SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

Agenda Item# 9.5

Meeting Date: March 7, 2013

Subject: Resolution No. 2732: Authorizing the Issuance and Sale of the 2012-13 Tax and Revenue Anticipation Notes (TRAN)

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

Division: Administrative Services

Recommendation: Approve Resolution No. 2732, Authorizing the Issuance and Sale of the 2012-13 Tax and Revenue Anticipation Notes (TRAN) not to exceed $75 million.

Background/Rationale: Tax and Revenue Anticipation Notes (TRAN) are authorized by law for use by school districts. TRANs are short-term borrowing instruments used by school districts to meet cash flow short falls of the General Fund caused by the uneven distribution of revenues, primarily state aid and property taxes and the deferral of state aid. TRANs are commonly issued by school districts. Our district has issued TRANs in previous years.

During periods when the TRAN proceeds are not required to meet current operating expenses, the proceeds may be invested in a higher-yield, interest-bearing account. The additional interest earnings help to offset the costs of the TRAN issuance. Due to the state of the current financial market, the interest earned will not completely offset the issuance costs. The cost to the district is estimated to be $389,094.

District staff is working with a TRAN financing team to assist with the issuance. The financing team includes financial advisory services provided by Capitol Public Finance Group, LLC and bond counsel services provided by Orrick, Herrington and Sutcliffe. The 2012-13 Tax and Revenue Anticipation Notes, not to exceed $75 million, will be sold by a competitive or negotiated sale on or about March 21, 2013.

Financial Considerations: Potential net cost of approximately $389,094 is included in the district's budget.

Documents Attached:

1. Executive Summary
2. Draft Resolution No. 2732
3. Draft Preliminary Official Statement
4. Note Purchase Agreement
5. Paying Agent Agreement
6. Continuing Disclosure Certificate
7. Official Notice of Sale

Estimated Time: 10 minutes
Submitted by: Richard E. Odegaard, Interim Chief Business Officer
Approved by: Jonathan P. Raymond, Superintendent

Board of Education Executive Summary

Administrative Services

Approve Resolution No. 2732: Authorizing the Issuance and Sale of the 2012-13 Tax and Revenue Anticipation Notes (TRAN)

March 7, 2013

I. Overview/History:

School districts in California have suffered devastating reductions in funding over the past several years. Cash reserves for most districts are low and Sacramento City Unified School District is no exception. The continued deferral of state revenues has impacted the district to the extent that staff project a negative cash flow in the General Fund by June 30, 2013. Throughout the year, there are three options to assist districts with cash flow issues. First, is the option of inter-fund borrowing. If another fund in the district (Child Development, Nutrition Services, etc.) has cash reserves, the district can "borrow" those funds to get through a negative cash flow period. The district has used this option in the past, however, cash reserves in other funds have declined and there may not be enough cash to cover the General Fund by the end of this year. Another option is dry-period financing or borrowing from the County. From July through the last Monday in April, the County Treasurer will cover a district's negative cash, up to 85% of anticipated tax collections. A district must have a positive cash flow by that last Monday in April, through May and end the fiscal year with a positive cash flow in June. Dry-period financing is automatically activated should the district have a negative cash position prior to the last Monday in April. The third option is to borrow funds from an outside source. A low cost option available to districts is a Tax Revenue Anticipation Note (TRAN).

A TRAN is a short-term, tax-exempt, interest-bearing note issued by a district in anticipation of taxes and other revenues that will be received later. Because of the economic crises of the state and deferrals in revenues to school districts, many districts are experiencing a spring cash flow deficit in addition to the November shortage of cash. An alternative to a district with this problem is a "cross-year" TRAN. This means that the district receives the funds from a TRAN this fiscal year and will pay it back the following fiscal year from deferred revenues that are expected to be received in July and August of 2013.

The attached resolution, draft preliminary official statement and related documents provide the background for approving the TRAN. Staff will ask the Board for approval at the March 7th Board meeting where these items will be on the Consent Agenda.

II. Driving Governance:

- California Government Code Title 5, Division 2, Part 1, Chapter 4, Article 7.6, Sections 53850 to 53858 which indicate a local agency may borrow money with the indebtedness to be represented by a note or notes; proceeds of sales or funds set aside for the repayment of any notes issued pursuant to this article shall not be invested for a term that exceeds the term of the notes; note or notes shall be issued pursuant to a resolution authorizing the issuance adopted by the legislative body of the local agency; identifies the types of funds

that may be pledged to the payment of the note or notes; any note issued pursuant to this article shall be a general obligation of the local agency; note or notes shall not exceed 85 percent of the estimated amount of uncollected taxes, income, revenue, cash receipts and other moneys.

- Education Code Section 42133 which states "a school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds, or any other debt instruments that do not require the approval of the voters of the district, nor may the district cause an information report regarding the debt instrument to be submitted pursuant to subdivision (e) of Section 149 of Title 26 of the United States Code, unless the county superintendent of schools determines pursuant to criteria established by the Superintendent of Public Instruction, that the district's repayment of that indebtedness is probable."

III. Budget:

Up to $75 million in bonds will be sold, maturing September, 2013. The cost of issuance including the underwriter's discount is estimated to be $156,250. An estimated amount of premium that will be generated is $447,850 (assumes 2% coupon at .50% yield). The estimated net interest cost is $232,844. These funds are included in the district's budget.

IV. Goals, Objectives and Measures:

Generate cash through a Tax Revenue Anticipation Note in order to maintain a positive cash flow at June 30, 2013. Throughout the discussion of the district's financial plan, staff along with the district's financial advisor from Capitol Public Finance Group, have closely monitored cash and the potential of issuing a TRAN has been discussed with the Board in previous Board meetings.

V. Major Initiatives:

- Maintain positive cash flow through June 30, 2013 until dry-period financing through the County Treasurer is available.
- Continuous review of financial options available to the district.

VI. Results:

The successful marketing of the TRAN will address the potential impact of a negative cash flow at June 30, 2013. This is another step in addressing the district's short- and long-term financial plan.

VII. Lessons Learned/Next Steps:

- The attached documents are presented to the Board as an action item.
- Continuous review of district's financial plan.

BOARD OF EDUCATION
OF THE
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

RESOLUTION NO. 2732

RESOLUTION PROVIDING FOR THE BORROWING OF FUNDS IN AN AMOUNT NOT TO EXCEED SEVENTY FIVE MILLION DOLLARS FOR FISCAL YEAR 2012-13 AND THE ISSUANCE AND SALE OF THE SACRAMENTO CITY UNIFIED SCHOOL DISTRICT 2012-13 TAX AND REVENUE ANTICIPATION NOTES THEREFOR; APPROVING THE FORMS OF A NOTE PURCHASE AGREEMENT, AN OFFICIAL NOTICE OF SALE, A PAYING AGENT AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE AND AN OFFICIAL STATEMENT FOR SAID NOTES; REQUESTING THE COUNTY DIRECTOR OF FINANCE TO ACT AS PAYING AGENT FOR THE NOTES; AND AUTHORIZING OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, pursuant to Sections 53850 to 53858, both inclusive, of the California Government Code, being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 thereof (the "Law"), the Board of Education (the "Board") of the Sacramento City Unified School District (the "District") has found and determined that the sum of not to exceed $75,000,000 is needed by the District in Fiscal Year 2012-13 to satisfy obligations of the District payable from the General Fund of the District during Fiscal Year 2012-13 before the receipt of taxes, income, revenue, cash receipts and other moneys of the District to be received for or to accrue to the General Fund of the District in Fiscal Year 2012-13 that will be available for such purpose, and that it is necessary that such sum be borrowed for such purpose by the issuance of temporary notes therefor in anticipation of such receipt; and

WHEREAS, the District intends to borrow such sum for such purpose by the issuance and sale of the Notes (as hereinafter defined); and

WHEREAS, it appears, and the Board hereby finds and determines, that the principal amount of such Notes, when added to the interest payable thereon, does not exceed 85% of the estimated amount of the uncollected taxes, income, revenue, cash receipts and other moneys of the District anticipated to be received for or to accrue to the General Fund of the District in Fiscal Year 2012-13 that will be available for the payment of the interest on and the principal of such Notes; and

WHEREAS, no money has heretofore been borrowed by the District through the issuance of any temporary notes in anticipation of the receipt of, or payable or secured by, any taxes, income, revenue, cash receipts or other moneys of the District to be received for or to accrue to the General Fund of the District in Fiscal Year 2012-13; and

WHEREAS, pursuant to the Law, certain taxes, income, revenue, cash receipts and other moneys of the District which will be received for or accrue to the General Fund of the

District in Fiscal Year 2012-13 can be pledged for the payment of the interest on and the principal of such Notes; and

WHEREAS, this Board of Education deems it necessary and desirable and in the best interests of the District to authorize the sale of said notes by a competitive sale or a negotiated sale; and

WHEREAS, there have been submitted to this Board of Education, and are now on file with the Clerk of this Board of Education, forms of a Paying Agent Agreement, a Note Purchase Agreement, an Official Notice of Sale, a Preliminary Official Statement and a Continuing Disclosure Certificate with respect to and describing said notes; and

WHEREAS, the District has been accorded fiscal accountability status pursuant to Section 42650 of the Education Code of the State of California; and

WHEREAS, the District received a qualified certification on its most recent interim budget report and this Board, pursuant to Education Code Section 42133, intends to seek a determination from the Sacramento County Office of Education that the district's repayment of the Notes is probable;

NOW, THEREFORE, THE BOARD OF EDUCATION OF THE SACRAMENTO CITY UNIFIED SCHOOL DISTRICT HEREBY FINDS, DETERMINES, DECLARES AND RESOLVES AS FOLLOWS:

Section 1. Recitals. All of the recitals hereinabove set forth are true and correct, and the Board so finds and determines.

Section 2. Amount of Borrowing; Terms of Notes; Payment. Solely for the purpose of anticipating taxes, income, revenue, cash receipts and other moneys of the District to be received for or to accrue to the General Fund of the District in Fiscal Year 2012-13, the District hereby determines to and shall borrow an aggregate principal sum not to exceed $75,000,000 by the issuance and sale of temporary notes under the Law, designated the "Sacramento City Unified School District 2012-13 Tax and Revenue Anticipation Notes" (the "Notes"). The maximum true interest cost of the notes shall not exceed 1%.

The Superintendent of the District, the Interim Chief Business Officer of the District, or another officer of the District whom either of the named officers shall designate in writing for this purpose (each, an "Authorized District Representative"), is hereby authorized to determine the aggregate principal amount of the Notes, which sum shall be no greater than the amount recited in the preceding paragraph, or such lesser amount as to which Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District with respect to the Notes ("Bond Counsel"), will deliver an approving opinion regarding the exclusion from gross income for federal tax purposes of interest thereon. The aggregate principal amount of the Notes so determined shall be specified in the Note Purchase Agreement or the Certificate of Award described in Section 9 hereof.

The Notes shall be dated the date of their delivery. The Notes shall mature on a date which is no more than 12 months subsequent to their date of delivery, which date shall be determined at the time of sale thereof and set forth in Note Purchase Agreement or the Certificate of Award. The Notes shall bear interest commencing on the date thereof, computed on the basis of a 360-day year consisting of twelve 30-day months, at the rate determined at the time of sale thereof and set forth in the Note Purchase Agreement. The principal of and interest on the Notes shall be payable in lawful money of the United States of America to the registered owners of the Notes, as shown on the registration books required to be maintained by the Director of Finance of the County, in Sacramento, California (the "Director of Finance"), pursuant to Section 3(f) hereof. The Notes shall be issued in fully registered form in denominations of $5,000 principal amount or any integral multiple thereof.

The Director of Finance is hereby requested and authorized to act as paying agent for the District with respect to the Notes.

The principal amount of the Notes shall be payable only at the maturity thereof, without option of prior redemption. Interest on the Notes shall be payable at the maturity of the Notes.

Section 3. Registration and Transfer of Notes; Depository.

(a) The Notes shall be initially issued and registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York (the "Depository"), and registered ownership of the Notes, or any portion thereof, may not thereafter be transferred except:

(i) to any successor of the Depository, or its nominee, or of any substitute depository designated pursuant to clause (ii) of this subsection (a "Substitute Depository"); provided, that any successor of the Depository or a Substitute Depository shall be qualified under any applicable laws to provide the service 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 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 (or its successor) because it 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 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 discontinue using a depository for the Notes.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) of this section, upon receipt of all outstanding Notes by the Director of Finance, new Notes (which the District shall prepare or cause to be prepared) shall be executed and

delivered and registered in the name of such successor or such Substitute Depository, or its nominee, as the case may be. In the case of any transfer pursuant to clause (iii) of subsection (a) of this section, upon receipt of all outstanding Notes by the Director of Finance, new Notes (which the District shall prepare or cause to be prepared) shall be executed and delivered in such denominations and registered in the names of such persons as are determined by the Director of Finance.

(c) The District and the Director of Finance shall be entitled to treat the person in whose name any Note is registered as the owner thereof for all purposes of this resolution and for all purposes of payment of the interest on and the principal of such Note, notwithstanding any notice to the contrary received by the District or the Director of Finance; and the District and the Director of Finance shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Notes, and neither the District nor the Director of Finance shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners of the Notes or to any other party, except as they may be the registered owner of any Notes as provided in this resolution, and the Director of Finance may rely conclusively on the books maintained pursuant to subsection (f) of this section as to the identity of the registered owners of the Notes.

(d) Notwithstanding any other provisions of this resolution, so long as all outstanding Notes are registered in the name of the Depository or its registered assigns, the District and the Director of Finance shall cooperate with the Depository, as sole registered owner of all outstanding Notes, and its registered assigns in effecting payment of the interest on and the principal of the Notes at the times provided herein, by arranging for payment in such manner that funds for such payment are properly identified and are made available on the date such payments are due; all in accordance with the letter of representations from the District to the Depository, and the Director of Finance may rely on the provisions of such letter of representations to implement the foregoing procedures notwithstanding any inconsistent provisions contained herein.

(e) In the case of any transfer pursuant to clause (iii) of subsection (a) of this section, any Note may, in accordance with its terms, be transferred or exchanged for a like aggregate principal amount of Notes in authorized denominations, upon the books maintained by the Director of Finance pursuant to subsection (f) of this section, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Note for cancellation, and, in the case of a transfer, accompanied by delivery of a written instrument of transfer, duly executed in form approved by the Director of Finance.

Whenever any Note shall be surrendered for transfer or exchange, the District shall execute and the Director of Finance shall authenticate and deliver a new Note or Notes of authorized denominations for a like aggregate principal amount; provided, that the Director of Finance shall require the registered owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

(f) The Director of Finance will maintain or cause to be maintained, at his office in Sacramento, California, sufficient books for the registration and transfer of the Notes, which shall at all times be open to inspection by the District. Upon presentation for such

purpose, the Director of Finance shall, under such reasonable regulations as he may prescribe, register or transfer the Notes on such books as hereinabove provided.

(g) If any Note shall become mutilated, the District shall execute, and the Director of Finance shall thereupon authenticate and deliver, a new Note of like tenor bearing a different number in exchange and substitution for the Note so mutilated, but only upon surrender to the Director of Finance of the Note so mutilated, and if any Note shall be lost, destroyed or stolen, evidence of the ownership thereof, and of such loss, destruction or theft, may be submitted to the District and the Director of Finance, and if such evidence is satisfactory to such officer and indemnity satisfactory to such officer shall be given, the District shall execute, and the Director of Finance shall thereupon authenticate and deliver, a new Note of like tenor and bearing a different number in lieu of and in substitution for the Note so lost, destroyed or stolen (or if any such Note shall have matured or shall be about to mature, instead of issuing a substitute Note, the Director of Finance may pay the same without surrender thereof); provided, that the Director of Finance may require payment by the registered owner of a Note of a sum not exceeding the actual cost of preparing each new Note issued pursuant to this subsection and of the expenses which may be incurred by the District and the Director of Finance hereunder. Any Note issued under these provisions in lieu of any Note alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District, whether or not the Note so alleged to be lost, destroyed or stolen shall be at any time enforceable by anyone, and shall be entitled to the benefits of this resolution with all other Notes secured by this resolution.

(h) All Notes surrendered for payment or registration of transfer, if surrendered to any person other than the Director of Finance shall be delivered to the Director of Finance and shall be promptly cancelled. The District may at any time deliver to the Director of Finance for cancellation any Notes previously authenticated and delivered hereunder which the District may have acquired in any manner whatsoever, and all Notes so delivered shall promptly be cancelled by the Director of Finance. No Note shall be authenticated in lieu of or in exchange for any Notes cancelled as provided herein, except as expressly permitted hereunder. All cancelled Notes held by the Director of Finance shall be disposed of as directed by the District.

Section 4. Form of Notes. The Notes shall be issued without coupons and shall be substantially in the form and substance set forth in Exhibit A attached hereto and by reference incorporated herein, the blanks in said form to be filled in with appropriate words and figures after the sale of the Notes and before the execution, authentication and delivery of the Notes.

Section 5. Note Proceeds Fund. The Director of Finance is hereby requested to establish a separate account in the General Fund of the District for the purpose of ensuring the application of the proceeds received from the sale of the Notes for the purpose specified in Section 2 hereof for which the Notes are authorized to be issued, which separate account is hereby designated the "Sacramento City Unified School District 2012-13 Tax and Revenue Anticipation Notes Proceeds Fund" (the "Note Proceeds Fund"). The Director of Finance shall, immediately upon receiving the proceeds of the sale of the Notes, deposit in the Note Proceeds Fund all amounts representing the proceeds of the Notes received from such sale, and all amounts held in the Note Proceeds Fund shall be invested by the Director of Finance in (i) any

investments permitted by Sections 53601 and following of the Government Code, notwithstanding any limitations contained therein as to the maximum proportion of such funds which may be invested in any particular investment, (ii) in investment agreements with a provider or provider's guarantor that is rated "Aa" or better by Moody's Investors Service, or equivalent rating of any rating agency then rating the Notes, or (iii) in the Local Agency Investment Fund within the treasury of the State of California, insofar as such investments are permitted by the investment policy of the Director of Finance of the County; provided that no proceed shall be invested for a term that exceeds the term of the Notes. The proceeds of and earnings on all such investments shall be deposited in the Note Proceeds Fund.

All amounts in the Note Proceeds Fund shall be withdrawn and expended by the District for any purpose for which the District is authorized to expend funds from the General Fund of the District, but only after exhausting funds otherwise available for such purposes (which are not restricted funds) and only to the extent that on any given day such other funds are not then available; provided, that if on the date that is six months from the date of issuance of the Notes all proceeds of the Notes (including investment earnings thereon) shall not have been so withdrawn and spent (treating as unavailable amounts that otherwise would be available amounts but that are held or set aside in a reasonable working capital reserve not exceeding the amount set forth in the Tax Certificate executed by the District in connection with the issuance of the Notes, and in any event not exceeding 5% of the District's total working capital expenditures from its available funds in Fiscal Year 2011-12), the District shall promptly notify Bond Counsel and, to the extent of its power and authority, comply with instructions from Bond Counsel as to the means of satisfying the rebate requirements of Section 148 of the Internal Revenue Code of 1986 (the "Code"); and for purposes of this paragraph, the "proceeds" of the Notes means the initial offering price of the Notes to the public, as certified to the District by the purchaser(s) of the Notes, plus investment earnings thereon.

Section 6. Pledge of Revenues; Repayment Fund: (a) Unrestricted Revenues. The principal of and interest on the Notes shall be payable from taxes, income, revenue, cash receipts and other moneys of the District received or accrued in Fiscal Year 2012-13 for the General Fund of the District and lawfully available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues"). The Notes shall not constitute a debt of the County or the District and shall be payable only from funds of the District as provided herein.

(b) Covenant to Deposit Unrestricted Revenues; Pledge of Repayment Fund. As security for the payment of the principal of and interest on the Notes, the District hereby pledges and covenants to deposit or caused to be deposited in trust in a special fund designated as the "Sacramento City Unified School District 2012-13 Tax and Revenue Anticipation Note Repayment Fund" (the "Repayment Fund"), such amounts as shall be necessary to provide for payment of all such sums when due, on the dates and in the amounts, or in the proportions of the total amount due, as shall be specified in the Note Purchase Agreement or Certificate of Award described in Section 9 hereof, from the first Unrestricted Revenues received or accrued during each period specified in the Note Purchase Agreement or Certificate of Award. The Authorized District Representative is hereby authorized to determine that the District shall set aside moneys in the Repayment Fund from the Unrestricted Revenues for repayment of the Notes in up to five

periodic deposits; provided, that the last deposit of funds accruing to Fiscal Year 2012-13 shall be made no later than September 15, 2013. The Director of Finance is hereby requested to create and hold the Repayment Fund, acting as the responsible agent to maintain such fund until the payment of the principal of the Notes and the interest thereon.

The amounts pledged by the District for deposit into the Repayment Fund from the Unrestricted Revenues received during each indicated period are hereinafter called the "Pledged Revenues", and are hereby pledged to the repayment of the principal of and interest on the Notes, and such principal and interest shall constitute a first lien and charge on the Pledged Revenues, and shall be payable therefrom, and to the extent not so paid shall be paid from any other money of the District lawfully available therefor.

So long as any of the Notes are outstanding, moneys in the Repayment Fund shall be applied only for payment of principal and interest on the Notes when due in accordance therewith. On such date, the Director of Finance shall apply moneys in the Repayment Fund to the payment of principal of and interest on the Notes then due. Any balance in the Repayment Fund after payment in full of the Notes, or provision therefor, shall be deposited in the General Fund of the District.

Amounts held in the Repayment Fund shall be invested in the same investments permitted by Section 5 of this Resolution. The proceeds and earnings on all such investments shall be deposited in the Repayment Fund.

(c) Other Pledged Money. In the event that there have been insufficient Unrestricted Revenues received by the District to make the required deposit by the third business day prior to the end of any period in which a deposit in the Repayment Fund is required to be made, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up from any other money of the District lawfully available for the payment of the principal of the Notes and the interest thereon (all as provided in Sections 53856 and 53857 of the Government Code) (the "Other Pledged Money") on such date or thereafter on a daily basis, when and as such Pledged Revenues and Other Pledged Money are received by the District.

Section 7. Execution of Notes. The President or Vice President of the Board is hereby authorized to execute the Notes by his or her manual or facsimile signature, and the Clerk or Secretary of the Board is hereby authorized to countersign the Notes by his or her manual or facsimile signature. The Notes shall not be valid, however, unless and until the Director of Finance or an authorized deputy thereof shall have manually authenticated such Notes by executing the Certificate of Authentication printed thereon.

Section 8. Tax Covenants; Rebate Fund.

(a) General. The District covenants that, in the event it is subject to rebate as provided in Section 5 of this resolution, it will make all calculations in a reasonable and prudent fashion relating to any rebate of excess investment earnings on the proceeds of the Notes due to the United States Treasury, will segregate and set aside from lawfully available sources the amount such calculations may indicate may be required to be paid to the United States Treasury, and will otherwise at all times do and perform all acts and things necessary and within its power

and authority, including complying with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and complying with the instructions of Bond Counsel referred to in Section 5 of this resolution, to ensure that interest paid on the Notes shall, for the purposes of federal income taxes and State of California personal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation. If such calculation is required, the District will immediately set aside, from revenues received or accrued during Fiscal Year 2012-13 or, to the extent not available from such revenues, from any other money lawfully available, the amount of any such rebate in a separate fund which the District hereby agrees to establish and maintain with the Director of Finance which shall be designated the "Sacramento City Unified School District 2012-13 Tax and Revenue Anticipation Notes Rebate Fund."

(b) Remedies Limited to Note Owners. Notwithstanding any other provision of this resolution to the contrary, upon the District's failure to observe, or refusal to comply with, the covenants contained in this section, no one other than the registered owners or former registered owners of the Notes shall be entitled to exercise any right or remedy under this resolution on the basis of the District's failure to observe, or refusal to comply with, such covenants.

(c) Survival of Covenants. The covenants contained in this section shall survive the payment of the interest on and the principal of the Notes.

(d) Reliance on Opinion of Bond Counsel. Notwithstanding any provision of this section, if the District shall provide to the Director of Finance 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 to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the Director of Finance and the District 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 9. Method of Sale.

(a) Competitive Sale: If the Authorized District Representative shall determine, upon consultation with the Financial Advisor, that the Notes are able to be more advantageously sold upon the taking of public bids, the Notes shall be offered by means of an Official Notice of Sale, and such notes shall be sold to the responsible bidder who makes the best responsive bid therefor, after publication of a Notice of Intention to Sell Bonds once at least 5 days (or, if the amount offered is less than $10 million in principal amount, at least 15 days) before the date of 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 Notes. The Official Notice of Sale with respect to the competitively sold Notes shall require that (i) the purchase price of such Notes shall be no less than the principal amount thereof; and (ii) such Notes shall otherwise conform to the limitations specified in this Resolution, including specifically those terms prescribed by Section 2 hereof. The form of Official Notice of Sale on file with the Clerk of this Board of Education is hereby approved, and the Authorized District Representative is hereby authorized to publicize the notice and award the sale pursuant thereto and pursuant to a Certificate of Award, subject to such changes or revisions

to the Official Notice of Sale as may be acceptable to the Authorized District Representative, and the District's approval of all such changes shall be conclusively evidenced by the execution and delivery of the Certificate of Award.

(b) Negotiated Sale of Notes; Note Purchase Agreement: The Authorized District Representative is hereby authorized, upon consultation with the Financial Advisor, to sell the Notes to an underwriter (the "Underwriter") to be selected by the Authorized District Representative after the review of qualifications of and proposals from underwriters with experience in underwriting California school district notes. The Authorized District Representative, in consultation with the Financial Advisor, may select such underwriter by whatever means they determine will result in the lowest cost of sale to the District. The Note Purchase Agreement, in substantially the form on file with the Clerk of this Board of Education, is hereby approved, and the Authorized District Representative is herby authorized and directed to execute and deliver the Note Purchase Agreement with the underwriter, subject to such changes or revisions therein as may be acceptable to the Authorized District Representative, and the District's approval of all such changes shall be conclusively evidenced by the execution and delivery of the Note Purchase Agreement; provided that the underwriter's compensation shall not exceed 0.25% of the aggregate principal amount of the Notes. The Note Purchase Agreement shall recite the aggregate principal amount, issuance date, maturity date and interest rate of the Notes and shall set forth the dates of deposit and amounts or proportions of Pledged Revenues to be deposited in the Repayment Fund on each such date, all as shall be agreed between the Authorized District Representative and the Underwriter at the time of sale of the Notes, and the Notes as finally executed and delivered shall conform in all respects with the terms recited in the Note Purchase Agreement.

Section 10. Paying Agent Agreement. The form of Paying Agent Agreement, in substantially the form submitted to and on file with the Clerk of the Board, is hereby approved in such form with such additions or changes as the Authorized District Representative shall approve and the Authorized District Representative is hereby authorized to execute and deliver the Paying Agent Agreement on behalf of the District.

Section 11. Preliminary Official Statement. The Preliminary Official Statement relating to the Notes, in substantially the form submitted to and on file with the Clerk of this Board of Education, is hereby approved and adopted as the Preliminary Official Statement of the District with respect to the Notes (the "Preliminary Official Statement"), with such additions, changes and corrections as the Authorized District Representative may require or approve, and the Financial Advisor is hereby authorized to distribute copies of such Preliminary Official Statement to persons who may be interested in purchasing the Notes. The Authorized District Representative is hereby authorized to certify, on behalf of the District, that the Preliminary Official Statement was deemed final as of its date, 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 Authorized District Representative is hereby authorized and directed for and in the name and on behalf of the District, to prepare and sign an Official Statement in its final form, including the final pricing information, and the purchaser of the Notes is hereby authorized and directed to deliver copies of such Official Statement in final form to all subsequent purchasers of the Notes.

Section 12. Continuing Disclosure Certificate. The Continuing Disclosure Certificate, in substantially the form submitted to this Board of Education is hereby approved and the Authorized District Representative is hereby authorized and directed on behalf of the District to execute the Continuing Disclosure Certificate. The District hereby agrees and covenants that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and the Authorized District Representative is hereby authorized and directed to undertake and perform all continuing disclosure obligations contained in the Continuing Disclosure Certificate. Notwithstanding any other provision hereof, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; provided, that any registered owner of the Notes 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.

Section 13. Approval of Actions. All actions heretofore taken by the officers and agents of the District with respect to the sale and issuance of the Notes are hereby approved, and the President of this Board of Education, the Clerk of this Board of Education, any Authorized District Representative and any and all other officers of the District are hereby authorized and directed for and in the name of and on behalf of the District, to do any and all things and take any and all actions relating to the execution and delivery of any and all certificates, requisitions, agreements and other documents, including a paying agent agreement with respect to the Notes, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in accordance with this resolution.

Section 14. Further Assurances. It is hereby covenanted and warranted by the District that all representations and recitals contained in this resolution are true and correct, and that the District, and its appropriate officials, have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the collection and deposit of the Unrestricted Revenues pledged hereunder in accordance with law and with this resolution and for carrying out the provisions of this resolution. It is hereby further covenanted and warranted by the District that the provisions of the Notes and of this resolution shall constitute a contract between the District and the registered owners of the Notes, and such provisions shall be enforceable by mandamus or any other appropriate suit, action or proceeding at law or in equity in any court of competent jurisdiction, and shall be irrepealable; provided, that notwithstanding any other provision hereof to the contrary, upon the District's failure to observe, or refusal to comply with, the covenants contained herein, no one other than the registered owners or former registered owners of the Notes shall be entitled to exercise any right or remedy under this resolution on the basis of the District's failure to observe, or refusal to comply with, such covenants.

Section 15. Filing with the Board of Supervisors. The Clerk of this Board of Education is hereby authorized and directed to file a certified copy of this Resolution with the Clerk of the Board of Supervisors of the County.

Section 16. Effective Date. This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED this day, March 7, 2013, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED:

_____

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

ATTEST:

_____

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

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SACRAMENTO

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2012-13 TAX AND REVENUE ANTICIPATION NOTE

Note Date: **_____, 2013** **CUSIP**: **_____**

FOR VALUE RECEIVED, Sacramento City Unified School District (the "District"), located in the County of Sacramento, California (the "County"), hereby promises to pay to

CEDE & CO. (or registered assigns), as the Registered Owner hereof,

at the office of the Director of Finance of the County, in Sacramento, California, the Paying Agent, Registrar and Transfer Agent with respect to the Notes (as defined herein), the principal sum of

_____ DOLLARS
($_____)

in lawful money of the United States of America, at its maturity date, on

_____, 2013

together with interest thereon at the rate of

_____ PERCENT (_____%)

per annum (computed on the basis of a 360-day year of twelve 30-day months) in like lawful money from the Note Date specified above until payment in full of said principal sum. Interest shall be payable at the maturity hereof. This note shall not be subject to redemption prior to the stated maturity date.

Principal and interest due at maturity shall be paid to the registered owner hereof only upon surrender hereof at the office of the Director of Finance of the County. No interest shall be payable for any period after maturity hereof during which the registered owner hereof fails to properly present this note for payment.

It is hereby certified, recited and declared that this note is one of an authorized issue of notes entitled, "Sacramento City Unified School District 2012-13 Tax and Revenue Anticipation Notes" (the "Notes"), in the aggregate principal amount of $_____, all of like date, tenor and effect, issued under and by authority of Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (commencing with Section 53850) of the California Government Code, and made,

executed and given pursuant to and by authority of a resolution (the "Resolution") of the Board of Education of the District duly passed and adopted on March 7, 2013), and subject to the more particular terms specified in the [Certificate of Award] [Note Purchase Agreement] executed on _____, 2013, by the Authorized District Representative. It is hereby further certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received for or which accrue to the General Fund of the District during Fiscal Year 2012-13 and which are lawfully available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues"). As security for the payment of the principal of and interest on this note and all Notes of said authorized issue, the District has pledged the Unrestricted Revenues which shall be deposited in the Repayment Fund in the following manner pursuant to the [Certificate of Award] [Note Purchase Agreement]: (i) an amount equal to ____ of the principal amount of the Notes from the first Unrestricted Revenues received by the District during the period ending _____, 2013 and (ii) an amount equal to ___ of the principal amount of the Notes, plus an amount sufficient (when all previous deposits and earnings on the Repayment Fund are taken into account) to pay all principal and interest with respect to the Notes, from the first Unrestricted Revenues received by the District during the period ending _____, 2013 which accrue to the District's General Fund in Fiscal Year 2012-13. The amounts pledged by the District for deposit into the Repayment Fund from the Unrestricted Revenues received during each indicated period are hereinafter called the "Pledged Revenues", and the principal of and the interest on this note and all Notes of said authorized issue shall constitute a first lien and charge thereon and shall be payable therefrom, and to the extent not so paid shall be paid from any other money of the District lawfully available therefor.

This note is not subject to redemption prior to maturity.

This note is transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the office of the Director of Finance, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this note. Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount and the same nominal rate of interest will be issued to the transferees in exchange herefor. The District and the Director of Finance may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the District and the Director of Finance shall not be affected by any notice to the contrary.

This note shall not be valid or become obligatory for any purpose until the Certificate of Registration hereon shall have been signed by the Director of Finance.

IN WITNESS WHEREOF, the Sacramento City Unified School District has caused this 2012-13 Tax and Revenue Anticipation Note to be executed by the President of the Board of the District by manual or facsimile signature, and countersigned by its Clerk or Secretary by manual or facsimile signature, all as of the Note Date specified above.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

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

Countersigned:

_____
Clerk of the Board of Education of
the Sacramento City Unified School District

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.

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Note is one of the Notes described in the within-mentioned Resolution, which Note has been registered on _____, 2013.

DIRECTOR OF FINANCE OF THE COUNTY OF SACRAMENTO, California, as Paying Agent, Registrar and Transfer Agent

_____

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned registered note 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.

_____
Taxpayer 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 Note in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____

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

CLERK'S CERTIFICATE

The undersigned Clerk of the Board of Education of the Sacramento City Unified School District, County of Sacramento, California, does hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of said District duly and regularly held at the regular meeting place thereof on March 7, 2013, of which meeting all of the members of said Board of Education had due notice and at which a quorum thereof was present; and at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

An agenda of said 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 said resolution appeared on said agenda. A copy of said agenda is attached hereto.

I further certify that said 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 March, 2013.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By: _____
Clerk of the Board of Education
Sacramento City Unified School District

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.

NEW ISSUE – BOOK-ENTRY ONLY

RATING:
Standard & Poor's: "___"
(See "MISCELLANEOUS – Rating" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Sacramento City Unified School 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 with respect to the Notes 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. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Notes. See "TAX MATTERS" herein.

$75,000,000*
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(SACRAMENTO COUNTY, CALIFORNIA)
2012-13 TAX AND REVENUE ANTICIPATION NOTES

Dated: Date of Delivery **Due: _____ 1, 2013**

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 2012-13 Tax and Revenue Anticipation Notes (the "Notes"), issued by the Sacramento City Unified School District (the "District"), are by statute a general obligation of the District. The principal amount of the Notes, together with interest thereon, are payable from taxes, income, revenues, cash receipts and other moneys which are received by or which accrue to the District during fiscal year 2012-13 and which are lawfully available for the payment of current expenses and other obligations of the District. ***The District cannot be legally obligated to pay the Notes from revenue of a future year, and the District is not authorized to increase tax rates to repay the Notes in the event other available moneys are insufficient.*** As security for the payment of principal of and interest on the Notes, the District has pledged certain Pledged Revenues (as defined herein) to be deposited in a Repayment Fund (as defined herein) at the times and in the amounts described herein. See "THE NOTES – Security and Sources of Payment" herein.

Principal of and interest on the Notes are payable only at maturity. The Notes are not subject to redemption prior to maturity. See "THE NOTES – General Provisions of the Notes" herein.

Maturity Date	Principal Amount	Interest Rate	Yield	CUSIP No.†
_____ 1, 2013	$_____	_____%	_____%	_____

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

[Underwriter's Logo]

Dated _____ __, 2013.

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* *Preliminary, subject to change.*

† *Copyright, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies Inc. CUSIP data is included solely for the convenience of the owners of the Notes. The District and the Underwriter assume no responsibility for the accuracy thereof.*

This Official Statement does not constitute an offering of any security other than the original offering of the Notes 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 Notes have not been registered under the Securities Act of 1933 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 securities 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 opinions 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 Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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 Notes.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Notes 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 Notes to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering price stated on the cover page hereof and said public offering price may be changed from time to time by the Underwriter.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COUNTY OF SACRAMENTO, CALIFORNIA

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

Richard Odegaard
Interim Chief Business Officer

PROFESSIONAL SERVICES

Bond Counsel and Disclosure 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

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$75,000,000[*]
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(SACRAMENTO COUNTY, CALIFORNIA)
2012-13 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto (the "Official Statement"), is provided to furnish information in connection with the sale of the Sacramento City Unified School District 2012-13 Tax and Revenue Anticipation Notes (the "Notes"), as described more fully herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The Sacramento City Unified School District (the "District") has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. 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 owners of any of the Notes.

Quotations from and summaries and explanations of the Notes, the Resolution (defined below) providing for issuance of the Notes, 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 Notes are available from the District through the Office of the Interim Chief Business Officer, 5735 47th Avenue, Sacramento, CA 95824. The District may impose a charge for copying, mailing and handling.

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 NOTES – Authority for Issuance" herein. The District's estimated average daily attendance for fiscal year 2012-13 is 47,450 and the District's 2012-13 budgeted general fund expenditures are projected at approximately $388.9 million as of the first interim report for fiscal year 2012-13 (the "First Interim Report").

The District currently operates fifty elementary schools (grades K-6), five elementary/middle schools (grades K-8), nine 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, three adult education centers, four dependent charter schools, two special education centers and 47 children's centers which includes preschools. Eight independent charter schools also operate in the District for a total of twelve charter schools serving kindergarten through grade 12 ("K-12") with a total estimated enrollment of 4,768 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.

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.

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[*] Preliminary, subject to change.

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, and the District is in the process of hiring a new Chief Business Officer. Richard Odegaard currently serves as Interim Chief Business Officer.] [To be revised as appropriate closer to printing.]

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

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Notes to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the "Rule") notice of the occurrence of certain enumerated events. See "OTHER LEGAL MATTERS – Continuing Disclosure" and APPENDIX C – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" for a description of the specific nature of the notices of events and a summary description of the terms of the Disclosure Certificate pursuant to which such notices are to be made. These covenants have been made in order to assist the Underwriter in complying with the Rule. As of the date hereof, the District has not failed to comply in all material respects with any previous undertakings with regard to the Rule to file annual reports or notices of certain enumerated events.

THE NOTES

Purpose of the Notes

The Notes are issued in anticipation of future receipt of moneys in the general fund of the District. Proceeds of the Notes will be used and expended by the District for any purpose for which the District is authorized to expend funds from the general fund of the District, including, but not limited to, current expenses, capital expenditures, investment and reinvestment, and the discharge of other obligations or indebtedness of the District.

Authority for Issuance

The Notes are issued in conformity with the laws of the State, including Article 7.6 (commencing with Section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the State Government Code, and pursuant to a resolution adopted by the Board on March 7, 2012, authorizing the sale and issuance of the Notes (the "Resolution").

A fiscally accountable district is authorized to issue its own tax and revenue anticipation notes without action by the board of supervisors of the county in which it is located. The District has attained "fiscal accountability status" under Section 42650 of the State Education Code. In addition to the authority to issue notes, this generally means that the District can order payment of its expenses directly from District funds held by the Director of Finance of the County (the "Director of Finance"), instead of obtaining approval for each payment warrant from the Sacramento County Superintendent of Schools.

Pursuant to Education Code Section 42133, the district has obtained a determination from the Sacramento County Office of Education that repayment of the notes is probable.

General Provisions of the Notes

Issuance and Maturity: The Notes will be dated the date of delivery thereof, and, assuming delivery on April 9, 2013, will mature on _____ 1, 2013.

Payment: The Notes will bear interest at the rate per annum set forth on the cover page hereof. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will accrue commencing on the date of delivery of the Notes. Principal of and interest on the Notes are payable only at maturity, in lawful money of the United States of America, to the registered owners of the Notes, only upon surrender of such Notes at the principal trust office of the paying agent for the Notes (the "Paying Agent"), initially the Director of Finance. No interest shall be payable on any Notes for any period after maturity of the Notes during which the registered owner thereof fails to properly present said Notes for payment.

Form and Registration: The Notes will be issued in fully registered book-entry form only, in denominations of $5,000 principal amount each or any integral multiple thereof. The Notes 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 Notes. Purchases of Notes under the DTC system must be made by or through a DTC participant, and ownership interests in Notes and 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 Notes, beneficial owners will not receive physical certificates representing their ownership interests. See APPENDIX E – "BOOK-ENTRY ONLY SYSTEM."

Redemption: The Notes are not subject to redemption prior to maturity.

Security and Sources of Payment

The Notes are by statute a general obligation of the District. The principal amount of the Notes, together with interest thereon, are payable from the "Unrestricted Revenues" of the District. Unrestricted Revenues consist of taxes, income, revenues, cash receipts and other moneys which are received by or which accrue to the District for the general fund of the District in fiscal year 2012-13 and which are lawfully available for the payment of current expenses and other obligations of the District. The District has pledged to deposit with the Director of Finance in a special Repayment Fund (a) an amount equal to 50% of the principal amount of the Notes from the first Unrestricted Revenues received by the District during the month ending July 31, 2013; and (b) an amount equal to 50% of the principal amount of and all interest on the Notes from the first Unrestricted Revenues received by the District during the month ending August 31, 2013[*]. The amounts so pledged are known as the "Pledged Revenues." The principal of the Notes and the interest thereon will be a first lien and charge against the Pledged Revenues.

To the extent not so paid from the Pledged Revenues, the Notes will be paid from any other moneys of the District lawfully available therefor. In the event that there are insufficient Unrestricted Revenues received by the District to make the required deposit by the third business day prior to the end of any period in which a deposit is required to be made in the Repayment Fund, as hereinafter defined, then the amount of any deficiency will be satisfied and made up from any other moneys of the District lawfully available for the repayment of the principal of and interest on the Notes when and as such other moneys are received.

Although the Notes are a general obligation of the District, the statutory pledge only extends to revenues received during or accruing to fiscal year 2012-13, and the District cannot be legally obligated to pay the Notes from revenues of a future year. Other than a statutory entitlement to its share of the county-wide 1% *ad valorem* tax levy, the District has no authority, and cannot be compelled, to levy taxes to pay the principal of or interest on the Notes. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein.

The Resolution creates a special fund to be held by the Director of Finance separate and distinct from all other County and District funds and accounts, designated the "Sacramento City Unified School District 2012-13 Tax and Revenue Anticipation Notes Repayment Fund" (the "Repayment Fund"). Any moneys placed in the Repayment Fund will be for the benefit of the holders of the Notes and, until the Notes and all interest thereon are paid or until

[*] Preliminary, subject to change. [The final set-aside schedule will be provided in the certificate of award or bond purchase agreement, as applicable.]

provision has been made for payment of the Notes at maturity, will be applied solely for the purposes for which the Repayment Fund is created.

At maturity, the Director of Finance, acting as the Paying Agent, shall transfer to the registered owner of the Notes the moneys in the Repayment Fund necessary to pay the principal of and interest then due on the Notes.

Bankruptcy Risks

The opinion of Bond Counsel, attached hereto as APPENDIX A, is qualified by reference to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts and counties in the State of California.

Bankruptcy of the County or the District could affect the security of the owners of the Notes, the ability of an owner to be paid in a timely manner, or both.

Because the Director of Finance is in possession of the taxes and other revenues that the District has agreed to set aside to pay the Notes, and may deposit and invest these funds in the County's pooled investment fund, should the County go into bankruptcy, a court might hold that the owners of the Notes do not have a valid lien on the funds set aside for payment thereof. In that case, unless the owners could trace the funds, the owners may be merely unsecured creditors of the County. There can be no assurances that the owners could successfully so trace the pledged taxes and other revenues.

If the County were to file for bankruptcy, the District may be unable to order payment of the Notes from moneys held by the County in the fund set aside for such payment. If the District were to file for bankruptcy, the Director of Finance may be enjoined from applying set-aside funds to payment of the Notes, or from setting aside any further moneys of the District for such payment. As governmental units, neither the County nor the District may be declared bankrupt involuntarily by their creditors.

Investment of Note Proceeds and Repayment Fund

The Resolution creates a special fund to be held by the Director of Finance separate and distinct from all other County and District funds and accounts, designated the "Sacramento City Unified School District 2012-13 Tax and Revenue Anticipation Notes Proceeds Fund" (the "Note Proceeds Fund"). Substantially all of the District's operating funds are held by the Director of Finance and invested pursuant to law and the County's investment policy. Proceeds from the sale of the Notes will be deposited in the Treasury of the County in the Note Proceeds Fund within the general fund of the District. Moneys set aside for repayment of the Notes will be deposited in the Repayment Fund of the District held in the County Treasury and invested by the Director of Finance. Moneys in such funds shall, to the greatest extent possible, be invested by the Director of Finance (insofar as any of such investments are permitted by the investment policy of the Director of Finance), (i) in any investments permitted by Sections 53601 and following of the Government Code, (ii) in investment agreements with a provider or provider's guarantor which is rated "Aa" by Moody's Investors Service, or equivalent rating of any rating agency then rating the Notes, or (iii) in the Local Agency Investment Fund within the treasury of the State in so far as such investments are permitted by the investment policy of the Director of Finance. No funds shall be invested for a term exceeding the maturity of the Notes. See APPENDIX D – "COUNTY OF SACRAMENTO INVESTMENT POLICIES AND PRACTICES AND INVESTMENT POOL QUARTERLY REPORT" herein for a description of the County's investment policy, current portfolio holdings and valuation procedures.

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Estimated Sources and Uses of Funds

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

Sacramento City Unified School District
(County of Sacramento, California)
2012-13 Tax and Revenue Anticipation Notes
Sources and Uses of Funds

Sources of Funds	
Principal Amount of Notes	
Original Issue Premium/Discount	
Total Sources	
Uses of Funds	
Net Deposit to Note Proceeds Fund	
Underwriter's Discount	
Costs of Issuance[(1)]	
Total Uses	

(1) Includes bond counsel fees, disclosure counsel fees, financial advisor fees, rating agency fees, printing fees and other miscellaneous expenses.

DISTRICT FINANCIAL AND OPERATING INFORMATION

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 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 $___ million in revenue limit funding from the State in fiscal year 2012-13. The District also projects receipt of approximately $___ million in State categorical funding in fiscal year 2012-13. Total State funding accounts for about ___% 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 initiative constitutional amendment 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 supermajority, 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 routinely breached in the past. 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.

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. 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.

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 (QEIA), 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 one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98, 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.

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.

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 the 2010-11 fiscal year 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, sets forth a specific deferral plan for K-12 education payments. In the legislation, the July 2011 and August 2011 K-12 payments of $1.4 billion and the October 2011 payment of $2.4 billion were deferred. In September 2011, $700 million of the July deferral was paid, in January 2012, $4.5 billion from the remaining July, August and October deferrals was paid, and in March 2012, $1.4 billion was deferred and paid in April 2012.

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 2012-13 fiscal year.

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 the Temporary Tax Measure at the November 6, 2012 election. The 2013-14 Proposed State Budget acknowledges that the Temporary Tax Measure 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 Temporary Tax Measure, 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 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. 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.

- 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 the Temporary Tax Measure.

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.

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, 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.

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 $581,535 for fiscal year 2011-12, and estimates it will receive $334,681 for fiscal year 2012-13. [Will flesh out how dissolution of redevelopment agencies will affect District finances in the future.]

District Revenues

Under 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 average daily attendance ("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.

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The District's undeficited base revenue limit per A.D.A. is projected to be $6,707 for fiscal year 2012-13, compared to an amount of $6,494 for 2011-12. 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	47,452
2006-07	42,431
2007-08	42,220
2008-09	41,997
2009-10	41,864
2010-11	41,610
2011-12	41,598
2012-13	41,380[(1)]

[(1)] Projected from 2012-13 First Interim Report.
Source: District Audited Financial Statements.

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 State 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 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 as "basic aid districts." Districts that receive some equalization aid are commonly referred to as "revenue limit districts."

The District is a revenue limit district. Local property tax revenues account for approximately 25.8% of the District's aggregate revenue limit income, and are projected to be approximately $56.9 million, or 14.8% 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. 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."

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. Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes.

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.

For fiscal year 2012-13, the District projects State equalization aid of approximately $163.7 million.

State funds for special (categorical) programs in fiscal year 2012-13 are projected at approximately $104.9 million, including the State lottery fund portion. 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 $6.8 million, or about 1.8% of general fund revenue in fiscal year 2012-13.

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 budget and budgeted A.D.A. are used for planning purposes only, and do not represent 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.

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 First Interim Report, the District projects that it will expend approximately $311.7 million in salaries and benefits, or approximately 80% of its general fund expenditures. This amount represents a decrease of 6.7% from the $334 million the District expended in fiscal year 2011-12.

Labor Relations. Approximately 4,143 employees are represented by various labor organizations as shown in the table below. The remainder are not represented by any formal bargaining unit.

Sacramento City Unified School District
Labor Organizations

Labor Organization	Employees Represented	Contract Expiration
Sacramento City Teacher's Association	2,282	June 30, 2014 with reopeners
Service Employees International Union	121	June 30, 2013 with reopeners
United Professional Educators	1,663	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.

Retirement Programs. The District participates in the State Teachers' Retirement System ("STRS") for all full-time and some part-time certificated employees. Each school district is required by statute to contribute 8.25% of eligible employees' salaries to STRS on a monthly basis. Employees are required to contribute 8% of eligible salary. The State is required to contribute as well. The District's employer contribution to STRS from the general fund was $14.8 million for fiscal year 2011-12 and is projected at $13.4 million in fiscal year 2012-13.

The District also participates in the California Public Employees' Retirement System ("CalPERS") for all full-time and some part-time classified employees. 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 $4.8 million in fiscal year 2012-13.

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. STRS 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.

Governor's Pension Reform Legislation. 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.

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. 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 2012-13 projected pay-as-you-go expenditures for post-retirement benefits is $20.3 million.

Accrued Vacation. The long-term portion of accumulated and unpaid employee vacation for the District as of June 30, 2012, was $7.0 million.

Restricted Maintenance Reserve Account. As a condition to receiving State modernization or construction funds, the District agrees to fund a restricted maintenance reserve account in the general fund each year for 20 years of at least 3% of its general fund budget. As a result of 2008-09 State budget legislation, the District is only required to fund the maintenance reserve to 1% of its total expenditures for the five-year period 2008-09 through 2012-13. In 2012-13, the District has funded a maintenance reserve contribution of approximately $9.2 million or 2.4% of the general fund expenditures.

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 State 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's 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."

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Sacramento City Unified School District
General Fund
Revenues, Expenditures and Fund Balances
Fiscal Year 2008-09 Through Fiscal Year 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	$163,687,941
Property Taxes	63,408,608	60,544,496	56,618,816	55,206,471	56,884,524
Federal Revenue	61,239,195	57,663,445	72,051,245	47,367,141	53,482,288
Other State Revenue	93,574,884	113,183,976	109,156,582	108,799,926	104,868,785
Other Local Revenue	10,288,472	9,442,044	9,136,901	13,173,587	5,399,865
TOTAL	$405,256,147	$395,133,213	$412,911,349	$389,906,120	$384,323,404
Expenditures/Disbursements					
Certificated Salaries	$180,615,397	$172,906,681	$175,556,153	$170,919,753	$159,612,343[3]
Classified Salaries	57,306,438	54,043,150	52,390,166	52,722,192	47,596,343
Employee Benefits	95,823,370	95,971,539	102,090,242	110,321,022	104,445,894
Books and Supplies	13,957,476	12,699,281	16,484,359	12,506,975	22,442,397
Services/Other Operating Expenditures	58,232,043	58,552,553	56,372,037	55,661,409	53,688,558
Capital Outlay	1,508,402	645,994	2,358,049	3,877,564	359,333
Other Outgo	27,720	18,318	27,684	23,414	–
Transfers of Indirect/Direct Support Costs	–	–	–	–	(1,388,968)[4]
Debt Service	3,079,680	2,328,317	576,329	1,993,453	2,166,685
TOTAL	$410,550,526	$397,165,833	$405,855,019	$408,025,782	$388,922,585
Excess (Deficiency) of Revenue Over (Under) Expenditures	(5,294,379)	(2,032,620)	7,056,330	(18,119,662)[5]	(4,599,182)
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)	(3,888,614)
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	$17,224,881

[1] District's audited financial statements for fiscal years ending June 30, 2009, 2010, 2011 and 2012.
[2] First Interim Report for fiscal year 2012-13.
[3] [To come]
[4] [To come]
[5] [To come]
Note: Amounts may not add up due to rounding.

District Cash Flows

The District's general fund expenditures tend to be heaviest in the middle and end of the school year and lightest during the summer months. Receipts follow an uneven pattern, primarily because secured tax installment payment dates are in December and April. The District exercises virtually no control over the amount or timing of its own revenues. The level of receipts depends on assessed value of taxable property and State income. See "– State Funding of Education; State Budget Process" above. The timing of receipt of State funds is dictated by statute. The timing of receipt of local property tax revenues depends on County policy. The timing and level of expenditures are largely predictable, depending primarily on scheduled employee payrolls and benefits payments as negotiated with employee labor organizations for the current year.

Exhibits I and II below, show actual/projected General Fund cash receipts and disbursements for fiscal year 2012-13 and projected cash receipts and disbursements for fiscal year 2013-14. The fiscal year 2012-13 monthly receipts and disbursements take the receipt of Note proceeds and repayment of the Notes into consideration.

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Exhibit I

Sacramento City Unified School District
General Fund Cash Flow*
Fiscal Year 2012-13

	July	August	September	October	November	December	January	February	March	April	May	June	Total
Beginning Cash	$8,299,850	$1,601,464	($17,364,626)	($11,500,852)	($13,002,630)	($30,026,163)	($26,554,375)	($2,344,547)	($17,289,328)	($41,424,463)	$14,777,411	$154,908	$8,299,850
Receipts:													
Revenue Limit													
Property Taxes	(340,173)	2,948	2,187	17,363	0	1,040,610	35,852,677	44,006	42,856	12,368,486	11,942,264	823,879	61,797,104
Principal Apportionment	292,937	2,333,936	14,735,791	5,614,052	10,389,095	20,066,235	10,389,095	6,710,791	2,922,441	432,954	0	46,381,758	120,269,085
Miscellenious Funds	29,191	50,183	(701,254)	129,438	64,589	(934,938)	(1,128,321)	(60,974)	(118,919)	88,524	(865,830)	(1,462,690)	(4,910,999)
Federal Revenue	629,541	(718)	385,654	4,485,081	578,799	5,003,976	1,357,916	6,027,318	1,269,779	1,300,828	3,555,797	5,967,390	30,561,362
Other State Revenues	244,051	762,843	13,303,421	14,969,806	5,255,860	10,854,680	9,950,255	8,931,697	6,201,415	4,004,916	3,947,442	3,341,385	81,767,773
Other Local Revenues	805,407	256,019	469,348	1,448,800	95,352	407,392	92,742	95,276	675,116	245,449	227,450	568,153	5,386,505
Interfund Transfers In	0	0	0	0	0	0	0	0	0	0	0	710,568	710,568
2013 TRAN Deposit	0	0	0	0	0	0	0	0	0	71,325,440	0	0	71,325,440
Total Receipts	$1,660,954	$3,405,212	$28,195,147	$26,664,540	$16,383,695	$36,437,955	$56,514,365	$21,748,114	$10,992,689	$89,766,599	$18,807,123	$56,330,443	$366,906,838
Disbursements:													
Certificated Salaries	1,568,056	2,930,668	14,558,139	15,004,323	15,408,724	14,854,314	14,962,071	14,728,465	15,471,684	15,072,805	15,042,265	16,441,212	156,042,724
Classified Salaries	2,647,939	3,205,926	4,003,103	4,181,264	4,269,714	4,012,074	4,005,192	3,899,421	4,088,883	4,026,983	4,027,480	4,489,170	46,857,148
Employee Benefits	1,743,665	2,471,760	9,678,646	9,738,112	9,818,218	9,968,759	9,903,946	9,885,608	9,992,522	9,909,820	9,928,760	10,324,720	103,364,535
Supplies and Services	230,355	4,335,935	2,754,080	6,352,585	3,901,839	4,202,593	3,542,336	5,607,843	6,029,745	4,497,511	5,063,252	15,236,738	61,754,812
Capital Outlay	21,358	23,481	27,535	33,586	8,255	31,936	9,094	58,793	26,655	28,558	42,516	47,567	359,333
Other Outgo	(32,211)	(44,056)	(30,908)	(46,572)	6,479	(97,509)	(118,101)	2,512,767	(411,955)	29,049	(118,931)	(870,334)	777,717
Interfund Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0	0
All Other Financing Uses	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Disbursments	0	0	0	0	0	0	0	0	0	0	0	0	0
2012 TRAN Payment Pledge	37,500,000	38,233,333	0	0	0	0	0	0	0	0	0	0	75,733,333
Total Disbursements	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Disbursements	$43,679,161	$51,157,047	$30,990,595	$35,263,299	$33,413,228	$32,972,167	$32,304,537	$36,692,896	$35,197,533	$33,564,724	$33,985,341	$45,669,073	$444,889,601
Prior Year Transactions	35,319,821	28,785,745	8,659,221	7,096,980	6,000	6,000	0	0	69,710	0	555,715	5,315,220	85,814,412
Net Increase/Decrease	(6,698,386)	(18,966,090)	5,863,773	(1,501,778)	(17,023,532)	3,471,788	24,209,828	(14,944,782)	(24,135,134)	56,201,874	(14,622,503)	15,976,591	7,831,649
Ending Balance	$1,601,464	($17,364,626)	($11,500,852)	($13,002,630)	($30,026,163)	($26,554,375)	($2,344,547)	($17,289,328)	($41,424,463)	$14,777,411	$154,908	$16,131,499	$16,131,499

* Preliminary, subject to change. Assumes issuance of the Notes.

Exhibit II

Sacramento City Unified School District
General Fund Projected Cash Flow Through Note Repayment*
Fiscal Year 2013-14

	July	August	Sept. 1-26	Sept. 27-30	October	November	December	January	February	March	April	May	June	Total
Beginning Cash	$16,131,499	$7,378,597	$5,173,981	$9,451,309	($11,564,524)	($79,370,305)	($86,877,855)	($77,650,792)	($45,050,267)	($69,789,524)	($93,429,094)	($24,619,258)	($37,259,492)	$16,131,499
Receipts:														
Revenue Limit														
Property Taxes	137,330	16,212	3,239	1,323	277,377	163,497	1,025,254	35,323,585	43,357	42,223	12,185,960	11,766,027	811,721	61,797,104
Principal Apportionment	94,905	4,297,153	10,203,547	4,167,646	5,900,796	11,265,106	25,269,951	15,723,496	2,623,317	954,600	10,108,762	1,897,031	15,026,689	107,532,998
Miscellenious Funds	87,099	68,089	(340,935)	(139,255)	(245,227)	115,585	(869,188)	37,761	(555,738)	(493,733)	192,322	(261,910)	(2,129,933)	(4,535,065)
Federal Revenue	1,205,079	494,765	1,806,636	737,922	1,592,896	392,461	3,504,277	2,350,082	1,994,663	5,612,726	1,391,181	3,473,995	5,495,199	30,051,882
Other State Revenues	306,617	1,228,192	5,338,188	2,180,387	9,132,846	11,492,021	11,764,707	11,145,203	7,225,550	5,041,303	8,084,299	3,864,133	5,022,931	81,826,378
Prinicpal Apportionment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Local Revenues	187,116	131,506	275,004	112,326	503,749	484,461	322,233	95,858	304,810	292,585	606,793	566,518	309,121	4,192,080
Interfund Transfers In	0	0	56,152	22,935	1,159	0	0	201,425	0	59,315	0	6,556	35,123	382,665
All Other Financing Sources	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Receipts/Non-Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Receipts	$2,018,147	$6,235,916	$17,341,830	$7,083,283	$17,163,596	$23,913,131	$41,017,234	$64,877,410	$11,635,959	$11,509,019	$32,569,316	$21,312,351	$24,570,851	$281,248,042
Disbursements:														
Certificated Salaries	1,540,118	3,045,637	1,433,324	12,899,919	14,591,438	15,056,468	14,761,972	14,869,059	14,636,905	15,375,505	14,979,105	14,948,755	16,339,005	154,477,210
Classified Salaries	2,263,088	3,103,743	392,030	3,528,267	4,026,970	4,123,331	4,042,407	4,035,473	3,928,903	4,119,797	4,057,429	4,057,930	4,523,111	46,202,477
Employee Benefits	1,835,507	2,664,318	970,786	8,737,077	10,291,584	10,261,530	10,382,703	10,315,198	10,296,099	10,407,452	10,321,316	10,341,042	10,753,444	107,578,057
Supplies and Services	2,671,178	3,081,537	978,913	2,936,740	5,554,892	3,398,732	4,075,094	3,438,596	5,383,494	5,791,574	4,328,758	4,850,422	13,461,943	59,951,874
Capital Outlay	1,574	4,341	13,447	40,342	12,163	11,919	35,901	10,223	66,091	29,963	32,103	47,793	53,471	359,333
Other Outgo	(38,276)	(31,506)	(14,409)	(43,228)	(78,949)	(43,488)	(96,510)	(116,892)	2,487,033	(407,737)	28,751	(117,713)	(861,421)	665,656
Interfund Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0	0	0
All Other Financing Uses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Disbursments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2013 TRAN Payment Pledge	35,500,000	17,750,000	18,404,777	0	0	0	0	0	0	0	0	0	0	71,654,777
Total Disbursements	$43,773,189	$29,618,071	$22,178,868	$28,099,116	$34,398,099	$32,808,493	$33,201,566	$32,551,658	$36,798,525	$35,316,555	$33,747,461	$34,128,229	$44,269,553	$440,889,384
Prior Year Transactions	33,002,140	21,177,539	9,114,366	0	(50,571,278)	1,387,813	1,411,395	274,773	423,309	167,966	69,987,981	175,644	539,665	87,091,313
Net Increase/Decrease	(8,752,902)	(2,204,616)	4,277,328	(21,015,833)	(67,805,781)	(7,507,550)	9,227,063	32,600,525	(24,739,257)	(23,639,570)	68,809,836	(12,640,234)	(19,159,037)	(72,550,029)
Ending Balance	$7,378,597	$5,173,981	$9,451,309	($11,564,524)	($79,370,305)	($86,877,855)	($77,650,792)	($45,050,267)	($69,789,524)	($93,429,094)	($24,619,258)	($37,259,492)	($56,418,530)	($56,418,530)

(1) Preliminary, subject to change. These figures [assume?] passage of the Governor's proposed budget and implementation of the Local Control Funding Formula.

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	2.5-5.125%	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	64,997,996	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	2012-2029
2012 Refunding Bonds	06/14/2012	113,245,000	113,245,000	2.0-5.25	2013-2031

Approximately $313,677,966 of the District's general obligation bonds remain 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 Index 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 __% 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.

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, Risk Pooling and Joint Powers Arrangement

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. Twelve charter schools currently operate in the District's boundaries, four of which are dependent and eight 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 attendance is projected to be approximately 4,768 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

[CASA Pension Program and Pension Program Revenue Bonds Placeholder.]

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 Trustees 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 governing board 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 self certified a qualified certification since 2008.

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, served as independent auditor to the District for fiscal year ended June 30, 2012, and their report is 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 will 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.

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 State 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. State 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 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 State Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power will 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 Notes 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 will 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 will 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 Notes.

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.

On November 2, 2010, State voters approved Proposition 26 which amended certain sections of Article XIIIC of the Constitution. The proposition defines "tax" as used within Article XIIIC as "any levy, charge, or exaction of any kind imposed by a local government, *except* the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D." The local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. As a result of the broadened definition of "tax" under Proposition 26, it is likely that a greater percentage of state and local revenue proposals will be subject to the higher two-thirds voter approval requirement. State laws that conflict with Proposition 26, unless they are approved again by two-thirds of each house of the Legislature, are repealed effective November 2011.

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 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process.

LOCAL PROPERTY TAXATION

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 Notes. 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 $348 million, or 1.35%.

Sacramento City Unified School District
Summary of Assessed Valuation
Fiscal Year 2006-07 Through Fiscal Year 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.

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 Santa Clara 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 Notes to increase accordingly, so that the fixed debt service on the Notes (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.

Tax Levies, Collections and Delinquencies

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the Director of Finance.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1st of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (a) a civil action against the taxpayer; (b) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (c) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the taxpayer; and (d) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

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). For 2012-13, TRA-3-005 comprises approximately 27.9% of the total assessed value of taxable property in the District.

Sacramento City Unified School District
Summary of *Ad Valorem* Tax Rates
$1 Per $100 of Assessed Valuation
TRA 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.

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 Sections 4701 and following of the State Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including the District, levying property taxes in the County receives the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected, with the credit funded from a reserve established and held by the County for this purpose. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency.

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 subsequent fiscal year, 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 discontinue the Teeter Plan with respect to any assessments on the secured roll for any year. 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 in the County if the rate of secured tax delinquency therein exceeds 3% in any year. The rate of secured tax delinquency in the District has been below 3% for the past three fiscal years.

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 and Delinquencies
(Debt Service Levies only)
Fiscal Year 2005-06 Through Fiscal Year 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.

Assessed Valuation by Land Use. The following table gives a distribution of taxable 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
2012-13 Taxable Assessed Valuation and Parcels by Land Use

Non-Residential:	2012-13 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
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.

Largest Taxpayers. 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
Major Taxpayers 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)] 2012-13 local secured assessed valuation: $24,081,405,373.

Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), 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 Notes 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. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes 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 the opinion of Bond Counsel is set forth in APPENDIX A: "PROPOSED FORM OF OPINION OF BOND COUNSEL" hereto.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service is studying whether the amount of the payment at maturity on debt obligations such as the Notes that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity, or (ii) the difference between the issue price of the Notes and the aggregate amount to be paid at maturity of the Notes (the "original issue discount"). For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the Internal Revenue Service provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Notes if original issue discount treatment is elected.

Notes purchased, whether at original issuance or otherwise, for an amount higher than the principal amount payable at maturity ("Premium Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Noteholder's basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such Noteholder. Holders of Premium Notes 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 Notes. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes 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 Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. 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 Notes may adversely affect the value of, or the tax status of interest on, the Notes. Accordingly, the opinion of Note Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

One of the covenants of the District referred to above requires the District to reasonably and prudently calculate the amount, if any, of excess investment earnings on the proceeds of the Notes which must be rebated to the United States, to set aside from lawfully available sources sufficient moneys to pay such amounts and to otherwise do all things necessary and within its power and authority to ensure that interest on the Notes is excluded from gross income for federal income tax purposes. Under the Code, if the District spends 100% of the proceeds of the Notes within six months after issuance, there is no requirement that there be a rebate of investment profits in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The Code also provides that such proceeds are not deemed spent until all other available moneys (less a reasonable working capital reserve) are spent. The District expects to satisfy this expenditure test or, if it fails to do so, to make any required

rebate payments from moneys received or accrued during the 2012-13 fiscal year. To the extent that any rebate cannot be paid from such moneys, State law is unclear as to whether such covenant would require the District to pay any such rebate. This would be an issue only if it were determined that the District's calculation of expenditures of Notes proceeds or of rebatable arbitrage profits, if any, was incorrect.

Although Bond Counsel is of the opinion that interest on the Notes 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 Notes may otherwise affect a Noteholder's federal, state or local tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Noteholder or the Noteholder'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 Notes 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 Notes. Prospective purchasers of the Notes 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 Notes for federal income tax purposes. It is not binding on the Internal Revenue Service 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 Internal Revenue Service. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Noteholders regarding the tax-exempt status of the Notes in the event of an audit examination by the Internal Revenue Service. Under current procedures, parties other than the District and its appointed counsel, including the Noteholders, 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 the Internal Revenue Service's positions with which the District legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Notes 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 Notes, and may cause the District or the Noteholders to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Notes and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is set forth in APPENDIX A: "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 the State of California

Under the provisions of the Financial Code of the State, the Notes are legal investments for commercial banks in the State to the extent that the Notes, in the informed opinion of the bank, are prudent for the investment funds of its depositors, and under provisions of the Government Code of the State 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 Notes to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of the Rule, notice of the occurrence of certain enumerated events. The specific nature of the information to be contained in the notices of certain enumerated events is summarized in APPENDIX C: "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with the Rule. As of the date hereof, the District has not failed to comply in all material respects with any previous undertakings with regard to the Rule to file annual reports or notices of certain enumerated events.

Absence of Material Litigation

No litigation is pending or to the knowledge of the District threatened concerning the validity of the Notes, 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 Notes. No litigation is pending or to the knowledge of the District threatened questioning the political existence of the District or contesting the title to their offices of District or County officials who will sign the Notes and other certifications relating to the Notes, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to purchasers at the time of the original delivery of the Notes.

There are a number of lawsuits and claims routinely pending against the District. 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

Rating

The Notes have been assigned the rating of "___" by Standard & Poor's Rating Services ("Standard & Poor's"). 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 agency (some of which does not appear in this Official Statement). The rating reflects only the views of the rating agency, and any explanation of the significance of such rating may be obtained only from 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 agency, if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Notes. 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 Disclosure Counsel to the District with respect to the Notes and will receive compensation from the District contingent upon the sale and delivery of the Notes. Capitol Public Finance Group is acting as Financial Advisor to the District with respect to the Notes and will receive compensation from the District contingent upon the sale and delivery of the Notes.

Underwriting

[Pursuant to a negotiated sale held on March 21, 2013, [Underwriter], as the original purchaser, will purchase the Notes from the District at the purchase price of $_____, representing the principal amount of the Notes, plus original issue [premium/discount] thereon ($_____), less Underwriter's compensation ($_____).]

The Underwriter has certified the reoffering price or yield set forth on the cover hereof at which the Notes have been reoffered to the public. The underwriting compensation is based on such certification. The Underwriter may offer and sell the Notes 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 Underwriter will be obligated to take and pay for all of the Notes if any are purchased.

Additional Information

Quotations from and summaries and explanations of the Notes, the Resolution providing for issuance of the Notes, 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.

All data contained herein have been taken or constructed from the District's records and other sources, as indicated.

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The preparation, execution and distribution of this Official Statement have been duly authorized and approved by the Board of Education of the District.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By: _____
Interim Chief Business Officer

APPENDIX A

PROPOSED FORM OF OPINION OF BOND COUNSEL

[To Come]

APPENDIX B

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

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(SACRAMENTO COUNTY, CALIFORNIA)
2012-13 TAX AND REVENUE ANTICIPATION NOTES

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 the above-named notes (the "Notes"). The Notes are being issued pursuant to a resolution adopted by the Board of Education of the District on March 7, 2013 (the "Resolution"). 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 Notes and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, 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:

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

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

"Holders" shall mean either the registered owners of the Notes, or, if the Notes are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

"Listed Events" shall mean any of the events listed in Section 3(a) or 3(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 Underwriter" shall mean the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

"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. 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 Notes in a timely manner 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. Adverse tax opinions or 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 Notes, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 3(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Notes or other material events affecting the tax status of the Notes;

2. Modifications to rights of Note holders;

3. Optional, unscheduled or contingent Note calls;

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

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 trustee or the change of name of a trustee.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 3(b), the District shall determine if such event would be material under applicable federal securities laws.

(d) If the District learns of the occurrence of a Listed Event described in Section 3(a), or determines that knowledge of a Listed Event described in Section 3(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. 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 Notes pursuant to the Resolution.

SECTION 4. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 5. 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 Notes. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination in a filing with the MSRB.

SECTION 6. 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 7. 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) or 3(b), 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 Notes, 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 Notes, 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 Notes.

SECTION 8. 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 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 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 Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 9. 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 Notes 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 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: _____, 2013

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____
Authorized Officer

APPENDIX D

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 2012

Approved by the
Sacramento County Board of Supervisors

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this appendix 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 Notes or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Notes, 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 Notes, "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 and www.dtc.org.

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 a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity 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.

NOTE PURCHASE AGREEMENT

_____

$_____

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2012-13 TAX AND REVENUE ANTICIPATION NOTES

_____

March __, 2013

Board of Education,
Sacramento City Unified School District
c/o Capitol Public Finance Group, LLC
_____
_____

Ladies and Gentlemen:

The undersigned (the "Purchaser") offers to enter into this Note Purchase Agreement (this "Purchase Agreement") with the Board of Education of the Sacramento City Unified School District (the "District"), acting through its Superintendent. The offer made hereby is subject to acceptance by the District by execution and delivery of this Purchase Agreement to the Purchaser 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 District. Upon acceptance of this offer by the District in accordance with the terms hereof, this Purchase Agreement will be binding upon the District and upon the Purchaser.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, covenants and agreements hereinafter set forth, the Purchaser hereby agrees to purchase from the District for offering to the public, and the District hereby agrees to sell to the Purchaser for such purpose, all (but not less than all) of the $_____ aggregate principal amount of the District's Sacramento City Unified School District 2012-13 Tax and Revenue Anticipation Notes (the "Notes") at a Purchase Price of $_____ (consisting of the principal amount of the Notes, plus an original issue [premium/discount] of $_____, less an underwriter's discount of $_____). The true interest cost for the Notes is ____%.

2. The Notes. The Notes shall be issued pursuant to Sections 53850 to 53858, both inclusive, of the Government Code of the State of California (herein called the "Government Code") (being Article 7.6 of Chapter 4 of Part 1 of Division 2 of Title 5 of said Code, and herein called the "Act"), and in accordance with Resolution No. ___ of the District, adopted by the Board of Education of the District on March 7, 2013 (the "Resolution"). The Notes shall conform in all respects to the terms and provisions set forth in the Resolution. The County Director of Finance has been appointed to act as Paying Agent with respect to the Notes pursuant to the Resolution.

A single maturity of Notes shall be issued, dated the date of Closing (as defined in Section 9 hereof), and the Notes shall mature on _____ 1, 20__, without possibility of prior redemption. The Notes shall bear interest at the rate of _____ percent (____%) per annum. The Notes shall otherwise be as described in the Official Statement of the District with respect to the Notes, dated March __, 2013 (the "Official Statement").

As security for the payment of the principal of and interest on the Notes, the District hereby covenants to deposit in trust for the registered owners of the Notes in a special fund designated as the "Sacramento City Unified School District 2012-13 Tax and Revenue Anticipation Note Repayment Fund" (the "Repayment Fund"):

(i) an amount equal to 50% of the principal amount of the Notes from the first Unrestricted Revenues to be received by the District during the month ending July 31, 2013; and

(ii) an amount equal to 50% of the principal amount of and interest on the Notes from the first Unrestricted Revenues to be received by the District during the month ending September 15, 2013.

A single certificate for the Notes will be prepared and delivered as described in Section 9 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 Purchaser for inspection at such place as may be mutually agreed to by the Purchaser and the District, not less than one business day prior to the Closing. The Purchaser shall order CUSIP identification numbers and the District shall cause such CUSIP identification numbers to be printed on the Notes, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Notes in accordance with the terms of this Purchase Agreement.

3. Offering. The Purchaser agrees to make a bona fide public offering of all the Notes. For purposes of permitting the District to determine the yield on the Notes, the Purchaser will provide the District with information regarding the price at which the Notes were reoffered to the public in form and substance as Bond Counsel shall require.

The District hereby ratifies, approves, and confirms the distribution of this Purchase Agreement, the Resolution, and the Preliminary Official Statement of the District, dated March __, 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 Notes by the Purchaser.

The Purchaser hereby represents that it has received and reviewed the Preliminary Official Statement, and 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 Official Statement to each customer who purchases any Notes during the underwriting period (as such term is defined in MSRB Rule G-11), and to deliver a copy of the Official Statement to the MSRB on or before the date of Closing, and otherwise to comply with all applicable statutes and regulations in connection with the offering and sale of the Notes, 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 Purchaser hereby agrees that prior to the time the final Official Statement is available, the Purchaser will send to any potential purchaser of the Notes, 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 electronically deliver to the Purchaser within seven business days from the date hereof, of the Official Statement of the District with respect to the Notes, signed on behalf of the District by an authorized officer thereof, dated as of the date hereof, substantially in the form of the Preliminary Official Statement with such changes thereto as shall be approved by the Purchaser, which approval shall not be unreasonably withheld, and with up to 100 copies (as the Purchaser shall request) to follow by mail as soon as is practical.

The District acknowledges and agrees that (i) the purchase and sale of the Notes pursuant to this Purchase Agreement is an arm's-length commercial transaction between the District and the Purchaser, (ii) in connection with such transaction the Purchaser has not assumed a fiduciary responsibility in favor of the District, and (iii) the District has consulted with its legal and other professional advisors to the extent they deemed appropriate in connection with the offering of the Notes.

4. Representations and Agreements of the District. The District represents to and agrees with the Purchaser 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 is duly authorized and has full legal right, power and authority to issue, sell and deliver the Notes, pursuant to the Resolution, and to provisions of the laws of the State of California.

(c) The District has full legal right, power and authority to enter into this Purchase Agreement, to adopt the Resolution, and to observe and perform the covenants and agreements of this Purchase Agreement and the Resolution required to be observed and performed by the District.

(d) The District 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 District set forth in the Resolution are true and correct; the District has duly authorized and approved the execution and delivery of, and the observance and performance by the District through its officers and agents of its covenants and agreements contained in the Notes and this Purchase Agreement required to have been observed or performed at or prior to the date of Closing; and the District has complied, and will at the Closing be in compliance in all respects, with the obligations in connection with the issuance of the Notes on its part contained in this Purchase Agreement, the Resolution, and the Notes.

(e) The District represents to the Purchaser that the Preliminary Official Statement was "deemed final" by the District as of the date thereof 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.

(f) The Preliminary Official Statement as of its date, and the Official Statement as of its date, and if supplemented or amended, as of the date of any such supplement or amendment, do not and 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 the light of the circumstances under which they were made, not misleading; in each case excluding therefrom any information contained therein relating to DTC or its book-entry only system, information relating to the reoffering of the Notes provided by the Underwriter, or information describing the County's investment policy, current portfolio holdings, and valuation procedures, as to all of which the District expresses no view.

Except as otherwise covenanted in the Continuing Disclosure Certificate of the District, the District disclaims any obligation after the date of Closing to update the Preliminary Official Statement and the Official Statement.

(g) The District will undertake, pursuant to the Resolution and a Continuing Disclosure Certificate, to provide 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 Purchaser with respect to the Notes, nor with any investment firm controlling, controlled by or under common control with the Purchaser.

(i) The District has received determination from the County superintendent of schools that the District's repayment of the Notes is probable pursuant to Education Code Section 42133.

(j) The District is fiscally accountable as defined in Education Code §42650.

(k) Between the date hereof and the Closing, the District will not modify or amend the Resolution without the prior written consent of the Purchaser.

5. Representations and Agreements of the Purchaser. The Purchaser represents to and agrees with the District that, as of the date hereof and as of the date of the Closing:

(a) The Purchaser is duly authorized to execute this Purchase Agreement and to take any action under this Purchase Agreement required to be taken by it.

(b) The Purchaser 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 Purchaser has, and has had, no financial advisory relationship with the District with respect to the Notes and no investment firm controlling, controlled by or under common control with the Purchaser has or has had any such financial advisory relationship.

(d) The Purchaser has reasonably determined that the District's undertaking pursuant to Sections 5(b) and 6(i) hereof to provide continuing disclosure with respect to the Notes is sufficient to effect compliance with Rule 15c2-12.

6. Conditions to Closing. At or before Closing, and contemporaneously with the acceptance of delivery of the Notes, and the payment of the purchase price thereof, the District will provide to the Purchaser:

(a) a certificate, signed by an official of the District, confirming to the Purchaser that, the Preliminary Official Statement as of its date, and the Official Statement as of its date, and as of the date of Closing, to the best of the knowledge of said official, do not contain any untrue statements 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, 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 Notes to rely

upon the Official Statement in connection with the resale of the Notes, excluding in each case any information contained in the Official Statement relating to DTC or its book-entry only system, information relating to the reoffering of the Notes provided by the Underwriter, and information contained therein describing the County's investment policy, current portfolio holdings, and valuation procedures;

(b) a certificate, signed by an official of the County, confirming to the Purchaser that the Preliminary Official Statement as of its date, and the Official Statement as of its date and at the time of Closing, 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 Treasurer), do not 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;

(c) a certificate or certificates, signed by appropriate officials of the District, confirming to the Purchaser that, as of the date of this Purchase Agreement and at the time of Closing, to the best of the knowledge of said official or officials, there is no litigation pending concerning the validity of the Notes, the corporate existence of the District, or the entitlement of the officers of the District who shall sign the Notes, or any other documents and certificates to be executed in connection with the delivery of the Notes, to their respective offices;

(d) a certificate or certificates, signed by an official of the District, confirming to the Purchaser that as of the date of Closing all of the representations of the District contained in this Purchase Agreement are true, and that the Resolution is in full force and effect and has not been amended, modified or rescinded;

(e) the Opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel with respect to the issuance of the Notes ("Bond Counsel"), addressed to the District, approving the validity of the Notes substantially in the form set forth as Appendix A to the Official Statement;

(f) the duly executed Tax Certificate of the District, dated the date of Closing, in form satisfactory to Bond Counsel;

(g) a letter from Standard & Poor's Rating Services to the effect that the Notes have been rated "[SP-1+]" (or such other equivalent rating as such rating agency may give), and that such rating has not been revoked or downgraded;

(h) the receipt of the County Treasurer confirming payment by the Purchaser of the purchase price of the Notes;

(i) the Continuing Disclosure Certificate of the District with respect to the Notes, in substantially the form attached to the Preliminary Official Statement, containing such covenants of the District as shall be necessary to facilitate compliance by the Purchaser with the requirements of Securities and Exchange Commission Rule 15c2-12; and

(k) a certificate, signed by an official of the County, confirming to the District, that the repayment of the Notes by the District is probable pursuant to Education Code Section 42133(a).

At or before Closing, and contemporaneously with the acceptance of delivery of the Notes and the payment of the purchase price thereof, the Purchaser will provide to the District:

(a) the receipt of the Purchaser, in form satisfactory to the District and signed by an authorized officer of the Purchaser, confirming delivery of the Notes to the Purchaser and the satisfaction of all conditions and terms of this agreement by the District and confirming to the District that as of the Closing Date all of the representations of the Purchaser contained in this Purchase Agreement are true and correct in all material respects; and

(b) the reoffering price certificate of the Purchaser in form satisfactory to Bond Counsel.

7. Termination. (a) By District . In the event of the District's failure to cause the Notes to be delivered at the Closing, or inability of the District to satisfy the conditions to the obligations of the Purchaser contained herein (unless waived by the Purchaser), or if the obligations of the Purchaser shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate.

(b) By Purchaser.

(1) Excused. The Purchaser may terminate this Purchase Agreement, without any liability therefor, by notification to the District if as of the date of Closing any of the following shall have had a material adverse effect on the marketability of the Notes, in the reasonable opinion of the Purchaser, upon consultation with the District:

(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 a decision shall have been rendered by a court of the United States, or the United States Tax Court, or legislation shall have been enacted by the State of California which eliminates the exemption from paying Federal or State of California personal income taxes on interest on the Notes;

(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 Notes to be registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the Resolution to be qualified under the Trust Indenture Act of 1939, as amended; or

(E) There shall have occurred any new outbreak or escalation of war or similar armed hostilities or other national or international calamity or crisis.

(F) Any rating of the Notes by a national rating agency shall have been withdrawn or downgraded.

(2) Unexcused. In the event the Purchaser shall fail (other than for a reason permitted by this Purchase Agreement) to pay for the Notes upon tender of the Notes at the Closing, the Purchaser shall have no right in or to the Notes.

8. Closing. At or before 9:00 a.m., California time, on April __, 2013, or at such other date and time as shall have been mutually agreed upon by the District and the Purchaser, the District will deliver or cause to be delivered to the Purchaser the Notes in book-entry form, together with the other documents described in Section 7 hereof to be delivered by the District; and the Purchaser will accept such delivery and pay the purchase price of the Notes as set forth in Paragraph 1 hereof in immediately available funds (e.g., by federal funds wire), and shall deliver to the District the other documents described in Section 7 hereof to be delivered by the Purchaser, as well as any other documents or certificates Bond Counsel shall reasonably require.

Payment for the delivery of the Notes as described herein shall be made 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 Purchaser. The Notes 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 District and the Purchaser. All other documents to be delivered in connection with the delivery of the Notes shall be delivered at the offices of Orrick, Herrington & Sutcliffe LLP, San Francisco, California. Such payment and delivery is herein called the "Closing."

9. Expenses. The District shall pay the expenses incident to the performance of its obligations hereunder from the proceeds of the Notes (or from any other source of available funds of the District) including, but not limited to: (i) the cost of the preparation and reproduction of the Resolution; (ii) the fees and disbursements of Bond Counsel; (iii) the fees and disbursements of the financial advisor to the District; (iv) the costs of the preparation, printing and delivery of the Notes; (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 Purchaser in accordance with this Purchase Agreement; (vi) initial rating fee of Standard & Poor's Rating Services; and (vii) fees and expenses of the Paying Agent for the Notes.

All costs and expenses incurred by the Purchaser as a result of or in connection with the purchase of the Notes and their public offering and distribution shall be borne by the Purchaser, 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 required to be paid to The Securities Industry and Financial Markets Association (SIFMA); (vi) MSRB fees; (vii) costs or fees of qualifying the Notes for offer and sale in various states chosen by the Purchaser and the costs or fees of preparing Blue Sky or legal investment memoranda to be used in connection therewith; and (viii) fees of any counsel to the Purchaser.

10. Notices. Any notice or other communication to be given under this Purchase Agreement (other than the acceptance hereof as specified in the introductory paragraph hereof) may be given by delivering the same in writing to the address of each party given below, or such other address as the District, County or the Purchaser may designate by notice to the other parties:

To the District:	Sacramento City Unified School District 5735 47th Street Sacramento, CA 95823 Attn: Patty A. Hagemeyer, Chief Business Officer
To the County:	Director of Finance County of Sacramento 700 H Street, Room 3650 Sacramento, CA 95814 Attn: Julie Valverde, Director of Finance
To the Purchaser:	[TBD] _____ _____ _____ Attn: _____

11. Governing Law. The validity, interpretation and performance of this Purchase Agreement shall be governed by the laws of the State of California.

12. Parties in Interest. This Purchase Agreement when accepted by the District in writing as heretofore specified shall constitute the entire agreement among the District and the Purchaser, and is solely for the benefit of the District and the Purchaser (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 Agreement of each of the parties hereto shall remain operative and in full force and effect, regardless of (a) delivery of and payment for the Notes hereunder, or (b) any termination of this Purchase Agreement.

13. Headings. The headings of the paragraphs of this Purchase Agreement are inserted for convenience of reference only and shall not be deemed to be a part hereof.

14. Effectiveness. This Purchase Agreement shall become effective upon the execution of the acceptance hereof by the District by the authorized officer thereof, and shall be valid and enforceable at the time of such acceptance.

15. Counterparts. This Purchase Agreement may be executed in several counterparts, which together shall constitute one and the same instrument.

Respectfully submitted,

[UNDERWRITER]

By: _____
Authorized Officer

Accepted: March __, 2013

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

Time: _____ p.m.

By: _____
Chief Business Officer

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
2012-13 TAX AND REVENUE ANTICIPATION NOTES
PAYING AGENT AGREEMENT

This Paying Agent Agreement (the "Agreement"), executed and entered into as of April 1, 2013, by and between the Sacramento City Unified School District (the "District") and the County of Sacramento (the "County");

W I T N E S S E T H:

WHEREAS, the District, by its Resolution No. _____ (the "Notes Resolution") adopted by the Board of Education of the District on March 7, 2013, has authorized the issuance of the District's 2012-13 Tax and Revenue Anticipation Notes (the "Notes) in an aggregate principal amount of $_____; and

WHEREAS, the County, by resolution adopted by the Board of Supervisors of the County on March 12, 2013, has appointed the Director of Finance of the County (the "Director of Finance") to act as paying agent, registrar and transfer agent for the Notes, and the Director of Finance desires to accept such appointment; and

WHEREAS, the Board of Supervisors of the County and the Board of Education of the District have each authorized the execution and delivery of this Agreement with respect to the Notes;

NOW THEREFORE, the District and the County agree as follows:

1. The Director of Finance will act as Paying Agent, Registrar and Transfer Agent (the "Paying Agent") with respect to the Notes pursuant to the Notes Resolution. The Director of Finance will maintain records as to the identity of the registered owners of all the Notes, and will effect transfers of registered ownership of Notes upon surrender of Notes to the Director of Finance accompanied by such instruments of transfer and other documents as she may require, and will cancel all Notes surrendered to her for transfer or payment and will dispose of such cancelled Notes at the written direction of the District, and (if the District notifies the Director of Finance of the loss, destruction or theft of any of the Notes) will place a stop transfer order against such Notes and will take instructions from the District with respect to the issuance of any replacement Notes; provided, that the Director of Finance may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, note, coupon or other paper or document reasonably believed by her to be genuine and to have been signed or presented by the proper party or parties.

2. The Director of Finance or an authorized deputy thereof will authenticate each Note certificate prior to the initial delivery thereof by executing the Certificate of Authentication printed thereon by a manual signature, authenticating the manual or facsimile signature of the authorized officers of the District pursuant to Section 7 of the Notes Resolution. The Director of Finance or an authorized deputy thereof will authenticate replacement Notes for Notes

exchanged, transferred, or mutilated, or otherwise in substitute for Note certificates at the times and under the conditions prescribed in the Notes Resolution.

3. The Director of Finance will prepare and deliver checks for the payment of the interest on and the principal of the Notes (or will provide payment by federal funds wire transfer as specified in the Notes Resolution) at the maturity of the Notes as required by the terms of the Notes Resolution and the Notes.

4. The Director of Finance shall, as *ex officio* Treasurer of the District, provide for the periodic set-aside of funds for payment of principal of and interest on the Notes, as required by the Notes Resolution and the Notes, from lawfully available funds on deposit in the General Fund of the District and held by the Director of Finance from funds legally available therefor. To the extent such set-aside funds are insufficient to pay the principal of and interest on the Notes when due, the District will cause to be transferred to the Director of Finance prior to the maturity date of the Notes sufficient funds to pay all interest and principal payable on the Notes due on such maturity date. Any money deposited with the Director of Finance for the payment of the interest on or principal of the Notes and remaining unclaimed for two years after such interest or principal shall have become due and payable shall be repaid to the District, and all liability of the Director of Finance with respect thereto shall thereupon cease.

5. Pursuant to the Notes Resolution, the Director of Finance shall create a Note Proceeds Fund and a Repayment Fund of the District within the General Fund of the District, and shall hold and invest moneys on deposit in such funds as the District shall direct pursuant to the Notes Resolution. The Director of Finance shall hold all moneys deposited in the Repayment Fund hereunder and under the Notes Resolution in trust for the benefit of the owners of the Notes. The Director of Finance shall have no duties with respect to the investment of any moneys deposited with her as Paying Agent hereunder, unless otherwise directed by the District. The Director of Finance shall not be required to pay interest on any uninvested funds held by the Director of Finance hereunder.

6. Notwithstanding Section 5 hereof, the Director of Finance shall continue in her duties with respect to funds of the District as the Director of Finance of the County and as *ex officio* Treasurer of the District.

7. The Director of Finance may consult with legal counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by her hereunder in good faith and in reliance thereon, and reasonable costs of such counsel will be reimbursed by the District, and the Director of Finance shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, note, coupon or other paper or document, but in her discretion may make such further inquiry or investigation into such facts or matters as she may see fit, and, if the Director of Finance shall determine to make such further inquiry or investigation, she shall be entitled to examine the books and records of the District, personally or by agent or attorney.

8. The District shall reimburse the Director of Finance for all actual costs incurred by her staff in connection with her appointment as Paying Agent hereunder and for all her

advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by her in the exercise and performance of her powers and duties hereunder, and, to the extent permitted by law, the District shall indemnify, defend and save the Director of Finance and her agents and employees harmless against losses, costs, expenses and liabilities, including fees and expenses of her attorneys, not arising from her own negligence or willful misconduct, which he may incur in the exercise and performance of her powers and duties hereunder.

9. This Agreement shall remain in effect until the payment of all of the Notes and all funds are disbursed or until this Agreement is amended or terminated; provided, that this Agreement may be terminated by written notice of either party to the other.

10. If, at any time, the Director of Finance shall submit its resignation as Paying Agent hereunder, or the County or Director of Finance shall determine to terminate this Agreement, then the Director of Finance shall, in her sole discretion, immediately appoint a successor paying agent to act as Paying Agent for the District with respect to the Notes; provided that, if an immediate successor cannot be found, then the replacement or resignation of the Director of Finance hereunder shall not take effect until such successor paying agent is able to assume the duties of Paying Agent under the Notes Resolution.

11. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto hereby execute this Paying Agent Agreement as of the date first above written.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____
Chief Business Officer

COUNTY OF SACRAMENTO

By _____
Director of Finance

APPROVED AS TO FORM:

By_____
County Counsel

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(SACRAMENTO COUNTY, CALIFORNIA)
2012-13 TAX AND REVENUE ANTICIPATION NOTES

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 the above-named notes (the "Notes"). The Notes are being issued pursuant to a resolution adopted by the Board of Education of the District on March 7, 2013 (the "Resolution"). 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 Notes and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, 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:

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

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

"Holders" shall mean either the registered owners of the Notes, or, if the Notes are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

"Listed Events" shall mean any of the events listed in Section 3(a) or 3(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 Underwriter" shall mean the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

"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. 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 Notes in a timely manner 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. Adverse tax opinions or 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 Notes, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 3(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Notes or other material events affecting the tax status of the Notes;

2. Modifications to rights of Note holders;

3. Optional, unscheduled or contingent Note calls;

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

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 trustee or the change of name of a trustee.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 3(b), the District shall determine if such event would be material under applicable federal securities laws.

(d) If the District learns of the occurrence of a Listed Event described in Section 3(a), or determines that knowledge of a Listed Event described in Section 3(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. 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 Notes pursuant to the Resolution.

SECTION 4. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 5. 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 Notes. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination in a filing with the MSRB.

SECTION 6. 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 7. 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) or 3(b), 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 Notes, 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 Notes, 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 Notes.

SECTION 8. 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 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 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 Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 9. 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 Notes 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 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: _____, 2013

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By _____
Authorized Officer

OFFICIAL NOTICE OF SALE

$_____*

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(County of Sacramento, State of California)
2012-13 Tax and Revenue Anticipation Notes

NOTICE IS HEREBY GIVEN that submitted bids via i-Deal/Parity will be received for the purchase of $_____* of the above-named notes (the "Notes") on behalf of the Board of Education of the Sacramento City Unified School District (the "District"), located in the County of Sacramento (the "County"), State of California, on

_____, _____, 2013,
at 9:30 A.M., California time

The Superintendent of the District, the Interim Chief Business Officer, or such other officer of the District designated for the purpose (each an "Authorized District Representative"), acting on behalf of and as authorized and directed by the Board of Education of the District, reserves the right to cancel or reschedule the sale of the Notes 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 Notes on said date (or such later date as is established as provided herein) at the time specified, bids will be received for the Notes 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, LLC, 1900 Point West Way, Suite 273, Sacramento, CA 95815 (telephone (916) 641-2734; fax (916) 921-2634). Failure of any bidder to receive such telephonic, telecopied or emailed notice shall not affect the legality of the sale.

TERMS OF THE NOTES

Important Note: **This notice will be submitted to i-Deal for posting at the Thompson Municipal Market Monitor TM3 website and in the Parity bid delivery system ("Parity"). In the event i-Deal's summary of the terms of sale of the Notes 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: This Notice governs only the terms of sale, bidding and closing procedures. The terms of issuance, principal and interest repayment, optional redemption, security, tax opinion, and all other information regarding the Notes and the District, are given in the Preliminary Official Statement which each bidder must have obtained and reviewed prior to bidding for the Notes. Copies of the Preliminary Official Statement relating to the Notes may be requested from the Financial Advisor to the District, Capitol Public Finance Group, LLC, by email to jsmall@capitolpfg.com, (telephone (916) 641-2734). The Notes are only offered by means of the Official Statement, and the District has not authorized the posting of any information or summary about the District or the security for the Notes by i-Deal or any other person.

* Preliminary, subject to adjustment.

Date and Maturity: A single maturity of Notes shall be issued, dated their date of delivery (anticipated to be on _____, 2013), and will mature one year less one day after their date of delivery (the "Maturity Date," tentatively _____, 2014), without possibility of prior redemption.

Interest Rate: The maximum interest rate bid for the Notes may not exceed __% per annum. Interest is payable only upon the maturity of the Notes. Bidders must specify the rate of interest which the Notes shall bear; provided, that:

(i) all bids must be for all Notes;

(ii) all Notes must bear the same rate of interest;

(iii) no Note shall bear more than one rate of interest;

(iv) each Note shall bear interest from the date of delivery to the stated Maturity Date at the interest rate specified in the bid;

(v) the interest rate specified must be in a multiple of 1/1,000 of 1%; and

(vi) interest on the Notes is payable at maturity, calculated on the basis of a 30-day month, 360-day year from the date of the Notes.

TERMS OF SALE

Best Bid: The Notes will be awarded to the best bid on the basis of the annually compounded lowest net interest cost ("[NIC/TIC]") of the proposal, as calculated by the Financial Advisor.

If two or more bidders offer bids at the same lowest [NIC/TIC], the best bid will be the first bid received in the determination of the District, whose determination is final; provided, however, that the District reserves the right to exercise his discretion and judgment in making the award and may award the Notes on a pro rata basis in such denominations as the District shall determine.

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 and as a condition to bidding on the Notes, 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 Notes, all members of the bidder's syndicate either participate in The Depository Trust Company, New York, New York ("DTC") or clear through or maintain a custodial relationship with an entity that participates in said depository.

(3) Capitol Public Finance Group, LLC, the District's Financial Advisor with respect to the Notes, is not a participant in this bidding syndicate or other similar account formed for the purpose of purchasing the Notes directly or indirectly from the District, nor is any parent company, subsidiary of, or entity controlled by or controlling Capitol Public Finance Group, LLC.

Minimum Bid: The District will not accept any bid for less than all of the Notes or for a purchase price of less than 100% of the principal amount of the Notes. The foregoing provision does not preclude

original issue discount or premium on the Notes so long as the bid is at least equal to 100% of the aggregate principal amount of the Notes.

Form of Bid: All bids must be unconditional. ***All bids shall be deemed to incorporate all of the terms of this Official Notice of Sale***.

Hand Delivery*:* Hand delivered bids will not be accepted. All bids must use the i-Deal/Parity bid system.

WARNINGS: The District assumes no responsibility for ensuring or verifying bidder compliance with Parity's procedures. The District 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 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 the District, and the District shall not be required to accept the time kept by Parity as the official time. In the event of a malfunction of the Parity system, all bids will be rejected and the Notes will be offered for competitive sale on a later date.

THE DISTRICT RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID, DELIVERED BY ANY MEANS, 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 District shall accept the bid representing the lowest [NIC/TIC], and each bidder agrees by submitting any bid to be bound by such best bid.

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

[Good Faith Deposit: No good faith deposit is required to bid on the notes, nor will a good faith deposit be required from the winning bidder.]

Right of Rejection: 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 Notes is cancelled or postponed, all sealed bids shall be returned unopened.

Prompt Award: The District will take action awarding the Notes 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 Notes through the facilities of DTC will be made to the successful bidder in New York, New York, as soon as the Notes can be prepared, which is estimated to be on _____, 2013. Payment for the Notes 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 Notes 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 Notes if the Notes are not executed and tendered for delivery within 60 days from the date of sale thereof.

CUSIP Numbers and Other Fees: It is expected that the successful bidder will apply for CUSIP identification numbers for the Notes, and furnish such numbers to Bond Counsel. It is anticipated that such CUSIP numbers will be printed on the Notes 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 Notes in accordance with the terms and conditions of its bid. All expenses in relation to the printing of CUSIP numbers on the Notes 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 DTC, 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 Notes.

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 Notes shall be charged any California Debt and Investment Advisory Commission fee payable with respect to the Notes.

Certification of Reoffering Prices: Upon notification of award of the bid, the successful bidder shall provide initial offering prices for each maturity of the Notes purchased. Prior to Closing, as a condition to delivery of the Notes, 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 Notes purchased 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 Notes purchased had actually been offered to the general public at such prices; (iii) the maximum initial bona fide offering prices at which at least 10% of each maturity of the Notes purchased was sold to the general public; and (iv) identification of any Bond maturity of which less than 10% was sold to the general public at its initial offering price.

Litigation: There is no litigation pending concerning the validity of the Notes, the corporate existence of the District or the entitlement to their respective offices of the officers of the District who will execute the Notes and other documents or certificates, or the power of the County of Sacramento to levy and collect taxes on behalf of the District for payment of, and to pay interest and principal on, the Notes, 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 Notes.

Legal Opinion: The legal opinion of Orrick, Herrington & Sutcliffe LLP approving the validity of the Notes, addressed to the District, will be furnished to the successful bidder upon delivery of the Notes. 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 Notes. *See* the discussion of Tax Matters in the Official Statement hereinafter referred to. In the event that prior to the delivery of the Notes 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, the successful bidder may, at its option, prior to the tender of the Notes by the District, be relieved of its obligation to purchase the Notes, 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 use of an official statement relating to the Notes. 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 40 copies of the final Official Statement within 7 business days of the award date.

Official Statement Certificate: The District will provide to the successful bidder for the Notes 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 Notes the Preliminary Official Statement did not, and at the time of delivery of the Notes, 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 Notes, and information regarding any municipal bond insurance policy with respect to the Notes 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 Notes to rely upon the Official Statement in connection with the resale of the Notes.

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 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.

Dated: _____, 2013.

/s/_____
Superintendent
Sacramento City Unified School District