each maturity of the 2013Q-A Bonds will be prepared and delivered as described in Section 8 hereof, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, NY ("DTC"), and will be made available to the Underwriter for inspection at such place as may be mutually agreed to by the Underwriter and the District, not less than one business day prior to the Closing Date, as defined in Section 8 hereof. The Underwriter shall order CUSIP identification numbers and the District shall cause such CUSIP identification numbers to be printed on the 2013Q-A Bonds, but neither the failure to print such number on any 2013Q-A Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the 2013Q-A Bonds in accordance with the terms of this Purchase Contract.

3. Offering. The Underwriter hereby certifies that it has made a bona fide public offering of all the 2013Q-A Bonds as of the date hereof at the prices shown in the table attached to Appendix A hereto. On or prior to the Closing Date, the Underwriter shall provide the District with information regarding the prices at which a representative portion of each maturity of the 2013Q-A Bonds were sold to the public, in such form as the District and Bond Counsel may reasonably request, for purposes of determining the yield on the 2013Q-A Bonds.

The County hereby ratifies, approves and confirms the distribution of this Purchase Contract, the Resolution, the Paying Agent Agreement, and the Preliminary Official Statement of the District with respect to the 2013Q-A Bonds, dated _____, 2013 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Preliminary Official Statement"), in connection with the public offering and sale of the 2013Q-A Bonds by the Underwriter.

The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement, and hereby agrees that it will provide, consistent with the requirements of Municipal Securities Rulemaking Board ("MSRB") Rule G-32, for the delivery of a copy of the final Official Statement describing the 2013Q-A Bonds, dated the date hereof (the "Official Statement"), to each customer who purchases any 2013Q-A Bonds during the underwriting period (as such term is defined in MSRB Rule G-11), and to deliver a copy of the Official Statement to a national repository on or before the Closing Date, and otherwise to comply with all applicable statutes and regulations in connection with the offering and sale of the 2013Q-A Bonds, including, without limitation, MSRB Rule G-32 and 17 CFR Section 240.15c2-12, promulgated by the Securities and Exchange Commission ("Rule 15c2-12").

The Underwriter hereby agrees that prior to the time the final Official Statement is available, the Underwriter will send to any potential purchaser of the 2013Q-A Bonds, upon request, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

The District will deliver to the Underwriter within 7 business days from the date hereof copies of the Official Statement of the District with respect to the 2013Q-A Bonds, signed by an Authorized District Representative, substantially in the form of the Preliminary Official Statement with such changes thereto as shall be approved by the Underwriter, which approval shall not be unreasonably withheld.

4. Representations and Agreements of the County. The County represents to and agrees with the Underwriter that, as of the date hereof and as of the date of the Closing:

(a) The County is a political subdivision duly organized and validly existing under the Constitution and general laws of the State of California.

(b) The County is duly authorized and has full legal right, power and authority to issue, sell and deliver the 2013Q-A Bonds on behalf of the District, pursuant to the direction of the District contained in the District Resolution, and to provisions of the laws of the State of California.

(c) The County has full legal right, power and authority to enter into this Purchase Contract, to adopt the Resolution, and to observe and perform the covenants and agreements hereof and of the Resolution to be observed and performed by the County.

(d) The County has duly adopted the Resolution in accordance with the laws of the State; the Resolution is in full force and effect and has not been amended, modified or rescinded and all representations of the County set forth in the Resolution are true and correct on the date hereof; the County has duly authorized and approved the execution and delivery of the 2013Q-A Bonds and this Purchase Contract, and the observance and performance by the County through its officers and agents of its covenants and agreements contained in the 2013Q-A Bonds and this Purchase Contract required to have been observed or performed at or prior to the Closing Date; and the County has complied, and will at the Closing be in compliance in all respects, with the obligations in connection with the issuance of the 2013Q-A Bonds on its part contained in this Purchase Contract, the Resolution, and the 2013Q-A Bonds.

(e) The Preliminary Official Statement as of its date does not, and the Official Statement as of its date will not, and if supplemented or amended, as of the date of any such supplement or amendment will not, solely with respect to the information contained therein describing the County's investment policy, current portfolio holdings, and valuation procedures (as they relate to funds of the District held by the Director of Finance), contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

5. Representations and Agreements of the District. The District represents to and agrees with the Underwriter that, as of the date hereof and as of the date of the Closing:

(a) The District is a school district duly organized and validly existing under the Constitution and general laws of the State of California.

(b) The District has full legal right, power and authority to enter into this Purchase Contract, to adopt the District Resolution, to enter into the Paying Agent Agreement, and to observe and perform the District's covenants and agreements contained herein and therein.

(c) The District has duly adopted the District Resolution in accordance with the laws of the State of California; the District Resolution is in full force and effect and has not been amended, modified or rescinded, and all representations of the District set forth in the Resolution are true and correct; the District has duly authorized and approved the execution and delivery of the 2013Q-A Bonds and this Purchase Contract, and the observance and performance by the District of its covenants and agreements contained in the 2013Q-A Bonds and this Purchase Contract required to have been performed at or prior to the Closing Date; and the District has complied, and will at the Closing be in compliance in all respects, with its obligations in connection with the issuance of the 2013Q-A Bonds on its part contained in this Purchase Contract, the District Resolution, the Paying Agent Agreement, and the 2013Q-A Bonds.

(d) The District represents to the Underwriter that the Preliminary Official Statement has been "deemed final" by the District as of its date within the meaning of paragraph (a)(2) of Rule 15c2-12, except for the omission of some or all of such information the omission of which is permitted under Rule 15c2-12.

(e) The Preliminary Official Statement as of its date does not, and the Official Statement as of its date will not, and if supplemented or amended, as of the date of any such supplement or amendment, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; excluding in each case any information contained therein relating to DTC or its book-entry only system; CUSIP numbers of the 2013Q-A Bonds; information contained therein describing the investment policy of the County of Sacramento, its current portfolio holdings, and valuation procedures (as they relate to funds of the District held by the Director of Finance of the County of Sacramento (the "Director of Finance")); information provided by the Underwriter regarding CUSIP numbers or the prices or yields at which the 2013Q-A Bonds were re-offered to the public, as to all of which the District expresses no view. The District disclaims any obligation after the date of Closing to update the Preliminary Official Statement and the Official Statement.

(f) The District agrees that, for a period of 25 days after the end of the "underwriting period" (as defined in Rule 15c2-12), if any event of which it has actual knowledge occurs which might cause the information in the Official Statement as then in existence to contain any untrue or misleading statement of a material fact or omit to state any fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements were made, not misleading, the District shall promptly notify the Underwriter in writing of the circumstances and details of such event. If, as a result of such event or any other event, it is necessary, in the reasonable opinion of the Underwriter, to amend or supplement the Official Statement so that the Official Statement does not contain any untrue or misleading statement of a material fact or omit to state any fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements were made, not misleading, and if the Underwriter shall have so advised the District, the District shall forthwith cooperate with the Underwriter in the prompt preparation and furnishing to the Underwriter, at the expense of the District, of a reasonable number of copies of an amendment of or a supplement to the Official Statement, in form and substance satisfactory to the Underwriter, which will so amend or supplement the Official Statement so that, as amended or supplemented, it will not contain any untrue or misleading statement of a material fact or omit to state any fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements were made, not misleading. The District shall promptly advise the Underwriter of the commencement of any

action, suit, proceeding, inquiry or investigation seeking to prohibit, restrain or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Certificates. Unless the Underwriter otherwise advises the District that the end of the underwriting period shall be another specified date, the end of the underwriting period shall be the Closing Date.

(g) The District will undertake, pursuant to the Paying Agent Agreement and a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

(h) The District has, and has had, no financial advisory relationship with the Underwriter with respect to the 2013Q-A Bonds, nor with any investment firm controlling, controlled by or under common control with the Underwriter.

6. Representations and Agreements of the Underwriter. The Underwriter represents to and agrees with the County and the District that, as of the date hereof and as of the date of the Closing:

(a) The Underwriter is duly authorized to execute this Purchase Contract and to take any action under this Purchase Contract required to be taken by it, and the undersigned officer of the Underwriter is duly authorized to sign this Purchase Contract on behalf of the Underwriter and to bind the Underwriter hereby.

(b) The Underwriter is in compliance with MSRB Rule G-37 with respect to the County and the District, and is not prohibited thereby from acting as underwriter with respect to securities of the District.

(c) The Underwriter has, and has had, no financial advisory relationship with the District or the County with respect to the 2013Q-A Bonds, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

(d) The Underwriter has reasonably determined that the District's undertaking pursuant to Sections 4(f) and 6(a)(8) hereof to provide continuing disclosure with respect to the 2013Q-A Bonds is sufficient to effect compliance with Rule 15c2-12.

7. Conditions to Closing. (a) At or before Closing, and contemporaneously with the acceptance of delivery of the 2013Q-A Bonds, the District will provide to the Underwriter:

(1) a certificate, signed by an official of the District, confirming to the Underwriter that the Preliminary Official Statement as of its date did not, and the Official Statement as of its date and at the time of Closing did not and does not, to the best of the knowledge of said official, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition or affairs of the District which would make it unreasonable for the purchaser of the 2013Q-A Bonds to rely upon the Official Statement in connection with the resale of the 2013Q-A Bonds; excluding in each case any information contained therein relating to DTC or its book-entry only system; information contained therein describing the investment policy of the County of Sacramento, its current portfolio holdings, and valuation procedures (as they relate to funds of the District held by the Director of Finance of the County of Sacramento); information provided by the Underwriter regarding CUSIP numbers or the prices or yields at which the 2013Q-A Bonds were re-offered to the public, as to all of which the District expresses no view.

(2) a certificate, signed by an official of the County of Sacramento, confirming to the Underwriter that the Preliminary Official Statement as of its date did not, and the Official Statement as of its date and at the time of Closing did not and does not, to the best of the knowledge of said official, solely with respect to the information contained therein describing the County's investment policy, current portfolio holdings, and valuation procedures (as they relate to funds of the District held by the County Director of Finance), contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(3) a certificate or certificates, signed by an official of the District (or an opinion of counsel to the District) or the County or both, confirming to the Underwriter that, as of the date of this Purchase Contract and at the time of Closing, there is no litigation pending, with service of process completed, or, to the best of the knowledge of said person, threatened, concerning the validity of the 2013Q-A Bonds, the levy of taxes to repay the 2013Q-A Bonds or the application of tax proceeds to that purpose, the corporate existence of the District or the County, or the entitlement of the officers of the County who have signed the 2013Q-A Bonds, or the entitlement of the officers of the District who have signed the various certificates and agreements of the District relating to the issuance and sale of 2013Q-A Bonds, to their respective offices.

(4) a certificate or certificates, signed by an official of the District, confirming to the Underwriter that as of the Closing Date all of the representations of the District contained in this Purchase Contract are true, and that the District Resolution is in full force and effect and has not been amended, modified or rescinded.

(5) a certificate or certificates, signed by an official of the County, confirming to the Underwriter that as of the Closing Date all of the representations of the County contained in this Purchase Contract are true, and that the Resolution is in full force and effect and has not been amended, modified or rescinded.

(6) the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel with respect to the issuance of the 2013Q-A Bonds ("Bond Counsel"), addressed to the District, approving the validity of the 2013Q-A Bonds, substantially in the form set forth as Appendix C to the Official Statement.

(7) the duly executed Tax Certificate of the District, dated the date of Closing, in form satisfactory to Bond Counsel.

(8) the receipt of the Director of Finance confirming payment by the Underwriter of the Purchase Price of the 2013Q-A Bonds.

(9) the continuing disclosure certificate of the District, in substantially the form attached to the Preliminary Official Statement.

(10) a certified copy of the adopted Resolution.

(11) an executed copy of the Paying Agent Agreement.

(12) an executed copy of this Purchase Contract.

(13) an executed copy of the Official Statement.

(14) the letters of Moody's Investors Service and Standard & Poor's Ratings Services to the effect that such rating agencies have rated the 2013Q-A Bonds ''___'' and "____", respectivley (or such other equivalent rating as each such rating agency may give), and that each such rating has not been revoked or downgraded.

(15) Such additional opinions, certificates, and documents as Bond Counsel or the Underwriter may reasonably request to evidence the truth and correctness, as of the Closing Date, of the representations of the parties contained herein, and of the District contained in the Official Statement, and the due performance or satisfaction by the parties at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(b) At or before Closing, and contemporaneously with the acceptance of delivery of the 2013Q-A Bonds and the payment of the Purchase Price thereof, the Underwriter will provide to the District:

(1) the receipt of the Underwriter, in form satisfactory to the District and the County and signed by an authorized officer of the Underwriter, confirming delivery of the 2013Q-A Bonds to the Underwriter and the satisfaction of all conditions and terms of this Purchase Contract by the District and the County, respectively, and confirming to the District and the County that as of the Closing Date all of the representations of the Underwriter contained in this Purchase Contract are true, complete and correct in all material respects.

(2) the certification of the Underwriter, in form satisfactory to Bond Counsel, regarding the prices at which the 2013Q-A Bonds have been reoffered to the public, as described in Section 3 hereof.

8. Termination. (a) *By District or County*. In the event of the District's failure to deliver the 2013Q-A Bonds at the Closing, or inability of the District or the County to satisfy the conditions to the obligations of the Underwriter contained herein (unless waived by the Underwriter), or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate.

(b) *By Underwriter*.

(1) *Excused*. The Underwriter may terminate this Purchase Contract, without any liability therefor, by notification to the District and the County if as of the Closing Date any of the following shall have had a material adverse effect on the marketability or market price of the 2013Q-A Bonds, in the reasonable opinion of the Underwriter, upon consultation with the District and the County:

(A) There shall have occurred and be continuing the declaration of a general banking moratorium by any authority of the United States or the State of New York or the State of California;

(B) There shall be in force a general suspension of trading or other material restrictions not in force as of the date hereof on the New York Stock Exchange or other national securities exchange;

(C) Legislation shall have been enacted by the Congress of the United States, or passed by and still pending before either House of the Congress, or recommended or endorsed to the Congress for passage by the President of the United States, or favorably reported for passage to and still pending before either House of the Congress by any committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States,

or the United States Tax Court, or a ruling or regulation shall have been issued by the U.S. Treasury, with respect to federal taxation of interest received on securities of the general character of the 2013Q-A Bonds, or legislation shall have been enacted by the State of California which renders interest on the 2013Q-A Bonds not exempt from State of California personal income taxes, which in the reasonable opinion of the Purchaser materially adversely affects the marketability or market price of the 2013Q-A Bonds;

(D) Legislation shall have been enacted, or a decision of a court of the United States shall have been rendered or any action shall have been taken by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction in the subject matter which, in the opinion of Bond Counsel, has the effect of requiring the contemplated distribution of the 2013Q-A Bonds to be registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the Resolution or the Paying Agent Agreement to be qualified under the Trust Indenture Act of 1939, as amended;

(E) The New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose and there shall be in effect, as to the 2013Q-A Bonds or obligations of the general character of the 2013Q-A Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charges to the net capital requirements of, underwriters;

(F) Congress shall have made a formal declaration of war, or the President of the United States shall have ordered a new major engagement in or escalation of military hostilities, or there shall have occurred a declared national emergency that interrupts or causes disorder to the operation of the financial markets in the United States for a period of more than 30 days.

(2) *Unexcused*. In the event the Underwriter shall fail (other than for a reason permitted by this Purchase Contract) to pay for the 2013Q-A Bonds upon tender of the 2013Q-A Bonds at the Closing, the Underwriter shall have no right in or to the 2013Q-A Bonds.

9. Closing. At or before 9:00 a.m., California time, on _____, 2013, or at such other date and time as shall have been mutually agreed upon by the County, the District and the Underwriter, the District will deliver or cause to be delivered to the Underwriter the 2013Q-A Bonds in book-entry form duly executed by the County, together with the other documents described in Section 7(a) hereof; and the Underwriter will accept such delivery and pay the Purchase Price of the 2013Q-A Bonds as set forth in Section 1 hereof in immediately available funds by federal funds wire, in an aggregate amount equal to such Purchase Price, plus accrued interest, if any, on the 2013Q-A Bonds from the date thereof to the date of such payment, and shall deliver to the District the other documents described in Section 7(b) hereof, as well as any other documents or certificates Bond Counsel shall reasonably require.

Payment for the delivery of the 2013Q-A Bonds as described herein shall be made to the Paying Agent on behalf of the District at the offices of the Director of Finance in Sacramento, California, or at such other place as shall have been mutually agreed upon by the County and the Underwriter. The 2013Q-A Bonds will be delivered through the facilities of DTC in New York, New York, or at such other place as shall have been mutually agreed upon by the County, the District and the Underwriter. All other documents to be delivered in connection with the delivery of the 2013Q-A Bonds shall be delivered at the offices of Orrick, Herrington & Sutcliffe LLP, San Francisco, California. Such payment and delivery is herein called the "Closing" and the date thereof the "Closing Date."

10. Expenses. (a) The District shall pay the expenses incident to the performance of its obligations hereunder from the proceeds of the 2013Q-A Bonds (or from any other source of available funds of the District) which expenses may include: (i) the cost of the preparation and reproduction of the Resolution and the Paying Agent Agreement; (ii) the fees and disbursements of District counsel; (iii) the fees and disbursements of Bond and Disclosure Counsel; (iv) the costs of the preparation, printing and delivery of the 2013Q-A Bonds; (v) the costs of the preparation, printing and delivery of the Preliminary Official Statement, the Official Statement, and any amendment or supplement thereto in the quantity requested by the Underwriter in accordance herewith; (vi) initial rating fees of Moody's and Standard & Poor's; (vii) fees and expenses of the Paying Agent for the 2013Q-A Bonds; and (viii) fees and expenses of the Financial Advisor.

(b) All other costs and expenses incurred by the Underwriter as a result of or in connection with the purchase of the 2013Q-A Bonds and their public offering and distribution shall be borne by the Underwriter, including, but not limited to (i) clearing house fees; (ii) DTC fees; (iii) CUSIP fees; (iv) fees required to be paid to the California Debt and Investment Advisory Commission ("CDIAC"); (v) fees payable to The Securities Industry and Financial Markets Association (SIFMA); (vi) MSRB fees; and (vii) costs or fees of qualifying the 2013Q-A Bonds for offer and sale in various states chosen by the Underwriter and the costs or fees of preparing Blue Sky or legal investment memoranda to be used in connection therewith.

11. Notices. Any notice or other communication to be given under this Purchase Contract (other than the acceptance hereof as specified in the introductory paragraph hereof) may be given to the appropriate party at the respective addresses given below, or such other address as the County, the District or the Underwriter may designate by notice to the other parties.

| | |
|---|---|
| To the District: | Sacramento City Unified School District<br>5735 47th Avenue<br>Sacramento, CA 95824<br>Attn: Chief Business Officer |
| To the County: | County of Sacramento<br>700 H Street, Room 1710<br>Sacramento, CA 95814<br>Attn: Director of Finance |
| To the Underwriter: | [to come] |

12. Governing Law. The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State of California.

13. Parties in Interest. This Purchase Contract when accepted by the County and the District in writing as heretofore specified shall constitute the entire agreement among the County, the District and the Underwriter, and is solely for the benefit of the County, the District and the Underwriter (including the successors or assigns thereof). No other person shall acquire or have any rights hereunder or by virtue hereof. All representations and agreements in this Purchase Contract of each of the parties hereto shall remain operative and in full force and effect, regardless of (a) delivery of and payment for the 2013Q-A Bonds hereunder, or (b) any termination of this Purchase Contract.

14. Headings. The headings of the paragraphs and sections of this Purchase Contract are inserted for convenience of reference only and shall not be deemed to be a part hereof.

15. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by the Authorized District Representative and by the Director of Finance or authorized deputy, and shall be valid and enforceable at the time of such acceptance.

16. Counterparts. This Purchase Contract, for the purchase and sale of the Sacramento City Unified School District General Obligation Bonds (Measure Q) (Election of 2012), Series 2013Q-A, may be executed in several counterparts, which together shall constitute one and the same instrument.

Respectfully submitted,

[UNDERWRITER]

By:_____
Authorized Representative

Accepted: _____, 2013

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By:_____
Chief Business Officer

Accepted: _____, 2013

COUNTY OF SACRAMENTO

By:_____
[Director of Finance]

Approved as to form:

By:_____
[Supervising Deputy County Counsel]

**PURCHASE CONTRACT APPENDIX A**

TERMS OF THE
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS (MEASURE Q)
(ELECTION OF 2012), SERIES 2013Q-A

Interest Rates: See attached Pricing Report from Underwriter as Schedule A.

Principal Payments: See attached Pricing Report from Underwriter as Schedule A.

Terms of Redemption: *Optional Redemption of Bonds*. The 2013Q-A Bonds maturing on or before August 1, 20__ shall not be subject to redemption prior to their respective stated maturity dates. The 2013Q-A Bonds maturing on and after August 1, 20__, shall be subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price of par plus accrued interest to the redemption date.

# SCHEDULE A

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS (MEASURE Q)
(ELECTION OF 2012), SERIES 2013Q-A

*[See attached pricing sheet provided by Underwriter with reoffering prices]*